

Board Meeting
April 11, 2006

Revised April 10, 2006

ACADEMIC FACILITIES MAINTENANCE FUND ASSESSMENT,
ACADEMIC YEAR 2007

Action: Approval of the New Academic Facilities Maintenance Fund Assessment for Academic Year 2007

Funding: Establishes a New Funding Source

The University of Illinois maintains approximately 300 academic buildings on the Chicago, Springfield, and Urbana campuses. The current replacement value of these facilities is estimated to be about \$4.4 billion. In Fiscal Year 2004 University staff with the assistance of Vanderweil Facility Advisors (Boston, MA), completed an extensive Facilities Condition Audit that identified \$617.0 million in University-wide deferred maintenance deficiencies associated with these academic buildings.

Generally accepted facilities standards suggest that an acceptable level of deferred maintenance deficiencies equals 10 percent of the building replacement costs. The Space Realignment, Renewal and Replacement (SR3) methodology shows that deferred maintenance expenses accumulate as buildings age at an annual rate of 0.75 percent of their replacement cost. Data published by the Engineering News Record indicates that repair costs have increased about five percent per year since FY 2004. Consequently, the FY 2007 deferred maintenance backlog for academic facilities, viz. the amount in excess of the 10 percent acceptable level, is estimated to be about

\$320.0 million. This estimate takes into account the modest University-wide deferred maintenance expenditures that were made in FY 2004 through 2006.

It will require several years to fully address the deferred maintenance backlog during which time repair costs will increase because of inflation. Between FY 2007 and FY 2016 the University of Illinois must spend about \$800.0 million to address the accumulation of new maintenance costs as buildings age (~\$400.0 million) and to eliminate the current backlog of deficiencies (~\$400.0 million). Following extensive discussions with the Chancellors at each campus, the Vice President for Academic Affairs, and the Vice President for Administration, the President directed the vice presidents to develop a financial plan for solving the deferred maintenance problem permanently and for eliminating the backlog within 10 years. The financial plan has two components. The first component includes allocating existing University resources (\$30.0 million in FY 2007) as well as new Capital Renewal funding from the State (\$10.0 million requested in FY 2007) for deferred maintenance expenditures. These expenditures will increase each year by a percentage equal to the inflation rate for building repair and replacement costs.

The second component of the financial plan is an Academic Facilities Maintenance Fund Assessment (AFMFA) to be paid by both undergraduate and graduate/professional students to address the deferred maintenance backlog in academic facilities. All new undergraduate and graduate/professional students will pay the AFMFA in FY 2007, which will be \$250 per semester for full-time students enrolled for at least ~~15~~ 12 credit hours at the Chicago and Urbana campuses and \$8.33 per credit hour for students enrolled at the Springfield campus. For less than full-time enrollment at

Chicago and Urbana, the AFMFA will be ~~based on enrolled credit hours (\$16.67/credit hour in FY 2007)~~ pro-rated according to current tuition range calculations. The AFMFA will be phased-in over four years so that in FY 2010 all students will pay the assessment. The AFMFA will increase each year by a percentage equal to the inflation rate for building repair and replacement costs as determined by authoritative external sources such as the Engineering News Record and the Capital Development Board. In FY 2008 undergraduate and graduate/professional students, who have been enrolled more than four years, will also begin paying the assessment. This group includes all undergraduates who will be paying the non-guaranteed tuition rates in FY 2008.

Funding for the \$800.0 million ten-year deferred maintenance program is as follows: State of Illinois Capital Renewal funds--15 percent, University of Illinois internal funding from various sources--50 percent, and students and their families from the AFMFA--35 percent. Because the AFMFA is being phased-in over four years, it will be necessary to pay for some of the required maintenance expenditures by borrowing funds, especially during the first several years of the program. Total borrowing during the ten-year period will be approximately \$100.0 million. The Board of Trustees has already approved the first phase of this “jump start” effort, and the financing team has been assembled. Approval of the specific funding mechanism is expected to come to the Board in May. In FY 2017, provided the expected State of Illinois Capital Renewal funding is secured for the entire program, the AFMFA may be eliminated because the deferred maintenance backlog will have been eliminated and other funding sources will be sufficient to address new maintenance costs and debt service in FY 2017 and beyond.

The board action recommended in this item complies in all material respects with applicable State and federal laws, University of Illinois *Statutes, The General Rules Concerning University Organization and Procedure* and Board of Trustees policies and directives.

The Chancellors, Vice President for Academic Affairs, and Vice President for Administration recommend approval.

The President of the University concurs.