Financial Report

Prepared for presentation to the Board of Trustees

July 25, 2019
AGENDA

FY20 State Operational and Capital Appropriations
A Historic Higher Education Budget

Operating Funds of $622 Million
Capital Appropriation of $1.3 Billion
## Operating Fund Appropriation

### FY2020 Allocation $622 Million (+4.6%)

<table>
<thead>
<tr>
<th></th>
<th>FY2019</th>
<th>FY2020</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Funds</strong></td>
<td>$535.7</td>
<td>$562.5</td>
<td>$26.8</td>
<td>+5.0</td>
</tr>
<tr>
<td><strong>Designated Allocations</strong></td>
<td>$58.9</td>
<td>$59.4</td>
<td>$0.5</td>
<td>+0.8</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$594.6</td>
<td>$621.9</td>
<td>$27.3</td>
<td>+4.6</td>
</tr>
</tbody>
</table>
Annual MAP funding increase $50M
• Total of $451M

“Aim High” Grants increase $10M
• Total of $35M
State Receivables have Decreased
## Capital Appropriations

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Buildings</td>
<td>$353M</td>
</tr>
<tr>
<td>Repair &amp; Renovation</td>
<td>$333M</td>
</tr>
<tr>
<td>FY 2020 Total</td>
<td>$686M</td>
</tr>
<tr>
<td>DPI/IIN Re-appropriation</td>
<td>$500M</td>
</tr>
<tr>
<td>Other Re-appropriation</td>
<td>$129M</td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td><strong>$1.3 Billion</strong></td>
</tr>
</tbody>
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- **New Buildings**: $353M
- **Repair & Renovation**: $333M
- **FY 2020 Total**: $686M
- **DPI/IIN Re-appropriation**: $500M
- **Other Re-appropriation**: $129M

**Grand Total**: $1.3 Billion
<table>
<thead>
<tr>
<th>Location</th>
<th>Total</th>
<th>Major Projects</th>
<th>FY20</th>
<th>Re-appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urbana</td>
<td>$406.5M</td>
<td></td>
<td>$200.0M*</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Repair/Renovation</td>
<td>$195.2M</td>
<td>$11.3M</td>
</tr>
<tr>
<td>Chicago</td>
<td>$331.8M</td>
<td></td>
<td>$98.0M</td>
<td>$68.0M</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Repair/Renovation</td>
<td>$146.4M</td>
<td>$19.4M</td>
</tr>
<tr>
<td>Springfield</td>
<td>$52.7M</td>
<td></td>
<td>$35.0M</td>
<td>$5.5M</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Repair/Renovation</td>
<td>$11.6M</td>
<td>$0.6M</td>
</tr>
<tr>
<td>System-wide</td>
<td>$24.1M</td>
<td>Repair/Renovation</td>
<td>-</td>
<td>$24.1M</td>
</tr>
</tbody>
</table>

* Includes $100M for Quantum Computing Consortium
Projects to be managed by the Capital Development Board (CDB)

- Additional $188 million of statewide funds for higher education
Capital Project Implementation
State Capital Project List

- **Chicago**
  - Computer Design Research & Learning Center ($98M)
  - Advanced Chemical Technology Building ($68M)

- **Springfield**
  - Library Learning and Student Success Center ($35M)
  - Public Safety Building ($5.5M)

- **Urbana**
  - Altgeld Hall Renovation ($100M)
DPI Capital Project List

- DPI Downtown Chicago Center

- Chicago
  - Computer Design Research & Learning Center
  - Innovation Center Expansion

- Springfield
  - Capital Innovation Center

- Urbana
  - Data Sciences Collaborative
  - Biomedical Translational Facility
  - NCSA & Siebel Center Expansion
  - Research Park Expansion
- In discussion with CDB on timing and rules of engagement for these projects
- Site and scope of projects established
- Initial planning initiated for selected projects
Other Priority Major Projects

- Urbana
  - Art & Design Facility
  - Davenport Hall Renovation
  - Disability Research, Resources and Education Facility
  - Undergraduate Library Redevelopment
  - Ubben Center Expansion
  - Ice Hockey Arena
  - Parking Garage Repair and Renovation

- Springfield
  - Childhood Development Center
Other Priority Major Projects

- Chicago
  - Drug Discovery and Innovation Platform
  - Cancer Center
  - College of Business Facility
  - Performing Arts Center
  - Ambulatory Surgery Center
  - Hospital Welcome Atrium
  - Residence Hall
Design Planning Initiated for These Projects

- Altgeld Hall
- Ambulatory Surgery Center and Outpatient Clinics
- Computer Design Research and Learning Center
- Hospital Welcome Atrium
FY2019 Retrospective

Completed: 115 projects with $441 million total project budget

Since July 2018

Initiated: 147 projects with $504 million total project budget

Everitt Lab Renovation

University Hall Facade Repair
Two Hundred Projects Currently Underway

$1.3 Billion Budgeted Expenditures
## Currently Active Projects

<table>
<thead>
<tr>
<th></th>
<th>Chicago</th>
<th>Springfield</th>
<th>Urbana</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning/ Design</td>
<td>41</td>
<td>15</td>
<td>31</td>
<td>87</td>
</tr>
<tr>
<td>Under Construction</td>
<td>38</td>
<td>11</td>
<td>65</td>
<td>114</td>
</tr>
<tr>
<td>Total Projects</td>
<td>79</td>
<td>26</td>
<td>96</td>
<td>201</td>
</tr>
<tr>
<td>Total Budget</td>
<td>$523.3</td>
<td>$17.2</td>
<td>$823.3</td>
<td>$1,265.7</td>
</tr>
</tbody>
</table>

Values in $ millions; Project status as of 6/30/2019
Type of Active Projects

- New Buildings 46.7%
- Renovations 40.1%
- Maintenance 7.1%
- Infrastructure 6.1%
Purpose of Active Projects

- Academic 54.1%
- Auxiliary 26.3%
- Health 10.5%
- Athletics 6.3%
- Infrastructure 2.7%
PROJECTED EXPENDITURES BY YEAR

Currently Active Projects Only

University of Illinois System
How Are the Projects Funded?

- Operating Funds: 33%
- P3: 27%
- Bonds: 16%
- Student Facility Fees: 5%
- Auxiliary Reserves: 5%
- Gifts/Grants: 5%
- State Capital Appropriation: 9%
- Bonds: 16%
- P3: 27%
- State Capital Appropriation: 9%
- Operating Funds: 33%
THREE PROJECTS NEAR OCCUPANCY

Academic and Residential Complex (Chicago)

Engineering Innovation Building (Chicago)

Football Performance Center (Urbana)
Capital Delivery Process Review
External Consultant Engagement

- E&Y retained as external consultants in November 2018

- Scope of work:
  - Evaluate capital delivery process at each university and across the system. Compare to industry standards.
  - Identify current practices that impede efficient delivery of capital
  - Make recommendations to improve cost management and reduce risks.
  - Based on data, observation and interviews
  - Final report submitted in May 2019
Comparison to Peers

- Project Cycles are longer resulting in higher cost
  - State regulations constrain process efficiency
  - Many layers of approvals and long timelines

- Change order cost data in-line with peers (5.4% of total budget)
- Inadequate capital delivery personnel resources
- Inadequate clarity from users during project conceptualization
- More active project management required
- Long close-out processes due to multiple contractors
Ability to Use Design-Build Process

Would Reduce Time to Complete Project by 33 Percent

And Reduce Cost by 6 Percent
Design Build vs. Design-Bid-Build

Design Build
- Planning
- Select Design Build Firm
- Conceptual Design Drawings
- Final Detailed Design Drawings
- Construction
- BOT - PSC Contract Approval

Design-Bid-Build General
- Planning
- Select PSC
- Schematic Design Drawings
- Design Development
- Construction Documents
- Bid
- Award
- Construction
- BOT - Design, Full Project Approval
- Re-bid/Re-design

Division 2
- BOT - PSC Contract Approval
- BOT - Design, Full Project Approval
- BOT - Construction Contract Approval
- Bid
- Award
- Plumbing

Division 3
- Bid
- Award
- Heating/Air

Division 4
- Bid
- Award
- Ventilation

Division 5
- Bid
- Award
- Electrical

* per Construction Industry Institute estimates

33.5% Time Savings
6.1% Average Cost Savings
Design Build Time Savings

University of Illinois System
Major Recommendations

- Increase staffing in response to increased capital demands
- Reduce approval process bottlenecks
- Employ a digital process for bid submissions and checking
- Standardize data collection and reporting standards
- Make post contract evaluation of contractors mandatory for large projects
- Increase use of retainer contracts for professional services (including MBE firms).
- Seek legislative reform
Legislative Priorities (I)

- Allow university to use “Design-Build” delivery method

- Allow universities to use single “Prime” contractor
Currently must bid and contract with at least 5 divisions of work for projects greater than $250,000
Next Steps

- Advocacy efforts to modify state regulations
- Work with individual universities on optimal staffing model
- Engage external post-contract auditor
- Review and modify internal approval processes
- Improve data collection and reporting
- Explore feasibility of digital bid submission system