

• **Financing For Student Wellness Improvements**

Project Type: Improvements-Other

Total Project Cost: \$63,000,000

Description

This request is for a 100 percent nongeneral fund debt authorization to complete the Student Wellness Improvements project. This project has been initiated under the university's restructuring authority using entirely nongeneral fund resources with a total cost of \$63 million. This request is for authorization to issue 9(d) debt through the VCBA to finance project costs.

The Board of Visitors approved the University's 2018-2024 Capital Plan on April 3, 2017, including a nongeneral fund project for Student Wellness Services. The improvements to War Memorial Hall include renovating approximately 175,000 gross square feet, demolition of approximately 26,000 gross square feet of the east side of the building, and a 38,000 gross square foot replacement on the east side of the building. The improvements will provide space for Cook Counseling, Hokie Wellness, Recreational Sports, Human Nutrition, Foods, and Exercise, and the School of Education. The project will address deferred maintenance, code requirements, and install air conditioning to the building. The renovations to Schiffert Health Center in McComas Hall include renovations to 19,000 square feet in the area vacated by counseling services to accommodate student health services.

Justification

Financing Request:

The Board of Visitors approved the capital project on November 6, 2017. The funding plan includes \$13.31 million of auxiliary cash and \$49.69 million of fixed rate debt. The project is underway and the university is prepared to issue stand-alone debt for the project if necessary. The State's VCBA program offers the most favorable cost of capital in terms of issuance costs and interest which will lower debt service. The savings will be passed along to students in the form of lower fees. This request is for a debt authorization to issue up to \$49.69 million in the 9d VCBA program.

Funding Plan:

The program for the Student Wellness Improvements project is 100% nongeneral fund. Thus, the funding plan calls for \$56 million of nongeneral fund auxiliary enterprise support and a \$7 million nongeneral fund internal lease for the School of Education program. Student Health and Recreational Sports will contribute \$13.31 million of auxiliary revenue towards the project to lower the amount of debt needed for the project. This proposal is for the remaining \$49.69 million to be funded with traditional nongeneral fund 9d bond financing.

Authorization to finance the permanent debt issuance for the project through the VCBA 9d program will allow for more favorable financing terms, reducing the cost of capital which would benefit students. Participating in a stand-alone issuance is four times more expensive for cost of issuance than participating in the pooled bond program. The significant savings on the cost of issuance is passed on to students through lower fees. The debt service will be covered by Student Health and Recreational Sports auxiliary revenue and nongeneral fund retired debt service savings for the School of Education internal lease.

The estimated fee impact is shown below and is the same for Virginian and Non-Virginian domicile students.

- System Comprehensive Fee Increase - \$13 (.7% fee increase)
- Annual System Comprehensive Fee Increase - \$392,489

Alternatives Considered:

The option considered but not pursued was delaying the project. Delaying the project is not a viable option because expand student wellness services is needed to meet expectations for student counseling services, student health services, and expanded fitness programming. New construction cannot provide the needed capacity as quickly as a renovation project. The university conducted a program and facility study that identified a renovation of War Memorial Hall along with minor upfits to McComas Hall as the most efficient option to meet student service needs.

Methodology

Alternatives Considered

Funding Request

Year	Phase	Fund Code	Fund Name	General Fund & Tax Sup Debt	Nongeneral Funds	9C Debt	9D Debt
2018	Full Funding	08150	9(D) Rev Bonds-Construction	\$0	\$0	\$0	\$49,690,000
2018	Full Funding	03060	Auxiliary Enterprise	\$0	\$13,310,000	\$0	\$0
Totals				\$0	\$13,310,000	\$0	\$49,690,000
Total All Funds Requested = \$63,000,000							