

Capital Project to Supplement the Student Wellness Improvements Authorization

JOINT FINANCE AND RESOURCE MANAGEMENT COMMITTEE AND BUILDINGS AND GROUNDS COMMITTEE

May 2, 2022

The authorization for the Student Wellness Improvements project includes a total budget of \$58 million with a scope to renovate War Memorial Hall and Schiffert Health Center in McComas Hall.

A Guaranteed Maximum Price proposal was received in March 2020 that was 125 percent of the authorized \$58 million project budget. The cost overrun was considered to be a result of early pandemic labor and supply chain risks combined with a saturated regional construction market. As the university was entering the pandemic and working to manage the impacts and uncertainties of students and employees being remote for an unknown future period, the university put the project on hold.

The project was on hold for nearly a year as the university worked to position this and several other projects in its portfolio for construction contracts. Meanwhile, the university worked with the A/E team and the Division of Student Affairs on solutions as the pandemic persisted disrupting the construction market and driving prices continually higher. A consensus solution was reached in March 2022 to remove certain scope elements and to infuse a \$12 million supplement to preserve the core services of the program for students. The resulting project will renovate War Memorial Hall to enhance recreation and wellness services and will renovate the head-house for academic uses. The renovation of Schiffert Health Center in McComas Hall is removed from the scope to control costs and because the program had made alternative arrangements for student health services during the pandemic.

The revised total project budget request is \$70 million including \$54.5 million for construction services. The budget request is based on pricing estimates from three sources obtained in February 2022 that were reconciled to a variance of 2.5 percent and then escalated for a July 2022 construction contract pricing.

The funding plan for the \$70 million budget includes \$26.2 million of cash earmarked for the project and \$43.8 million of debt serviced by Student Health and Recreational Sports auxiliaries' revenues, student fees, and an internal lease for the School of Education program. Any additional cash designated for the project and accumulated prior to the issuance of permanent debt would be used directly for project costs and to lower the estimated total debt issuance.

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, including capital leases. This request is for a \$12 million supplement to adjust the total authorization for the Student Wellness Improvements project to \$70 million to complete a renovation of War Memorial Hall.

RESOLUTION FOR A CAPITAL PROJECT TO SUPPLEMENT THE STUDENT WELLNESS IMPROVEMENTS AUTHORIZATION

WHEREAS, The Student Wellness Improvements project authorization includes a total budget of \$58 million with a scope to renovate War Memorial Hall and Schiffert Health Center in McComas Hall; and,

WHEREAS, the project schedule originally called for entering the construction market in early 2020; and,

WHEREAS, the impacts of COVID-19 on the construction industry drove costs substantially higher than the project authorization and caused delays; and,

WHEREAS, the university developed a solution to preserve the core services of the program for students; and,

WHEREAS, the solution includes a renovation of War Memorial Hall to enhance recreation and wellness services and will renovate the head-house for academic uses; and,

WHEREAS, the estimated total cost to deliver the project is \$70 million including design, construction, and equipment; and,

WHEREAS, the university has developed an entirely nongeneral fund resource plan sufficient to support the \$70 million of project costs; and,

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, 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 capital outlay projects;

NOW, THEREFORE, BE IT RESOLVED, that the university be authorized to supplement and complete the Student Wellness Improvements project 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 the \$70 million authorized project budget, plus related issuance costs and financing expenses.

RECOMMENDATION:

That the resolution authorizing Virginia Tech to complete the Student Wellness Improvements project be approved.

June 7, 2022