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NEWS RELEASE

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FOR RELEASE December 14, 2022

Auditor of State Rob Sand today released a report on a review of the Public-Private Partnership agreement (P3) for the University of Iowa's (University) Utility System for the period August 17, 2018 through June 30, 2022. The review was conducted in accordance with section 11.4(1) of the Code of Iowa to determine if there are any unbusinesslike practices associated with the agreement; compliance with applicable sections of the Code of Iowa; any appropriate recommendations for greater simplicity, accuracy, efficiency, or economy; and/or other appropriate recommendations related to the agreement. The review was also conducted to determine if the agreement was entered into in accordance with the Board of Regents' and the University's policies and procedures. The review followed a ruling from the Iowa Supreme Court regarding access to records relevant to this review.

Sand reported the Board of Regents approved the University entering into a P3 agreement on December 10, 2019 after the University followed a Request for Qualification and a Request for Proposal process for issuing, evaluating, and entering into a contract for services. The P3 financial close was achieved on March 10, 2020. Financial close is the point at which all financing agreements are completed. The P3 agreement between the University and the University of Iowa Energy Collaborative (UIEC) became effective on March 11, 2020. UIEC is an LLC formed by ENGIE North America, Meridiam, and Hannon Armstrong to serve as the Concessionaire for the P3 agreement.

In accordance with the P3 agreement, the University received $1,165,038,084 in exchange for leasing the utility system to UIEC to manage and operate the system for 50 years. Of this amount, $158,418,793 was used to defease the outstanding utility bonds and $12,143,640 was used to pay consulting fees related to the P3 agreement, and the University incurred $8,594,043 in other costs. The remaining $985,881,608 was deposited in an endowment fund administered by the University of Iowa Strategic Initiative Fund (UISIF), a nonprofit organization created and managed by the University.

Sand also reported, based on estimates and projections developed during the University's planning process in 2019, the University expects to pay approximately $3.027 billion from the UI Strategic Initiatives Fund (UISIF) over the term of the P3 agreement to partially fund the annual operating cost of the utility system and fund up to $15 million per year in strategic initiatives. However, the final amount may increase or decrease based on a number of factors, including actual Operations and Maintenance (O&M) costs, capital expenditures, and inflation over the 50-year life of the project. The following table illustrates this calculation.

Description	Estimated Amount (in millions)^	
Amount Billed to Campus Departments	$ 8,166.2	
Less: University Utility Costs	3,656.9	
Subtotal		$ 4,509.4
Less Payments to Concessionaire for Operating and Capital Costs:		
Operations & Maintenance (O&M)	(1,764.0)	
Capital Expenditure Repayment	(1,567.6)	
Capital Expenditure Interest	(1,051.9)	(4,383.5)
Contribution Toward Concession Fixed Fee		125.9
Less: Fixed Fee Payment		(2,418.2)
Utility Subsidy From P3 Endowment		(2,292.3)
Strategic Funding		(735.0)
Total Distribution from P3 Endowment		($ 3,027.3)

^ - Rounded amounts provided by University officials.

The table shows the University plans to use $735 million from the endowment fund to provide funding for its strategic initiatives over the 50-year life of the project. The UISIF Board plans to award up to $15 million annually to fund proposals submitted to the University and endorsed by the board.

According to University officials, the University's investment advisor is projecting an annual rate of return (ROI) on investments in the 5%-6% range over the 50-year period. This is consistent with the University's approach for other investments given the risk-return profile of the UISIF investment portfolio. However, if the endowment fund falls below the projected ROI over the life of the P3 agreement, the University plans to first reduce the amount used to fund strategic initiatives. If this is not sufficient, the University will have to look at other options to ensure it can fulfill the payment terms of the P3 agreement. These options may include billing each campus department more for utility services, using other University resources, or possibly issuing debt to cover any shortfall projected for the end of the 50-year term of the agreement. If the ROI exceeds the expected ROI, the excess earnings may be used to fund additional strategic initiatives, or fund other projects or programs.

In the event the University's investment of the proceeds does not meet the return on investment needed to pay the amounts due to the concessionaire, Iowa taxpayers may be responsible for making up any shortfall. As a result, this transaction has become the largest financial obligation ever held by Iowa taxpayers.

While the Legislature long ago delegated the authority to issue debt to the BOR, it is uncertain they anticipated debt or long-term obligations of this magnitude. It seems inappropriate for a government department or agency to take on the largest financial obligation ever held by Iowa taxpayers at the Governor's general suggestion. Such practices lead to a lack of accountability and transparency.

Sand recommended if a State agency/institution or a BOR institution considers entering into additional P3 agreement(s) in the future, State, Board of Regents, and/or University officials should continue to closely scrutinize the cost/benefit of the agreement prior to entering into it; the cost to continue to independently operate the assets being considered; potential return on investment of agreement proceeds; and other funding sources which could be used to fund initiatives, programs, or projects. These assessments should be clearly documented and maintained for future analysis. In addition, the Legislature should ensure applicable sections of the Code of Iowa sufficiently address expectations regarding assets controlled by Universities or State agencies/institutions, compliance with open records requirements by agreement partners, and compliance with open meetings laws by partners and/or non-profit entities created as a result of the agreements.

Because of the continued decrease in State Appropriations used to support general operations at the three State Universities, the BOR and Universities have used increases in tuition and fees to support general operations. Had The Governor and Legislature provided appropriations to support the general operations of the BOR and the Universities, the Board of Regents and University may have been able to use a portion of any tuition and fee increase for initiatives to retain and recruit students and faculty and to maintain and improve Iowa's position as an educational state. As a result, the BOR and Universities have had to look for other sources of revenue, including a long term P3 agreement, to help fund initiatives to retain and recruit students and faculty and to maintain and improve Iowa's position as an educational state.

Sand recommend The Governor and Legislature should determine if the continued decrease in State Appropriations to the Board of Regents and Universities and the use of tuition and fee increases to support the operations of the BOR and Universities, is worth the risk of entering into a long term P3 agreement in order to fund Board of Regent and University initiatives to retain and recruit students and faculty and to maintain and improve Iowa's position as an educational state.

A copy of the report is available for review on the Auditor of State's web site at Audit Reports – Auditor of State.

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REPORT ON A REVIEW OF THE PUBLIC-PRIVATE PARTNERSHIP AGREEMENT FOR THE UNIVERSITY OF IOWA UTILITY SYSTEM

FOR THE PERIOD AUGUST 17, 2018 THROUGH JUNE 30, 2022

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Auditor of State's Report

To the Honorable Kim Reynolds, Governor; Members of the Iowa Legislature;
Mark Braun, Executive Director, Iowa Board of Regents; and
Barbara J. Wilson, President, University of Iowa:

In conjunction with our audit of the financial statements of the University of Iowa and the State of Iowa and in accordance with Chapter 11 of the *Code of Iowa*, we have conducted a review of the Private-Public Partnership Agreement (P3) for the University of Iowa (University) Utility System. The review covered the period August 17, 2018 through June 30, 2022. The review was conducted in accordance with section 11.4(1) of the *Code of Iowa* to determine if there are any unbusinesslike practices associated with the agreement; compliance with applicable sections of the *Code of Iowa*; any appropriate recommendations for greater simplicity, accuracy, efficiency, or economy; and/or other appropriate recommendations related to the agreement. We also reviewed the P3 agreement to determine if the agreement was entered into in accordance with the Board of Regents' and the University's policies and procedures. In conducting our review, we performed the following procedures:

(1) Interviewed University officials to obtain an understanding of why and how the University decided to pursue a P3 agreement.

(2) Reviewed applicable sections of the *Code of Iowa*, the Board of Regents' and the University's policies and procedures for awarding contracts to gain an understanding of the process for planning, awarding, and monitoring the P3 agreement. We also interviewed Board of Regents and University personnel.

(3) Requested certain records from the University in December 2019, prior to the financial close of the transaction. The University objected to the timing and form of the request, and AOS filed a judicial action to compel the University to provide the records. Following a district court order requiring the University to comply with the request, the University appealed to the Iowa Supreme Court. The Iowa Supreme Court found unanimously in favor of the Auditor of State and required the disclosure of the requested records. *Sand v Doe*, 959 N.W.2d 99 (Iowa 2021).

(4) Evaluated internal controls surrounding the establishment and monitoring of the P3 agreement to determine whether adequate policies and procedures were in place and operating effectively.

(5) Evaluated documents obtained from University officials to determine if the University complied with the requirements established by the *Code of Iowa* and the Board of Regents for entering into a P3 agreement.

(6) Interviewed University officials regarding the University of Iowa Strategic Initiative Fund to determine compliance with Chapters 21 and 22 of the *Code of Iowa*.

(7) Reviewed the University of Iowa's 2021 Annual Financial Report for disclosures related to the P3 agreement to identify information publicly reported.

Based on these procedures, we identified several items which should be considered by the Governor, Legislature, Board of Regents, and officials from the three State Universities when entering into similar agreements in the future.

The procedures described above do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, other matters might have come to our attention which would have been reported to you.

We would like to acknowledge the assistance extended to us by the officials and personnel of the Board of Regents and University of Iowa during the course of our review.

ROB SAND
Auditor of State

November 17, 2022

Introduction

Until March 2020, the University of Iowa (University) operated a utility system which provided utility services to buildings on campus in Iowa City and buildings located on the Oakdale campus. The University requires approximately the same amount of energy as a town of 30,000 homes. The utility system includes a steam and power plant, a water plant, and a chilled water plant in Iowa City. An additional power plant is also operated on the Oakdale Campus. In addition, the utility system includes four chilled water plants and three satellite chillers which provide air conditioning to campus, and a water plant that purifies and distributes 900 million gallons of water to campus annually.

Prior to entering into a long-term lease with a private entity to operate the utility system, the University was responsible for equipping and improving the utility system. In order to fund the projects, the University billed departments and issued Utility System Revenue Bonds. According to the University's 2019 Annual Financial Report, operating income for the utility system totaled approximately $95.666 million, operating expenses totaled $60.088 million, with a net revenue of $35.678 million. The net revenues of $35.678 million was available to fund required debt service payments with the remaining balance available to be invested in utility system capital projects. The University's utility costs prior to entering into a long-term lease included fuel and purchased electricity; operational expenses of both the power and water plants; debt service; sewer, fire, and refuse removal services; energy control and environmental compliance; and annual insurance and auditing costs. Under the long-term lease agreement, the University continues to bill utility services to departments.

Based on an August 17, 2018 letter from Governor Reynolds to Michael Richards, President of the Board of Regents, University of Iowa officials began researching ways to monetize assets to help provide funding to invest in the University's mission. An August 29, 2018 letter President Richards sent to Governor Reynolds stated, "we will work with our universities to explore ways to most effectively use the resources that we already have. Additionally, by looking at how others across the nation are leveraging their assets, I am confident that we can find new initiatives to implement on our campuses." Copies of both letters are included in **Appendix 1**. An option subsequently identified by University officials in response to the letter from the Governor was to enter into a Public Private Partnership agreement for the operations of the University's utility system.

State operating appropriations and tuition revenues provide the majority of the operating funds for the Regent's Universities. State appropriations to the Board of Regents (BOR) have decreased from 76.5% of total revenues in fiscal year 1981 to 30.5% in fiscal year 2023. During the same period tuition revenue has increased from 20.8% to 63.8% of the Regent's University General Education Funding. **Appendix 2** shows the graphical representation of this decline in funding for the BOR and includes information on the fiscal year 2023. The **Appendix** also includes the fiscal year 2023 General Fund Operating Budget for the University of Iowa as presented in the July 27, 2022 BOR Agenda.

As a result of this decline in general operating appropriations, universities have searched for ways to increase funding for operations and strategic initiatives which help position Iowa Universities to compete in a highly competitive market.

Public Private Partnerships

A Public Private Partnership (P3) is defined as a legal agreement between a public and private entity. There are two common types of P3 agreements, including:

- Asset Monetization – this occurs when a public asset is transferred to a private entity for a one-time fee or future revenue; and

- Infrastructure Investment - this involves an asset constructed by a public entity with the intent it would be operated by a private business. Typical projects include transportation (i.e., toll roads, bridges, parking), water and sewer infrastructure projects, energy related projects and social infrastructure projects, (i.e., schools, university projects and municipal buildings.)

Regardless of the type of P3 agreement established, the P3 concessionaire agreement (agreement) is formalized by the public and private party(ies) involved. The agreement is a contract that gives the private entity the right to operate a specific business within a government's jurisdiction or on another firm's property, subject to particular terms. The agreement grants the concessionaire exclusive rights to operate their business in the facility for a stated time and under specified conditions.

The Government Accountability Office defines a public-private partnership as "a contractual arrangement that is formed between public and private-sector partners. These arrangements typically involve a government agency contracting with a private partner to renovate, construct, operate, maintain, and/or manage a facility or system, in whole or in part, that provides a public service. Under these arrangements, the agency may retain ownership of the public facility or system, but the private party generally invests its own capital to design and develop the properties. Typically, each partner shares in income resulting from the partnership. Such a venture, although a contractual arrangement, differs from typical service contracting in that the private-sector partner usually makes a substantial cash, at-risk, equity investment in the project, and the public sector gains access to new revenue or service delivery capacity without having to pay the private-sector partner."

The University officially transferred management of its utility system to the University of Iowa Energy Collaborative (UIEC) on March 11, 2020 through a P3 agreement. UIEC is an LLC formed by ENGIE North America, Meridiam, and Hannon Armstrong to serve as the Concessionaire under the P3 and manage the utility system to meet the University's energy needs. In accordance with the P3 agreement, the University received $1,165,000,000 at the time the agreement was executed (closed) in exchange for leasing the utility system to UIEC to manage and operate the system for 50 years. UIEC has retained ENGIE North America to serve as the operator of the University's utility system throughout the term of the P3 agreement.

The University of Iowa utility system managed by the UIEC provides University buildings with critical heating and cooling. The UIEC also provides electrical power to the main campus through a combination of power generated at the power plant and power purchased from MidAmerican Energy or from Alliant Energy on the Oakdale Campus.

Objectives, Scope, and Methodology

Our review was conducted to:

- Determine why the University chose to enter into a P3 agreement and provide information regarding the P3 agreement and the process used to establish it.
- Provide information regarding the benefits received from the P3 agreement and the related costs to the University.
- Determine if there are any unbusinesslike practices associated with the agreement.
- Determine compliance with applicable sections of the Code of Iowa.
- Determine if the University complied with University and Board of Regent's policies and procedures for awarding contracts and leasing University assets.
- Determine if the University complied with University and Board of Regent's policies and procedures regarding conflict of interests.

- Make any appropriate recommendations identified for greater simplicity, accuracy, efficiency, or economy.

To gain an understanding of the process followed by the University to establish the P3 agreement and its compliance, we:

- Reviewed applicable sections of the *Code of Iowa*.
- Reviewed University and Board of Regents' policies and procedures related to awarding contracts and leasing of University assets.
- Interviewed University and Board of Regents personnel to obtain an understanding of established policies and procedures for awarding contracts and leasing University assets and regarding the University of Iowa Strategic Initiative Fund.
- Reviewed information received by University officials during the Request for Qualification (RFQ) and the Request for Proposal (RFP) phases of the P3 transaction and other documents.

As part of this review we did not evaluate, analyze, or review the valuations, estimates, or other data (financial or otherwise) used by University officials or their contractors during the process of analyzing and making the decision to proceed with a P3 agreement. To properly validate these areas, a specialist(s) would need to be engaged. In addition, the environment in which University officials made the decision to proceed is not consistent with the current environment as a result of changing markets and other factors.

We did not examine, nor do we offer comment on, the relative merit of any alternative strategies for the University to leverage assets or otherwise provide funding to invest in the University's mission, as directed by the Governor's office.

Public Private Partnership

Planning Process

As previously stated, University officials reported the idea of potentially establishing a P3 agreement started when Governor Reynolds sent a letter dated August 17, 2018 to the Board of Regents President, Michael Richards. Copies of the Governor's letter and President Richards' response are included in **Appendix 1**. As illustrated by the **Appendix**, the Governor's letter states in part,

> "…but we also should explore ways to more effectively use the vast resources that exist on campuses. I encourage you and your colleagues on the Board of Regents to survey what other universities around the nation are doing to leverage their assets – tangible and intangible to further invest in higher education. Whether that's exploring new ways to use an underutilized physical asset or whether it's changing our statutes or rules to give our universities more flexibility to convert their research into commerce."

According to University officials we spoke with, they identified a P3 project at "The Ohio State University" (OSU) related to its energy/utility system. According to information on OSU's website, "On April 17, 2017, the Board of Trustees approved a public-private partnership that will position The Ohio State University as an international leader in sustainability and provide new resources to advance teaching, learning, and research." University officials decided to research the possibility of entering into a similar P3 agreement for the operations of the University's utility system. Because OSU's P3 has only been in place since 2017, or five years of its fifty-year term, at this point in time its operational history should not be used to evaluate the probability of success or failure of a P3 agreement. As with any major contract, a final evaluation of its success or failure cannot be completed until the contract period is complete.

University officials we spoke with also reported they believed establishing a P3 would help them leverage funds (such as federal and private research funds) and provide a funding mechanism to invest in the University's Strategic Plan, thereby placing the University in a competitive position to recruit students, faculty, and staff from other universities around the country facing declining enrollment and reduced funding. As discussed in later paragraphs, and as is true with all contractual obligations undertaken by the Regents' institutions, if the University investment of the proceeds does not meet the return on investment needed to pay the amounts due to the concessionaire, Iowa taxpayers may be responsible for making up any shortfall.

In order to determine if a P3 was a viable option, the University hired the following companies:

- Jones Day – Jones Day is a law firm and recognized leader in developing P3 agreements. Specifically, the firm drafted the concession agreement for the OSU P3 utility system transaction. University officials we spoke with reported they interviewed Jones Day staff and OSU officials. Jones Day was selected primarily because of their expertise with P3 energy transactions, and the interviews conducted by University officials.

  University officials signed an engagement letter with Jones Day on October 15, 2018 to act as the University's legal advisor regarding the proposed P3 agreement. The engagement letter states, in part, "Jones Day will represent the University in connection with the Project." The engagement letter does not list any specific services or work Jones Day was to perform. According to University officials, Jones Day hosted a website which allowed the University to share data with companies who were interested in the project and the consultants hired by the University. The University paid $1,356,067 for services provided by Jones Day.

- Wells Fargo – Jones Day recommended to University officials three financial service firms with the experience and expertise required for this complex transaction. The three firms included Barclays, Wells Fargo Corporation, and Morgan Stanley. According to University officials, University General Counsel and the CFO/Treasurer, held phone interviews with representatives of the three firms. The University's Senior Vice President also participated in the call with Wells Fargo. Based on the phone interviews and references from OSU, Wells Fargo was selected as the financial advisor for the project.

  University officials signed a Professional Services Agreement with Wells Fargo on November 28, 2018 for Strategic Advisor services. The University paid $10,501,973 for advisory services provided by Wells Fargo. The scope of work section of the agreement includes the following:

  - "Developing a framework for organizing, structuring and executing the transaction.
  - Conducting a preliminary due diligence on the assets and providing an initial valuation view related to the transaction.
  - Identifying potential investors/operators/consortia that may be interested in bidding on the transaction.
  - Establish and coordinate a process for the University to receive bids to manage and operate the assets.
  - Participate in drafting, negotiation and finalization of all documents related to the transaction.
  - Assist in the completion of the transaction documentation, commercial close and financial close of the transaction."

- Jacobs Engineering Group, Inc. – Wells Fargo, Financial Advisor, and Jones Day, Legal Advisor, recommended three engineering firms with the experience and expertise required for the type of complex financial transactions required of a P3 agreement, including CH2M Hill/Jacobs Engineering, Burns & McDonnell, and Black & Veatch. University officials and a Wells Fargo representative held telephone interviews with representatives from all three firms. One firm declined to proceed after learning more about the project. Of the two remaining, University officials decided to engage Jacobs Engineering as the engineering Advisor because of the firm's experience in analyzing utility systems.

University officials signed a Professional Services Agreement on January 2, 2019 with Jacobs Engineering Group, Inc. as the Engineering Advisor. The Scope of Work included in the agreement stated, in part, "The University is seeking the services of a professional firm to develop an inventory report along with high level assessment and future requirements of its central steam, chilled water, electrical, and water treatment systems." The University paid $206,978 for services provided by Jacobs Engineering.

- Ernst & Young LLP – Ernst and Young (EY) was selected by University officials as the Tax Advisor using a Request for Qualification (RFQ) process. The University received three proposals in response to the RFQ. According to University officials, EY was chosen because they have the most relevant experience. In addition, EY was the transition advisor to a bidder for an energy lease and acted as the advisor to the successful bidder for the 50-year utility system concession and on utility system monetization projects. The University signed a Professional Services Agreement with EY on April 24, 2019 for Tax Advisory services. The University paid $78,622 for accounting services provided by Ernst and Young.

In consultation with Wells Fargo and Jones Day, University officials reported they determined the best approach to identifying parties who would have an interest in entering a P3 agreement would be to issue a "Teaser." On April 9, 2019 a PDF document entitled "Project Hercules – Investment Overview" was disseminated by Wells Fargo. According to University officials, Wells Fargo provided the "Teaser" to private equity firms and utility system operators that have extensive experience in the energy sector and have the financial capacity to complete a transaction of the planned magnitude. The PDF included the following information:

- "The University of Iowa ("UI" or the "University") is exploring a public-private partnership concession ("P3") concession involving its on-campus utility system with a private utility operator (the "Concessionaire").
- The P3 partnership aims to provide a new funding source for the University to invest in strategic initiatives.
- The Governor of the State of Iowa asked the Board of Regents (State of Iowa) to encourage the University to explore partnerships that could generate new revenue sources.
- Proceeds from the upfront payment will be placed into a new University endowment and used to fund its planned strategic initiatives, focused on three areas:
    - Research and Discovery: Perform high-impact research.
    - Student Success: Provide a transformative educational experience for all students.
    - Engagement: Foster engagement with the State of Iowa and the rest of the world to broaden education, improve health, and enhance economic development.
- Reinvested proceeds from the upfront payment will be used to fund future opportunities for academic, research, and campus programs resulting in a collaborative win-win situation for both UI and the Concessionaire."

The PDF also specified the utility system P3 opportunity included the following characteristics:

- "Opportunity to manage the on-campus utility systems for the University through a 50-year lease and concession agreement (the "Concession Agreement" or "Concession").

- Concessionaire will be responsible for the operation and maintenance of the electrical systems, steam, domestic water, chilled water, sanitary and storm sewer, high quality water, utility network maintenance, energy control center, environmental compliance, and related distribution systems serving the Main and Oakdale campuses ("Utility System" or "UI Utilities").
- Upfront Payment and Utility Fees:
  - University will receive an upfront payment from the Concessionaire, which it will place into an endowment used to fund its strategic initiatives and contribute funding toward the Utility Fee paid to the Concessionaire.
  - Concessionaire is expected to receive an annual Utility Fee payment for providing agreed upon services. Consists of an annual fixed fee with an annual inflation escalator, passthrough of operating and maintenance costs, and a deemed return on capital invested into the utility system.
- Concessionaire's Additional Operational Objectives:
  - Ability to operate the main campus power plant on a coal-free basis by January 1, 2025.
  - Continue to explore sources of renewable fuels and incorporate sustainable, lower-cost fuel options into the existing utility system.
  - Recognizing that current utility system employees are critical for ongoing system operation and reliability, Concessionaire will provide an attractive employment package to maximize the number of employees who are offered and accept positions with the Concessionaire.
  - Concessionaire is expected to maintain utility system assets in similar or better condition.
  - Continue to support research opportunities in utility system facilities for faculty and staff researchers."

Based on responses to the "Teaser," University officials decided to proceed with a P3 agreement. **Table 1** is a timeline provided by University officials for entering into a P3 agreement.

According to a presentation Wells Fargo staff provided University officials, there were 155 potential investors with a mix of both strategic and financial parties who responded to the "Teaser." Of the 155 initial responses, 72 companies signed nondisclosure agreements. According to University officials the "Teaser" was later released to the public on the website but is no longer available.

Table 1

Year	Period	Description
2019	January – March	Develop a financial model and make a decision to issue a Request for Qualification (RFQ.)
2019	April – June	Request RFQ responses; Decision on parties to advance to the Request for Proposal (RFP) stage
2019	July – October	RFP Process and negotiating and drafting of concession agreement
2019	October – November	Review RFPs and select winning bid
2019	December	Negotiate final Concession Agreement, Board of Regents approval, sign final agreement. *(Board of Regents approved the P3 lease agreement on 12/10/19.)*
2020	March	Receive upfront payment and turn over operations and management of utility system to Concessionaire.

Auditor's notation is in italics.

RFQ Process

After consultation with University officials, Wells Fargo and Jones Day prepared a "Request for Qualifications Proposal Submission Instruction Letter." The letter was sent to those entities expressing interest in the opportunity "to manage and operate the University's on-campus utility system through a 50-year lease and concession agreement." The letter also referred to a Confidential Information Memorandum which had been previously provided to the recipients and included the following: "the private lessee and utility operator (the "Concessionaire") will be responsible for the operation and maintenance of the electrical systems, steam, domestic water, chilled water, sanitary and storm sewer, high quality water, utility network maintenance, energy control center, environmental compliance, and related distribution systems serving the Main and Oakdale campuses. Responsibilities also include the procurement of the utility systems' required fuel / energy needs to optimize plant operation, ensure reliability and meet campus demand. The University is interested in receiving only one Concession proposal, which should be inclusive of all of the aforementioned UI utility system components." A copy of the RFQ letter is included in **Appendix 3**. Contact information for Wells Fargo representatives has been redacted from the copy provided in the **Appendix**.

University officials met with Wells Fargo representatives on June 21, 2019 to review the RFQs received and advance eligible bidders to the Request for Proposal (RFP) stage. As previously stated, there were 155 potential investors with a mix of both strategic and financial parties, and 72 nondisclosure agreements (NDAs) were executed prior to preparation of an RFQ. Of the 72 NDAs, 14 RFQ proposals were received. **Table 2** lists the 14 respondents that submitted an RFQ proposal.

Table 2

Respondents to the RFQ ~	
• Bernhard Energy/Provident Resources/Brown&Root/Shive-Hattery/ Centirca	• NextEra Energy / Schneider Electric / U.S. Water Services
• Harrison Street / Ever-Green Energy / City Water	• ENGIE / Meridiam
• Plenary / Kiewit / Sacyr	• Anbaric / AECOM / John Hancock / NAES
• John Laing / Acciona / DTE Energy	• Corix Infrastructure
• Axium /Veolia/TIAA	• Con Edison Solutions
• Brookfield / Enwave / Johnson Controls	• Ameresco / Blackstone / Worley
• Clearway Energy / EPCOR	• MidAmerican Energy Company

~ - Some of RFQ respondents included Third-Party Advisors that are not listed in **Table 2**.

The 14 RFQs were evaluated using weighted "Key Evaluation Criteria." The main components were the Concessionaire Capabilities (60%) and Closing Considerations (40%). These components were further broken down. **Appendix 4** lists the "Key Evaluation Criteria." The components included the following categories:

- Upfront Payment Value – The amount the University would receive at the time the project closed.
- Model Assumptions and Financial Capabilities – This section included information on tax credits, leveraging of investments revenues of the investor/consortium.
- Concessionaire Capabilities - including the operating capabilities of the respondent, whether current University employees would be hired by the Concessionaire and the benefits they would receive, and sustainability.
- Time to Close – the period of time it would take the respondent to take operational control of the utility system.

- Cost Sharing Mechanisms – This section includes how costs will be shared between the University and the Investor/Consortium.
- Requires Approvals – this includes state licenses, regulatory approvals, and any internal company approvals such as an investment committee, Board, etc.

RFP Process

After reviewing the RFQs received, University representatives selected five consortiums to proceed to the RFP phase. The five respondents were:

- Acciona / John Laing / DTE (withdrew during the RFP process)
- Axium / TIAA / Veolia
- ENGIE / Meridiam
- Harrison Street / Ever-Green Energy / City Water
- Plenary / Kiewit / Sacyr

A "Request for Proposal Submission Process Letter" was provided to each respondent who was advanced to the RFP stage. In addition, a draft of the Concession Agreement was provided to each respondent. A copy of the letter sent to the five respondents is included in **Appendix 5**.

During the RFP phase, the University interacted with the respondents to answer questions and provide clarification. The University also scheduled a separate site visit for each respondent to tour the facilities and campus. In addition, University officials also visited each respondent prior to evaluating the RFP submitted.

As part of the RFP process, the University was also to provide a "summary of material considerations, suggestions and revisions provided by each bidding team in their markups (submitted on August 14, 2019) of the draft Long-Term Lease and Concession Agreement for the University of Iowa Utility System (the "Concession Agreement") and the top 10 issues list and top 5 value drivers."

Of the five consortiums invited to submit an RFP, only four did. Acciona / John Laing / DTE withdrew during the RFP process. **Table 3** lists the four consortiums that submitted an RFP and their bid amounts.

Table 3

Consortium	Amount Bid
ENGIE – Meridiam	$ 1,165,000,000
Axium, Veolia. TIAA	950,000,000
Plenary, Sacyr, Kiewit	882,800,000
Harrison Street, Ever-Green Energy, City Water	881,700,000

Once the RFPs were received and University officials completed a site visit(s), University officials reviewed the four RFPs and the summary information prepared by Wells Fargo. According to University officials, they formed a shared governance working group consisting of faculty, staff, and students to evaluate the RFP responses. The working group crafted, with guidance from the Director of UI Purchasing, the Key Evaluation Criteria used to evaluate RFP bids. Individual rating sheets were not completed. Instead, the working group was divided into teams which were tasked with evaluating specific aspects of the RFP responses. This process also resulted in a series of follow-up questions for each of the RFP respondents.

During the week leading up to the selection of the winning bid, the teams met to discuss the RFP documents and the responses to the follow-up questions. Each team presented its evaluations to the working group. The working group utilized this information and background information provided by Wells Fargo (including a synopsis of the strengths and weaknesses of each consortium submitting a response to the RFP) in its deliberations before selecting a winning bid.

Based on University officials' evaluation of the RFPs, the University awarded the P3 Concession Agreement to ENGIE-Meridiam. According to University officials, the winning RFP bid offered the highest financial consideration and the University officials' evaluations unanimously found ENGIE-Meridiam to be the most qualified utility system operator.

As part of the RFP process, each respondent provided a security bond of $50 million. The security bonds for the companies not selected were returned. As part of the closing, ENGIE was required to provide a $100 million bond. The University maintained the security bond for ENGIE-Meridiam with the understanding, if the company failed to achieve financial close, the University would retain and cash the $100 million bond.

CONCESSION AGREEMENT

Section 262.11 of the *Code of Iowa* states, in part, "The Board may, in its discretion, delegate to each university the authority to approve leases." On December 10, 2019, the Board of Regents authorized the University of Iowa to enter into a 50-year lease agreement with the UIEC. The "Long-Term Lease and Concession Agreement for the University of Iowa Utility System" (agreement) was entered into by the Board of Regents, the University of Iowa, and the UIEC. The UIEC is an entity comprised of ENGIE North America, Meridiam, and Hannon Armstrong. While the agreement was executed on December 10, 2019, the University officially transferred management to the UIEC on March 11, 2020 after achieving financial close on March 10, 2020.

The agreement provided the University would receive a one-time payment of $1,165,000,000 at the time of closing. In exchange, the UIEC would have exclusive rights to operate the University utility system for 50 years. The agreement defines "Utility" as any of the following specific individual utility services: (i) electricity, (ii) steam and condensate, (iii) domestic water, (iv) chilled water, (v) sanitary sewage, (vi) storm water and (vii) compressed air. A list of the University utility facilities, Utility System Land, and Utility System assets included in Schedule 3 of the agreement is included in **Appendix 6** of this report.

Information provided to us by University officials included PowerPoint slides from an informational webinar held during a public meeting with the Board of Regents on December 3, 2019, related to the P3 agreement. The PowerPoint slides included a summary the expected costs of the project and how the University planned to pay for the cost of the project. Under the P3 agreement, the University is billed by UIEC and then, in turn, bills each campus Department monthly for actual utilities consumed. The funds collected by the University are used to pay for the services provided by the UIEC just as it was done when the University operated the utility system. In fiscal years 2021 and 2022 the amount billed to the campus departments by the University was $97.5 million and $99.5 million (rounded) respectively.

The cost of the P3 includes a fixed fee, operations and maintenance costs, and capital expenditures.

> <u>Fixed Fee</u> – This is a fixed annual amount paid to the Concessionaire. The fixed fee was set at $35 million per year for the first five years. After the first five years, the fee increases 1.5% per year for the remaining life of the agreement. In accordance with these terms, the fixed annual fee in year 50 would total $68,397,455. Based on this fee and rate of increase the University will pay approximately $2.4 billion to the Concessionaire for this fee over the life of the agreement.
>
> According to University officials, the annual amount of $35 million is very close to the net revenues generated by the system in FY19. These net revenues are used to pay annual debt

service payments to bondholders plus cashflow direct capital investment in utility system capital projects prior to entering into the agreement.

<u>Operations and Maintenance (O&M) Costs</u> – Under the agreement, O&M costs are "specifically identified out-of-pocket operating and maintenance costs and expenses incurred by the Concessionaire […] or the Operator in operating the Utility System and complying with their respective obligations under [the] Agreement." These costs include the salary and benefits cost of the staff needed to operate and manage the University's utility system, along with costs related to materials, contracts, supplies, waste disposal, tools, and equipment necessary to keep the system operational and functioning as designed. According to University officials, this amount is based on the actual expenses incurred each fiscal year and are, for the most part, a pass-through expense to the University. Uncapped O&M costs are costs approved by the University and are extraordinary in nature and are a pass-through expense to the University. When University officials developed the estimates in 2019, they estimated O&M costs would be approximately $21.4 million in fiscal year 2022. In 2022 the actual O&M was $21.26 million.

As part of the negotiations, all full-time University employees who worked with the utility systems were to be considered for employment with ENGIE. If employees were not hired or chose not to work for ENGIE, the University transferred them to other departments within the University. However, some employees chose not to work for ENGIE or accept the transfer and instead left the University's employment. Because the University is still paying for employee salary and benefit costs as part of the O&M costs, the salaries and benefits associated with the staff who accepted jobs with ENGIE do not represent a savings to the University.

<u>Capital Improvements</u> – These costs are construction projects undertaken by the Concessionaire as required to maintain the utility system, for which the University will repay the principal (construction cost) to the Concessionaire over 20 years or the remaining life of the agreement, whichever is shorter. Interest is assessed on any unrecovered capital expenditure at a rate repriced every 5 years. This amount is not known until a construction or improvement project is identified by the Concessionaire and/or the University. In fiscal year 2022 the University estimated capital expenditures to be $3.8 million.

According to University officials, interest costs are not part of Capital Improvements costs, or the Utility Fee paid by the University to the Concessionaire. There are, however, two components of the Utility Fee that are intended to reimburse the Concessionaire for its cost of debt and to provide the equivalent of the "return on equity" component of investor-owned utilities. These components are: 1) Cost of Debt Factor and 2) Benchmark Amount which is the actual return on equity rates approved by state utility boards in the relevant region. Both factors are equally weighted.

Section 262.34(1) of the *Code of Iowa* includes the following: "When the estimated cost of construction, repairs, or improvement of buildings or grounds under charge of the state board of regents, including construction, renovation, or repairs by a private party of a property to be lease-purchased by the board, exceeds one hundred thousand dollars, the board shall advertise for bids for the contemplated improvement or construction and shall let the work to the lowest responsible bidder." According to University officials,

> "The public bidding requirement set forth in Iowa Code 262.34(1) and discussed in AG opinion 66-7-1 applies to buildings or grounds under the charge of the Board of Regents. The buildings and grounds that make up the University of Iowa's utility system have been leased to and are now under the charge of University of Iowa Energy Collaborative (UIEC) for a period of 50 years. UIEC is responsible for improvements or repairs during the term of its agreement with the University. This is consistent with numerous other long-term lease agreements entered into between BOR institutions and outside entities."

University officials also stated, it is critical for a P3 partner to consider a range of facts and circumstances that allow it to depreciate assets leased under a long-term agreement and remain in accordance with IRS regulations. To achieve this outcome the P3 partner needs to be able to act independently of the University. The University has the ultimate authority to approve capital improvement projects, but UIEC has the autonomy to procure the contractors and consultants necessary to complete the construction projects.

Based on the University's position, section 262.34(10) of the Code of Iowa would not apply to the University's utility system because it has been leased and is now being operated by the UIEC for a period of 50 years. However, the University is still required to reimburse UIEC for all construction costs incurred by the Concessionaire over the lesser of 20 years or the remaining life of the P3 Agreement.

As the operator of the University's utility system, ENGIE is deploying a rigorous process to prequalify contractors to bid on utility system projects. ENGIE accepts the lowest bid from qualified bidders unless other criteria are more important. For example, if the utility project is being coordinated with a University capital project, then the University may require ENGIE to use the University's contractor which could be more costly.

Finally, language in the Concession Agreement requires the University to approve or deny every capital project undertaken by ENGIE. In addition, the University approves every project needed to ensure service demands of the campus are met. As previously stated, capital expenditures are a pass-through expense to the University.

Under the agreement, UIEC presents proposed projects to the University and the justification for each project recommended. University officials must approve or deny the project. University officials can also set the priority for the projects. In addition, if University officials determine there is a project which they want done, ENGIE is required to do the project.

University officials also stated, if a disaster were to occur, such as a flood, the Concessionaire would be required to comply with and participate in the University's emergency response plan as it relates to the utility system. This would include complying with the University's emergency repair and mitigation actions, as well as directives from the University to relocate and/or reconfigure the utility system. The University is responsible for insuring all assets of the utility system. During a disaster the University would also have access to FEMA and other aid to repair and replace the assets.

Other Costs – In addition to the costs listed above which are paid to the Concessionaire, the University also pays other utility costs. **Table 4** lists the estimated other costs to be paid by the University for the utility system in fiscal year 2022, as projected in 2019.

Table 4

Description	**Amount (rounded)**
Fuel/Electricity	$ 33,830,000
Sewer/Fire/Refuse	5,470,000
Energy Control Center / Environ Compliance	4,560,000
Insurance/Audit Costs	2,010,000
Total	$ 45,870,000

Currently, the University bills campus departments approximately $99.5 million annually to fund and operate the utility system. According to University officials, they plan to continue to bill campus departments for their use of utility services. In fiscal year 2022, the actual expense for other costs totaled $44.915 million, $955,000 less than the 2019 estimated amounts.

The PowerPoint presentation included a slide which projected the total billings to campus departments and total costs associated with the project at points in time and for the project as a whole. A copy of this slide is included in **Appendix 7**. **Table 5** summarizes the total estimated billings and costs, as projected in 2019, resulting from the P3 agreement. This information is also illustrated by the **Appendix**.

Table 5

Description	Estimated Amount (in millions)^	
Amount Billed to Campus Departments	$ 8,166.2	
Less: University Utility Costs	3,656.9	
Subtotal		$ 4,509.4
Less Payments to Concessionaire for Operating and Capital Costs:		
Operations & Maintenance (O&M)	(1,764.0)	
Capital Expenditure Repayment	(1,567.6)	
Capital Expenditure Interest	(1,051.9)	(4,383.5)
Contribution Toward Concession Fixed Fee		125.9
Less: Fixed Fee Payment		(2,418.2)
Utility Subsidy From P3 Endowment (*needed to cover costs*)		(2,292.3)
Strategic Funding		(735.0)
Total Distribution from P3 Endowment		($ 3,027.3)

^ - Rounded amounts provided by University officials, as illustrated by **Appendix 7**.

The **Table** shows in 2019 the University projected it would need approximately $3.027 billion from the endowment fund over the term of the P3 agreement in order to pay for the annual costs established by the agreement and the operations of the utility system. However, the final amount may increase or decrease as the result of a number of factors, including the O&M costs and capital expenditures which are estimated over a 50-year period and depend on numerous factors.

For example, construction costs have increased since the establishment of the agreement. In addition, changes in EPA regulations or technology costs may cause costs to increase or decrease. If technology results in greater efficiency in generating power or alternate fuel sources become available at a lower cost, costs may go down. Demand also plays a part in utility costs. As a result, changes in these estimates could positively or negatively affect the final amount the endowment will need to provide to cover costs.

As previously stated, the University received $1,165,038,084 when the agreement was finalized and financial close was achieved. After the University retired the outstanding utility bonds and paid the consulting fees for the project and other costs, the University deposited $985,881,608 into the endowment fund. In order to pay for the project, the University and its consultants determined, by investing the $985,881,608 in an endowment, the endowment is projected to have a return on investment (ROI) sufficient to cover the costs of the project and provide up to $15 million per year or a total of $735 million over the 50-year life of the agreement to be used to fund grants related to the University's strategic plan. The endowment fund is discussed in more detail later in this report.

In addition, if the investments made by the endowment fund exceed the projected ROI, the University will be able to use any additional earnings to fund additional projects related to its strategic plan or other University projects. If the endowment fails to earn the projected ROI, the University will have to make up any shortfall by reducing or not funding projects related to its strategic plan and/or use other resources from its general fund or possibly incurring debt to pay the Concessionaire.

We asked University officials if an analysis had been performed comparing the costs of the P3 agreement to the cost of the University continuing to operate and maintain the utility system over the 50-year period of the P3 agreement. University officials reported they did not perform an explicit, formal cost comparison/calculation of what it would cost if the University continued to operate and maintain the Utility System. University officials also responded that the modeling assumption used to generate estimated costs was intended to be a reasonable depiction of what it would cost if the University continued to operate and manage the system.

Under University management, the Utility System was managed as an auxiliary system and charged rates to campus departments to fully recover operating and capital costs. If salary and benefit costs, purchased electricity, purchased fuels (such as coal, natural gas, oat hulls, and energy pellets) and capital project costs increase in excess of 2% per year, the University reported they would bill the campus at something above a 2% increase in order for revenues to fully fund actual expenditures. In addition, there are costs embedded in the Concession Agreement that would not be incurred if the University continued to manage the system. The cumulative sum of these additional costs are represented in the deficit amount called “Utility Subsidy From P3 Endowment”. This is a reasonable approximation of the amount needed to protect the University from the higher costs embedded in the Concession Agreement.

The financial model prepared by the University expects the “Utility Subsidy From P3 Endowment” (approximately $2.3 billion) and the “Strategic Funding” ($735 million) amounts to be funded from the investment proceeds earned from the upfront payment totaling $1.165 billion. If this plan comes to fruition, the University will achieve its goal of investing $735 million in strategic initiatives. This level of strategic investment would not be achievable in the current budget environment if the P3 transaction had not been undertaken unless other significant factors changed, such as public investment from the legislature.

According to the agreement and discussion with University officials, the cost of operating and maintaining the Utility System are passed on to the University. So, if the costs associated with the operations such as payroll, purchased fuel costs, etc. increase as a result of general production cost increases or inflation, the costs will be passed on by the University to each department. The contract also allows for repricing of certain elements of the contract every 5 years.

When University officials decided to enter into a P3 agreement, the main priority was to provide a funding mechanism for the University’s strategic plan which would not require use of any other University revenue sources. In other words, they were seeking a solution for which the financial impact on the University’s general fund would be cost neutral.

However, if the $986 million invested in the UISIF does not generate the expected 5% rate of return, the University will have to make up the shortfall. If this were to happen University officials stated they would first stop funding strategic initiatives ($15 million per year) until such time as the fund had recovered and was able to cover the costs of the P3 agreement. If this was not sufficient, the University could also bill each department for the additional cost, use other resources, increase tuition, or issue debt. Ultimately, taxpayers would be responsible for payments. The University investment advisor is projecting an annual ROI on investments in the 5%-6% range over the 50-year period of the agreement. This ROI is similar to the ROI the University uses for many of its typical investments.

Other Costs

In addition to the costs included in the P3 Concession Agreement, the University also incurred costs for the planning and execution of the P3 agreement. These costs are listed in **Table 6**.

Table 6

Firm	Amount
Wells Fargo	$ 10,501,973
Jones Day	1,356,067
Jacobs Engineering	206,978
Ernst and Young	78,622
Total	$ 12,143,640

Savings

As previously stated, staff who previously worked on the utility systems for the University transitioned to work for ENGIE to operate and maintain the Utility System. As part of the O&M costs, the University pays ENGIE for payroll costs. According to University officials, under the model used, the assumptions were based on no net savings to the University. However, if ENGIE can reduce operating costs over time, then these savings will accrue to the University through the capped O&M index formula. According to University officials, additional savings are expected based on the Concessionaire's ability to leverage its substantial expertise to provide savings throughout the term of the Concession Agreement by increasing sustainability and improving operational efficiency which may also help reduce costs to the University.

In March 2020, the University used a portion of the $1.165 billion received at close to defease its outstanding utility system revenue bonds totaling $158,418,793. In order to defease the bonds, the University placed the funds in an irrevocable escrow account with the University as a trustee. The escrow account is sufficiently funded to fully pay the remaining principal and interest due on the bonds. The Utility System Revenue Bonds will be called on November 1, 2020-2026. In March 2020, the University called and defeased $3,080,000 of Utility System Revenue Bonds.

Performance Standards and Key Performance Indicators (KPI)

There are several sections in the agreement dealing with performance standards and key performance indicators related to the operations of the utility system, including:

- Section7.3(c) - "Energy and Water Supply; Coal-Free Requirement." This section states "…after January 1, 2025, the Utility System shall be capable without additional work or improvement to perform in a manner that satisfies all the requires hereunder without the use of any coal in the Utility System Operations. In the event that the Concessionaire fails to comply with the restrictions on coal use set forth in this section 7.3 unless otherwise waived by the University in writing or expressly provide in the Approved Five-Year Plan that month, the Concessionaire shall pay the University $1,000,000 per month on a monthly basis for each month in which the Concessionaire fails to comply."
- Schedule 2 of the Concession Agreement sets out the Performance Standards for the utility system, which consist of the standards, specifications, policies, procedures, and processes that apply to the operation of, maintenance of, rehabilitation of, and capital improvements to the utility system.
- Schedule 15 of the Concession Agreement sets forth the various KPIs, which include, but are not limited to, unplanned outages, safety violations, and compliance with DNR and EPA rules. Each KPI includes a specific number of acceptable outage hours or events. If ENGIE exceeds the acceptable number of outage hours or events, they must pay a monetary penalty to the University. The monetary penalties increase if outage hours or events continue to accumulate over time. According to University officials, there have been no major violations of the KPIs as of the date of this report.

- In addition to potentially significant monetary penalties, ENGIE'S risk as part of this P3 is if there are major issues with the Performance Standards or the KPI's, the University can remove them as the operator of the utility system.
- O&M costs are capped at 2% above the calculated amount. Costs above the cap are borne by UIEC.
- UIEC must fund capital improvements to the utility system; the "return on unrecovered capital expenditures" is fixed for a 5-year period. In a rising interest rate environment, the cost of debt factor embedded in the unrecovered "capex" (capital expenditures) calculation is fixed thereby lowering returns to UIEC during the 5-year period.

SUMMARY

As previously stated, the P3 agreement leases the Utility System to the Collaborative for 50 years. Unlike a normal lease, where an entity receives monthly payments, the University received proceeds of approximately $1.165 billion at the time of closing when the lease begins. According to information provided by University officials, they will pay approximately $2.418 billion in fixed fees to the concessionaire over the life of the project, including interest payments, and will need approximately $2.292 billion of that amount from the Endowment (that is, returns on the investment of the initial payment made at financial close) to cover the total cost of the P3 agreement plus an additional $735 million the University will use to fund strategic projects.

Financial Investors

In order to fund a project of this size, it was expected a successful bidder would require the backing of multiple financial investors to provide the funding needed. A redacted document was submitted to the BOR regarding the RFP for the P3 agreement included a PowerPoint slide which stated "21.5% of the Hawkeye Energy Collaborative's committed private placement financing comes from Iowa-based investors." This information was also included in an article published in The Cedar Rapids Gazette, "the new collaborative reports that nearly 22 percent of the committed private placement financing for the UI deal comes from Iowa-based investors." Upon request for disclosure by the media, the University declined to provide the list of investors to the public.

When the information was requested by the Office of Auditor of State, University officials denied that request as well, because UIEC asserted it was a trade secret not subject to disclosure under Iowa Code 22.7(3) and the University had no reason to refute this assessment. The University also objected to the timing and form of the request, and the Office of Auditor of State filed a judicial action to compel the University to provide the records. Following a district court order requiring the University to comply with the request, the University appealed to the Iowa Supreme Court. The Iowa Supreme Court found unanimously in favor of the Auditor of State and required the disclosure of the requested records. *Sand v Doe*, 959 N.W.2d 99 (Iowa 2021). As a result of that ruling, and after the financial close of the transaction, University officials provided a copy of an attachment from the ENGIE and Meridiam RFP response which listed the companies that agreed to initial purchase commitments to help fund the $1.165 billion to be provided to the University at the closing of the project agreement. With the permission of the University and ENGIE, we are able to disclose the Iowa investors. They are:

- Transamerica – Headquartered in Cedar Rapids, Iowa
- Principal Global Investors – Headquartered in Des Moines, Iowa
- Athene – Headquartered in Des Moines, Iowa (Athene has since merged with Apollo Global Management based in New York City.)

Based on the attachment from the ENGIE and Meridiam RFP response which listed the companies that agreed to initial purchase commitments, we were able to calculate approximately 23% of the initial purchase commitments were provided by the three firms listed above. At the time the agreement was closed, all three firms were headquartered in Iowa.

Conflicts of Interest

The Board of Regents Policy Manual conflict of interest policy includes the following:

- "…members of the Board, employees of the Board, and employees of institutions governed by the Board, are required to comply with Iowa Code § 68B.2A: Conflicts of Interest. To further enhance the credibility and accountability of the Board, the Board requires that all Regents and institutional officials promote at all times the best interests of the Board and its institutions consistent with policies, rules, regulations, and laws governing the Board, academic institutions, and academic freedom. The duty of loyalty requires Regents to exercise their powers and duties in the interests of the Board and its institutions and not in the Regent's own interest or in the interest of another person or organization."
- "Regent institutions shall have Conflict of Interest policies in place for institutional employees not subject to this policy. Such institutional policies shall not be inconsistent with this policy."

The University's Operations Manual defines a conflict as:

> "A conflict exists whenever personal, professional, commercial, or financial interests or activities outside of the University have the possibility (either in actuality or in appearance) of: 1) interfering with UI employees' ability to fulfill their employment obligations; 2) compromising a faculty or staff member's professional judgment; 3) biasing research or compromising, or giving the appearance of compromising, the sound professional judgment of its investigators; or 4) resulting in personal gain for the employee or employee's immediate family, at the expense of the University and/or the state."

We reviewed the conflict of interest and commitment forms for University staff who were involved in the P3 process. We found no disclosures related to investments in or other conflicts with ENGIE / Meridiam. It is possible for any SUI or BOR employee to indirectly have an interest in this project by investing in a mutual fund which may own stock or bonds in ENGIE /Meridiam or any of the investors who were the initial purchasers of the notes for the project. However, this is not considered a conflict of interest because of the types of investment and the inability of the investor to control what stocks, bonds or other investment products a mutual fund manager may choose to include in the portfolio.

We also reviewed the list of potential investors provided by University officials with the date of April 18, 2019 and the list of initial placement offerings to determine if any BOR staff or University officials would have a possible conflict or may have created a company to personally benefit from the P3 agreement.

The companies listed are all large, well-established companies with operations in the US and Worldwide. Because these are established companies, it is highly unlikely a BOR or University official would have a significant investment or ownership interest in the firms. It is possible officials would have an indirect interest through owning a mutual fund or some other type of investment which included investments in these companies. However, because investors do not have control over the decisions made by those governing the mutual funds or other investments, ownership of these investments by BOR or University officials does not represent a material conflict of interest. Finally, because this investment is, for these companies, relatively small, it would not have a unique impact on their valuation such that the purchase of stock or other forms of ownership prior to the P3 would be financially impactful.

University of Iowa Strategic Initiative Fund (UISIF)

UISIF was created as a 501(c)(3) endowment and incorporated as a non-profit under Iowa Code Chapter 504. It is managed by a three-member board including a Board of Regents appointee, UI Faculty Senate faculty appointee, and the University's Senior Vice President for Finance and

Operations. The Board is to meet quarterly to review the operations of the fund, review and manage investments, and determine the yearly allocation to the University for strategic, non-recurring initiatives, and the annual utility subsidy. While the Iowa Constitution generally prohibits the *donation* of public funds to a private entity, that provision is not implicated by this agreement. The legal structure of UISIF, which contains provisions for a measure of University oversight and control, does not constitute an irrevocable transfer of University property (a donation) which would violate the Constitution.

According to University officials, one reason they chose to create a non-profit entity was to have more transparency specific to the P3/UISIF funds. University officials contend that as a non-profit, UISIF will prepare separate financial statements, which will allow the public an easier window into the activities of UISIF. Because the UISIF is managed and controlled by the University, Government Accounting Standards require a footnote disclosure which includes summary financial information to be included in the University's Annual Financial Statement Report which is audited annually.

If the funds had been deposited and recorded in an endowment fund within the University's accounting system, as opposed to a separate non-profit, the financial information would still be available but not be required to be reported separately in the financial statements. However, upon request the University could provide financial information.

Conversely, while University officials contend that UISIF is subject to open records requirements found in Chapter 22 of the *Code of Iowa,* they contend it is not subject to Iowa Code Chapter 21 (open meetings). Because of this distinction, UISIF does not intend to comply with the requirements of the open meetings chapter. Rather than having the projects to be funded debated in a public meeting, the public will be made aware of the projects funded by UISIF through website postings.

As previously stated, a portion of the $1.165 billion received by the University was to be deposited in UISIF to help pay for the cost of the P3 agreement and provide funding for University strategic initiatives. Based on the wire transfer document, the University received $1,165,038,084 on March 10, 2020. **Table 7** lists how the $1.165 billion was used.

Table 7

Description	Amount
Proceeds	$1,165,038,084
Less:	
Retire outstanding utility bonds	(158,418,793)
Pay consulting fees (see **Table 6**)	(12,143,640)
Other costs	(8,594,043)
Amount invested in the endowment fund/UISIF	$ 985,881,608

As shown in the **Table**, $985,881,608 was deposited into UISIF. Information provided by University officials to the Legislative Service Bureau on December 19, 2019 stated the principal was to be maintained in the fund with the earnings where it will be used to cover utility cost subsidy and strategic plan initiatives.

The University plans to use up to $15 million annually from the interest earned to provide funding to one-time grants. Under the plan, members of campus are able to submit a proposal for the one-time grants. The grant may be for 1 to 5 years. The grant should focus on implementing strategies which support the University's Strategic Plan. Examples of efforts which are in support of the strategic plan include:

- Increase retention and graduation rates.
- Provide additional support for first-generation students.

- Improve students' time to degree and reduce student debt.
- Create additional undergraduate research opportunities.
- Increase outreach and engagement across the State.
- Invest in research facilities and grant applications.

The UISIF website provides information on the P3 proposals funded for each fiscal year. **Table 8** summarizes the number of projects and total funding awarded for fiscal years 2021 through 2023.

Table 8

Fiscal Year	Number of Projects	Amount Awarded
2021	5	$ 7,500,000
2022	7	12,113,000
2023	8	15,000,000
Total	20	$ 34,613,000

As the **Table** shows, UISIF has awarded over $34 million to 20 projects since July 1, 2020. As previously stated, the money awarded is used to support initiatives to bolster student success and develop and retain faculty, which are key to competing with the University's larger, better-funded peers. Additional information on specific projects can be found on the UISIF website.

<u>UISIF Financial Status Report</u> – As previously stated, the University's main priority was to provide a funding mechanism for the University's strategic plan which would not require use of any other University revenue sources. In order to achieve this, the University based its assumptions and models on a 5% ROI. According to University officials, by using a 5% ROI, it should prevent the University from using any other funds to pay the costs of the P3. **Table 9** summarizes the financial portfolio of the UISIF fund that was reported by UISIF quarterly through June 30, 2022.

Table 9

Status as of:	Inception Value	Cumulative Distributions and Awards to UI (1)	Net Investment Change (2)	Ending Market Value (3)
03/31/20	$ 985,881,608	-	6,563,225	992,444,833
06/30/20	985,881,608	-	40,137,429	1,026,019,037
09/30/20	985,881,608	-	62,784,383	1,048,665,991
12/31/20	985,881,608	-	109,569,027	1,095,450,635
03/31/21	985,881,608	(7,500,000)	115,729,361	1,094,110,969
06/30/21	985,881,608	(7,500,000)	147,660,936	1,126,042,544
09/30/21	985,881,608	(20,061,892)	150,632,618	1,116,452,334
12/31/21	985,881,608	(20,061,892)	183,427,606	1,149,247,322
03/31/22	985,881,608	(20,641,392)	151,754,270	1,116,994,486
06/30/22	985,881,608	(20,641,392)	83,854,258	1,049,094,474

(1) Withdrawals for UI grants, UI campus utility subsidy and operational costs. (Rounded)
(2) Market performance net of manager fees. (Rounded)
(3) Market value of fund must grow over time in order to meet substantial future withdrawal commitments. (Rounded)

According to University officials, inflation has negatively impacted both the University and UIEC in ways that are similar to virtually every other global entity. The price of materials, goods and services, fuels and labor costs are increasing at a rate that is significantly higher than what was assumed in the financial model. This inflationary impact would be the same even if the University continued to operate and manage the Utility System independently.

One significant way the UIEC has been affected by inflation is the fixed fee component of the Utility Fee paid to UIEC of $35 million per year with a 1.5% annual escalator beginning in fiscal year 2026. As previously stated, the University will pay UIEC $2.4 billion over the 50-year period. Inflation impacts the net present value of this payment. While it is a mixed impact, the net impact of this period of high inflation could be beneficial to the University.

University officials also claimed having the UISIF created as a 501(c)(3) endowment allows for more transparency. As stated above the UISIF is subject to open records laws but not subject to open meeting laws. The University provides a Financial Status Report which is updated every quarter. The information included in **Table 9** is from this report. The information can be found at Public-Private Partnership (P3) | University of Iowa Strategic Plan – The University of Iowa (uiowa.edu). The following information is included on this site:

- information about the P3 Program in support of the Strategic Priorities,
- a list of proposals funded each year,
- a link to the UISIF Financial Report (PDF), and
- updates.

The site does not include copies of the Board's minutes, detailed financial information, or information on the rate of return on the investments. As discussed below, summary financial information is included in the University's Annual Financial Report as a footnote disclosure.

Transparency to the Public and Others

With any major change in the way the University operates, there is a need to be as transparent as possible to reduce the uncertainty, anxiety, and speculation of employees and others with an interest in its operations. During the P3 process, the University held various meetings and forums which the public could attend in order to provide information on the P3 process. The following are a list of dates, meetings, and forums were held.

- April 17, 2019 – Sustainability Charter Committee; Information Session with Reporters
- May 1, 2019 – Public Forum on west side of campus
- May 2, 2019 – Public Forum on east side of campus
- August 27, 2019 – Sustainability Charter Committee
- September 23, 2019 – Public Forum on east side of campus
- September 24, 2019 – Public Forum on west side of campus; Update UISG/GPSG
- October 15, 2019 – Discuss P3 with students
- December 3, 2019 – P3 Webinar through BOR website
- November 25 through December 5, 2019 – Various meetings with Regents and Board Office staff and updates to the Governor and legislators, Director of the Department of Management, Auditor of State, and the Attorney General
- December 10, 2019 – Board of Regents Meeting - Concession Agreement signed in Board Office

- December 12, 2019 – Public Forum on east side of campus; Public Forum on west side of campus

During these meetings reporters, residents, employees, faculty, students, citizens, and other officials had an opportunity to learn more about the P3 project. In addition to the meetings, the P3 project was also included on the BOR agendas several times. During the establishment of the P3, there were also several articles included in the Cedar Rapids Gazette, the University's newspaper, the Daily Iowan, the Iowa City Press Citizen, and other media outlets.

However, the information provided to University Officials related to the RFQ and RFP process included confidential information provided by vendors. As a result, some of the discussions and information related to the agreement could not be disclosed to the public. We received multiple communications from individuals during the P3 process that there was insufficient notice of meetings for individuals to actually attend, or for their input to be seriously weighed. Officials should provide enough notice of meetings and hearings to the public and other bodies.

Financial Reporting

The UISIF activity is reported as a blended component unit in the University's financial statements. In addition, certain items are disclosed in the financial statements related to the P3 agreement. As required by Government Accounting Standards (GASB), the University includes financial information in its Annual Financial Report. **Appendix 8** includes selected pages from the University's financial statements which illustrate the following disclosures.

- P3 Utility system advance from concessionaire – GASB requires the advance the University received from entering into the P3 be included in the financial statements as a Noncurrent Liability. The amount shown as the liability is the amount of the advanced payment received by the University remaining to be amortized over the life of the P3 agreement. As a result, the amount of the liability decreases each year. Under GASB, the revenue received is to be recognized over the life of the agreement.

- Note Disclosure – GASB also requires a note in the financial statements with more information on the amount reported as the "P3 Utility system advance from concessionaire." This note usually includes the amount originally received and how the amount will be amortized. In this case, is the University is amortizing the proceeds using the "Straight-line" method over the life of the P3 agreement.

- Blended Component Units – A blended component unit means the entity, in this case UISIF, is so intertwined with the University that they are in substance one and the same. As a result, the financial information is included in the University's financial statements but may not be easily identified. However, in a separate note disclosure, the University presents a "Condensed Statement of Net Position" and a "Condensed Statement of Revenues, Expenses and Changes in Net Position."

- Reporting by Moody's – During our review we were asked if Moody's reclassified the payment to the University as debt. As noted above, the payment received is shown as an advance and recorded as a liability on the University's financial statements as required by GASB. University officials stated they were unaware of any changes made by Moody's and provided us their contact at Moody's so we could follow-up on the questions.

  According to a representative from Moody's, Moody's recently updated their credit rating methodology to account for P3s as more universities enter into P3 agreements. Based on their analysis, the advance is included as "Other Debt Like Instruments" when they calculate the rating score for a university. The representative also stated the reason for this is the possibility a P3 may/could fail or be allowed to fail if they are not essential university services. The representative further stated a utility system is integral to services on campus and it is doubtful the university would fail to support the project.

Items for Consideration

We reviewed the process used by the University to establish a P3 agreement for the operation and maintenance of the University's Utility System to determine whether the University complied with the applicable sections of the Code of Iowa and Board of Regents and University policies and procedures. As a result, we identified certain findings and recommendations regarding the P3 process which should be considered by the Governor members of the Legislature, and members of the Board of Regents.

University of Iowa

- The University should include additional information on its website regarding the UISIF to improve transparency including:
  - Current Rate of Return (ROI) compared to anticipated ROI.
  - Summary financial information as included in the notes to its Annual Financial Report.
  - Publishing minutes from the Board meetings.

State of Iowa Legislature / Board of Regents

- When considering a P3 agreement, the long-term cost and benefit to the State or entity should be clearly documented and shared publicly prior to commitments or decisions being made. This should include a cost analysis based on not entering a P3 but instead maintaining the status quo, performed by an entity that will not have any financial interest in the advancement of the P3 considered.
- To prevent abuse of taxpayer funds and improve value obtained, any P3 should honor Iowa law's requirement for bidding projects and using the lowest responsible bidder by incorporating into its contract(s) that the lessor must follow the state's bidding laws.
- Other funding options or resources should be considered in order to provide sources of funding for strategic initiatives, including but not limited to:
  - Capital campaigns.
  - Having a foundation raise funds for strategic initiatives as they do for other initiatives, such as scholarships, athletics, and projects deemed appropriate by the University.
  - Additional appropriations by the Legislature and/or funding designated by the Governor.
- Accept oversight as a natural, necessary, and helpful part of the decision-making process, rather than as a risk that could upend a hoped-for deal; or at the very least, follow legal obligations allowing oversight. The Legislature should review Code 262.34(1) and AG opinion 66-7-1 as it applies to buildings or grounds under the charge of the Board of Regents.
- The Legislature should consider open records and open meetings laws has they relate to a nonprofit entity created by a State Agency or University and managed and operated by the same State Agency or University. It is unacceptable for public endowments, especially those as large as $1 billion, to be managed free from public meetings and public records laws.
- The Legislature should consider codifying requirements for entering into a P3 agreement including what information is subject to open records requests, open meetings, reports to be filed with the Governor, Department of Management, the Legislature and available to the public. While the Legislature has delegated the authority to issue debt to the BOR, it seems inappropriate for a government department or agency to take on the largest financial

obligation ever held by Iowa taxpayers at the Governor's general suggestion and without a vote from the Legislature. Such practices lead to a lack of accountability and transparency.

- Because of the continued decrease in State Appropriations used to support general operations at the three State Universities, the BOR and Universities have used increases in tuition and fees to support general operations. Had The Governor and Legislature provided appropriations to support the general operations of the BOR and the Universities, the Board of Regents and University may have been able to use a portion of any tuition and fee increase for strategic initiatives to retain and recruit students and faculty and to maintain and improve Iowa's position as an educational state. As a result, the BOR and its universities have had to look for other sources of revenue, including a long term P3 agreement, to help fund initiatives to retain and recruit students and faculty and to maintain and improve Iowa's position as an educational state.

University of Iowa and Board of Regents Response

The University of Iowa and Board of Regents would like to thank the Auditor of State's Office ("AOS") for the significant time and effort it dedicated to conducting a review of the Public-Private Partnership for the operation of the University's utility system ("P3"). The review provides a thorough overview of a very technical and complex transaction. We also appreciate AOS' acknowledgment of the extensive efforts undertaken by the University to perform necessary due diligence, fully evaluate the opportunity, comply with applicable state law, and provide transparency to the public. We will carefully consider the recommendations made by AOS in the report. The P3 is a great opportunity for the University, and we look forward to its continued success.

Staff

This review was performed by:

Mark Moklestad, CPA, Senior

James S. Cunningham, CPA,
Deputy Auditor of State

Annette K. Campbell, CPA
Chief Deputy Auditor of State

Report on a Review of the
Public-Private Partnership Agreement
For the University of Iowa Utility System

Appendices

Appendix 1

Report on a Review of the
Public-Private Partnership Agreement
For the University of Iowa Utility System

Copy of Governor Reynolds Letter dated August 8, 2018
And Board of Regents Letter dated August 29, 2018

KIM REYNOLDS
GOVERNOR

OFFICE OF THE GOVERNOR

ADAM GREGG
LT GOVERNOR

August 17, 2018

Dear President Richards,

I highly value Iowa's public universities and am a proud graduate of one of them. I know you feel the same way, and I know the Board of Regents has been working hard to improve the quality of Iowa's universities while maintaining affordability. Even with the rising cost of education, tuition and fees at Iowa's public universities are lower (and sometimes significantly lower) than their peers.

But I think we can and should do more. We need to create predictability for Iowa families. And we need to keep the cost of higher education at a level that is affordable for those same families while also making sure our universities continue to be world class.

That means maintaining robust public funding, but we also should explore ways to more effectively use the vast resources that exist on our campuses. I encourage you and your colleagues on the Board of Regents to survey what other universities around the nation are doing to leverage their assets—tangible and intangible—to further invest in higher education. Whether that's exploring new ways to use an underutilized physical asset or whether it's changing our statutes or rules to give our universities more flexibility to convert their research into commerce, I am confident that these opportunities exist. And I further believe that our universities have the talent and expertise to identify them.

So please encourage everyone to think outside the box. Once you have had time to consider and identify any opportunities, I'd welcome the opportunity to hear from you.

Thank you for your leadership and keeping our universities moving forward.

Sincerely,

Kim Reynolds
Governor of Iowa

STATE CAPITOL DES MOINES, IOWA 50319 515.281.5211 FAX 515.725.3527 WWW.GOVERNOR.IOWA.GOV

Report on a Review of the
Public-Private Partnership Agreement
For the University of Iowa Utility System

Copy of Governor Reynolds Letter dated August 8, 2018
And Board of Regents Letter dated August 29, 2018

Governing Iowa's public universities and special schools
University of Iowa
Iowa State University
University of Northern Iowa
Iowa School for the Deaf
Iowa Braille and Sight Saving School
Lakeside Laboratory Regents Resource Center
Western Iowa Regents Resource Center

EDUCATION RESEARCH SERVICE ACCOUNTABILITY
BOARD OF REGENTS
STATE OF IOWA

Michael J. Richards, MD, President, *West Des Moines*
Patty Cownie, President Pro Tem, *Des Moines*
Sherry Bates, *Scranton*
Nancy Boettger, *Harlan*
Milt Dakovich, *Waterloo*
Nancy Dunkel, *Dyersville*
Rachael Johnson, *Sioux City*
Jim Lindenmayer, PhD, *Ottumwa*
Larry McKibben, JD, *Marshalltown*

Mark J. Braun, Executive Director

August 29, 2018

Dear Governor Reynolds,

Thank you for your letter of August 17. You and I share a common goal of keeping Iowa's public universities the top-notch institutions that they are.

Keeping our public universities accessible and affordable will continue to be the Board's top priority. Creating predictability in tuition is a key and necessary aspect of this. As you mentioned, tuition and fees at our universities are already lower than their peers, but we should always strive to improve.

As you suggest, we will work with our universities to explore ways to most effectively use the resources that we already have. Additionally, by looking at how others across the nation are leveraging their assets, I am confident that we can find new initiatives to implement on our campuses.

I will be back in touch with you if and when we identify potential opportunities.

Sincerely,

Michael J. Richards
President
Board of Regents, State of Iowa

11260 Aurora Avenue • Urbandale, Iowa 50322-7905 • Phone 515-281-3934 • Fax 515-281-6420
www.iowaregents.edu

Report on a Review of the
Public-Private Partnership Agreement
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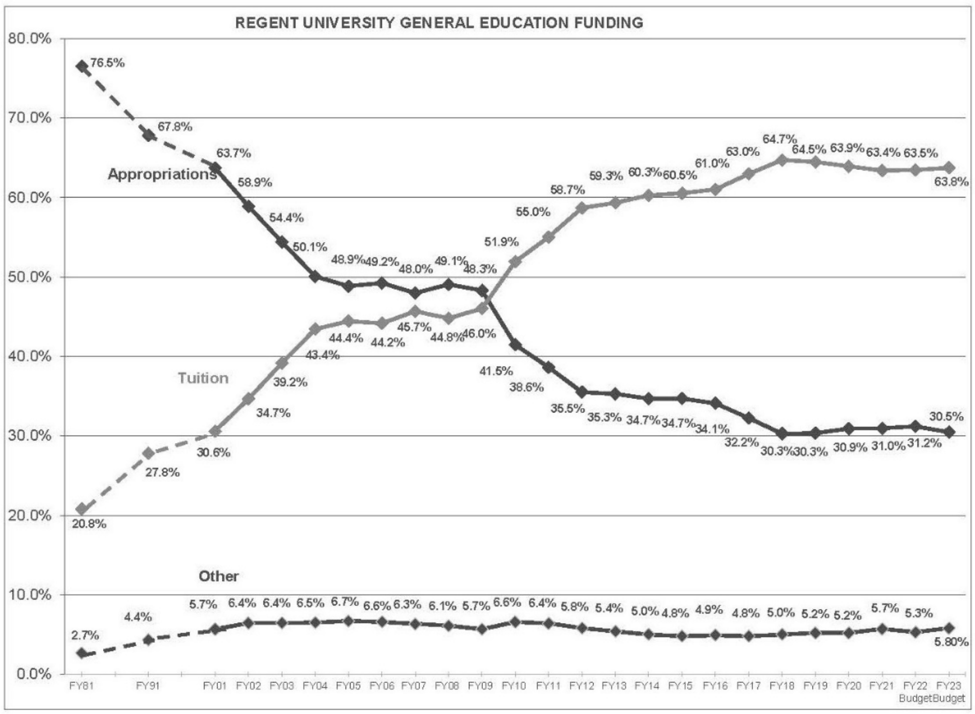
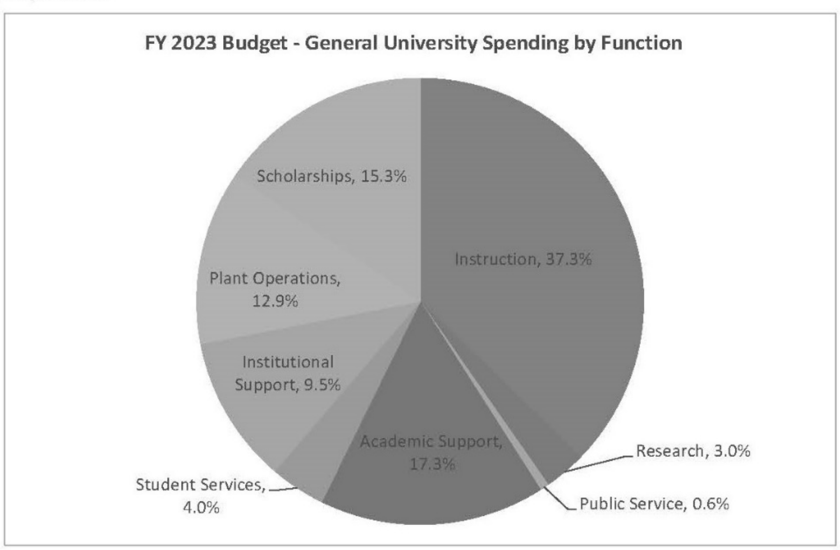
Copy of Graph of Decrease in General Operating Appropriation
And University of Iowa FY 23 Budget

BOARD OF REGENTS
STATE OF IOWA

AGENDA ITEM 7
PAGE 2



In addition to the General University budgets presented on pages 5-6 by expenditure type, the attachments contain an expense summary by the following functional classifications as defined by the National Association of College and University Business Officers. General fund expenses related to instruction, academic support, and scholarships and fellowships comprise 69% of the combined general university expenses.



Report on a Review of the
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Copy of Graph of Decrease in General Operating Appropriation
And University of Iowa FY 23 Budget

BOARD OF REGENTS, STATE OF IOWA
FY 2023 GENERAL FUND OPERATING BUDGETS

	University of Iowa									
	Gen. Univ.	Univ. Hosp.	Psych. Hosp.	CDD	Oakdale Campus	Hyg. Lab	Family Prac.	SCHS	Special Purpose	Subtotal
APPROPRIATIONS										
General	$218,045,224				$2,103,819	$4,822,610	$2,220,598	$634,502	$6,540,917	$234,367,670
RESOURCES										
Federal Support										-
Interest	1,484,000	13,875,938	-50,000	350,000		2,000	7,500			15,669,438
Tuition and Fees	484,762,077									484,762,077
Reimb. Indirect Costs	64,633,932	3,424,428	1,639,110	175,944	286,181	76,200				70,235,795
Sales and Service		2,118,340,299	31,231,054	7,992,196		1,680,888		107,628		2,159,352,065
Other Income	6,000	824,103	255,408							1,085,511
Subtotal - Inst. Income	550,886,009	2,136,464,768	33,075,572	8,518,140	286,181	1,759,088	7,500	107,628	-	2,731,104,886
TOTAL REVENUES	$768,931,233	$2,136,464,768	$33,075,572	$8,518,140	$2,390,000	$6,581,698	$2,228,098	$742,130	$6,540,917	$2,965,472,556
EXPENDITURES										
Fac. & Inst. Off. Salaries	$288,793,123	$101,470,850	$41,056	$510,903		$158,722		$101,100	$1,315,948	$392,391,702
Prof.& Sci. Staff Salaries	171,415,109	776,394,356	17,752,674	4,876,111	171,000	3,387,642	376,944	638,846	2,457,212	977,469,894
General Service Staff Sal.	39,413,316	200,962,171	8,197,764	1,128,035	1,125,000	1,442,317	2,592		79,473	252,350,668
Hourly Wages	5,700,000	10,298,684	129,056	103,944		52,388			80,006	16,364,078
Subtotal - Salaries	505,321,548	1,089,126,061	26,120,550	6,618,993	1,296,000	5,041,069	379,536	739,946	3,932,639	1,638,576,342
Supplies and Services	52,966,251	993,669,624	5,041,957	1,396,876	199,000	1,389,542	1,848,562	2,184	2,212,711	1,058,726,707
Library Acquisitions	18,333,747									18,333,747
Rentals	6,283,298	7,003,726	6,472	558		138,987			78,700	13,511,741
Utilities	46,040,398	38,603,479	1,899,592	263,168	751,000	12,100				87,569,737
Bldg. Repairs	25,378,733	7,461,878	7,001	238,545	144,000					33,230,157
Auditor of State Reimb.	765,000									765,000
Equipment	4,672,836								3,000	4,675,836
Aid to Individuals	109,169,422	600,000							313,867	110,083,289
Subtotal - Other Expenses	263,609,685	1,047,338,707	6,955,022	1,899,147	1,094,000	1,540,629	1,848,562	2,184	2,608,278	1,326,896,214
TOTAL EXPENDITURES	$768,931,233	$2,136,464,768	$33,075,572	$8,518,140	$2,390,000	$6,581,698	$2,228,098	$742,130	$6,540,917	$2,965,472,556

Report on a Review of the
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For the University of Iowa Utility System

Copy of Redacted Request for Qualifications Letter

WELLS FARGO SECURITIES

STRICTLY PRIVATE & CONFIDENTIAL

April 18, 2019

Subject: University of Iowa P3 Utility System Transaction – Request for Qualification Proposal Submission Instruction Letter

The University of Iowa ("UI" or the "University") and Wells Fargo Securities ("Wells Fargo") appreciate your interest in the opportunity to manage and operate the University's on-campus utility systems through a 50-year lease and concession agreement (the "Concession" or "Concession Agreement"). The Concession is an important partnership that will help to support the University's goal of providing a high-quality educational experience to its students while still maintaining or improving the utility service that it provides to its on-campus users.

As described in the Confidential Information Memorandum ("CIM"), which you have previously received, the private lessee and utility operator (the "Concessionaire") will be responsible for the operation and maintenance of the electrical systems, steam, domestic water, chilled water, sanitary and storm sewer, high quality water, utility network maintenance, energy control center, environmental compliance, and related distribution systems serving the Main and Oakdale campuses. Responsibilities also include the procurement of the utility systems' required fuel / energy needs to optimize plant operation, ensure reliability and meet campus demand. The University is interested in receiving only one Concession proposal, which should be inclusive of all of the aforementioned UI utility system components.

Should you wish to pursue this opportunity, you are required to prepare and submit a written, non-binding proposal ("RFQ Proposal") in accordance with the requirements and procedures contained herein. The RFQ Proposal submission will be based on the information provided in the CIM, financial model for the Concession ("Financial Model"), and an asset conditions report on the University's utility systems prepared by Jacobs Engineering ("Technical Report").

Following the submission of RFQ proposals, the University will advance a smaller group of responding teams into the Request for Proposal ("RFP") stage of the process as determined by the University in its sole discretion following review of the RFQ Proposals. The University will evaluate each responding team on the basis of that team's RFQ Proposal and the experience of the particular individuals identified as the respondent's proposed team for the Concession. The University may hold discussions with individual firms to explore their qualifications further, the scope and nature of the services they would provide, and the various technical approaches they may take regarding the Concession. During the RFP stage of the process, those selected teams will be provided with additional technical data, site access, the ability to submit additional due diligence questions and engage in management presentations with key UI management and utility systems operational personnel. Further instructions will be provided at a later time regarding the RFP stage of the process and timing to submit a final, binding proposal.

Request for Qualification Proposal Content

The comprehensive RFQ Proposal should address the following items and reflect any additional factors that you would like the University to consider. To reiterate, the University is interested in receiving only proposals for the entire Concession, which should be inclusive of all the aforementioned UI utility system components, and not for portions thereof. Prospective Concessionaires should be able to meet both the operational and financial requirements of the Concession. Failure to fully and completely address each of the below listed items may result in disqualification of such RFQ Proposal in the University's sole discretion. Any information in the RFQ Proposal you consider to be proprietary or a trade secret must be marked "Proprietary Information". Each member of a responding team may only be associated with one RFQ Proposal and may not be a member of multiple RFQ Proposals.

Included within each section or subsection (in parentheses) is an allocation of the maximum number of pages for such section or subsection in the RFQ Proposal, and if any subsection in such RFQ Proposal exceeds such allocations, it may be subject to disqualification. The page limits exclude charts and other graphics which may be included as supporting attachments.

1) Concessionaire / Team Overview
    a. Please describe the strategic rationale for pursuing the Concession (1 page)
    b. Please provide the proposed team description and designated roles and responsibilities (5 pages)
        i. Full legal names and jurisdictions of organization for all controlling equity investors and operating partners

Report on a Review of the
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For the University of Iowa Utility System

Copy of Redacted Request for Qualifications Letter

ii. Organizational chart to highlight anticipated legal relationship as appropriate (e.g. governance and capital structure)

iii. Role of each team member

iv. 3rd party advisors selected or expected to be engaged as part of the process

c. Operational Capabilities (12 pages)

i. Please describe each team member's relevant utility systems experience

ii. Please describe each team member's relevant experience with:

1. Multi fuel combined heat and power facilities
2. Asset dispatch related to a multi fuel CHP facility
3. Renewable fuel sourcing and use
4. Electric and steam driven chilled water production
5. Water treatment, specifically surface water treatment
6. Plant facilities located on multiple campuses (e.g. Main Campus and Oakdale Campus)
7. Multiple plants located within a single campus
8. Utility distribution system operation and maintenance, including tunnel systems, direct buried systems, high voltage electricity
9. Environmental compliance programs and philosophy, and note any fines or penalties levied on each team member's U.S. operations within the past ten years
10. History with management of greenhouse gas emissions, including participation in any emission trading markets, including Renewable Energy Credits ("RECs")
11. Network system maintenance and operation, including multiple control system platforms in multiple locations and remote metering of multiple utilities
12. Natural disaster emergency management procedures, including specific plans that have been managed and implemented
13. Fuel/energy procurement and experience using alternative fuels

iii. Please provide information related to the operation of utility systems providing services to critical facilities such as hospitals, research facilities, transportation centers, etc.

- iv. Please provide an overview of each team member's corporate safety programs and safety metrics over the past five years, and discuss how those programs would be part of the Concession agreement
- v. Please describe each team member's capabilities to forecast capital project needs and each team member's design-build capabilities to execute on capital plans both within utility systems and within customer buildings
- vi. Please highlight additional details on your ability to provide reliable, cost-effective service while maintaining safety, security and exceptional customer service

d. Staffing (8 pages)
- i. The University of Iowa is world-class research institution because of the talented people who form its community. The UI is committed to creating the best possible work environment for its employees. This includes recruiting, supporting, developing, engaging, and retaining diverse and talented employees. Please describe each team member's values and highlight its performance history with respect to meeting these goals
- ii. Please describe each team member's past experience and your future plans in putting together a competitive employment package that will attract current employees from the University to the Concessionaire that includes:
  1. Employee salary
  2. Health insurance benefits
  3. Enrollment in a 401k account with employer match
  4. Rollover of existing retirement accounts
  5. Transfer of existing vacation and sick leave to Concessionaire and setting of vacation and sick leave earning rates based on seniority
  6. Other benefits, including parking, athletic ticket discounts, recreation facility membership incentives, etc.
- iii. Recognizing that University employees have the option to remain employees of the University, retaining a non-utility position with similar pay and benefits, please confirm the intent to provide an employment package that will attract University employees to the Concessionaire

e. Operational Strategy (5 pages)
- i. Please describe your expected operational approach and preliminary views on the utility system

1. Existing operations plan and system design
2. Utilization of existing employees during Concession
3. Organizational approach for meeting HR, IT and accounting support needs
4. Energy and fuel procurement approach, including corporate philosophy related to fuel diversification and energy security
5. Preliminary views on the projected operating costs and capital expenditures provided

ii. Please confirm, based on information provided to date, that you have the ability to operate the UI utility system on a coal-free basis by January 1, 2025

f. Financial Capacity (5 pages, excluding rating agency reports)

i. Provide information that addresses the financial strength of the potential Concessionaire, including the most recent credit rating(s) and corresponding rating agency report(s) or if the potential Concessionaire has not yet been formed, please provide the foregoing information for each team member

ii. Describe the expected sources of funding (both internal and external) for the up-front, closing consideration payment and the plan to finance required capital expenditure over the term of the Concession Agreement

iii. Provide information on relevant project financing experience as applicable

g. References (1 page)

i. Provide two references that the University can contact regarding each team member's relevant experience (include the name, company/institution, phone number, and email address)

2) <u>Concession Agreement Closing Consideration (3 pages)</u>

a. Up-front payment amounts that you are prepared to pay the University upon closing of the Concession Agreement, denominated in U.S. dollars, and based on the following Fixed Fee and assuming a 1.5% inflation escalator with the start dates as provided below. Please assume a Concession Agreement closing date of January 1, 2020 for valuation purposes

Fixed Fee	$30MM	$35MM	$40MM
Fixed Fee Escalator beginning in 2025E			

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Report on a Review of the
Public-Private Partnership Agreement
For the University of Iowa Utility System

Copy of Redacted Request for Qualifications Letter

Fixed Fee Escalator beginning in 2021E			

b. Please describe all material assumptions that are different from the assumptions provided in the Financial Model and CIM
c. Please describe the tax assumptions which form the basis of your Concession Agreement closing consideration, e.g. utilization of depreciable tax basis of assets
d. Please describe the anticipated capital structure for the Concession. The University requires the Concession capital structure to maintain an investment grade credit rating

3) Concession Agreement Additional Considerations (5 pages)
   a. Please provide any general feedback on the proposed Concessionaire utility fee construct described in the CIM and Financial Model
   b. Please also provide feedback on the specific items listed below:
      i. Cost savings / sharing mechanisms for operating and maintenance expense reductions over the term of the Concession[1]
      ii. Cost savings / sharing mechanisms for procuring fuel and supplies for the utility system rather than treating as a straight pass-through
      iii. Capital planning and approval process described in the CIM

4) Required Approvals and Timing (2 pages)
   a. Briefly summarize the level of review that your RFQ Proposal has received within each team member's organization(s), and describe any required internal approvals that would be needed in order to submit a final, binding proposal at the end of the RFP stage of the process
   b. Describe the regulatory approvals (and related timing) that you expect may be required to enter into a Concession Agreement
   c. Please discuss or confirm your ability to meet a final, binding offer deadline tentatively planned for September 2019

[1] Responders should note that the University intends to purchase and maintain insurance coverage on the utility system and so these costs will not be included in O&M Recovery

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   d. Please discuss the estimated time needed to move from a final, binding offer to assumption of operational responsibility and your experience managing this type of transition with the team members responding to this proposal

5) Focus of Additional Due Diligence (3 pages)
   a. Outline key areas of due diligence expected to be addressed during the RFP stage of the process
   b. Please highlight any specific items needed in order to submit a final, binding proposal at the end of the RFP process

6) Additional Information (3 pages)
   a. Please provide any additional information which you deem relevant for the University to consider as part of your RFQ Proposal

7) Key Contacts (1 page)
   a. Please provide the key contact information with whom we can discuss your RFQ Proposal

No Liability for Costs

The University and its advisors are not responsible for costs or damages incurred by teams, subcontractors, or other interested parties in connection with the solicitation process, including, but not limited to, costs associated with preparing responses, qualifications, and proposals, and participating in any conferences, oral presentations, or negotiations

Modification, Termination, and Rejection Rights

The University reserves the right (1) to modify or terminate this solicitation at any time for any reason, (2) to reject any or all proposals, and (3) to waive minor, technical defects in any team's RFQ Proposal. The receipt of proposals or other documents at any stage of either the RFQ or the procurement or transaction process will in no way obligate the University to enter into a contract of any kind

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Public-Private Partnership Agreement
For the University of Iowa Utility System

Copy of Redacted Request for Qualifications Letter

RFQ Proposal Submission Timing and Additional Submission Details

Please submit your RFQ Proposal in written form, via an attachment to an e-mail, to the Wells Fargo contacts listed below **no later than 3:00p.m. Eastern Daylight Time on June 14, 2019**.

[redacted] [redacted]

The terms of this letter and the RFQ Proposals are subject to the non-disclosure agreement that you have executed and the conditions set forth in the CIM. Except for the obligations resulting from the non-disclosure agreement, your RFQ Proposal will not be considered binding upon any party; however, your participation as outlined in this letter (whether or not you submit a RFQ Proposal) confirms your understanding of, and constitutes your consent to, the terms and procedures set forth in this letter.

It is the intent of the University and Wells Fargo to solicit RFQ Proposals in such a way that minimizes disruption to the operations, employees, students and other stakeholders of the University and preserves the confidentiality of these discussions. The University requires that all contact related to the RFQ Proposal be made through Wells Fargo and that the University and its related parties as noted in the non-disclosure agreement not be contacted directly. Failure to abide by such requirement may lead to the disqualification of a team.

As a public entity, the University is subject to Iowa's open records laws, which require procurement records to be made public. At the conclusion of the selection process, the contents of RFQ Proposals, RFP Proposals, final contract documents, and related materials from all participants will be subject to disclosure and inspection by interested parties. Certain types of records are considered confidential and exempt from disclosure, including records containing trade secrets or proprietary information that are recognized as such and protected by Iowa law. To the extent the University concurs, information marked "Proprietary Information" in your RFQ Proposal will not be considered public information. The University is the final authority as to the extent of material that is considered confidential.

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Copy of Redacted Request for Qualifications Letter

Should you have any questions regarding this letter or any other matter, please feel free to contact any of the Wells Fargo deal team previously listed in this letter. On behalf of the University of Iowa, we appreciate your interest in this important opportunity and look forward to receiving your RFQ Proposal submission.

Sincerely,

WELLS FARGO SECURITIES

Report on a Review of the
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For the University of Iowa Utility System

Copy of RFQ Criteria Matrix

Key Evaluation Criteria

Strictly Confidential

	Weight
Concessionaire Capabilities	60%
A.1. Operational Capability	**40%**
Relevant operational experience with systems similar to UI utility systems and equipment	30%
i. Demonstrated experience operating multifuel combined heat and power facilities	
ii. Demonstrated experience operating electric and steam driven chilled water production	
iii. Demonstrated experience operating utility distribution systems	
iv. Commitment to sustainability and ability to operate the main campus power plant on a coal-free basis by 1/1/25	
v. Environmental compliance and emergency management experience	
vi. Fuel procurement experience (both renewable and non-renewable)	
vii. Operational and capital planning experience	
viii. Experience operating a surface water treatment plant	
A.2. Preliminary operating approach and assessment of existing utility systems to include plan for existing utility employees	10%
i. Team experience related to creating competitive employment packages and assisting employees in transition to a P3, including:	
Employee salary	
Health insurance benefits	
Enrollment in a 401k account with employer match	
Rollover of existing retirement accounts	
Transfer of existing vacation and sick leave to Concessionaire and setting of vacation and sick leave earning rates based on seniority	
Other benefits, including parking, athletic ticket discounts, recreation facility membership incentives, etc.	
ii. Operational Strategy responses, including operational approach, operations plans, approach for meeting HR, IT and accounting needs	
B. Financial Capability	**10%**
i. Ability to fund the up-front payment and ongoing capital requirements over the term of the Concession Agreement	
ii. Credit quality of the Concessionaire	
C. Other Capability	**10%**
i. Ability to complete the transaction given the proposed timing and experience of doing this elsewhere	
ii. Ideas - Views that add value	
Total Concessionaire Capabilities (Sections A, B, & C)	60%
Closing Consideration / Up-Front Payment Amount	40%
Total Overall Response Score	100%

Project Hercules

Wells Fargo Securities

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For the University of Iowa Utility System

Copy of Redacted Request for Proposal Letter

STRICTLY PRIVATE & CONFIDENTIAL

October 23, 2019

Subject: University of Iowa P3 Utility System Transaction – Third Amended and Restated Request for Proposal Submission Process Letter

The University of Iowa ("UI" or the "University") and Wells Fargo Securities ("Wells Fargo") appreciate your continued interest in the opportunity to manage and operate the University's on-campus utility system through a 50-year lease and concession agreement (the "Concession"). The Concession is an important partnership that will help to support the University's goal of providing a high-quality educational experience to its students while still maintaining or improving the utility service that it provides to its on-campus users.

As part of Request for Proposal ("RFP") stage of the process, each of the teams advanced to this RFP stage (the "Bidders") have been provided with a draft of the Long-Term Lease and Concession Agreement for the University of Iowa Utility System (the "Concession Agreement"), additional technical data, site access, the ability to submit additional due diligence questions and engage in management presentations with key UI management and other utility system personnel. The University would also like to visit select operational sites and/or corporate offices of each Bidder during this stage of the process. Should you wish to continue to pursue this opportunity, you are asked to prepare and submit a written, binding proposal ("RFP Submission") in accordance with the requirements and procedures contained herein.

Capitalized terms not otherwise defined herein shall have the meaning set forth in the Concession Agreement issued on October 23, 2019. This Third Amended and Restated Request for Proposal Submission Process Letter (the "RFP Submission Process Letter") amends and restates in its entirety the Second Amended and Restated Request for Proposal Submission Process Letter dated October 10, 2019 issued by Wells Fargo with respect to the RFP.

The objective of the RFP is to further gather information so that the University may evaluate and select a preferred counterparty (the "Preferred Bidder") for the Concession. Following selection

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as the Preferred Bidder, and prior to execution of the Concession Agreement, the Preferred Bidder must form a special purpose vehicle for the sole purpose of executing the Concession Agreement and fulfilling its obligations thereunder in accordance with Section 3.6 of the Concession Agreement (such entity formed by the Preferred Bidder, the "SPV"). If a RFP Submission meets the University's goals and the University elects to proceed with the Concession, the SPV would execute the Final Draft (as defined herein) of the Concession Agreement and become the "Concessionaire" under the Concession Agreement.

The University intends to work towards the finalization of all legal and transaction documentation as quickly as possible following receipt of the RFP Submissions. The University's goal is to achieve commercial close by the end of December 2019 and financial close by the end of March 2020.

Request for Proposal Submission Content

The RFP Submission should address the following items. Failure to fully and completely address each of the listed items below may result in disqualification of such RFP Submission in the University's sole discretion. Any information in the RFP Submission you consider to be proprietary or a trade secret must be marked "Proprietary Information", but this remains subject to the limitations set forth in "Open Records Law" below. Each member of a Bidder and their Affiliates may only be associated with one RFP Submission and may not be a member of multiple RFP Submissions.

Included within certain sections or subsections (in parentheses) is a limitation of the maximum number of pages for such section or subsection in the RFP Submission, and if any section in such RFP Submission exceeds such limitations, it may be subject to disqualification. The page limits exclude charts, graphics and financing related documents which may be included as supporting attachments.

1) Concession Agreement Submission
    a. Provide confirmation in a signed writing that the Bidder's SPV will execute the final draft of the Concession Agreement, including all schedules attached thereto, that will be provided to each Bidder in October 2019 as the Final Draft (see "RFP Submission Process Logistics" section of this process letter for further details). Bidders may not submit any comments, questions or proposed revisions relating to the Concession Agreement after the issuance of the Final Draft, and the University will disregard any such comments, questions or proposed revisions.

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2) <u>Concessionaire / Team Overview (5 pages)</u>
   a. Please provide the following information:
      i. Details of the proposed SPV, including type of legal entity, legal domicile, official company name, location of headquarters, names of ultimate equity holders and their respective stake. Please identify the controlling person of the SPV and list any other direct or indirect co-owners and percentages of consideration expected to be contributed by each co-owner.
      ii. Organizational chart to highlight anticipated legal relationship as appropriate (e.g. governance and capital structure).
      iii. 3rd party advisors engaged.
      iv. Key terms of engagement or contract(s) with the Operator, including the fee to be paid to the Operator, and/or staffing and subcontracting plans at the Concessionaire level to perform the required scope of work.
      v. A detailed personnel chart of key roles within the SPV and the Operator.
      vi. Any current, potential or reasonably perceived conflicts of interest and existing business relationships the SPV, its Equity Participants, the Bidder or the Operator may have with the University and, if any, the Bidder's plan to address such conflicts.
   b. If any of the foregoing information with respect to the Bidder or the SPV changes after the RFP Submission has been submitted, the Bidder shall promptly notify [redacted] of Wells Fargo of such change.

3) <u>Operational Strategy / Optimization (8 pages)</u>
   a. Please detail your expected approach to the following:
      i. Operations plan and system design
      ii. Utilization of existing employees during Concession
      iii. Approach to assisting the University in procuring Supplies in accordance with Section 7.3 of the Concession Agreement if requested by the University and the benefits you could provide the University in such procurement
      iv. Organizational approach for meeting HR, IT and accounting support needs
      v. Operating costs and capital expenditures
      vi. Safety

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b. Provide commentary as necessary to explain any expected material deviations from the University's current operating expense and capital expenditure projections.
c. Please confirm that you have the ability to operate the UI utility system on a coal-free basis by January 1, 2025 pursuant to the University's plan presented to the Bidder's technical team in connection with the Bidder's Technical Focused Site Visit (described below) held in August 2019 and posted in the virtual data room.

4) Employees (8 pages)
   a. Please provide a written statement of commitment that you agree to use your best efforts to, or to cause the Operator to, interview all University employees identified as in-scope in accordance with the Concession Agreement who apply for a position with the Concessionaire or the Operator, as the case may be.
   b. Recognizing that University employees have the option to remain employees of the University, retaining a non-utility position with similar pay and benefits, please describe your team's plan for a competitive employment package that will attract current employees from the University to the Concessionaire. Please include details on the following:
      i. Employee salary
      ii. Health insurance benefits
      iii. Enrollment in a 401k account with employer match
      iv. Rollover of existing retirement accounts
      v. Transfer of existing vacation and sick leave to Concessionaire and setting of vacation and sick leave earning rates based on seniority
      vi. Other benefits, including parking, athletic ticket discounts, recreation facility membership incentives, employee assistance/safety/wellness programs, etc.
      vii. Interview schedule for existing University employees interested in employment with the SPV, the proposed Operator or any critical contractors of either of the foregoing
   c. Please describe the plan to transition employees.

5) Concession Agreement Closing Consideration and Valuation Assumptions
   a. Please provide the Closing Consideration that you agree to pay the University and the time period between full execution of the Concession Agreement and Closing thereunder (between 60 and 90 days), if selected as the Preferred Bidder, upon closing

of the Concession Agreement, denominated in U.S. dollars, and based on a $35 million annual Fixed Fee that escalates at 1.5% beginning in 2025 and all other terms of the Final Draft as further detailed in sections 5.a.i and 5.a.ii of the RFP Submission Process Logistics section of this RFP Submission Process Letter.

6) Financing
   a. Please confirm that your RFP Submission is not subject to a financing condition and detail your plans to finance the Closing Consideration as well as the plan to finance required Capital Improvements over the term of the Concession Agreement as demonstrated by the information requested under 6.b. Please note that a financing contingency or lack of committed financing may disqualify your RFP Submission, other than market standard material adverse change clauses and the University materially changing the Concession Agreement from the Final Draft.
   b. Please include detailed information regarding the terms and conditions of any third-party financing, including copies of any commitment papers from all debt financing sources, which should be in customary form, including confirmation that all diligence has been completed and that all required committee approvals have been achieved, and may be subject only to market standard material adverse change clauses and the University materially changing the Concession Agreement from the Final Draft.
   c. If the prospective buyer is a private equity / infrastructure fund or is backed by a private equity / infrastructure fund, please provide evidence that the transaction is permitted within your fund documents and the amount of uncalled capital commitments in your current fund.
   d. If you will fund the capital necessary to finance the up-front payment pursuant to an existing credit facility or cash on hand, please provide a copy of all documents relating to such facility or documentation evidencing that you have such cash on hand.
   e. Please submit documentation confirming a minimum of one advisory or indicative investment grade credit rating for the Leasehold Mortgage Debt to be issued from any of Standard & Poor's Rating Services, Moody's Investor Services, Fitch Investors Service, Inc. or Kroll Bond Rating Agency, Inc. (or any affiliate thereof), as required by Section 2.4(b)(iv) of the Concession Agreement or, if such confirmation is not available, an analysis and documentation providing reasonable assurance that such investment credit rating will be achieved at Closing.

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f. Please provide the Section 467 and Section 1060 tax allocation schedules referenced in Section 2.6 of the Concession Agreement.

g. Please submit bid security for the RFP Submission in the amount of $25 million to be held in escrow (the "Proposal Security"), which Proposal Security shall, if the Bidder is selected, be converted into a portion of the Cash Deposit and/or the Closing Deposit, as applicable, on execution of the Concession Agreement by the Concessionaire. Proposal Security can be provided in (i) cash; or (ii) a Letter of Credit from an institution rated A-2 or higher by Standard & Poor's Rating Services in accordance with the terms set forth in the Concession Agreement for the Closing Deposit, which may not expire or be revocable until February 1, 2020. If a Bidder is not selected by the University as the Preferred Bidder, then such Bidder's Proposal Security shall be returned on or before execution of the Concession Agreement by the Concessionaire, provided that, in no event shall it be returned later than February 1, 2020. If a Bidder is selected by the University as the Preferred Bidder, and such Bidder fails to cause its SPV to execute the Concession Agreement and deliver it to the University within 15 business days after its selection, then the University shall have the right to retain and/or draw down on the Proposal Security, as applicable, and select another Bidder as the Preferred Bidder.

7) Required Approvals and Timing

a. Please confirm that all required corporate approvals, including authorization of your company's Board of Directors, investment committee or equivalent body and any necessary shareholder approvals to enter into a binding agreement, have been obtained prior to your RFP Submission.

b. Confirm that any regulatory approvals required to enter into the Concession Agreement have been obtained.

c. Please provide the time from execution of the Concession Agreement by the Concessionaire to Closing that you propose, which must be between 60 Days and 90 Days pursuant to Section 2.2(a) of the Concession Agreement.

8) Transition Plan (8 pages)

a. Please provide details on your team's plan to transition operational control of the utility system from the University to the Concessionaire.

9) Engagement with University Community (3 pages)
   a. Please provide details on your team's plan to maintain existing agreements and develop new partnerships between the Concessionaire and the University community, including faculty, staff and students, over the term of the Concession, such as academic collaborations consisting of research and development opportunities and student internships.
   b. Please provide details on your team's capacity to continue to engage students as interns and research assistants consistent with the University's past practice.

10) Key Contacts
   a. Please provide the key contact information with whom we can discuss your RFP Submission.

RFP Submission Process Logistics

1) Site Visits
   a. Executive Level Site Visits
      i. Executive-level site visits concluded on August 2, 2019.
   b. Technical Focused Site Visits
      i. 2 day site visit focused on a technical review of the Utility system concluded on August 23, 2019.
   c. Reverse Due Diligence Site Visits
      i. The University management team visited select Bidder operational sites and / or corporate offices during the month of September (post Labor Day).

2) Concession Agreement Drafting Process
   a. In order to meet the University's goal of financial close by the end of March 2020, the University expects to issue a final form of the Concession Agreement and final form of all schedules attached thereto, including the Performance Standards and Key Performance Indicators ("KPIs") simultaneously with this RFP Submission Process Letter. Key dates for Bidders to provide comments on drafts of the Concession Agreement and Performance Standards and KPIs as well as dates that the University is targeting for the issuance of updated drafts of the Concession Agreement and Performance Standards and KPIs are listed below:

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i. Initial Draft of Concession Agreement posted to the virtual data room on July 3, 2019.
ii. Bidders provided the University with their top 10 comments / 5 value drivers ahead of scheduled Executive Level Site Visits.
iii. University to receive any additional comments related to the Concession Agreement posted on July 3, 2019 from Bidders no later than 12:00p.m. EST on August 14, 2019.
iv. University provided Draft #2 of Concession Agreement and initial draft of Performance Standards and KPIs on August 30, 2019.
v. Bidders provided material final comments on Draft #2 of Concession Agreement no later than 12:00p.m. EST on September 10, 2019.
vi. If requested, Bidders had a telephone conference with the University and its legal counsel from September 16, 2019 through September 20, 2019.
vii. Bidders provided comments on Performance Standards and KPIs no later than 12:00p.m. EST on September 20, 2019.
viii. University provided Draft #3 of the Concession Agreement and revised draft of the Performance Standards and KPIs to Bidders tentatively on October 10, 2019.
ix. Bidders to provide material final comments on the Performance Standards and KPIs no later than 12:00p.m. EST on October 17, 2019.
x. University to provide the revised and final draft of the Concession Agreement and all schedules thereof, including the Performance Standards and KPIs (the "Final Draft") October 23, 2019. Bidders are to use the Final Draft for their binding RFP Submission with no modification in any form whatsoever.

3) <u>Diligence Request Process</u>
   a. We would ask that one representative designated by each Bidder submit their list of diligence questions / requests using the excel based Project Hercules Diligence Tracker template uploaded to the virtual data room no later than 12:00p.m. EST on Monday of each week.
   b. A Wells Fargo representative will send an updated tracker reflecting any new responses no later than 12:00p.m. EST on Thursday of each week.

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c. Wells Fargo and the University will focus on responding to questions and diligence requests based on the level of priority indicated by your team.

4) RFP Submission Timing
Please send your RFP Submission in written form, via an attachment to an e-mail, to the Wells Fargo contacts listed below no later than 12:00p.m. EST on November 5, 2019 ("Bid Deadline").

[redacted]

[redacted]

5) Bid Submission
   a. On or before the Bid Deadline submit:
      i. Proposed Closing Consideration and timing between the execution of the Concession Agreement and Closing thereunder using the form attached hereto as Schedule 1 without any modification whatsoever except for the name of the Bidder and the Closing Consideration.
      ii. Proposed Closing Consideration using the form attached hereto as Schedule 2 without any modification whatsoever except for the name of the Bidder and the Closing Consideration based on a modified definition of "Uncapped O&M Costs" in the Concession Agreement that would include "an amount equal to the sum of (a) the federal income Taxes that the Concessionaire would pay on the income generated solely by the Variable Fee Component (which for the avoidance of doubt is the amount equal to sub-part (ii) only in the calculation of the Utility Fee as set forth on Schedule 5 of the Concession Agreement) assuming the highest corporate income tax rate and (b) the Taxes that the Concessionaire would pay on the income solely generated by the Variable Fee Component (which for the avoidance of doubt is the amount equal to sub-part (ii) only in the calculation of the Utility Fee as set forth on Schedule 5 of the Concession Agreement) to the State of Iowa for the corporate income tax imposed by the State of Iowa, in each case regardless of the amount of such Taxes actually paid by the Concessionaire".

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iii. Proposed dollar value ascribed to a 1 basis point shift in the applicable 30-year, mid-market Benchmark Interest Rate selected (defined below) using the form attached hereto as Schedule 3 without any modification whatsoever except for the name of the Bidder and such dollar value.

b. Closing Consideration will be adjusted between the Bid Deadline and execution of the Concession Agreement by the Concessionaire as follows. Using either the LIBOR swap spot curve (USD Semi Annual 30/360 (vs. 3M Libor) 30 year swap rate) or the U.S. spot rate treasury curve (single old 30 year bond, just off-the run) (the "Benchmark Interest Rate") as provided by Bloomberg as of 9:00a.m. Central Time on the Bid Deadline through 10:00a.m. Central Time on the date of execution of the Concession Agreement by the Concessionaire, the amount of the Closing Consideration will be decreased by the dollar amount set forth in Schedule 3 for every 1 basis point increase in the applicable 30-year, mid-market Benchmark Interest Rate selected; during the same period, the amount of the Closing Consideration will be increased by the dollar amount set forth in Schedule 3 for every 1 basis point decrease in the applicable 30-year, mid-market Benchmark Interest Rate selected; provided that any such protection may not exceed 25 basis points without the prior written consent of the University or the Bidder, as the case may be. Any change to the Benchmark Interest Rate selected, regardless of its impact on the Closing Consideration, shall not alter the binding nature of the Bidder's RFP Submission or the University's right to draw on the Bidder's Proposal Security as provided for herein.

c. Following selection of the Preferred Bidder, which is at the sole discretion of the University and, for the avoidance of doubt, will constitute the University's approval for purposes of Section 3.3(a) of the Concession Agreement of any Operator proposed by the Preferred Bidder in its RFP Submission, the University will require that the Preferred Bidder irrevocably submit the Final Draft (with the addition of the language to the definition of "Uncapped O&M Costs" set forth in Schedule 2 as determined by the University in its sole discretion as part of its selection) signed by the SPV formed by the Preferred Bidder within 15 business days after such selection with the Closing Consideration as set forth in Schedule 1 or in Schedule 2 if the University elects to add the language to the definition of "Uncapped O&M Costs" as set forth in Schedule 2 by written notice to the Concessionaire. Following receipt thereof, the University shall execute and return

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the Final Draft to the Concessionaire, conditioned upon receipt of all approvals, and thereafter the relationship between the Preferred Bidder, the SPV and the University shall be governed thereafter by the Concession Agreement, which includes a requirement for the Concessionaire to provide a Closing Deposit (which Closing Deposit shall be in same form as the Proposal Security) and/or Cash Deposit in a combined amount of $100 million of the Closing Consideration, of which the Proposal Security previously provided to the University shall form a part. If the University does not execute the Concession Agreement by February 1, 2020, then the SPV formed by the Preferred Bidder may withdraw its signature to the Concession Agreement and will not be bound thereby, in which case, unless the SPV or the Preferred Bidder has breached any of its obligations under this RFP Submission Letter, the University will reimburse the SPV for its actual, out-of-pocket costs incurred in obtaining an interest rate hedge from the date of its execution of the Concession Agreement through February 1, 2020, not to exceed an agreed upon amount prior to the SPV's execution of the Concession Agreement. Once the Concession Agreement is executed, the University and the Concessionaire shall cooperate in transitioning the Utility System from the University to the Concessionaire in accordance with the Concession Agreement. If a Bidder is selected by the University as the Preferred Bidder, and such Bidder fails to cause its SPV to execute and irrevocably submit the Final Draft within 15 business days after its selection or if such SPV retracts or withdraws its execution of the Concession Agreement prior to the University's execution thereof, then, and only in those instances, the University shall have the right to retain and/or draw down on the Proposal Security, as applicable, and select another Bidder as the Preferred Bidder.

6) Increase to Best-and-Final Offer

Each Bidder's RFP Submission should represent the Bidder's best-and-final offer. However, if the Closing Consideration of one or more RFP Submission is within 5.00% of the highest Closing Consideration in the RFP Submissions (the "Preliminary High Bid"), the University may allow the Bidder who submitted the Preliminary High Bid and Bidders who submitted RFP Submissions that are within 5.00% of the Preliminary High Bid to increase their Closing Consideration (as set forth in Schedule 1 and Schedule 2) by submitting a revised RFP Submission in the form to be provided by the University at that time.

The University will provide further instructions for submitting such revised RFP Submissions as necessary; however, the timing for submission will be at the sole discretion of the University and no revisions will be permitted other than revisions to the Closing Consideration. Proposers should not assume that they will be given the opportunity to revise their RFP Submission under any circumstances.

No Liability for Costs

The University and its advisors are not responsible for costs or damages incurred by teams, subcontractors, or other interested parties in connection with the solicitation process, including, but not limited to, costs associated with preparing responses, qualifications, and proposals, and participating in any conferences, oral presentations, or negotiations.

Modification, Termination, and Rejection Rights

By submitting its RFP Submission, each Bidder acknowledges and agrees to the following conditions:

1. The University reserves the right (1) to modify or terminate this solicitation at any time for any reason, (2) to reject any or all proposals, and (3) to waive minor, technical defects in any Bidder's RFP Submission.
2. The receipt of proposals or other documents at any stage of either the RFP or the procurement or transaction process will in no way obligate the University to enter into a contract of any kind.
3. The selection of a RFP Submission by the University shall not waive or limit any assumptions of risk, provision of indemnity, or other obligations of the Bidder or the SPV under the Concession Agreement as may be executed between the SPV and the University.
4. Only 1 RFP Submission from each Bidder shall be considered in selecting the Preferred Bidder.
5. Bids shall comply with all content requirements described herein. Failure to comply with such requirements may result in a Bid being deemed non-responsive and disqualified.
6. If a Bidder withdraws its RFP Submission after it has submitted its RFP Submission, the University shall have the right to retain and/or immediately draw down on the Bidder's Proposal Security, as applicable.

7. If a Bidder is selected as the Preferred Bidder, it acknowledges and agrees that if it fails to cause its SPV to execute the Final Draft within 15 business days after such selection that the Bidder could be disqualified as the Preferred Bidder thereafter, and the University shall have the right to retain and/or immediately draw down on the Bidder's Proposal Security, as applicable.

Relationship Disclosure

The University reserves the right to disqualify any Bidder that, in the University's opinion, has a conflict of interest, whether such conflict exists now, is likely to arise in the future, or may reasonably be perceived to exist, which conflict has not already been waived. The following companies (and their affiliates, parents, subsidiaries and other subsidiaries of their parent companies) are providing advice or services to the University with respect to the Concession and are not eligible to participate as part of a Bidder or provide advice to a Bidder regarding this Concession:

- Wells Fargo Securities
- Jones Day
- Jacobs Engineering
- Duff & Phelps

Non-Disclosure

The terms of this letter and the RFP Submission are subject to the non-disclosure agreement that you have executed. Your participation as outlined in this letter (whether or not you put forward a RFP Submission) confirms your understanding of, and constitutes your consent to, the terms and procedures set forth in this letter.

It is the intent of the University and Wells Fargo to solicit RFP Submissions in such a way that minimizes disruption to the operations, employees, students and other stakeholders of the University and preserves the confidentiality of these discussions. The University requires that all contact related to the RFP Submission be made through Wells Fargo and that the University and its related parties as noted in the non-disclosure agreement not be contacted directly. Failure to abide by such requirement may lead to the disqualification of a team.

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Open Records Law

As a public entity, the University is subject to Iowa's open records laws, which require procurement records to be made public. At the conclusion of the selection process, the contents of RFQ Proposals, RFP Submissions, final contract documents, and related materials from all participants will be subject to disclosure and inspection by interested parties. Certain types of records are considered confidential and exempt from disclosure, including records containing trade secrets or proprietary information that are recognized as such and protected by Iowa law. To the extent the University concurs in its sole discretion, information marked "Proprietary Information" in your RFP Submission will not be considered public information, but please note that by submitting a RFP Submission, each Bidder agrees that if, after a request for disclosure is made, litigation is brought or a complaint is filed with the Iowa Public Information Board attempting to compel production of the material or to protect the materials from production, such Bidder shall be solely responsible, at its cost, for establishing the basis for non-disclosure of the information, provided that the University may elect, in its reasonable discretion, not to protect certain information if it reasonably believes it is not protected by applicable state and/or federal laws. Bidders may also seek an injunction to restrain examination of such public records pursuant to Iowa Code Section 22.8 *Injunction to Restrain Examination*. Further, if an appropriate tribunal determines that the information must be disclosed or fails to protect the information from disclosure, the University will release the material and the applicable Bidder shall release, indemnify and hold the University and any of its agents, representatives, employees, consultants and advisers harmless and immune from any and all claims for injury or damages arising out of the litigation including, but not limited to, attorneys' fees.

RFP Documents

This letter, as supplemented, will not form a part of the Concession Agreement, and if the Concession Agreement is executed, this letter, as supplemented, shall be superseded in its entirety by the executed Concession Agreement. The University makes no representation or guarantee as to the accuracy, completeness or fitness of this letter, as supplemented. The University is making no representation or warranty in connection with this letter, as supplemented or the Concession, except as expressly set forth in the Concession Agreement. The University takes no responsibility for this letter, as supplemented, and Bidders are responsible for any conclusions they may draw from the information provided herein or otherwise provided to Bidders and their direct and indirect owners. The University is making documents available to Bidders and their direct and indirect owners for the sole purpose of providing information in the possession of the University,

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Copy of Redacted Request for Proposal Letter

regardless of whether such information is accurate, complete, pertinent, or of any value. The Concession Agreement, if executed, is intended to serve as the final, binding contract document between the University and the Preferred Bidder. Bidders should not expect to be able to negotiate any of the terms and conditions in the Concession Agreement, and by submitting a RFP Submission the Bidder agrees to be bound by the terms and conditions of the Concession Agreement as written other than completing factual information left blank in the draft of the Concession Agreement provided in connection herewith, if selected as the Preferred Bidder.

By submitting its RFP Submission, the Bidder acknowledges that it has engaged various advisers, consultants and experts to evaluate the material provided, and that the Bidder is responsible for all financial, legal and tax advice provided by such advisers, consultants and experts. The Bidder must satisfy itself by personal investigation and other means it deems necessary, as to the conditions affecting the Concession and the cost thereof. Bidders are solely responsible for conducting their own independent research and due diligence for the preparation of their RFP Submissions.

Should you have any questions regarding this letter or any other matter, please feel free to contact any of the Wells Fargo deal team previously listed in this letter. On behalf of the University of Iowa, we appreciate your continued interest in this important opportunity and look forward to receiving your RFP Submission.

Sincerely,

WELLS FARGO SECURITIES

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WELLS FARGO SECURITIES

Schedule 1
Closing Consideration and Binding Commitment Letters

Name of Bidder: ______________________________________ Date: ___________

The Bidder hereby acknowledges and affirms that the information below and the attached documentation constitute its full and complete submission for Schedule 1.

The amount of Closing Consideration that the Bidder will pay pursuant to Section 2.1 of the Concession Agreement will be:

US$__________________ [in numbers]

____ [in words]

The period of time between full execution of the Concession Agreement and the Closing (as defined in the Concession Agreement) shall not exceed _____ [in numbers] Days (which must be between 60 Days and 90 Days) which shall be input into Section 2.2(a) of the Concession Agreement.

This offer will be valid until 5:00p.m. Central Time on February 1, 2020, unless extended by mutual consent of both the University and the Bidder.

BIDDER

Entity Name: ________________________

By: ___________________________________

Name: _____________________________

Title: ______________________________

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WELLS FARGO SECURITIES

Schedule 2
Tax Gross Up Closing Consideration and Binding Commitment Letters

Name of Bidder: ______________________________________ Date: ___________

The Bidder hereby acknowledges and affirms that the information below and the attached documentation constitute its full and complete submission for Schedule 2.

The amount of Closing Consideration that the Bidder will pay pursuant to Section 2.1 of the Concession Agreement assuming the definition of "Uncapped O&M Costs" is revised to include "an amount equal to the sum of (a) the federal income Taxes that the Concessionaire would pay on the income generated solely by the Variable Fee Component (which for the avoidance of doubt is the amount equal to sub-part (ii) only in the calculation of the Utility Fee as set forth on Schedule 5 of the Concession Agreement) assuming the highest corporate income tax rate and (b) the Taxes that the Concessionaire would pay on the income solely generated by the Variable Fee Component (which for the avoidance of doubt is the amount equal to sub-part (ii) only in the calculation of the Utility Fee as set forth on Schedule 5 of the Concession Agreement) to the State of Iowa for the corporate income tax imposed by the State of Iowa, in each case regardless of the amount of such Taxes actually paid by the Concessionaire" will be:

US$_________________ [in numbers]

____ [in words]

This offer will be valid until 5:00p.m. Central Time on February 1, 2020, unless extended by mutual consent of both the University and the Bidder.

BIDDER

Entity Name: ________________________

By: ___________________________________

Name: ______________________________

Title: _______________________________

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WELLS FARGO SECURITIES

Schedule 3
Closing Consideration and Binding Commitment Letters

Name of Bidder: ______________________________ Date: ____________

The Bidder hereby acknowledges and affirms that the information below and the attached documentation constitute its full and complete submission for Schedule 3.

The Bidder selects __________ [either the LIBOR swap spot curve or the U.S. spot rate treasury curve] as the applicable 30-year, mid-market Benchmark Interest Rate.

> The Bidder *proposes* that the amount of the Closing Consideration will be decreased by US$__________ [in numbers] for every 1 basis point increase in the applicable 30-year, mid-market Benchmark Interest Rate; during the same period, the amount of the Closing Consideration will be increased by US$__________ [in numbers] for every 1 basis point decrease in the applicable 30-year, mid-market Benchmark Interest Rate.

BIDDER

Entity Name: ________________________

By: ________________________________

Name: ____________________________

Title: _____________________________

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Copy of List of University Facilities and Assets

SCHEDULE 3

UTILITY FACILITIES, UTILITY SYSTEM LAND AND UTILITY SYSTEM ASSETS

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Copy of Estimated Financial Information

University Perspective Including Utility Subsidy from P3 Endowment

	FY21	FY22	FY26	FY69	Average	Total
Amount Billed to Campus	$ 97.5	$ 99.5	$ 107.6	$ 252.2	$ 163.3	$ 8,166.2
Less: Univ. Utility Costs	$ 45.2	$ 45.9	$ 48.5	$ 112.2	$ 73.1	$ 3,656.9
Subtotal	$ 52.3	$ 53.6	$ 59.1	$ 140.1	$ 90.2	$ 4,509.4
Less: Payments to Concessionaire for Operating and Capital Costs						
Operations & Maintenance (O&M)	$ 21.1	$ 21.4	$ 23.3	$ 54.5	$ 35.3	$ 1,764.0
Capital Expenditure Repayment	$ 0.3	$ 1.4	$ 5.7	$ 109.0	$ 31.4	$ 1,567.6
Capital Expenditure Interest	$ 0.5	$ 2.4	$ 8.6	$ 18.3	$ 21.0	$ 1,051.9
Contribution Toward Concession Fixed Fee	$ 30.4	$ 28.4	$ 22.5	$ (41.7)	$ 2.5	$ 125.9
Less: Fixed Fee Payment	$ 35.0	$ 35.0	$ 35.5	$ 67.4	$ 48.4	$ 2,418.2
Utility Subsidy From P3 Endowment	$ (4.6)	$ (6.7)	$ (13.9)	$ (109.1)	$ (45.9)	$ (2,292.3)
Strategic Funding	$ (7.5)	$ (15.0)	$ (15.0)	$ (15.0)	$ (14.7)	$ (735.0)
Total Distribution from P3 Endowment	$ (12.1)	$ (21.7)	$ (28.9)	$ (124.1)	$ (52.6)	$ (3,027.3)

THE UNIVERSITY OF IOWA

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THE UNIVERSITY OF IOWA

Statement of Net Position, continued

June 30, 2021 (in thousands)

With comparative statement as of June 30, 2020

LIABILITIES	2021	2020
Current Liabilities:		
Accounts payable	$249,507	$214,042
Salaries and wages payable	252,008	208,680
Unpaid claims	63,010	57,084
Unearned revenue	54,974	40,721
Interest payable	14,848	15,486
Long-term debt, current portion	120,399	63,843
Other long-term liabilities, current portion	118,626	123,653
Total current liabilities	873,372	723,509
Noncurrent Liabilities:		
Accounts payable	38,068	12,913
Long-term debt, noncurrent portion	1,072,055	1,096,035
P3 utility system advance from concessionaire	1,133,044	1,156,312
Other long-term liabilities, noncurrent portion	465,440	362,302
Total noncurrent liabilities	2,708,607	2,627,562
Total Liabilities	3,581,979	3,351,071
DEFERRED INFLOWS OF RESOURCES		
OPEB related deferred inflows	68,987	79,710
Pension related deferred inflows	3,134	14,864
Debt refunding gain	1,210	1,421
Contract and grant deferred inflows	144	46
Total Deferred Inflows of Resources	73,475	96,041
NET POSITION		
Net investment in capital assets	2,822,374	2,840,264
Restricted:		
Nonexpendable:		
Permanent endowment	63,152	53,323
Expendable:		
Research and gifts	79,840	66,814
Student loans	6,687	13,244
Quasi endowments	96,273	80,586
Debt service and capital projects	251,089	233,725
Unrestricted	1,935,596	1,495,149
Total Net Position	5,255,011	4,783,105
Total Liabilities, Deferred Inflows of Resources and Net Position	$8,910,465	$8,230,217

The accompanying notes are an integral part of these financial statements.

FY21 Statement of Net Position 19

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- **Restricted, expendable**—Net position whose use by the University is subject to externally imposed constraints that can be fulfilled by actions of the University pursuant to those constraints or that expire by the passage of time.
- **Unrestricted**—Net position not subject to externally imposed constraints which may be used by the governing board to meet current obligations for any purpose. Unrestricted net position is derived from student tuition and fees, state appropriations, and sales and services of auxiliary enterprises and are generally designated for academic, research and capital programs or to meet contractual obligations of the University.

When an expense is incurred in which both unrestricted and restricted net position are available, the University's practice is to first apply the expense against the restricted, and then toward the unrestricted net position.

FINANCIAL REPORTING ENTITY

The University's financial statements include schools, colleges and departments, the University of Iowa Hospitals & Clinics (UIHC), the Iowa Medical Mutual Insurance Company (IMMIC, a captive insurance company) and certain affiliated operations determined to be a part of the University's financial reporting entity. The University has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the University are such that exclusion would cause the University's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. The GASB classification of these entities for the University's financial reporting purposes does not affect their respective legal or organizational relationships with the University. As required by United States generally accepted accounting principles as prescribed by the GASB, these financial statements present the University and its component units. These component units are included in the University's reporting entity because of the significance of their operational or financial relationships with the University. These component units are separate legal entities from the University, but are so intertwined with the University they are, in substance, the same as the University.

Blended Component Units

The Iowa Measurement Research Foundation, Miller Endowment, Incorporated, University of Iowa Research Park Corporation, University of Iowa Strategic Initiatives Fund, and Student Publications, Inc. (SPI) are included in the reporting entity as blended component units. These legally separate entities are included in the University's financial reporting entity because of the nature of their relationship to the University.

The Iowa Measurement Research Foundation (IMRF) was formed in 1953 under the provisions of the Iowa Nonprofit Corporation Act and received its tax exemption in 1970 under IRC section 501(c)(3). The primary purpose of the Foundation is to advance and extend knowledge in the field of educational measurement by providing financial assistance to the University of Iowa and its College of Education for promising research and educational projects in furtherance of this purpose.

Miller Endowment, Incorporated was established December 18, 1995 pursuant to the will and codicil of F. Wendell Miller. The will and codicil appointed the presidents of Iowa State University

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and the State University of Iowa as coexecutors of the Miller Estate and co-trustees of the Miller Endowment Trust, a charitable trust, and further directed that the two universities be equal beneficiaries of the income from said trust. The will and codicil also directed the trustees to have the right and discretion to create a charitable corporation, to be "Miller Endowment, Incorporated", to own, administer and control the affairs and property of the trust. This corporation has been organized under Chapter 504A of the Code of Iowa and Section 501(c)(3) of the Internal Revenue Code. During fiscal year 1998, the assets of the trust were officially transferred to Miller Endowment, Incorporated. Since the net revenues and assets of the corporation are solely for the equal benefit of the two universities, one half of the value of the corporation's transactions has been blended into the University's operations.

The University of Iowa Research Park Corporation (Corporation) is a not-for-profit corporation and a component unit of the University of Iowa (University), organized under Section 501(c)(2) of the Internal Revenue Code. The Corporation leases from the State of Iowa approximately 185 acres of land located in the University of Iowa Research Park. The land subject to this lease is designated as the University of Iowa Research Park and is platted as a subdivision of Coralville, Iowa. Under terms of its master lease with the State of Iowa, the Corporation subleases parcels of the University of Iowa Research Park to businesses (or to private developers working on behalf of businesses) wishing to locate close to the University and its research assets.

The Corporation's revenues derive primarily from the proceeds of its leases to tenant companies or developers and from an annual special purpose appropriation from the State of Iowa.

The University of Iowa Strategic Initiatives Fund is an Iowa non-profit corporation organized February 4, 2020 and operated exclusively for charitable, educational and scientific purposes under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code for the benefit of the State University of Iowa (University). The general purpose of the corporation shall be to manage the funds from the payment under the Long Term Lease and Concession Agreement for the University of Iowa Utility System executed in December 2019 (P3 Agreement); to select and supervise independent investment manager(s); to grant money to the University to support Concessionaire payments of the P3 Agreement; to determine the annual payout of the endowment for the purpose of granting gifts of money to the University for direct use in its scientific research and educational activities; and to review all grant requests forwarded to it by the Budget Review Board to ensure that each advances the UI strategic plans and to advance the cause of education and research.

Student Publications, Inc. (SPI) is a nonprofit corporation exempt from income taxes under Internal Code Section 501(c)(3). It publishes a daily newspaper, The Daily Iowan, which is provided principally to the students, faculty, staff and other members of the University of Iowa community. SPI also provides scholarships and internship opportunities to students. SPI is supported by fees from the University, subscription revenue and advertising. Printing is contracted to an independent contractor. SPI also operates DITV, a broadcasting service, available through an Iowa City local access channel and the internet.

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F—University of Iowa Strategic Initiatives Fund

The University of Iowa Strategic Initiatives Fund is an Iowa non-profit corporation organized February 4, 2020 and operated exclusively for charitable, educational and scientific purposes under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code for the benefit of the State University of Iowa (University). See Note 1 for additional information.

Significant financial data for University of Iowa Strategic Initiatives Fund for the year ended June 30, 2021 and 2020 are presented below (in thousands):

CONDENSED STATEMENT OF NET POSITION

	2021	2020
Assets		
Cash and other assets	$1,129,735	$1,030,964
Accounts receivable	801	801
Total Assets	$1,130,536	$1,031,765
Liabilities		
Accounts payable and other current liabilities	$5	$4
Noncurrent liabilities	1,133,044	1,156,312
Total Liabilities	1,133,049	1,156,316
Net Position		
Unrestricted	(2,513)	(124,551)
Total Net Position	(2,513)	(124,551)
Total Liabilities and Net Position	$1,130,536	$1,031,765

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2021	2020
Program Expenses		
Payroll expense	$72	$579
General expense	643	15,168
Net transfers to University funds	7,500	158,422
Total Program Expenses	8,215	174,169
Program Revenues		
Amortized lease revenue	23,268	7,110
Investment income	106,986	39,891
Other income	-	1,562
(Loss)/gain on disposal of capital assets	(1)	1,055
Total Program Revenues	130,253	49,618
Change in net position	122,038	(124,551)
Net Position, Beginning of Year	(124,551)	-
Net Position, End of Year	$(2,513)	$(124,551)