Long Term Capital Plan

Prepared for presentation to the Board of Trustees

September 27, 2018
We shape our buildings
Thereafter they shape us
Long Term Capital Plan

Board Directive
January 2018

Capital Needs Inventory
July 2018

Long Term Capital Plan
Plan Framework

- Annual Investment Target
- Project Prioritization Process
- Due Diligence and Financial Planning
- Project Approval and Monitoring
- Review of Capital Delivery Process
Project Prioritization

- Enrollment Projections
- Classroom and Teaching Innovation
- Research and Innovation Agenda
- Student Support Needs
- Student Housing and Recreation
340 Priority Projects

$4.0 Billion Estimated Cost
Major Projects (> $25M) Account For 80% of Cost

![Bar chart showing the distribution of project cost by size category.]

- < $5M: 72%
- $5M - $25M: 16%
- > $25M: 12%

No. of Projects

- < $5M: 80%
- $5M - $25M: 11%
- > $25M: 9%

Est. Cost of Projects
Purpose of Priority Projects

- Academic 60.2%
- Auxiliary 18.1%
- Patient Care 10.8%
- Athletic 3.8%
Type of Projects

- **New Buildings**: 60.2%
- **Remodeling**: 19.1%
- **Renovations**: 10.4%
- **Deferred Maintenance**: 3.8%
Proposed Capital Investment Target

Annual Target of $400 Million Investment in Deferred Maintenance

Target Balances Need with Capacity
Facility Construction, Repair and Renovation

FY14 – FY17 Total $1.225 Billion

<table>
<thead>
<tr>
<th>Year</th>
<th>Total (Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2014</td>
<td>291.02</td>
</tr>
<tr>
<td>FY2015</td>
<td>335.33</td>
</tr>
<tr>
<td>FY2016</td>
<td>307.68</td>
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<tr>
<td>FY2017</td>
<td>290.77</td>
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FY14 – FY17 Total $1.225 Billion
# Measuring Capital Spending Adequacy

<table>
<thead>
<tr>
<th></th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital Spending</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratio (1)</td>
<td>1.26</td>
<td>1.40</td>
<td>1.32</td>
<td>1.16</td>
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<tr>
<td><strong>Capital Investment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>to Operations (%) (2)</td>
<td>6.9%</td>
<td>7.3%</td>
<td>7.0%</td>
<td>6.2%</td>
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</tbody>
</table>

(1) Purchase of Capital Assets / Depreciation

(2) Purchase of Capital Assets / (Operating Expenses – Depreciation)
## Industry Norms

<table>
<thead>
<tr>
<th>Indicator</th>
<th>University of Illinois $400M</th>
<th>Moody’s Median Aa3</th>
<th>Moody’s Median A1</th>
<th>Median Comprehensive Public</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Spending Ratio (X)</td>
<td>1.4</td>
<td>1.5</td>
<td>1.5</td>
<td>1.4</td>
</tr>
<tr>
<td>Capital Investment to Operations (%)</td>
<td>7.5</td>
<td>10.3</td>
<td>11.3</td>
<td>8.9</td>
</tr>
</tbody>
</table>

(1) Purchase of Capital Assets / Depreciation  
(2) Purchase of Capital Assets / (Operating Expenses – Depreciation)
Sources of Funding

- State Appropriations
- Auxiliary Capital Reserves
- Gift Funds
- Facility Maintenance Fee (AFMFA)
- Plant funds
- Institutional Operating Funds
Leverage Debt Capacity

$400 million Additional Debt Capacity

$435 million Debt Retirement in Five Years
Discovery Partners Institute (DPI) at Downtown Chicago

Springfield

- Information Sciences Building
- Library, Learning and Student Success Center
FY2019 Planning List

Chicago

- Ambulatory Surgery Center*
- Advanced Chemical Technology Building
- Computer Design, Research and Learning Facility
- Drug Discovery and Innovation Facility
- Innovation Center Expansion
- Hospital Welcome Atrium
FY2019 Planning List

Urbana

- ACES Feed Mill*
- Altgeld Hall Renovation
- Art and Design Facility
- College of Engineering Instructional Facility*
- Data Science Collaborative
- Research Park Facility
Individual Project Review

Scope
- Conceptual Design
- Budget Estimate
- Financial Plan

Traditional Delivery
- PSC Selection
- P3 Delivery
- Developer RFP

Board Review of Design & Budget
- Board Approval of Construction Contract
Project Monitoring

- Active Management of Timelines and Expense
- Dashboards to Monitor
  - Expenditures & Fund Sources
  - Budgets and Change Orders
  - Timelines and Progress
Capital Delivery Process Review

External review of current capital delivery process

Adopt best practices
Identify bottlenecks in current processes
Suggest changes to internal policies
Prioritize areas to seek regulatory relief
Long Term Capital Plan

- Provides Decision Making Framework
- Balances Short-Term and Long-Term Needs
- Improves Project Planning / Due Diligence
- Provides for Detailed Financial Planning
- Proposes Improved Approval Process
- More Efficient Delivery Process