iWG agenda

January 20, 2021

10-11:30am

Attendees: Ximing Cai, Morgan White, Creen Ahmad, Brian Bundren, Matthew Tomaszewski, John Dallesasse, Jonah Messinger, Joey Kreiling, Qu Kim, Meredith Moore

Not in attendance: Sandy Yoo, Marcus Jackson

Guests: Paul Ellinger, Rob Roman, Tony Spurlock, Andrew Stumpf, Karl Helmink, Bill Rose

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1. Overview of iCAP 2020 and Energy004 recommendation
   - *Morgan* presented overview of iCAP 2020 (see attached presentation)
     i. Climate Leadership Commitments (Carbon Commitment in 2008 and Resilience Commitment in 2016)
     ii. The Energy004 recommendation will likely go to the Sustainability Council for continued discussion
     iii. We need to accelerate our efforts to reach our carbon neutrality goal; we should do even better and work to achieve carbon neutrality before our 2050 goal – perhaps by 2040 or sooner
   - *Bill Rose* provided an overview of Energy004 recommendation
     i. This effort is aimed at making substantial improvements for the basic conditioning of the buildings
     ii. Practically all benefits of energy consumption can be attributed to retro commissioning; this is the largest energy consumption reduction effort on campus and it has been very successful
2. *Paul Ellinger* presented on impacts of IVCB budget reform and energy conservation funding (see attached presentation)
   - *Matthew*: This is very important work and we have been working on these efforts for quite a while and developed priority project lists
   - Black Swan events – typically 1 in 100 year events that significantly impact our budgets; we have had 3 in 12 years
   - $246.5 million COVID-19 financial impact
     i. Campus has $2.3 billion operating budget ($1.24 billion unrestricted, $1.08 billion restricted)
   - Financial planning challenges
     i. Must recognize if they are one-time impact or recurring impact
     ii. There is now no “new” money coming from undergraduate tuition
     iii. Trying to make the budget more transparent, e.g., who is the money going to, where is it coming from?
   - Two components of investments: campus leadership and budget model
     i. Previously no incentive or disincentive to efficiently use space

- Set a cost to space utilization – takes F&S costs and spread across based on square footage; if entities reduce their space usage, they pay less which begs the question: can we utilize our space differently, especially in this COVID-19 environment, and does everyone need to actually be on campus to work?
- Baseline data is locked except for corrections - we are now aware of how important accurate space inventory is
- Cost allocation in terms of space
    i. Various weights of space based on CBRE/Whitestone Research, tied to square footage and space type, and adjusted for college-funded space costs
    ii. Utility cost related to usage and pushed out to the units - took the direct utility usage and allocated it directly to the colleges. The utilities team has a dashboard and utility costs get added to centrally-budgeted unit cost.
    iii. Utility costs charged to central utility CFOP
- With IVCB budget reform, there is now an awareness of utility costs; people in turn can make conscious choices, every dollar saved can now be reinvested.
- Deferred maintenance into buildings and also utility side
    i. Structural improvements and utility improvements → some requests go to Chancellor and Provost to see where priorities lie
- We now have more data available to make these decisions.
    i. For example, Department of Chemistry didn't realize they were a high energy consumer, others realized that they were using fume hoods for storage
- *John*: There is top-down accountability where groups are allowed to manage their resources. To what extent is there bottom up accountability? How does the new budget model apply to administrative offices and how do we ensure there are efficiencies at higher levels?
    i. There is accountability because now every dollar is essentially recorded. There is now an awareness and transparency of why we are spending it in certain areas. Transparency makes us be accountable. When we propose a big investment, it is presented with a discussion, including the Provost and Chancellor, to make sure people are aware.
- Other operational costs – are we spending and extending our resources effectively and efficiently? We are trying to set metrics in place and identify where our costs are higher? These conservations are necessary to have and we must keep having them.
- *Ximing*: How realistic it is to implement certain objectives? The SWATeam, for example, recommends $10 million per year for five years on retrocommissioning projects. We realize under the current situation that there are additional challenges with funding.
    i. Had to postpone a lot of the investments for growth outlined in the campus strategic plan; we are not eliminating them but they are postponed until we get more certainty.
    ii. What is our state of appropriation going to look like? The other uncertainty is who is going to be on campus this fall. A major financial hit was not receiving as much revenue from international student tuition.

- What kind of new programs can we develop to generate new revenue ("new" money)? Certificate programs and professional education? We can't necessarily increase our tuition so we have to increase revenue with new opportunities.
    i. After the financial impacts of COVID, is the state of Illinois going to be in a worse situation that our peers? How do we generate more revenue without putting this burden on the undergraduate tuition?
- *Jonah*: Capital allocation is going to be quite tight, so we must think of innovative ways to find these types of ESCO projects.
    i. Private financing opportunities –there are private strategic investors and private firms that will look at ESCO projects, especially ones with guaranteed returns. They will finance these projects up-front and will get paid back from the returns guaranteed by the ESCOs. That shifts the risk off of the university.
    ii. *Paul*: We must look at what we are legally allowed to do in the state of Illinois. There are certain legal restrictions because we are a state institution. It doesn't mean we shouldn't be pursuing what is allowable – we can borrow for capital purposes, and DIA and Housing can do it, but we are restricted from these types of transactions. We have a governing system which adds a couple layers of challenges since we borrow as a system.
    iii. *Matthew*: We do look into opportunities to align these projects and funding, such as, public-private partnerships (campus instructional facility, for example). What has not been permitted in the past may be permitted in the future so it is important to pursue these opportunities legislatively; there are a lot of innovative approaches to financing that has not existed in the past. Must keep asking questions and having these conversations.
    iv. CFO and comptroller continuously have discussions about these guidelines.
- *Morgan*: Example scenario - if in the first year, College of Engineering spends $100 million on utilities and in year 5, they do work to reduce consumption by $1 million, will they get that $1 million of savings in perpetuity or for a limited time?
    i. ***Correction from recording*** They would get $100 million in allocation, but their utilities costs would only be $99 million and they would keep the difference and be able to spend it on other budget items.
- *John*: Does it make sense to have a payoff period in returns? For example, College of Engineering decides to do work to reduce consumption and save $ 1 million a year, and to do so, it costs $10 million, is it possible to create an agreement to say that there will be a reasonable return on investment guaranteed for a defined period to incentivize people?
    i. Paul: Whatever savings you see on your utility bill, you will continue to see the savings as long as they are occurring (this is especially important because it is guaranteed even among leadership transitions)
- *Morgan*: Revolving Loan Fund is about $4 million which can be used to fund water or energy savings project; projects are paid for up front and then the RLF is paid back through the utility savings. Can we increase this fund, comparable to other schools?
    i. With the ESCOs, if we had committed to already paying back the energy performance contracts, the funding would be safe. We do have to figure out

where the money comes from in the first place and then work to figure out that it paid back accordingly.

3. Funding (*Ximing*)
   - In iCAP 2020, there was a new component to add funding levels (high, medium, low) associated with each objective.
   - We may have some opportunities to bring money in, e.g., private donations, external grants.
   - Important to continue to discuss priorities, uncertainties, and return benefit of each objective.
4. Project Updates
   - NRES285 (*Meredith*)
     i. Student iCAP ambassador course will be piloted in spring 2021. Groups of students will be connected with facility managers at buildings to assess and recommend sustainability initiatives.
   - Solar Farms 2.0 and 3.0 (*Morgan*)
     i. Solar Farm 3.0 is moving along (derivatives use policy revision is heading to the Board of Trustees meeting in March).
     ii. Solar Farm 2.0 is still on schedule for be in operation at the end of this month.
5. Next steps
   - Review draft fossil fuel divestment letter from Chancellor to UIF and provide comments by 1/29