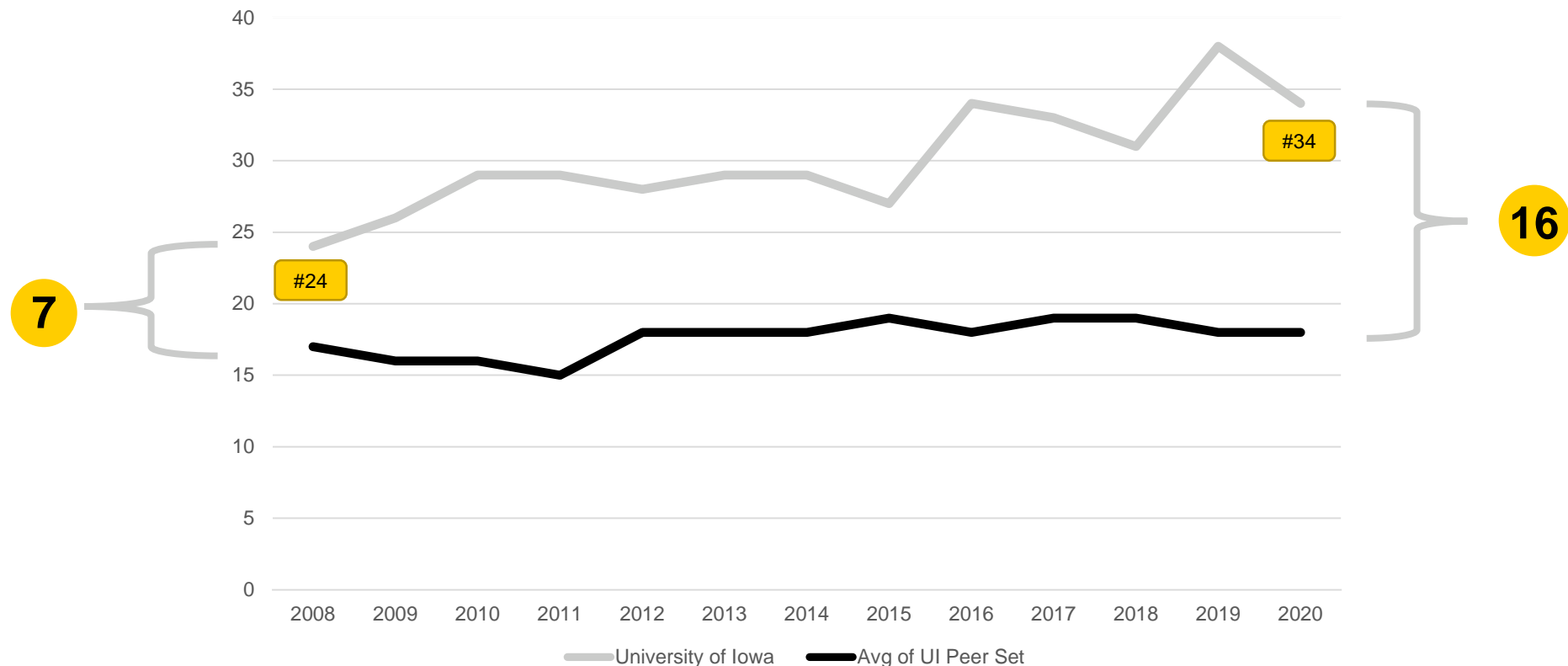

University of Iowa

**Public-Private Utility
Partnership (P3)**



UI has fallen in rankings – Not keeping up with peer institutions

U.S. News & World Report Rankings
(Public Institutions)



UI Ranking and Reputation

School	U.S. News Ranking – Public	U.S. News Ranking – Public/Private	Retention Rate	4 Year Grad Rate	AAU
UCLA	#1	#20	97%	74%	Yes
Michigan	#3	#25	97%	75%	Yes
UNC - Chapel Hill	#5	#29	97%	82%	Yes
Wisconsin - Madison	#13	#46	95%	57%	Yes
Illinois - Champaign Urbana	#14	#48	93%	71%	Yes
Texas - Austin	#14	#48	95%	52%	Yes
Ohio State	#17	#54	94%	59%	Yes
Minnesota - Twin Cities	#27	#70	93%	59%	Yes
Indiana	#31	#79	91%	60%	Yes
Iowa	#34	#84	86%	51%	Yes
Arizona	#53	#117	81%	43%	Yes
Average	18	54	93%	63%	
UI vs Average (2020)	16	30	-7%	-12%	
UI vs Average (2019)	20	34	-7%	-12%	

University of Iowa Strategic Plan

Improving Outcomes for Students and Iowans

✓ Students

- ✓ Increase retention rate
- ✓ Increase graduation rate
- ✓ Increase experiential opportunities

✓ Faculty

- ✓ Increase peer-reviewed research
- ✓ Increase citations
- ✓ Increase awards and National Academy Membership

✓ Iowans

- ✓ Increase access to quality health care
- ✓ Stimulate Iowa's economic growth by:
 - ✓ Commercializing university technology
 - ✓ Increasing the workforce through increased graduation rates



The Why? = Meeting Strategic Needs

University of Iowa Strategic Plan - Funding

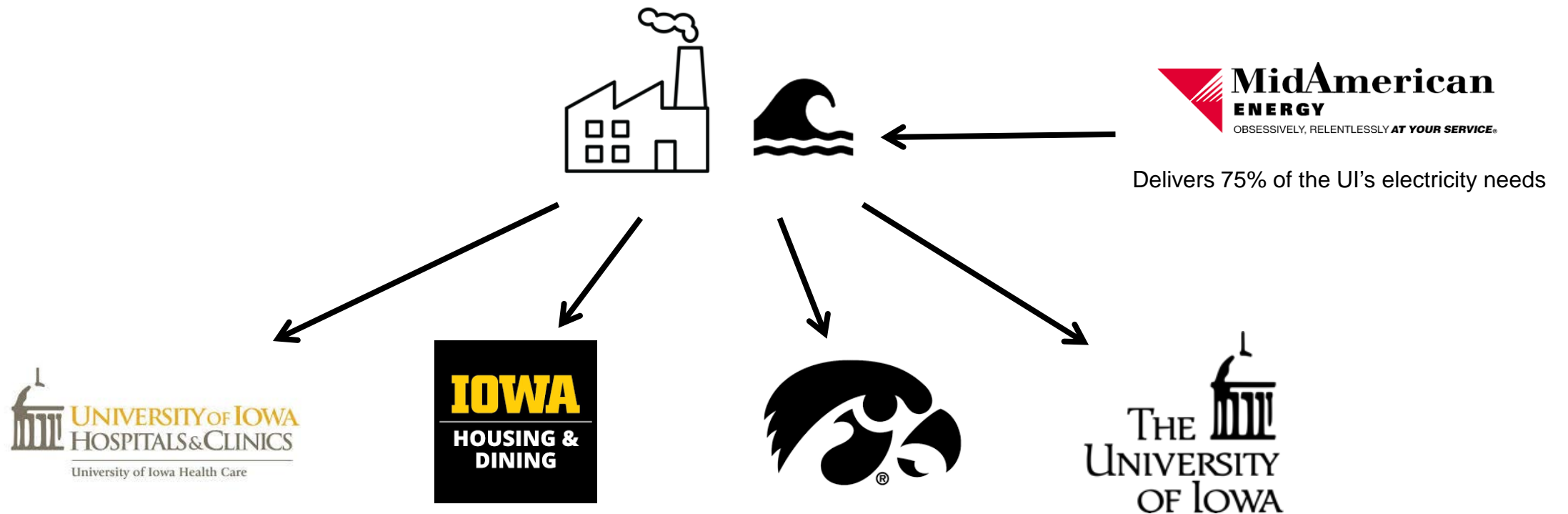
Improving Outcomes for Students and Iowans

- ✓ **Full implementation of the University of Iowa's Strategic Plan will require additional resources**
- ✓ **Total resources needed each year = \$33M/year**
 - ✓ Shared responsibility between the university, state, and students/families
 - ✓ UI will generate through realignment, savings, and other activities
 - ✓ **\$11M per year**
 - ✓ UI projects a portion of the strategic plan will be funded by resident and nonresident undergraduate, graduate, and professional students or an increase in appropriations above FY20 support
 - ✓ **~ \$7M (% increases vary)**
 - ✓ UI will explore maximizing utilization of existing resources through a P3 relationship
 - ✓ **~ \$15M per year through P3 Utility Endowment**



University of Iowa – Current Utility System Structure

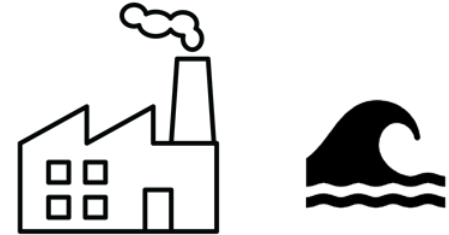
UI plant produces steam for heating and cooling and 25% of the electricity needed for campus (UIHC/Residence Halls/Athletics/Main Campus) and UI water treatment plant produces potable water for campus needs



University of Iowa – Current Utility System Structure

Each Campus Unit Pays for its Share of Utility Consumption

Each segment of the UI pays for its consumption of steam, cooling, water, and electricity



**Total Budget
~ \$98 million**

**~ \$41 million
Fuel/Electricity/
Purchased
Services**

**~ \$23 million
Operation &
Maintenance**

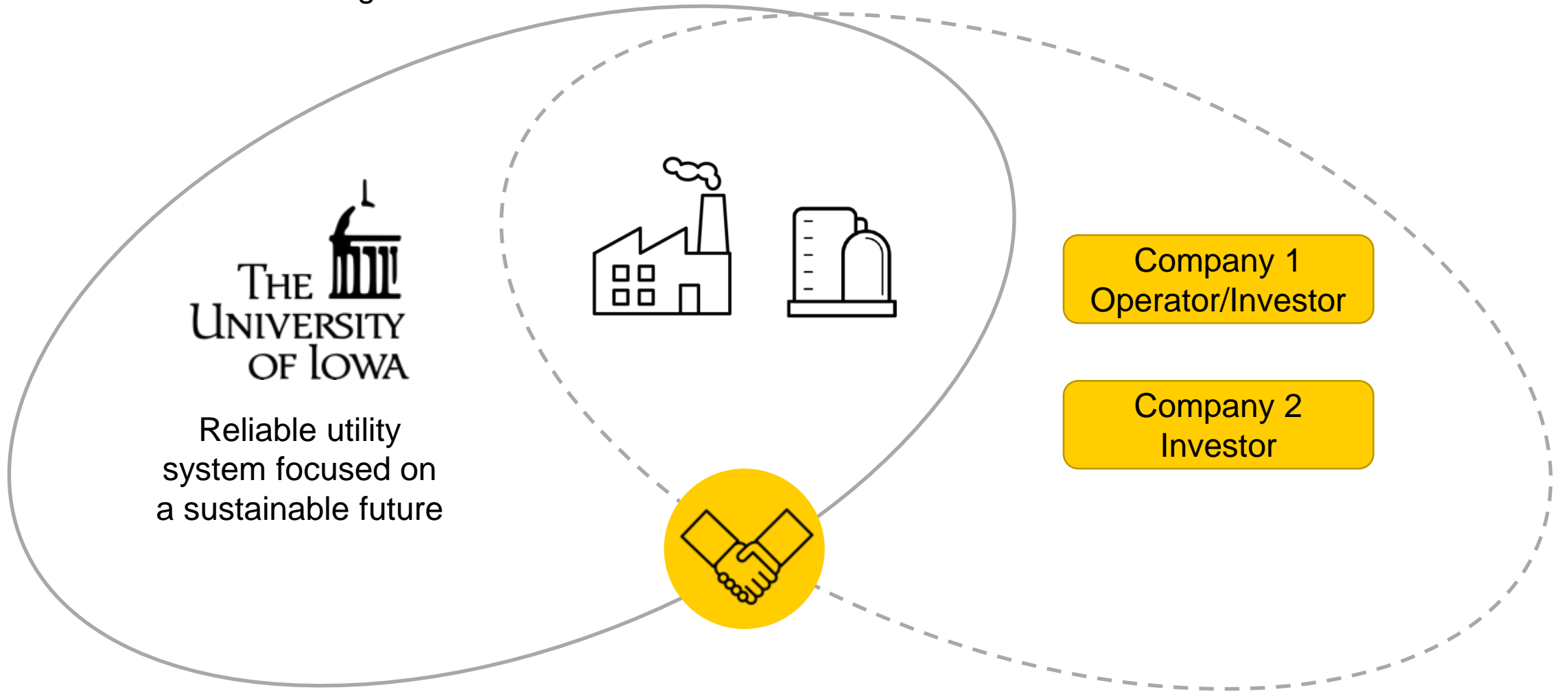
**~ \$34 million
Debt/Capital
Expenditures**

University of Iowa – Utilities P3

Solid Line = Ownership

Dotted Line = Lease/Service agreement

New Relationship




University of Iowa – Utilities P3

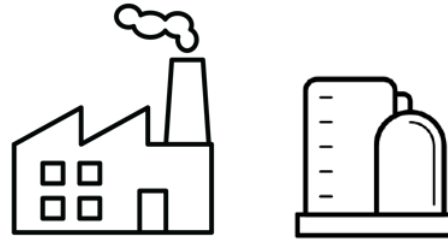
Value Proposition

University of Iowa

- ✓ Upfront resources to further investment in the quality of education and research for Iowans


THE UNIVERSITY OF IOWA
Reliable utility system focused on a sustainable future

New Relationship



Company 1
Operator/Investor

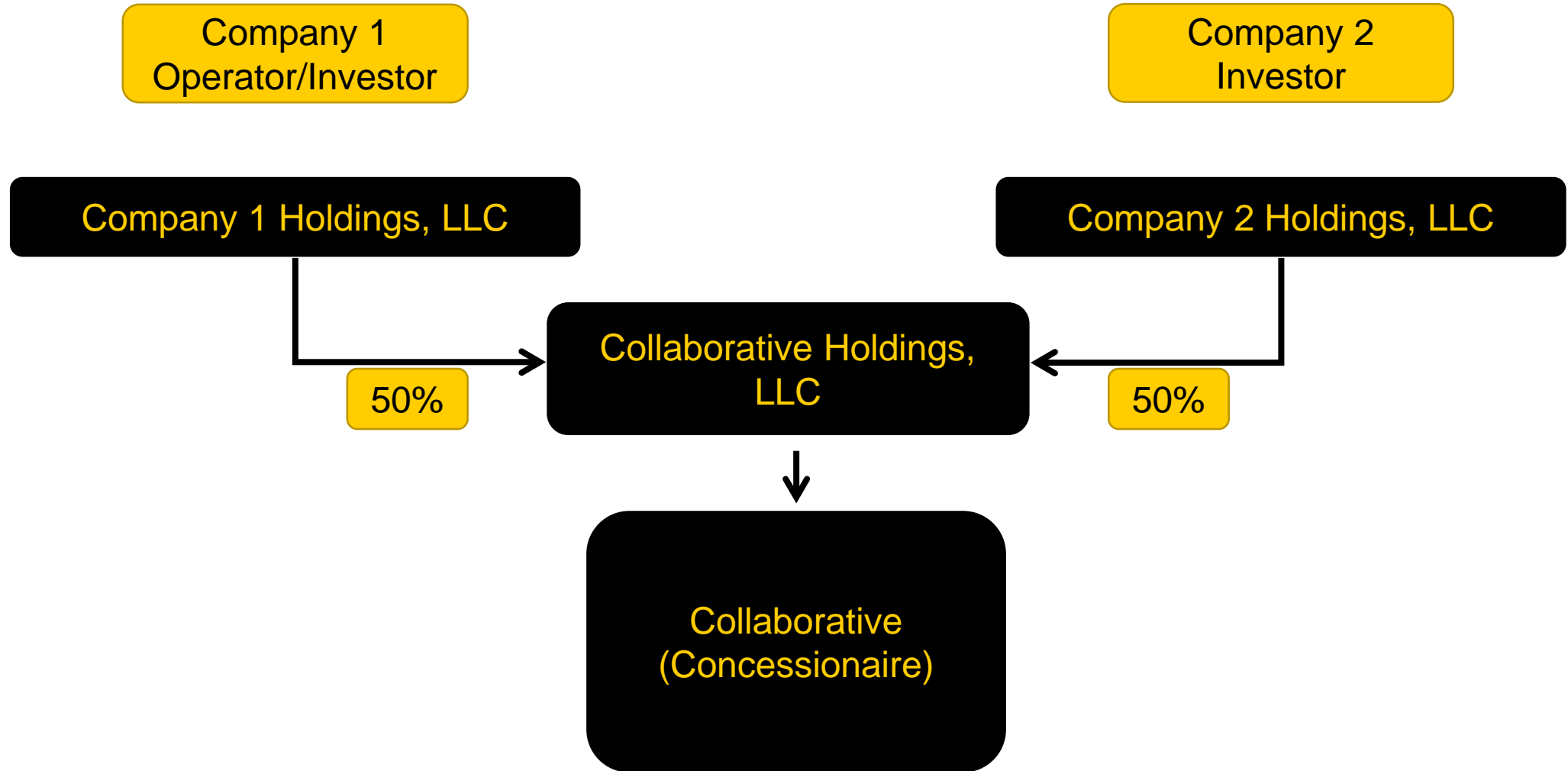
Company 2
Investor

Value Proposition

Operator/Investor

- ✓ Steady long-term payment to Operator/Investor for 50 years (duration of the lease)
- ✓ Federal tax benefits

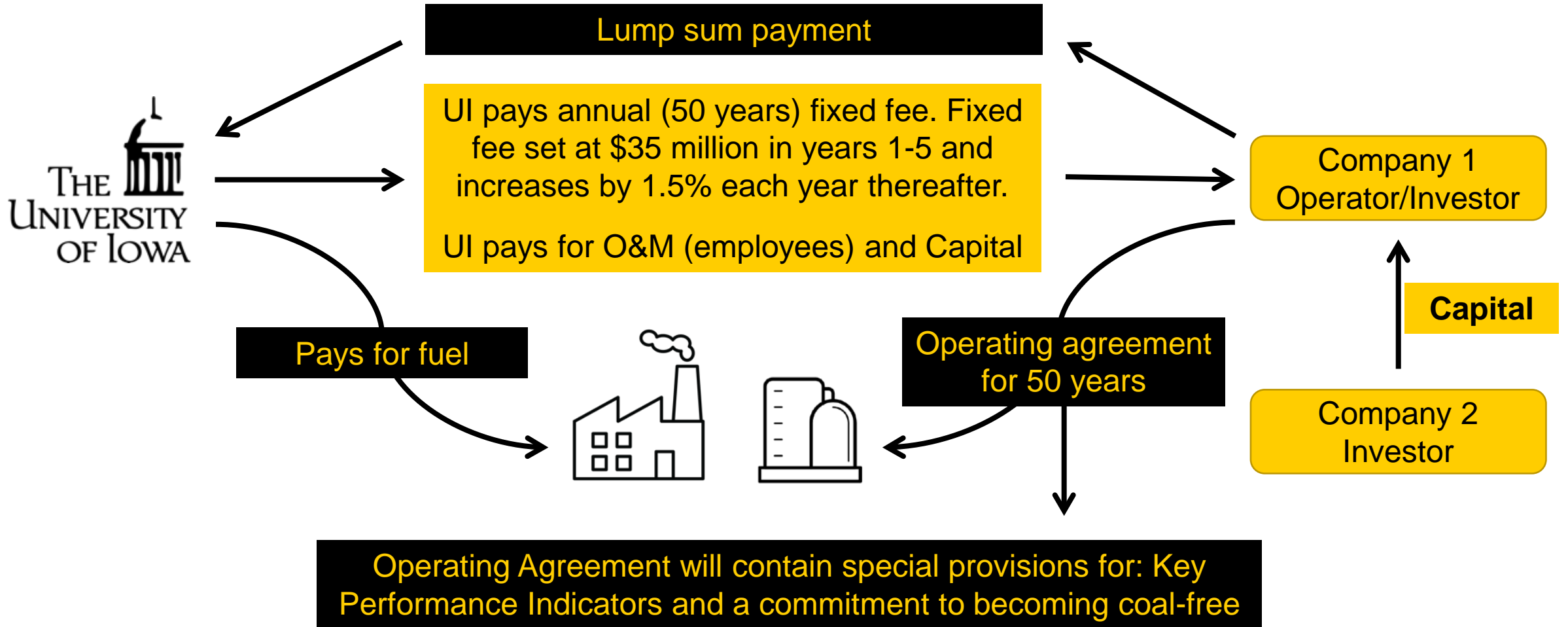
University of Iowa – Utilities P3



This partnership.....

- is **not** a sale of university assets
- is **not** a strategy to eliminate jobs
- is **not** forgoing the UI's environmental responsibility
- is **not** forgoing the UI's research opportunities on alternative fuels
- is **not** a replacement for state appropriations

The Agreement



University of Iowa – Utilities P3

Next Steps

Step 1

Company 1
Operator/Investor

Company 2
Investor



Lump sum payment



Step 2



UI pays off existing utility bonds ~ \$153M



Bond Holders



UI pays off consulting fees ~ \$13M



Consultants

Step 3



Establish 501c3 and invest the net proceeds



Goal is to provide the UI \$15M annually to support strategic plan implementation and to subsidize utility expenses to keep within historical trends.



501c3

Utility Fee Composed of Three Parts:

→ Fixed Fee

→ Operations and Maintenance Costs

- Employee salary and benefit costs
- Materials and other contracts

→ Capital Expenditures

- Principal repaid over 20 years
- Interest assessed on unrecovered capital expenditures; rate repriced every 5 years

FY22 Concessionaire Payment

→ Fixed Fee:	\$35.0 million
→ O&M Fee:	\$21.4 million
→ Capital Expenditure:	<u>\$ 3.8 million</u>
TOTAL	\$60.2 million



FY22 University Utility System Costs*

→ Fuel/Electricity:	\$33.83 million
→ Sewer/Fire/Refuse:	\$ 5.47 million
→ Energy Control Center/ Environ Compliance:	\$ 4.56 million
→ Insurance/Audit Costs:	<u>\$ 2.01 million</u>
TOTAL	\$45.9 million



*Current University of Iowa utility costs

FY22 University Summary*

Campus Billing (revenue)	\$99.5 million
(-) Concessionaire Costs	\$60.3 million
(-) University Utility Costs	<u>\$45.9 million</u>
(=) Subsidy need from Endowment	\$6.7 million

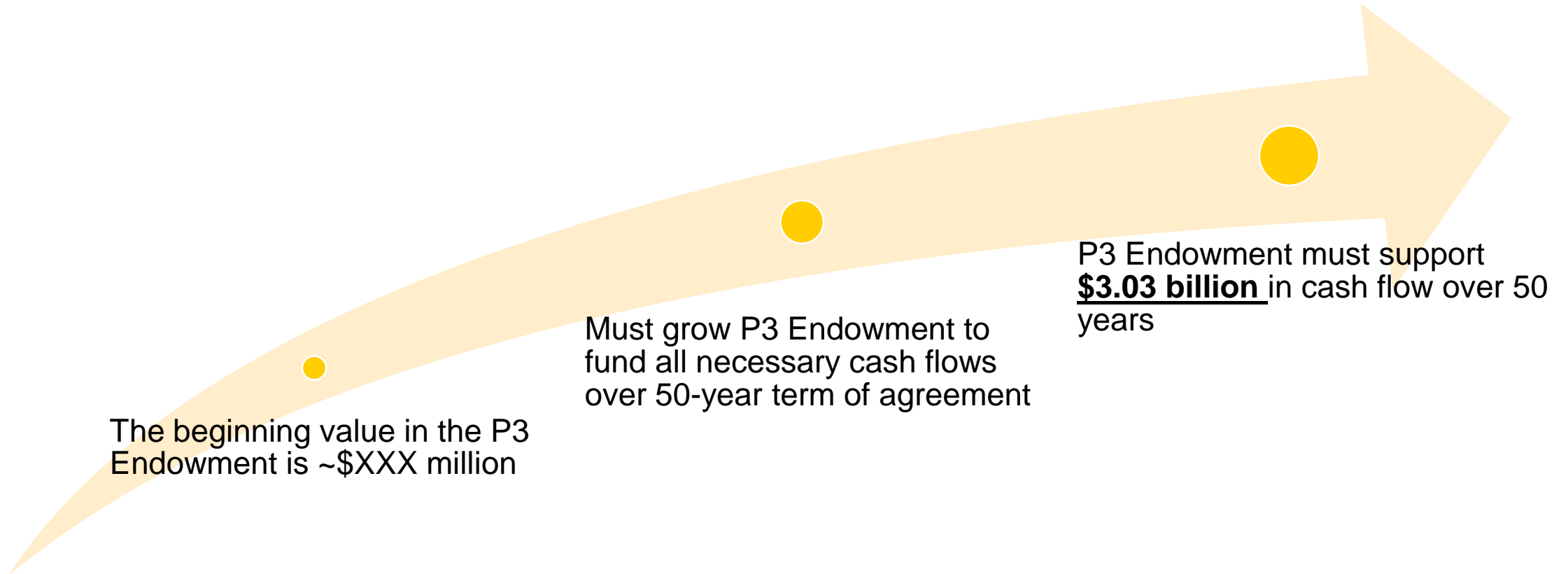
(-) Subsidy from Endowment	\$6.7 million
(-) Strategic Initiatives*	<u>\$15.0 million</u>
(=) FY 22 Funding from Endowment	\$21.7 million

*1st full-year expending funds for strategic initiatives

University Perspective Including Utility Subsidy from P3 Endowment

	<u>FY21</u>	<u>FY22</u>	<u>FY26</u>	<u>FY69</u>	<u>Average</u>	<u>Total</u>
Amount Billed to Campus	\$ 97.5	\$ 99.5	\$ 107.6	\$ 252.2	\$ 163.3	\$ 8,166.2
Less: Univ. Utility Costs	\$ 45.2	\$ 45.9	\$ 48.5	\$ 112.2	\$ 73.1	\$ 3,656.9
Subtotal	\$ 52.3	\$ 53.6	\$ 59.1	\$ 140.1	\$ 90.2	\$ 4,509.4
Less: Payments to Concessionaire for Operating and Capital Costs						
Operations & Maintenance (O&M)	\$ 21.1	\$ 21.4	\$ 23.3	\$ 54.5	\$ 35.3	\$ 1,764.0
Capital Expenditure Repayment	\$ 0.3	\$ 1.4	\$ 5.7	\$ 109.0	\$ 31.4	\$ 1,567.6
Capital Expenditure Interest	\$ 0.5	\$ 2.4	\$ 8.6	\$ 18.3	\$ 21.0	\$ 1,051.9
Contribution Toward Concession Fixed Fee	\$ 30.4	\$ 28.4	\$ 22.5	\$ (41.7)	\$ 2.5	\$ 125.9
Less: Fixed Fee Payment	\$ 35.0	\$ 35.0	\$ 35.5	\$ 67.4	\$ 48.4	\$ 2,418.2
Utility Subsidy From P3 Endowment	\$ (4.6)	\$ (6.7)	\$ (13.9)	\$ (109.1)	\$ (45.9)	\$ (2,292.3)
Strategic Funding	\$ (7.5)	\$ (15.0)	\$ (15.0)	\$ (15.0)	\$ (14.7)	\$ (735.0)
Total Distribution from P3 Endowment	\$ (12.1)	\$ (21.7)	\$ (28.9)	\$ (124.1)	\$ (52.6)	\$ (3,027.3)

The Challenge: Maintaining Discipline



Public-Private Partnership (P3)

✓ P3 501c3 Board:

- ✓ The P3 501c3 will be managed by a three-member board:
 - ✓ Board of Regents appointee
 - ✓ UI Faculty Senate faculty appointee
 - ✓ UI's Senior VP for Finance and Operations
- ✓ Board will:
 - ✓ Meet quarterly to review the operation of the fund
 - ✓ Hire investment advisors and fund managers
 - ✓ Determine yearly allocation to the UI

Public-Private Partnership (P3)

✓ P3 Resource Allocation:

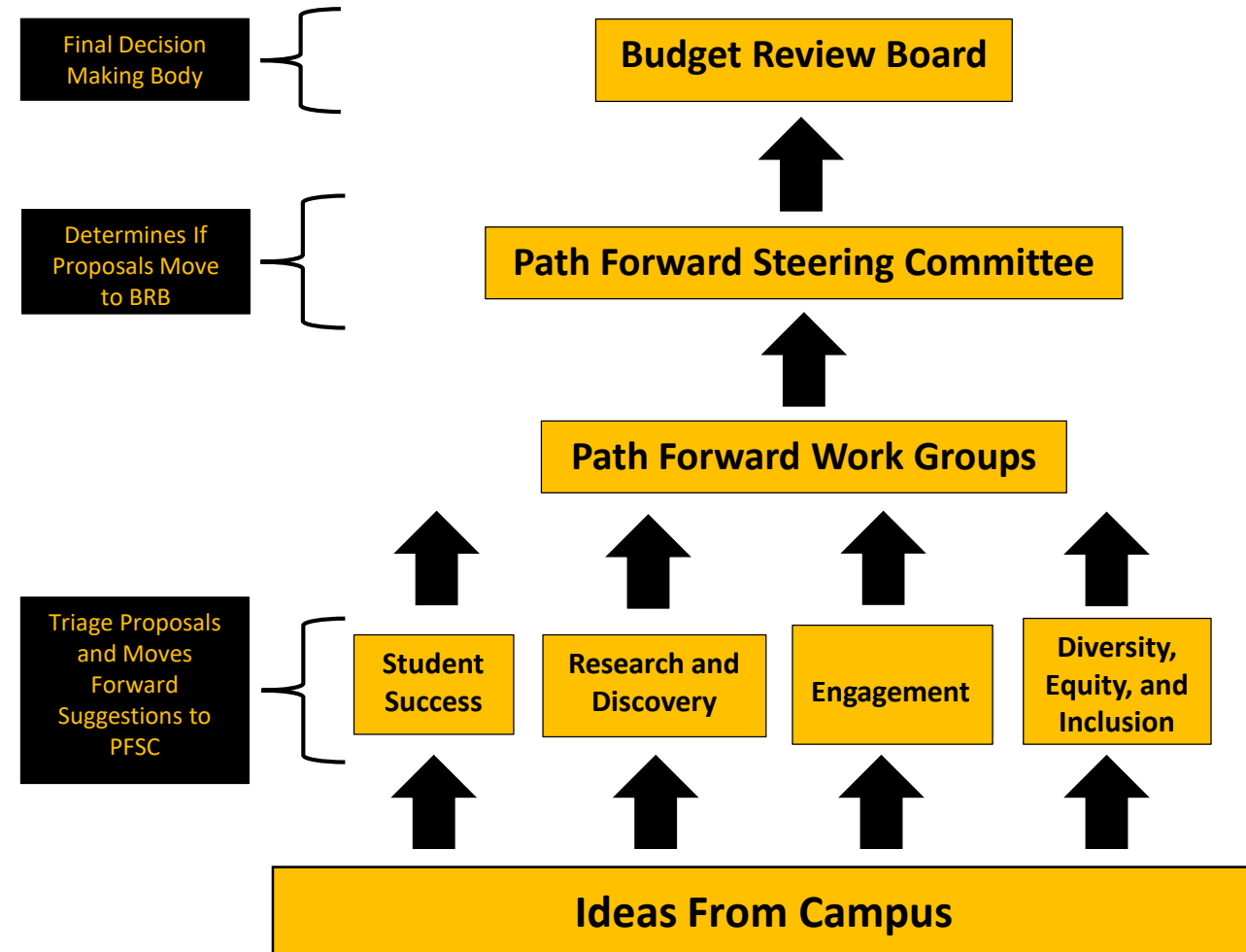
- ✓ Members of campus will be able to submit a proposal for **one-time grants** that may last up to 1 to 5 years
- ✓ These grants will implement strategies in support of the UI's Strategic Plan. For example, grants will:
 - ✓ Increase retention and graduation rates
 - ✓ Provide additional support for first-generation students
 - ✓ Improve students' time to degree (reduce student debt)
 - ✓ Create additional undergraduate research opportunities
 - ✓ Increase outreach and engagement across the state
 - ✓ Invest in research facilities and grant applications

P3 – Resource Allocation

P3 Resource Allocation - Proposal

Transparent Grant Process

- ✓ **Ideas from campus**
 - ✓ Anyone can submit a proposal
 - ✓ Up to 5-year grant
 - ✓ Must impact the strategic plan
- ✓ **Path Forward Work Groups**
 - ✓ Group of experts
 - ✓ Will triage first round of requests
- ✓ **Path Forward Steering Committee**
 - ✓ Shared governance and administration
 - ✓ Will determine what requests move on to budget review board for final review
- ✓ **Budget Review Board**
 - ✓ Shared governance, academic leadership, and administration
 - ✓ Will make final decision regarding requests



What does success look like?

- ✓ **Implementation of the UI's strategic plan which will:**
 - ✓ Keep students in school
 - ✓ Graduate in 4 years to decrease potential debt
 - ✓ Increase peer-reviewed research
 - ✓ Increase citations
 - ✓ Increase awards and National Academy Membership
 - ✓ Increase access to quality health care
 - ✓ Stimulate Iowa's economic growth by:
 - ✓ Commercializing university technology
 - ✓ Increasing the workforce through increased graduation rates
- ✓ World class utility system
- ✓ Protecting choices for future UI leadership
- ✓ Coal-free by 2025, if not earlier
- ✓ Seamless transition of staff and operational responsibility
- ✓ New student learning experiences in energy management
- ✓ New sustainability research opportunities

QUESTIONS?

