



# Financial Report

Prepared for presentation to the Board of Trustees

July 19, 2018

**1. FY19 State Appropriations**

**2. Long Term Capital Plan Preview**

# A Timely State Budget Reduces Uncertainty

# State Appropriation of \$594.6 Million

- ❑ Increase of \$11.6M or 2%
- ❑ \$58.9M for designated purposes;
- ❑ \$535.7M for general funds
- ❑ \$538.0M from EAF; \$56.6M from GRF
- ❑ Other state funds of \$5.8M

- Level MAP Funding of \$401M
- New “Aim High” scholarship program (\$25M)

# Capital Appropriation

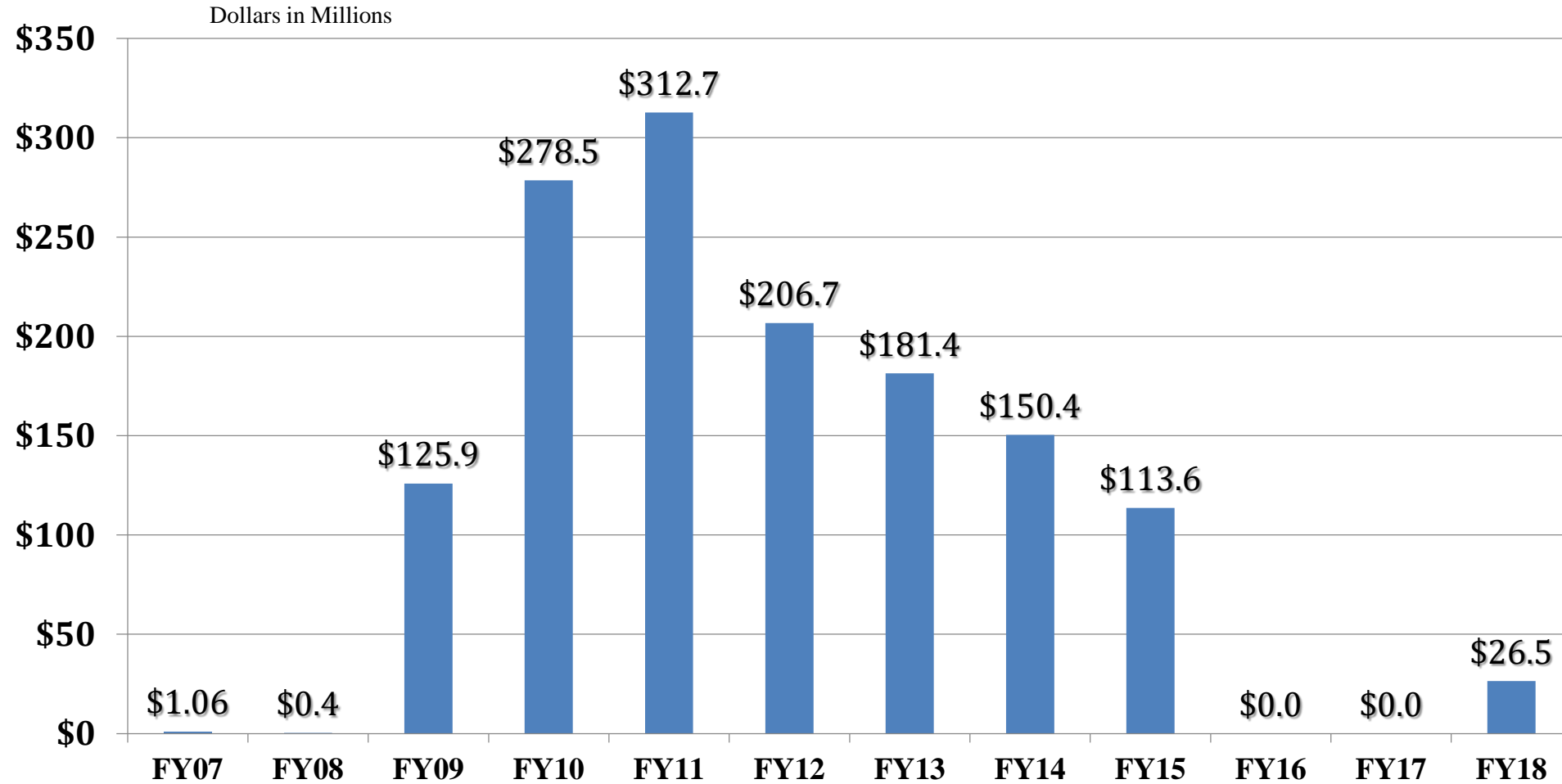
- \$116M of Capital Reappropriated from FY2010
  - UIC Chemical Technology Building (\$68.0M)
  - UIC Dentistry Building (\$16.6M)
  - UIUC Bio-Processing Lab (\$11.8M)
  - UIS Public Safety Building (\$5.5M)
- \$29m Capital Renewal Funds (U of I)
- \$75M for higher education deferred maintenance
- Funds Allocated to CDB; contingent on bond financing

- ❑ \$500M capital appropriation for IIN/DPI
- ❑ Allocated to DCEO; Bond financing

- ❑ Governor's pension cost shift proposal not enacted
- ❑ New 3% rule for calculating SURS obligation



# Year End State Receivable



# Long-Term (10 year) Capital Plan Physical Facilities





**We shape our buildings  
Thereafter they shape us**



# Four Questions?

What is the total need?

What are the priorities?

How much can we invest?

How would we fund?

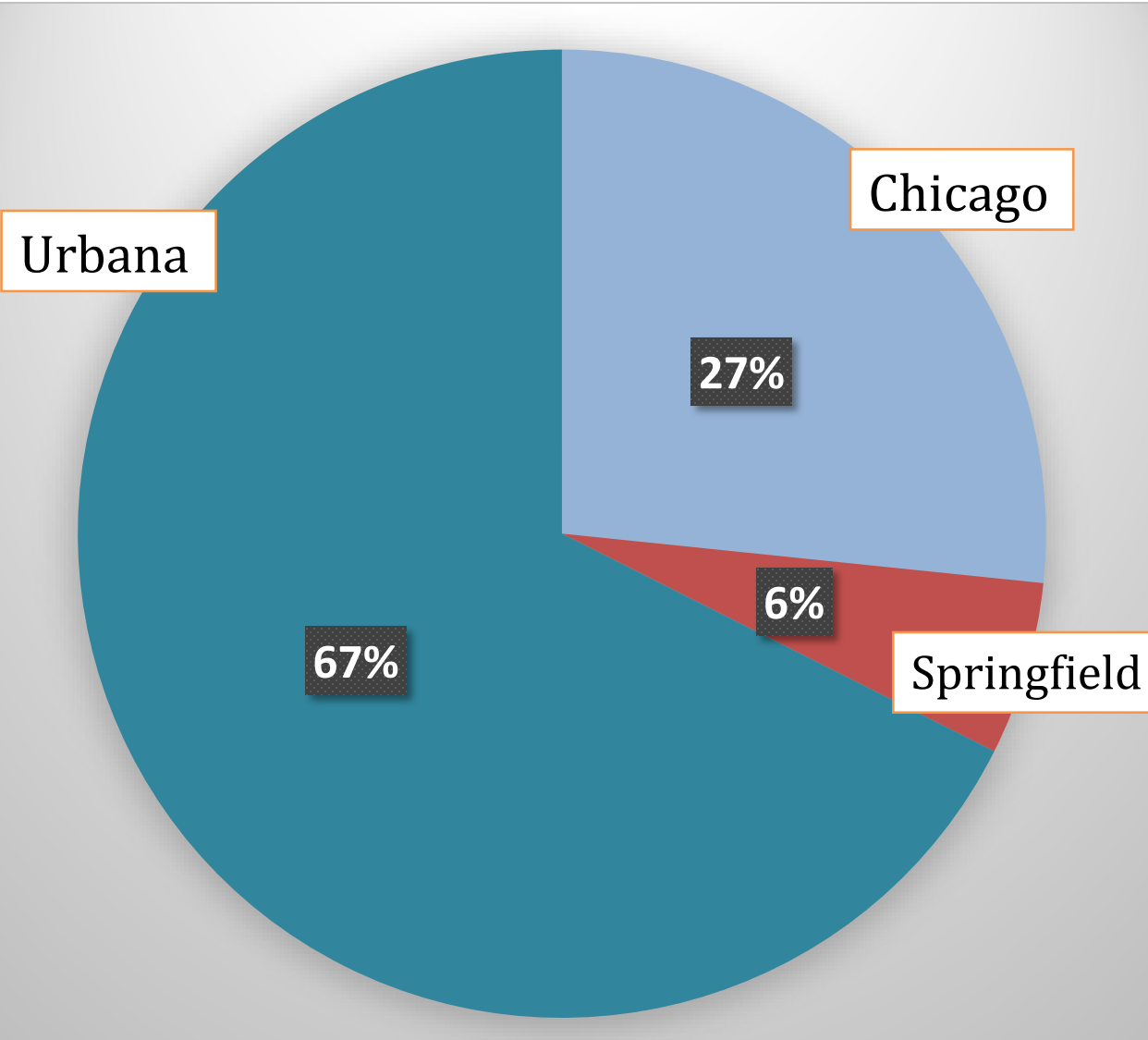


- Each university performed a needs analysis and compiled a list of projects
- Projects categorized by priority
- Includes academic, auxiliary, administrative and athletic facilities (physical infrastructure only)

**Identified 510 projects**

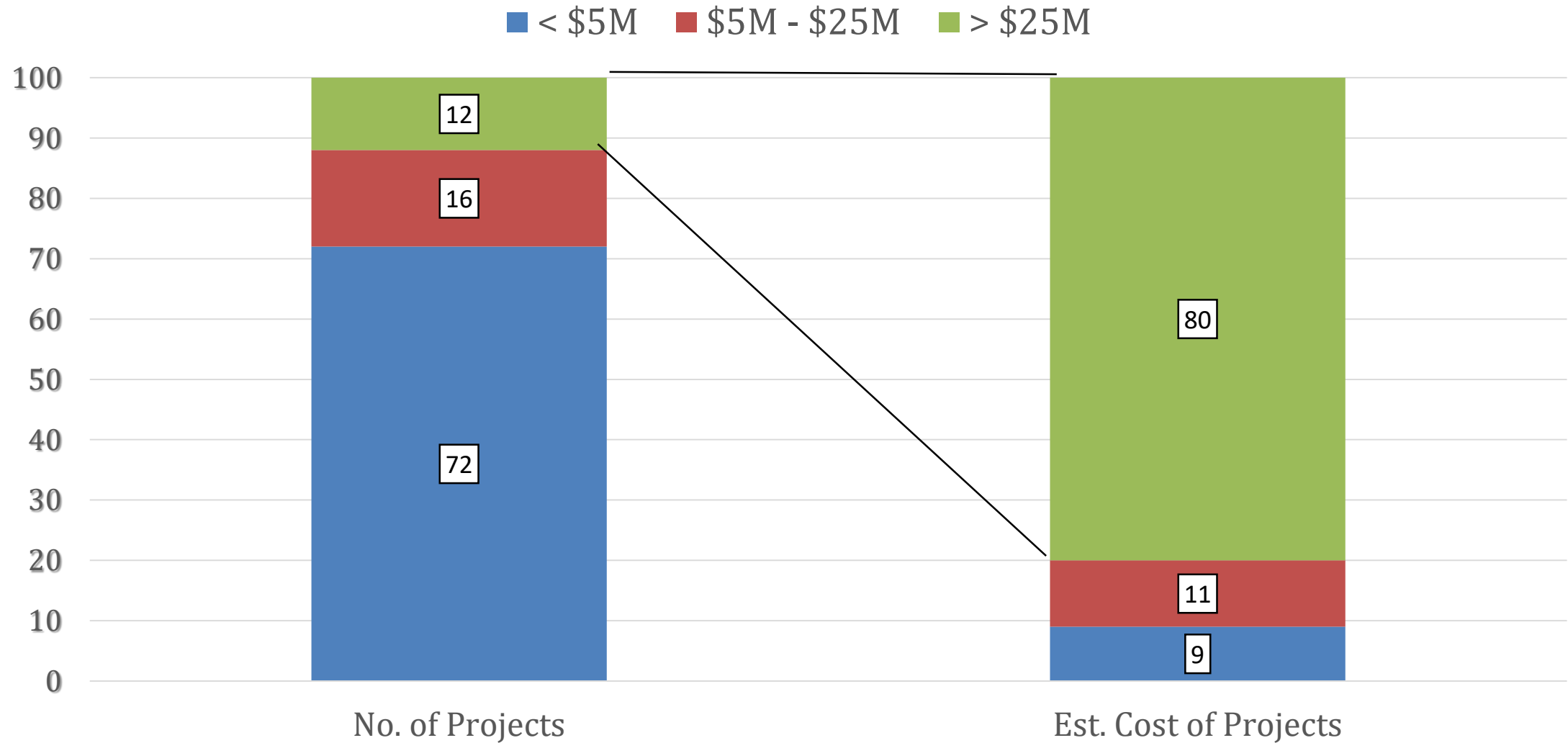
**Estimated cost of nearly \$6 billion**

# Need By Location



	No. Of Projects	Estimated Cost
Chicago	159	\$1,587M
Springfield	84	\$345M
Urbana	267	\$4,027M
<b>TOTAL</b>	<b>510</b>	<b>\$5,959M</b>

# Major Projects (> \$25M) Account For 80% of Cost





**332 Priority Projects**

**\$3.2 Billion Estimated Cost**

**71 Projects Greater than \$5 Million (\$2.42B)**

# Purpose of Priority Projects

Academic 68.5%

Auxiliary 23.4%

Health 4.2%

Athletic 3.2%

Administrative 0.7%

# Type of Projects

New Building 52.1%

Renovation 24.4%

Remodel/Addition 12.8%

Deferred Maintenance 10.6%



# Over \$1 Billion of Projects Currently Underway



# Currently Active Projects

	Chicago	Springfield	Urbana	Total
Planning/ Design	\$51.9M	\$2.5M	\$231.5M	\$285.9M
Under Construction	329.3	2.7	528.6	860.6
Total	\$381.2	\$5.2	\$760.1	\$1,146.5

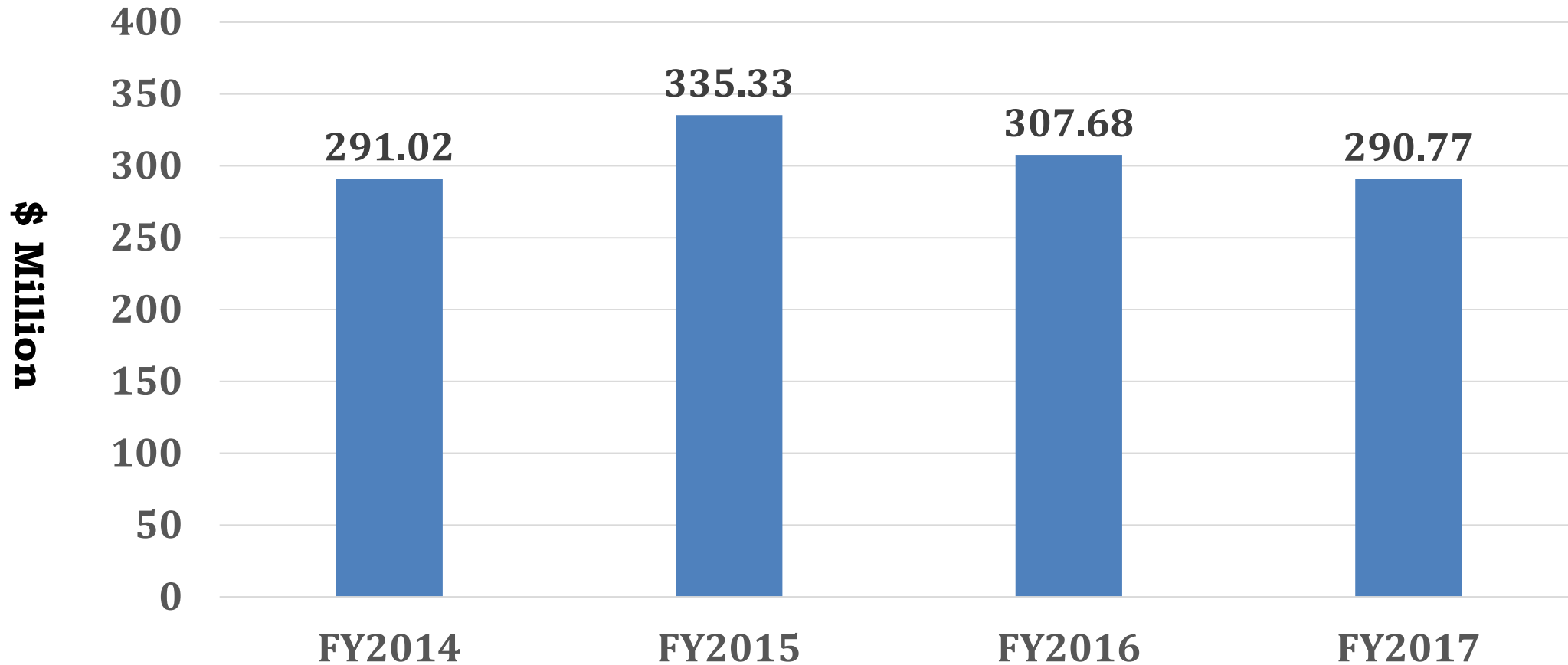
Values reported in \$ millions

**There is Significant Need  
How Much Can We Invest?**



# Facility Construction, Repair and Renovation

**FY14 – FY17 Total \$1.225 Billion**



# How Much Should We Invest in Capital Projects?

Indicator	University of Illinois FY2018 (Estimated)
<b>Capital Spending Ratio (X)</b>	<b>1.01</b>
<b>Capital Investment to Operations (%)</b>	<b>4.69</b>

**(1) Purchase of Capital Assets / Depreciation**

**(2) Purchase of Capital Assets / (Operating Expenses – Depreciation)**



# Are We Investing Enough in Capital Projects?

Indicator	University of Illinois FY2018	Moody's Median Aa3	Moody's Median A1	Median Comprehensive Public
<b>Capital Spending Ratio (X)</b>	<b>1.0</b>	<b>1.5</b>	<b>1.5</b>	<b>1.4</b>
<b>Capital Investment to Operations (%)</b>	<b>4.7</b>	<b>10.3</b>	<b>11.3</b>	<b>8.9</b>

**(1) Purchase of Capital Assets / Depreciation**

**(2) Purchase of Capital Assets / (Operating Expenses – Depreciation)**

# Investment at Median A1 Level

Depreciation Level X 1.5 = \$394 Million

Leads to:

Capital Investment / Operations = 6.7%

Still less than A1 median value of 11.3%

**Investments of  $\cong$  \$400 million/yr. consistent with norm**

# How Would We Fund?

# Sources of Funding

- ❑ State Appropriations
- ❑ Capital Reserves
- ❑ Gift Funds
- ❑ Facility Maintenance Fee (AFMFA)
- ❑ Institutional Funds

- ❑ Public Private Partnerships (P3)
- ❑ Debt Financing
  - AFS/HSFS/COPS/ESCO

Creates Ability to Transfer Future Funds to the Present

# Public Private Partnerships

- ❑ Utilizes off balance sheet private capital
- ❑ Shifts construction risk to private partner
- ❑ Uses design-build process to deliver projects
- ❑ Captures potential construction cost efficiencies



# Implementing the P3 Model

- ❑ University contracts with developer
- ❑ Developer partners with a 501c3 organization that has been specially approved by IRS as tax-exempt financing conduit
- ❑ The developer contracts with architects, engineers and contractors and utilizes Illinois Finance Authority to issue tax-exempt debt
- ❑ University contracts to make annual payments
- ❑ University may provide upfront equity



# Debt Financing

\$1.38 Billion of Debt

Used to Finance Variety of Projects

$$\boxed{\text{Capacity for Debt Financing}} = \boxed{\text{Retire Current Debt}} + \boxed{\text{Issue New Debt}}$$

# Current Debt Retirement

Current (2018) Principal Outstanding	\$1,382 Million
Principal Pay Off 2018 - 2023	\$435 Million
Principal Pay Off 2023 – 2028	\$302 Million
Total 10 Year Capacity	\$738 Million

Assumes Constant Overall Debt Levels

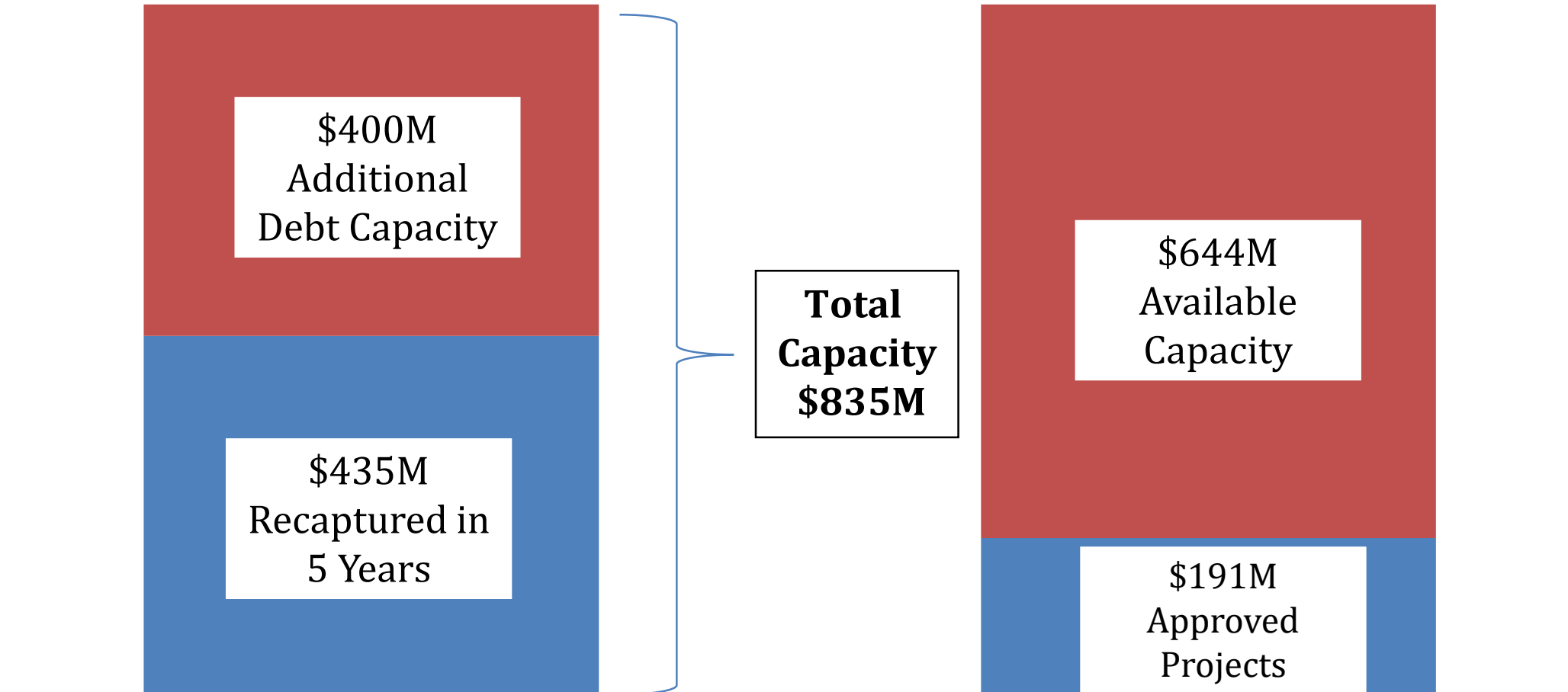
# Capacity for Additional Debt

Indicator	University of Illinois FY2018*	University of Illinois +\$400 million	Median** A1	Median** Comprehensive Public
Annual Debt Service Coverage	6.5	2.7	2.0	2.6
Total Debt to Cash Flow (X)	1.9	4.8	5.5	4.7
Total Debt to Capitalization (%)	17.5	27.0	32.4	26.5
Monthly Days Cash on Hand	141.5	134.0	149.7	170.6
Spendable Cash & Investments to Total Debt (X)	2.6	2.0	1.0	1.6

\* FY2018 Moody's Credit Ratios calculated by PFM. Actual results may vary.

\*\* Moody's 2017 Public Higher Education

# Existing Capacity for Additional Debt



# Next Steps

- Refine Priority Projects for First Five Years
- Create Feasible Funding Plan (including P3 and debt issuance)
- Review Capital Delivery Processes
- Present 5-year Plan to Board



