UTILITY SYSTEM PUBLIC-PRIVATE PARTNERSHIP

Nationally, as well as in Iowa, institutions of public higher education continue to balance mounting budgetary pressures while providing a high-quality, affordable educational experience. In Iowa, the governor has asked the public universities to explore options that will allow them to discover additional resources through partnerships.

The University of Iowa is exploring new partnerships because there is a meaningful gap in available resources to help execute and support the UI’s Strategic Plan 2016-2021, which was approved by the Board of Regents, State of Iowa in 2016.

A public-private partnership (P3) that aligns with the UI’s values, while adding long-term usefulness to utility assets, will improve the future for the university and outcomes for students and Iowans through investment into the core missions of teaching, research, and scholarship.

What is the University of Iowa doing?

The UI is exploring a public-private partnership (P3) involving its utility system through a deliberate and measured process, which will ensure an outcome that is in the best interest of the university and its constituents.

Is the UI selling its utility system?

No. The UI will retain ownership of its utility system.

Are the employees of the utility system going to lose their jobs?

No. We expect that the new operating entity would offer UI employees involved in the P3 a position with their company. Those utility system employees who are not offered a position with the new operating entity will retain a university position.

We will treat all employees with respect, and the university is committed to ensuring employees maintain their employment. The intent of the P3 is not to reduce staff.

Will the UI maintain its commitment to sustainability and the environment?

Yes. A successful partnership will ensure the following commitments are kept:

- The university will be able to operate the plant without burning coal no later than Jan. 1, 2025.
- The new plant operator will continue to explore new sources of bio-fuels creating sustainable, lower-cost fuel options.
- All facilities will be maintained by the new operator in similar or better condition.
- Campus-wide sustainability efforts will be continued.

What is a P3?

A public-private partnership is a relationship between a government agency (UI) and a private sector company. These partnerships are valuable for both entities because the government agency receives revenue that would otherwise not be available and the private sector company receives compensation for providing agreed upon services.

How will the UI Utilities System P3 work?

The UI will enter into a professional services agreement for the operation of its utility system for up to 50 years while receiving an upfront payment that the university will place into an endowment. The annual proceeds realized from the endowment will be invested in the core missions of the university (teaching, research, and scholarship), as well as strategies that will implement the UI’s Strategic Plan. It’s a way to act today, protecting existing resources while planning for the future.

The UI will still own the utility system and buildings, and at the end of the agreement the utility system will come under the control of the university again. Incentives will be in place with the plant operator to the maintain system in good working order. In addition, the UI will have an industry leader operating the utility system for the length of the contract that will continue investing in efficiency projects and best practice operations, care, and reliability.

The operating partner will receive a steady return on its upfront investment for the length of the contract (up to 50 years) while realizing beneficial tax treatments related to the energy sector.
Who is paying for what? And how much money is involved?
The partner/vendor will provide the UI with a lump sum upfront payment, which will be placed into an endowment to aid in funding the implementation of the UI's Strategic Plan, today and into the future.

The university will pay the vendor for the cost of utilities needed to serve the campus and will also pay an amount commensurate with the ongoing care, maintenance and operation of the UI utility system, increased annually to account for standard cost inflation.

The UI won’t know how much money the utility system P3 will involve until the completion of the Request for Qualifications (RFQ) and Request for Proposal (RFP) processes.

Why should the UI explore a P3?
Over the past decade, P3 opportunities for public universities have positively impacted the mission of those institutions that take advantage of pursuing a successful connection. The Ohio State University, a peer institution of the UI, is an example of a successful P3 relationship involving its utility system and ENGIE-Axium, a partnership of ENGIE North America and Axium Infrastructure.

In addition to OSU’s agreement, the following universities have also engaged in P3 analysis and relationships over the past decade:
- Syracuse University
- University of Oklahoma
- California State University, Fresno

The UI is studying opportunities to materially impact its future through investments in its core missions of teaching, research, and scholarship. Over the next decade the higher education marketplace will face significant challenges due to demographic shifts in population. The Midwest and Northeast will experience significant downward changes in the population, which will impact the number of potential students.

How will the campus provide input into this process?
The UI will actively engage the campus through shared governance and information sessions to ensure an outcome that is in the best interest of the university and its constituents.

The overall timeline has several distinct timeframes, (RFQ, RFP, and allocation of resources), which will provide significant opportunity for campus feedback. The current schedule is as follows:
- 2/12/19—Faculty Senate information session
- 2/13/19—Staff Council information session
- 2/19/19—UI Student Government information session
- 3/4/19—UI Graduate and Professional Student Government information session
- 3/5/19—Information session on the west side of campus (9:30 a.m. – 11 a.m. in the Urmila Sahai Conference Room/Medical Education Research Facility, room 2117)
- 3/6/19—Information session on the east side of campus (9:00 a.m. – 10:30 a.m. in the Big Ten Theater/Iowa Memorial Union, room 348)
- 4/1/19—RFQ released
- Early June 2019—RFP released
- Early fall semester 2019—Vendor selected
- Fall semester 2019—Board of Regents evaluation
- Late fall semester 2019—Agreement signed
- FY21—Resources first allocated

How will the UI spend the earnings from the endowment?
In FY20, the UI will use its budget process, which is infused with shared governance and academic leadership, to review strategies that will allocate resources to improve the outcomes of students, faculty, staff, and Iowans through implementation of the strategic plan.

The UI will begin seeding pilot programs starting in FY21 in order to measure impact and scalability of strategies.

What role does the Board of Regents have with the proposed UI P3?
The Board of Regents oversees all operations of the UI and has been engaged with the university during this initial process. The board will evaluate this proposal during the fall 2019 semester.

Who should I contact with questions regarding the UI Utilities System P3?
For questions, please contact Terry Johnson by email at terry-johnson@uiowa.edu or by phone at 319-335-2791.

For updates and more information, visit UIOWA.EDU/P3.