

Financing Plan for Capital Project for New Athletic Field House

JOINT FINANCE AND AUDIT COMMITTEE AND BUILDINGS AND GROUNDS COMMITTEE

March 6, 2014

In accordance with the university's 2004-2010 Capital Outlay Plan approved by the Board of Visitors, the university requested in 2005 and the state authorized in 2006 a \$25 million capital outlay project for a new indoor athletic training facility. The scope of the authorization includes 120,000 gross square feet of an athletic field house facility programmed for multipurpose activities and sized to accommodate sufficient length, width, and height necessary for football practice work. The authorized funding plan calls for \$25 million of debt to be repaid entirely by private gifts.

After the state's approval in 2006, the Athletics program requested to temporarily place this project on hold to advance the \$20 million basketball practice facility (authorized 2007) and then the \$14 million football locker room and training facility (authorized 2009). With the completion of the football locker room and training facility in 2011, the Athletics program requested to initiate fund raising activities for the new field house project. To date, \$12.4 million of private support has been raised for project costs with \$7.4 million in cash receipts.

The Athletics program has conducted early planning work, site selection, and identification of a desired Design-Build team for the project. The envisioned facility has an estimated total project cost of \$21.3 million. While the Athletics Department and the University Development Office continue to pursue active prospects to complete the private gift campaign, Athletics has requested to move forward with the project under an interim financing plan until fund raising is complete. The desired goal is to start construction in summer 2014 with occupancy in August 2015.

The financing proposal to move forward includes temporary financing to carry outstanding pledge payments and temporary financing to carry completion of raising the remaining private funds for the project. Because the proposed interim financing plan was not included in the original authorization provided by the Board of Visitors or the state, the university is requesting Board of Visitors approval for the new plan.

This request is for authorization to implement an interim financing plan that includes \$7.4 million of private fund cash, \$5 million of temporary financing to carry payment of existing pledges, and \$8.9 million of temporary financing to carry completion of raising private commitments. The Development Office is confident the outstanding \$5 million of pledge payments will be received within expected payment periods. Further, the Development Office believes the Athletics program has the capacity to raise the additional \$8.9 million of private funds in accordance with the financing plan. If fund raising efforts do not reach the necessary amount of \$21.3 million for the project, the university will obtain permanent financing for the unfunded balance. Any debt not funded by the additional \$8.9 million to be generated through private fund raising will be repaid over time by future self-generated athletics revenues. Until all permanent debt is retired, any outstanding balance of the permanent

financing will be secured by funds in the Athletic Department reserve balance, above and beyond any existing required restrictions. Without this interim financing plan, the project may be delayed a year or more.

Under the 2006 Management Agreement between the Commonwealth of Virginia and the university, the Board of Visitors has the authority to approve the budget, size, scope, debt issuance, and overall funding of nongeneral fund capital outlay projects. This request is for approval of the revised financing plan to support the full project costs of a \$21.3 million new athletics field house.

RESOLUTION ON FINANCING PLAN FOR CAPITAL PROJECT FOR NEW ATHLETIC FIELD HOUSE

WHEREAS, the state authorized in 2006 a \$25 million capital outlay project for a new indoor athletic training facility with a funding plan that calls for debt to be repaid entirely by private gifts; and,

WHEREAS, the envisioned facility has a project cost of \$21.3 million and the campaign for private support has reached \$12.4 million for project costs; and,

WHEREAS, the Athletics program has requested to move forward with the project under an interim financing plan while the campaign efforts continue to fully fund the project; and,

WHEREAS, without an interim financing plan, the project may be delayed a year or more; and,

WHEREAS, the university has developed a 100 percent nongeneral fund resource plan for the \$21.3 million project, including necessary financing; and,

WHEREAS, under the 2006 Management Agreement between the Commonwealth of Virginia and the university, the Board of Visitors has authority to approve the budget, size, scope, debt issuance, and overall funding of nongeneral funded major capital outlay projects;

WHEREAS, under the 2006 Management Agreement between the Commonwealth of Virginia and the university, the university has the authority to issue bonds, notes or other obligations that do not constitute State tax supported debt; and,

WHEREAS, the Finance and Audit Committee will further review and approve a financing resolution prior to securing permanent financing for the debt component of the project plus amounts needed to fund issuance costs, reserve funds, and other financing expenses;

NOW, THEREFORE BE IT RESOLVED, that the university be authorized to move forward with a new financing plan to complete a \$21.3 million new athletic field house that includes \$7.4 million of cash available and to secure temporary short-term financing through any borrowing mechanism that prior to such borrowing has been approved by the Board, as applicable, in an aggregate principal amount not to exceed \$13.9 million, plus related issuance costs and financing expenses.

RECOMMENDATION:

That the resolution authorizing Virginia Tech to complete the new Athletics Field House project under the revised financing plan be approved.

March 24, 2014