

UNIVERSITY OF HAWAI‘I SYSTEM REPORT



REPORT TO THE 2013 LEGISLATURE

Requiring The University of Hawai'i To Prepare A Plan To Prevent Growth In The University's Repair And Maintenance Backlog System Wide, Through The Use Of Its Special Fund Revenues.

ACT 106, Session Laws of Hawai'i 2012, Section 132.1

December 2012

Act 106, Session Laws of Hawaii 2012, SECTION 132.1 requires the University of Hawaii to prepare a plan to prevent growth in the university's repair and maintenance backlog system wide, through the use of its special fund revenues. On pages 1- 40, of the University of Hawaii Facility Renewal Reinvestment Study 2012 (FRR) Update (found at: http://www.hawaii.edu/oci/forms/UH_Facility_06-04-2012.pdf) provides the required information for the following sub-sections:

- (1) The estimated value of the university's repair and maintenance backlog, categorized by campus and types of projects;
- (2) Amounts that must be expended each year to prevent the repair and maintenance backlog from growing, categorized by campus and types of projects; and
- (3) Planned expenditures, by campus, types of projects, and funding sources.

As for subsection(4) of SECTION 132.1, the following is the current staffing authorized to implement the university's capital renewal, including status of positions:

UH Manoa

8 FTE Mechanical Engineers
5 FTE Electrical Engineers
12 FTE Design Architects/Engineers
6 FTE Construction Managers
1 FTE Utility Engineer Manager
No vacant positions
32 total UH Manoa positions

UH Hilo

1.0 FTE registered architect
1.0 FTE engineer
no vacant positions
2 total UH Hilo positions

UH Community Colleges

1.0 FTE Director (Architect)
1.0 FTE Architect
1.0 FTE Electrical Engineer
1.0 FTE Mechanical Engineer - vacant; recruitment in process
1.0 FTE Project Manager
5 Total UH Community College System Positions

39 total UH system-wide

As detailed on page 6 of the FFR study, only \$38 million of the total \$484 million system wide maintenance backlog, or (8%) eight percent, have sources of special funds to finance their respective backlog reduction. These costs do not include major renovations or modernization projects that may be required to address changing program needs. General obligation bond funds have historically been the source of reducing the remaining backlog balance. If not for general obligation bond funds, Additional tuition and fees would have to be assessed to pay for the debt service of revenue bonds for financing the \$460.3 million in system wide maintenance backlog and the annual capital renewal requirements. The requested six-year planning period to eliminate the maintenance backlog while meeting UH's annual capital renewal needs are detailed in FRR study on page 44, titled "Scenario 1: Annual

Investment Required to Eliminate the Total Backlog in Six Years”. The first year issuance of revenue bonds of \$127.8 million will result in an annual debt service of \$7.9 million per year for the next thirty years. The second year issuance of revenue bonds will double the annual debt service to \$18.6 million and by the 6th year when the backlog is finally eliminated, **the total annual debt service will be \$47 million**, and continue to increase with the annual capital renewal requirement in the future years.

To service such annual debt service, **either an increase in tuition or a new student “facilities repairs & maintenance” fee** would need to be assessed, as other universities do. If an earmarked new student “facilities repairs & maintenance fee” is assessed, this annual fee for each campus would be determined by each campus’s backlog, its annual capital renewal requirements and its campus enrollment. The following are the projected annual student “facilities repairs & maintenance” fees:

	<u>FY2013</u>	<u>FY2018</u>	<u>FY2022</u>
UH Manoa	\$292.98	\$1,686.61	\$2, 032.71
UH Hilo	\$106.55	\$569.96	\$772.68
UH West Oahu	\$.40	\$11.21	\$29.21
UH CCS	\$42.51	\$264.54	\$364.71

These are staggering fees to be burdening the students over and above their tuition fees and other existing student fees, especially community college students whose tuitions are keep low and affordable. For just FY 2013, the following student fees by campus will increase from:

	<u>Current</u>	<u>Projected</u>	<u>%Increase</u>	
UH Manoa	\$740	\$1,033	39.6%	
UH Hilo	\$304	\$411	35.0%	
UH WO	\$10.00	\$10.40	4.0%	
UHCCS	\$60	\$103	70.9%	(Kapiolani CC and Kauai CC)

As for the overall financial viability of the University, **the total UH system outstanding revenue bond balance is projected to more than double from its current balance of \$642.5 million to \$1.355 billion in FY 2018, (an increase of 111%), when the backlog is eliminated**, and will continue to increase in order to fund the future years’ annual capital renewal requirements. As the outstanding bond issuance balance grows, the University’s bond rating will significantly deteriorate and thus adversely affect the interest rates of future bond issuances, resulting in higher than projected debt service.

In addition, the backlog and annual capital renewal projects **do not include major renovations or modernization projects** that may be required to address changing program needs and new technological upgrading.

In conclusion, without general obligation bonds to finance the UH’s repairs & maintenance backlog and annual capital renewal requirements, student fees or tuition increases would be the main source of special fund financing. As shown, there would be an additional financial burden on UH students through significant increases in student fees while eroding the University’s financial ability to issue any long term debt. **To avoid these high student fees and tuition increases, it is imperative to continue funding the maintenance backlog and capital renewal requirements with general obligation bonds.**

Attachments

UNIVERSITY OF HAWAII

PROPOSED 6 YEAR ELIMINATION OF REPAIRS & MAINTENANCE BACKLOG AND CAPITAL RENEWAL REQUIREMENTS FUNDED BY SPECIAL FUNDS

(in thousands of dollars)

	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	Total
UH System Total											
Backlog	\$ 424,342	\$ 70,724	\$ 70,724	\$ 70,724	\$ 70,724	\$ 70,724	\$ -	\$ -	\$ -	\$ -	\$ 424,342
Capital Renewal	\$ 58,868	\$ 39,372	\$ 68,049	\$ 32,139	\$ 46,835	\$ 43,170	\$ 52,278	\$ 51,129	\$ 24,481	\$ 35,761	\$ 452,082
Total Backlog & Capital Renewal	\$ 129,592	\$ 110,096	\$ 138,773	\$ 102,863	\$ 117,559	\$ 113,894	\$ 52,278	\$ 51,129	\$ 24,481	\$ 35,761	\$ 876,424

BY CAMPUS:

	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	Total
UH Manoa											
Backlog	\$ 347,796	\$ 57,966	\$ 57,966	\$ 57,966	\$ 57,966	\$ 57,966	\$ -	\$ -	\$ -	\$ -	\$ 347,796
Capital Renewal	\$ 40,134	\$ 28,477	\$ 39,498	\$ 10,605	\$ 31,630	\$ 32,064	\$ 41,194	\$ 29,404	\$ 11,552	\$ 17,020	\$ 281,578
Total Backlog & Capital Renewal	\$ 98,100	\$ 86,443	\$ 97,464	\$ 68,571	\$ 89,596	\$ 90,030	\$ 41,194	\$ 29,404	\$ 11,552	\$ 17,020	\$ 629,374
Annual Debt Service Payments	\$ (6,023)	\$ (6,023)	\$ (6,023)	\$ (6,023)	\$ (6,023)	\$ (6,023)	\$ (6,023)	\$ (6,023)	\$ (6,023)	\$ (6,023)	\$ (60,225)
		\$ (5,464)	\$ (5,464)	\$ (5,464)	\$ (5,464)	\$ (5,464)	\$ (5,464)	\$ (5,464)	\$ (5,464)	\$ (5,464)	\$ (49,176)
			\$ (6,340)	\$ (6,340)	\$ (6,340)	\$ (6,340)	\$ (6,340)	\$ (6,340)	\$ (6,340)	\$ (6,340)	\$ (50,721)
				\$ (4,589)	\$ (4,589)	\$ (4,589)	\$ (4,589)	\$ (4,589)	\$ (4,589)	\$ (4,589)	\$ (32,120)
					\$ (6,165)	\$ (6,165)	\$ (6,165)	\$ (6,165)	\$ (6,165)	\$ (6,165)	\$ (36,988)
						\$ (6,367)	\$ (6,367)	\$ (6,367)	\$ (6,367)	\$ (6,367)	\$ (31,833)
							\$ (2,993)	\$ (2,993)	\$ (2,993)	\$ (2,993)	\$ (11,971)
							\$ (2,194)	\$ (2,194)	\$ (2,194)	\$ (2,194)	\$ (6,581)
								\$ (885)	\$ (885)	\$ (885)	\$ (1,769)
									\$ (1,337)	\$ (1,337)	\$ (1,337)
Total Annual Debt Service Payments	\$ (6,023)	\$ (11,487)	\$ (17,827)	\$ (22,415)	\$ (28,580)	\$ (34,947)	\$ (37,939)	\$ (40,133)	\$ (41,017)	\$ (42,355)	\$ (282,722)

Amort. Period 30 years

- interest rate 4.50%
- interest rate 4.75%
- interest rate 5.00%
- interest rate 5.25%
- interest rate 5.50%
- interest rate 5.75%
- interest rate 6.00%
- interest rate 6.25%
- interest rate 6.50%
- interest rate 6.75%

Headcount Enrollment	20,556	20,628	20,654	20,662	20,691	20,720	20,749	20,778	20,807	20,837
Student Fee Per UH1M Student	\$ 292.98	\$ 556.84	\$ 863.11	\$ 1,084.85	\$ 1,381.27	\$ 1,686.61	\$ 1,828.47	\$ 1,931.48	\$ 1,971.29	\$ 2,032.71
Student Fee % Annual Increase		90.1%	55.0%	25.7%	27.3%	22.1%	8.4%	5.6%	2.1%	3.1%
UH1M Undergraduate Resident Tuition	\$ 8,664.00									
UH1M Undergrad Current Student Fees	\$ 740.00									
Total New Student Fee	\$ 292.98									
% Increase in Student Fee	39.6%									
% Increase In Tuition & Student Fees	3.1%									

100.14%

UH West Oahu	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	Total
Backlog	-	-	-	-	-	-	-	-	-	-	-
Capital Renewal	\$ 13	\$ 13	\$ 13	\$ 13	\$ 377	\$ 13	\$ 13	\$ 13	\$ 13	\$ 815	\$ 1,296
Total Backlog & Capital Renewal	\$ 13	\$ 13	\$ 13	\$ 13	\$ 377	\$ 13	\$ 13	\$ 13	\$ 13	\$ 815	\$ 1,296
Annual Debt Service Payments	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (8)
		\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (7)
			\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (7)
				\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (6)
					\$ (26)	\$ (26)	\$ (26)	\$ (26)	\$ (26)	\$ (26)	\$ (156)
						\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (5)
							\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (4)
								\$ (1)	\$ (1)	\$ (1)	\$ (3)
									\$ (1)	\$ (1)	\$ (2)
										\$ (64)	\$ (64)
Total Annual Debt Service Payments	\$ (1)	\$ (2)	\$ (2)	\$ (3)	\$ (29)	\$ (30)	\$ (31)	\$ (32)	\$ (33)	\$ (97)	\$ (261)

Amort. Period 30 years

- interest rate 4.50%
- interest rate 4.75%
- interest rate 5.00%
- interest rate 5.25%
- interest rate 5.50%
- interest rate 5.75%
- interest rate 6.00%
- interest rate 6.25%
- interest rate 6.50%
- interest rate 6.75%

Headcount Enrollment	1,987	2,139	2,288	2,425	2,556	2,694	2,840	2,993	3,155	3,325
New Student Fac. Fee/UHWO Student	\$ 0.40	\$ 0.76	\$ 1.08	\$ 1.38	\$ 11.45	\$ 11.21	\$ 10.97	\$ 10.73	\$ 10.49	\$ 29.21
New Student Fee % Annual Increase		88.5%	42.3%	27.6%	732.7%	-2.1%	-2.2%	-2.2%	-2.2%	
UHWO Undergraduate Resident Tuition	\$ 5,592.00									
UHWO Undergrad Current Student Fees	\$ 10.00									
Total New Student Fee	\$ 0.40									
% Increase in Student Fee	4.0%									
% Increase In Tuition & Student Fees	0.0%									

105.4%

Community Colleges	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	Total
Backlog	\$ 60,300	\$ 10,050	\$ 10,050	\$ 10,050	\$ 10,050	\$ 10,050	\$ -	\$ -	\$ -	\$ -	\$ 60,300
Capital Renewal	\$ 14,068	\$ 8,479	\$ 20,350	\$ 18,357	\$ 11,989	\$ 9,445	\$ 9,683	\$ 18,440	\$ 8,780	\$ 12,641	\$ 132,232
Total Backlog & Capital Renewal	\$ 24,118	\$ 18,529	\$ 30,400	\$ 28,407	\$ 22,039	\$ 19,495	\$ 9,683	\$ 18,440	\$ 8,780	\$ 12,641	\$ 192,532
Annual Debt Service Payments	\$ (1,481)	\$ (1,481)	\$ (1,481)	\$ (1,481)	\$ (1,481)	\$ (1,481)	\$ (1,481)	\$ (1,481)	\$ (1,481)	\$ (1,481)	\$ (14,806)
		\$ (1,171)	\$ (1,171)	\$ (1,171)	\$ (1,171)	\$ (1,171)	\$ (1,171)	\$ (1,171)	\$ (1,171)	\$ (1,171)	\$ (10,541)
			\$ (1,978)	\$ (1,978)	\$ (1,978)	\$ (1,978)	\$ (1,978)	\$ (1,978)	\$ (1,978)	\$ (1,978)	\$ (15,821)
				\$ (1,901)	\$ (1,901)	\$ (1,901)	\$ (1,901)	\$ (1,901)	\$ (1,901)	\$ (1,901)	\$ (13,306)
					\$ (1,516)	\$ (1,516)	\$ (1,516)	\$ (1,516)	\$ (1,516)	\$ (1,516)	\$ (9,098)
						\$ (1,379)	\$ (1,379)	\$ (1,379)	\$ (1,379)	\$ (1,379)	\$ (6,893)
							\$ (703)	\$ (703)	\$ (703)	\$ (703)	\$ (2,814)
								\$ (1,376)	\$ (1,376)	\$ (1,376)	\$ (4,127)
									\$ (672)	\$ (672)	\$ (1,345)
										\$ (993)	\$ (993)
Total Annual Debt Service Payments	\$ (1,481)	\$ (2,652)	\$ (4,629)	\$ (6,530)	\$ (8,047)	\$ (9,425)	\$ (10,129)	\$ (11,504)	\$ (12,177)	\$ (13,170)	\$ (79,744)

Amort. Period 30 years
interest rate 4.50%
interest rate 4.75%
interest rate 5.00%
interest rate 5.25%
interest rate 5.50%
interest rate 5.75%
interest rate 6.00%
interest rate 6.25%
interest rate 6.50%
interest rate 6.75%

Headcount Enrollment	34,830	35,046	35,240	35,391	35,510	35,629	35,749	35,869	35,990	36,111
New Student Fac. Fee/CCS Student	\$ 42.51	\$ 75.67	\$ 131.37	\$ 184.52	\$ 226.60	\$ 264.54	\$ 283.33	\$ 320.73	\$ 338.34	\$ 364.71
New Student Fee % Annual Increase		78.0%	73.6%	40.5%	22.8%	16.7%	7.1%	13.2%	5.5%	7.8%
UHCC Undergraduate Resident Tuition	\$ 2,424.00									
UHCC Undergrad Current Student Fees	\$ 60.00									

Note: UHCC student fees range from \$30 to \$134 per year

Total New Student Fee	\$ 42.51
% Increase in Student Fee	70.9%
% Increase In Tuition & Student Fees	1.7%

Revenue Bond Balances	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	Total
Outstanding Rev Bond Beg. Bal.	642,400	771,992	882,087	1,020,860	1,123,723	1,241,281	1,355,175	1,407,453	1,458,582	1,483,063	642,400
Annual Bond Issuance - Systemwide	129,592	110,096	138,773	102,863	117,559	113,894	52,278	51,129	24,481	35,761	876,424
Outstanding Rev. Bond End Bal.	771,992	882,087	1,020,860	1,123,723	1,241,281	1,355,175	1,407,453	1,458,582	1,483,063	1,518,824	1,518,824
System Annual Debt Service	(7,956)	(14,915)	(23,942)	(30,826)	(38,914)	(46,968)	(50,766)	(54,581)	(56,455)	(59,265)	136.4%

100.3%