

April 20, 2022

Capital Improvement Plan (CIP) FY23 Annual Update

Budget Planning Council

Capital Improvement Plan (CIP) FY23 Annual Update

CIP is updated and approved annually

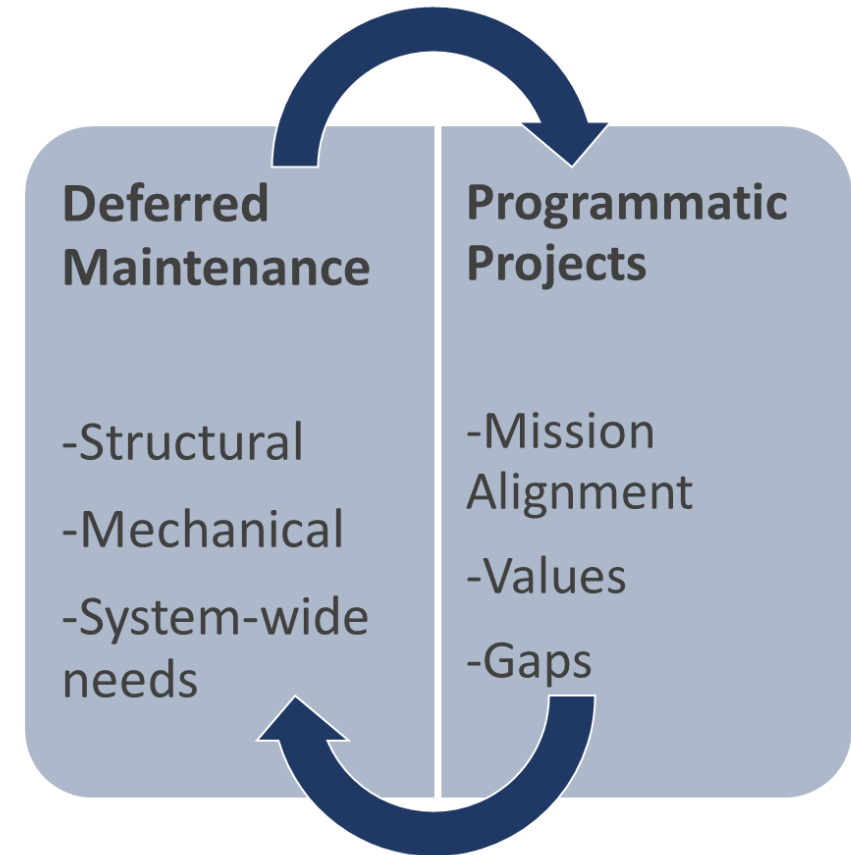
- Typical approval June of each year;
- Six-Year CIP in odd years, Annual CIP in even years

FY23 Annual CIP is due to BoT in June 2022

- Prioritized projects for FY23 were approved by BoT in August 2021 as part of the FY23-28 6 Year CIP

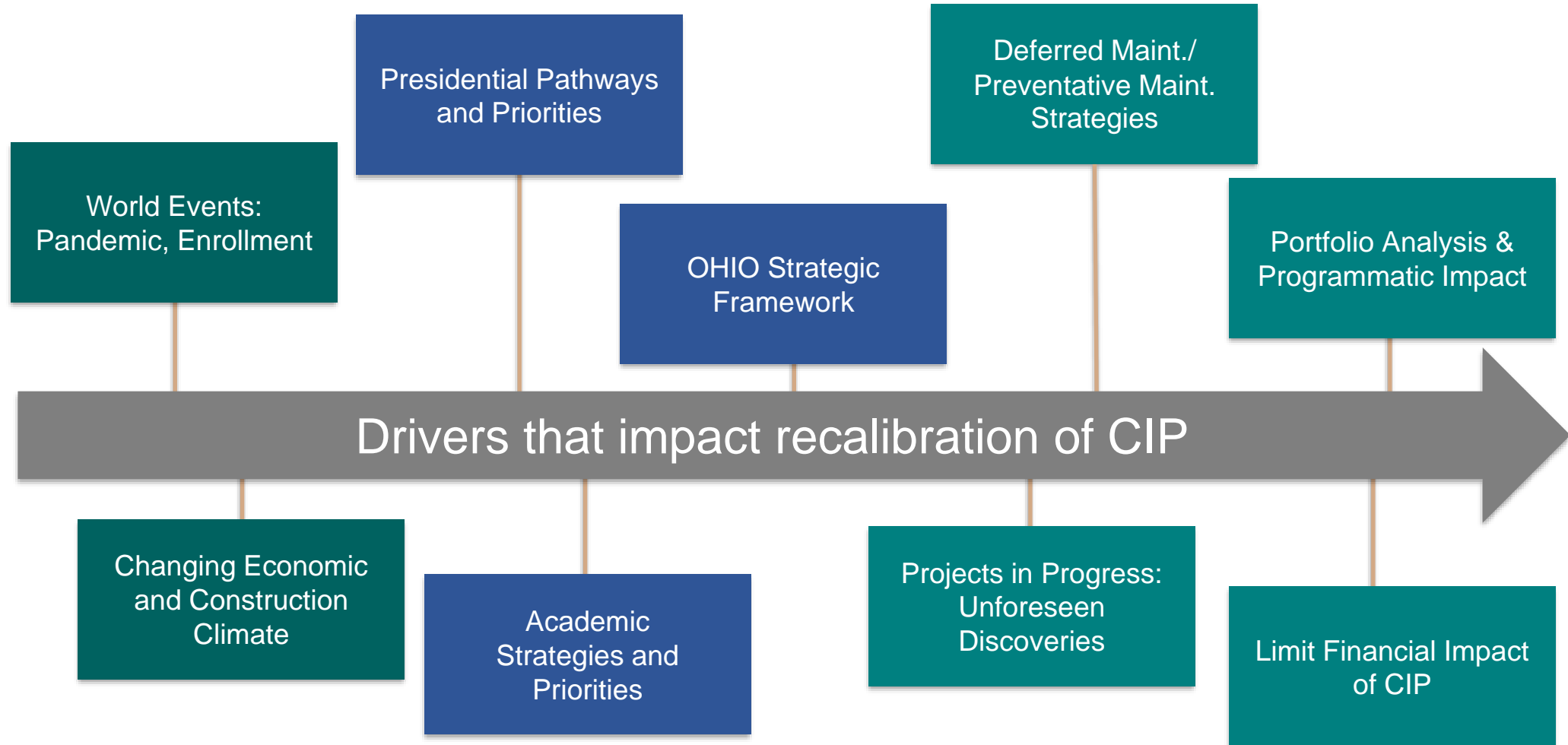
The annual update process is designed to:

- Validate assumptions and project priorities
- Consider emerging key needs for inclusion



Key Drivers for CIP Priorities

Approach: Support strategic objectives while maintaining investments for mission critical needs.



Projects in Progress

FY22/FY23 Planned Starts Currently Initiated

| Projects | Budget |
|--|---------------|
| Campus Steam System Repairs | \$ 600,000 |
| Class Gate Tunnel Rehabilitation | \$ 2,649,400 |
| Convocation Center Electrical, HVAC and Fire System Improvements | \$ 15,298,818 |
| Gamertsfelder Hall Restroom & HVAC Renovation | \$ 10,750,000 |
| HVAC Controls FY22 | \$ 550,000 |
| Peden Boiler and Domestic Hot Water Tank Replacement | \$ 500,000 |
| Ridges Building 33 Deaerator Replacement | \$ 530,000 |
| Ridges Building 33 Voltage Transition | \$ 1,650,000 |
| Scott Quad Demolition | \$ 3,622,000 |
| Stocker Center Deferred Maintenance and Programmatic Renovation* | \$ 14,700,000 |
| Bryan Hall HVAC and Life Safety Upgrades | \$ 8,400,000 |
| Campus Steam System Repairs 2022 | \$ 900,000 |
| College Green Tunnel Rehabilitation | \$ 3,378,400 |
| Gamertsfelder & Washington Hall Window Replacement | \$ 3,300,000 |
| Grosvenor Hall & Grosvenor West Roof Replacements | \$ 1,300,000 |
| OUL HVAC and Energy Improvements Phase III | \$ 2,360,400 |
| Porter Hall Flat Roof Replacement | \$ 504,625 |
| Putnam Hall Windows Replacement | \$ 525,000 |
| Nelson Dining Hall Flooring Replacement** | \$ 900,000 |
| Projects Less Than \$500,000 (22 Projects) | \$ 4,113,175 |

Total\$ 76,531,818

Added Since CIP Approval Via Required Processes

| Projects | Budget |
|--|----------------------------|
| Athens Campus Roof Repairs | \$ 1,000,000 |
| Bromley Hall Building Based Heating System | \$ 600,000 |
| Peden Stadium Turf Replacement | \$ 1,300,000 |
| Peden Tower Roof Replacement | \$ 600,000 |
| Research and Technology Center Demolition*** | \$ 3,250,000 |
| Projects Less Than \$500,000 (37 Projects) | \$ 3,396,625 |
| | Total \$ 10,146,625 |

*Stocker Phases I (planned FY22) and II (planned FY24) were merged for implementation

**Project is portion of a \$2M Nelson Court/Market Improvements project planned in CIP for FY24

***Part of Portfolio Reduction Initiative funded by CB23 Space Reduction approved by BoT January 2022

Current FY22/FY23 Plan (from approved FY23-28 CIP)

\$145.5M Total

| | Academic/Programmatic \$100.4M | University Initiatives: \$6M | Regional Higher Ed: \$6.1M | Residential Housing: \$11.7M | Culinary Services: \$5.9M |
|--|--|---|---|---|-------------------------------------|
| <p>CoFA Facilities Renewal - \$68.7M</p> <p>HCOM P2 - \$15M</p> <p>Life Sciences Lab and Vivarium Improvements - \$8M</p> <p>Admissions and Visitor Experience - \$5M</p> <p>Research Space Improvements - \$2M</p> <p>Space Studies - \$500K</p> <p>Small Non-Capital Projects Bucket - \$1M</p> <p>Small Projects - \$187K</p> | <p>ADA - \$250K</p> <p>Classroom - \$1M</p> <p>Safety - \$500K</p> <p>Diversity and Accessibility Improvements - \$250K</p> <p>Portfolio Reduction - \$2.1M</p> <p>Real Estate Initiatives - \$50K</p> <p>Campus Recreation Keep Up Investments - \$1.8M</p> | <p>Envelope/Roof - \$655K</p> <p>HVAC & Energy Efficiency - \$5M</p> <p>Site Improvements - \$231K</p> <p>Interior Deferred Maint. - \$194K</p> <p><i>Projects are deferred maintenance focused</i></p> | <p>Gam and Washington Window Replacement - \$3.3M</p> <p>Bryan Mechanical/Roof/Windows - \$8.4M</p> <p><i>Projects are deferred maintenance focused</i></p> | <p>Maint/Large Equip Purchases - \$1.5M</p> <p>Central Food Equipment - \$4M</p> <p>Nelson Commons/West 82 Equipment - \$310K</p> <p>The District Dock Repaving - \$50K</p> <p><i>Projects are repair and replacement focused</i></p> | |

Approved CIP Projects
FY22 Not Started & FY23

Current FY22/FY23 Plan (from approved FY23-28 CIP)

Approved CIP Projects
FY22 Not Started & FY23

| Deferred Maint. & Utility System: \$10.9M | Airport Operations: \$110K | Transportation and Parking: \$360K | Information Technology: \$4M |
|---|--|---|--|
| <p>Stocker Phase I - \$1.9M</p> <p>Various Roof Replacements - \$3.3M</p> <p>Windows - \$525K</p> <p>Annual Emergency - \$400K</p> <p>In House Masonry & Painting - \$500K</p> <p>College Green Tunnels - \$3.4M</p> <p>Annual Steam Repairs - \$900K</p> | <p>Snow Removal Equipment - \$110K</p> | <p>Parking Lot Maintenance - \$150K</p> <p>Parking Technology Improvements - \$75K</p> <p>University Garage Bay 4 Renovation - \$130K</p> <p>Tire Changing Equipment Replacement - \$5K</p> | <p>Yearly Capital Investments - \$4M</p> <p><i>Changes in Technology Infrastructure</i></p> <p><i>Re-Engineering Digital Experience</i></p> <p><i>Operational Efficiency</i></p> |

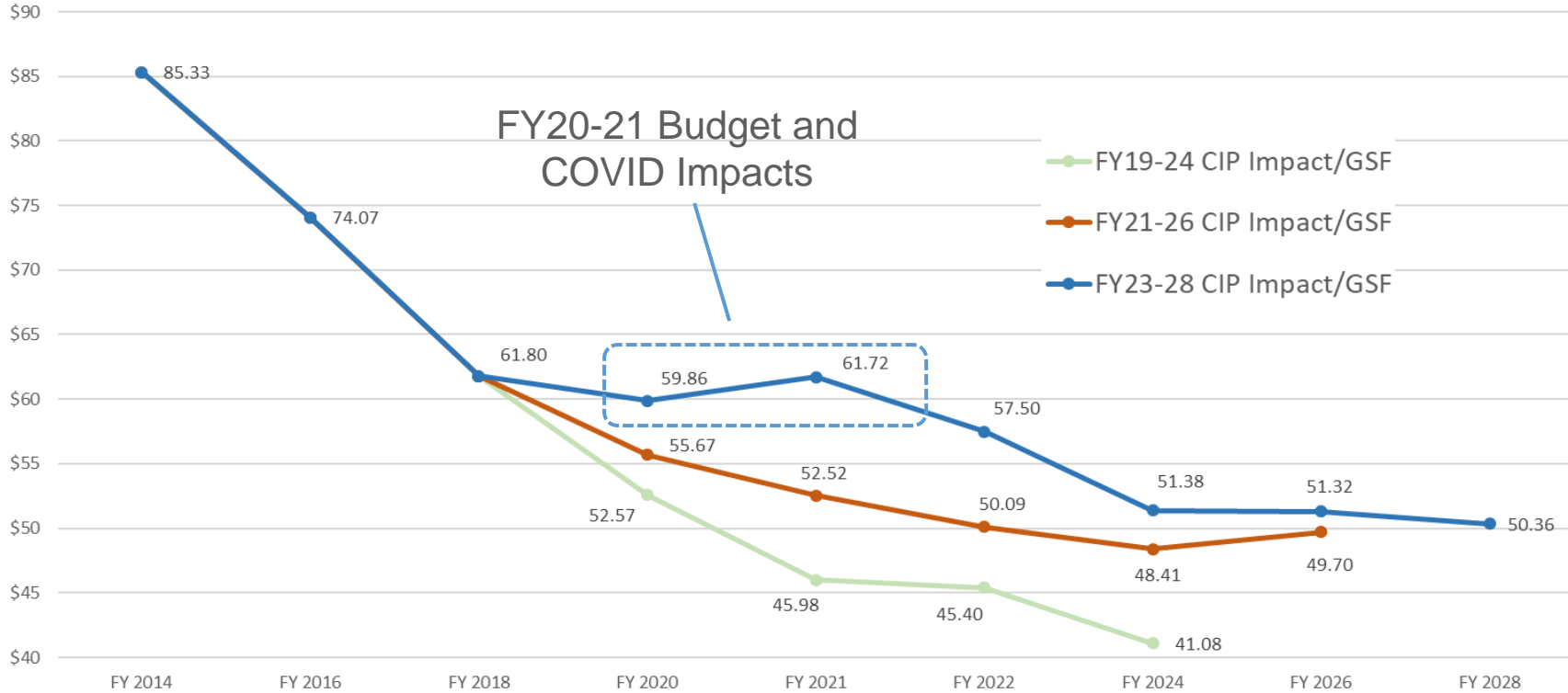
FY22, FY23-28 CIP: Athens Academic & Deferred Maintenance

| Athens Major Projects | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | State/ CB | Debt | Other | Total |
|-----------------------|--------------|---------------|---------------------|---------------------|------|------|------|------|--------------|-------|-------|-------|
| Clip Phase 2B | Design | Construction | | | | | | | 32.2M | 6.4M | | 38.6M |
| Clip Phase 3 | | Design | Construction | | | | | | 15.8M | 18.5M | | 34.3M |
| ROC | Design | Construction | | | | | | | | 28.1M | 2M | 30.1M |
| Convo Mech DM | | Phased Design | Phased Construction | | | | | | 13.3M | | 2M | 15.3M |
| Stocker Ph'd Reno | | | Phased Design | Phased Construction | | | | | 14.7M | | | 14.7M |
| CoFA Renewal | | | Phased Design | Phased Construction | | | | | 36.2M | | 32M | 68.2M |
| DM Projects | Construction | | | | | | | | | | | 229M |

- Athens Campus Deferred Maintenance Backlog over \$477M
- Additional facility studies have shown emerging needs and priorities since the FY21-26 CIP was developed, which are not prioritized in the CIP

Metrics: Deferred Maintenance Backlog

Deferred maintenance per gross square foot, as impacted by projected CIP spending



Please Note: DM Backlog total is for Athens Campus only and does not include utility infrastructure, regional, OIT backlog

| | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24-28 |
|----------------------|---|---|--|---|----------------|------------|--|
| GSF | 8,261,326 | 8,143,495 | 8,073,741 | 8,312,836 | 8,280,549 | 8,191,712 | 8,191,712 |
| Increase | McCracken Addition, Ridges Observatory, Grover Center | Sook Center | | HCOM Phase 1, Chemistry Building, Chilled Water Plant 3 | | | University is evaluating future portfolio through the Portfolio Reduction Initiative |
| Decrease | PSAC, Cady, Foster, Brough, Fenzel, O'Bleness, Martzoff | Facilities Shop 4, AFSCME Office, Smith, Armbruster, Atkinson | Ridges Buildings 15, 20, 29, Brown House, Edgehill, 9 Factory St | | Weld House | Scott Quad | |
| Change of Use | | | Ridges 13, 14, 18 | 29 Park Place, HRTC | Grosvenor Hall | WUSOC/ROC | |

Funding Allocation Process

- 1. Determination of highest priorities**
- 2. Consideration of funding constraints**
- 3. Type of funds available inform funding strategy**
 - Debt/Bond, Century Bond, State Funding, Gifts/ Endowments, Working Capital/Department Funds, grants (State and Federal)**
 - Allowable uses of state appropriations, Century Bond, etc**
 - Century Bond – use for DM in any university facility**
 - State Funds – use for DM/programmatic in non – Athletic, Recreation, Auxiliary, and Research facilities**

Funding Allocation Process

4. Allocation of funds to support project timelines

- State appropriations require controlling board approval prior to encumbering funds for design or construction services
 - Approximate 2-month process
- For projects with state appropriated funds, we often also include a portion of “local” funding for design services (15%)
 - Obviates the need for a second controlling board request
 - Saves 2 months

5. Projects typically have 10% construction contingency

- Average use of less than 30%; remaining \$\$ returned to source
- Oldest available funds used first

Funding Allocation Process

6. Occasionally, we take on additional debt to fulfill strategic objectives

- **Decision Factor – Affordability; debt service must be paid by annual operating budget**
- **Our Moody's rating is Aa3. We committed to both Moody's and S&P this year that we do not foresee taking on more debt in the short term.**
- **Tax exempt – if debt is used to finance all/portion of project, the facility can't be sold or leased while bond remains unfulfilled**

Debt Capacity Ratios

OHIO UNIVERSITY DEBT CAPACITY RATIOS

| Metric | | 2017 | 2018 | 2019 | 2020 | 2021 | Quantitative Assessment |
|--|--------------------|------|------|------|------|------|---|
| Balance Sheet Capacity Spendable Cash and Investments to Debt Higher is Better | Ohio University | 1.1 | 1.3 | 1.4 | 1.3 | 1.7 | Minimal Debt Capacity - Equal to Aa3 Median - Stronger than A1 Median |
| | Moody's Aa3 Median | 1.3 | 1.4 | 1.4 | 1.4 | 1.7 | |
| | Moody's A1 Median | 1.1 | 1.1 | 1.2 | 1.2 | 1.6 | |
| Income Statement Capacity Debt to Operating Revenue Lower is Better | Ohio University | 0.8 | 0.8 | 0.8 | 0.9 | 0.9 | No Debt Capacity - Weaker than Aa3 Median - Weaker than A1 Median |
| | Moody's Aa3 Median | 0.5 | 0.5 | 0.5 | 0.5 | 0.6 | |
| | Moody's A1 Median | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | |
| Debt Affordability Debt Service to Operations Lower is Better | Ohio University | 6.0% | 6.2% | 6.2% | 6.3% | 6.1% | No Debt Capacity - Weaker than Aa3 Median - Weaker than A1 Median |
| | Moody's Aa3 Median | 4.3% | 4.0% | 4.2% | 4.2% | 4.4% | |
| | Moody's A1 Median | 5.2% | 4.7% | 5.0% | 5.3% | 5.3% | |
| Cash Flow Coverage Debt Service Coverage Higher is Better | Ohio University | 2.6 | 2.6 | 2.6 | 1.8 | 2.9 | No Debt Capacity - Weaker than Aa3 Median - Weaker than A1 Median |
| | Moody's Aa3 Median | 2.8 | 2.9 | 2.7 | 2.7 | 3.1 | |
| | Moody's A1 Median | 2.2 | 2.2 | 2.4 | 2.0 | 3.3 | |

Source: Moody's Investors Service

Note: FY21 data not yet available for 15 of 47 Aa3-rated public institutions and 12 of 40 A1-rated public institutions

Questions?

- Where can I go for additional information:

- Project List:

<https://webcms.ohio.edu/sites/default/files/sites/facilities/architecture-design-construction/Project%20Status%20Update.pdf>

- Project Schedules:

<https://webcms.ohio.edu/sites/default/files/sites/facilities/architecture-design-construction/Project%20Schedule%20Update.pdf>

- Capital Improvement Plan (CIP)

<https://webcms.ohio.edu/sites/default/files/sites/facilities/design-construction/files/FY23-FY28%20Six%20Year%20Capital%20Improvement%20Plan.pdf>