

Nongeneral Fund Capital Outlay Plan for 2026-2032

JOINT FINANCE AND RESOURCE MANAGEMENT COMMITTEE AND BUILDINGS AND GROUNDS COMMITTEE

July 16, 2025

Background:

As a continuation of the March 2025 Board of Visitors item approving the General Fund portion of the Six-Year Capital Outlay Plan (Plan), the Nongeneral fund portion of the plan is proposed in this report.

The university sets a six-year planning period, identifying two lists of projects: i) a list of General Fund projects for submission in the state budget process and ii) a list of projects the university anticipates funding entirely through nongeneral funds.

A brief description of each project, including the nongeneral fund projects, is shown in an updated Appendix 1.

Approval of the Plan by the Board of Visitors does not approve funding or action for any of the projects listed in the Plan. The Board of Visitors must approve separate requests to initiate design and construction for a project listed on the Plan. To the extent the university determines that issuing debt is necessary to support the cash flow requirements of a capital project, the Board of Visitors must also approve the debt issuance.

Both the process to identify and select projects for the plan as well as the strategic priorities for the planning period remain unchanged from the March 2025 General Fund Capital Outlay Plan update that was approved by the Board.

The university's established four strategic priorities to guide the needs identification for the planning period include:

- Global Distinction,
- Student Experience and Success,
- Facility Asset Management and Renewal, and
- Alignment with state capital funding priorities.

Planning Constraints:

Estimated financial resources for any planning period are finite and constrain the size of a plan and the likely pace of progress to implement projects on the plan. The key financial constraints for the planning period for nongeneral projects are described below:

1. Nongeneral Fund Cash for Projects:

Educational and General operating dollars, including General Fund appropriations and tuition, are not used to support capital outlays.

Nongeneral fund revenues for capital outlays include auxiliary enterprise rates for residential and dining, auxiliary enterprise sales and services, comprehensive fees, overhead generated from indirect cost recoveries from grants and contracts, and private gifts.

In general, the scale of these revenue sources is efficient relative to the costs they are designated to support; thus, the university does not generally accumulate large cash reserves that may be used to support capital projects.

The cash that does accumulate is normally the result of cash flows that are positioned to service debt. To the extent these stores are available, the university uses them as a source in a capital project budget to reduce the amount of debt that would otherwise be required.

The exception is private gifts designated for capital outlays. The university strives for private gift payments to be structured over a five-year payment schedule to closely align with the cash outflows of a capital project; thus, any amount of debt required to carry pledge payments should be minimal.

2. Nongeneral Fund Revenues for Debt Service:

The nongeneral fund sources described above may also be used to support debt service.

The use of the university's debt capacity for a project is first determined by the strength of revenues to support debt service obligations. The university's budget and planning processes include extensive due diligence and business planning work to ensure a high level of confidence that future revenues will be available and sufficient to service and retire any planned debt issuances, including long term leases.

Conversely, without the assurance that a revenue source will be available and sufficient for the entire repayment term of an issuance, debt is not allocated to a project.

3. Debt Financing:

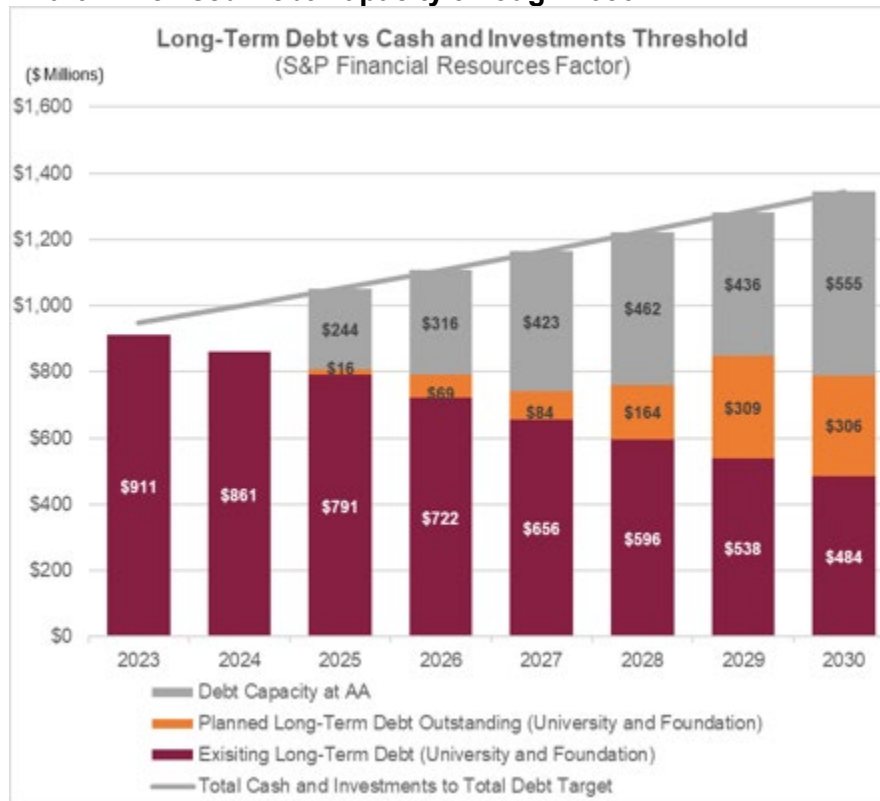
Projects with nongeneral fund support, including portions of some gift campaigns, may use external debt to finance a portion of the project. Each potential debt financing undergoes an internal financial feasibility assessment to ensure resources are sufficient to cover the full debt service term without unnecessary financial risk to the unit's operations.

The positioning of debt is further analyzed to ensure the university does not exceed the parameters of the university debt policy or debt management practices, which sets a maximum limit of a six percent ratio of total annual debt service to total operating expenses. This evaluation is projected six-years out and includes anticipated issuances for projects in the Plan.

The Board of Visitors reviews and approves an annual report of debt capacity and debt ratio and authorizes individual debt packages prior to an issuance. These practices provide an important set of controls to ensure the institution's debt obligations do not become a point of inflexibility in reaching the operational goals of the institution, to ensure the university is holding sufficient debt capacity for its highest priorities, and to ensure compliance with restructuring requirements for credit ratings and debt ratios.

4. Debt Capacity:

Chart 1: Revised Debt Capacity through 2030



The chart above illustrates the university's revised debt capacity that is based on current capital project and debt issuance assumptions. It also assumes Cash and Investments are expected to grow \$70 million annually for the university and between two to six percent for the Virginia Tech Foundation during the planning period. The controlling ratio in our debt capacity analysis is Total Cash and Investments to Total Debt. The Student Life Village Phase I had planned \$330 million of debt in fiscal years 2026-28, this has been removed; but the analysis assumes \$100 million for two replacement residential projects that are included in the revised Nongeneral Fund Capital Plan (see Attachment B) starting in fiscal year 2028. The ratio suggests unused debt capacity is currently \$244 million, peaking at \$555 million in 2030.

Refer to Appendix 2, which contains the university's revised Illustration of Debt Allocations chart (within a six percent ratio), which has been updated as of July 8, 2025, with current capital outlay project assumptions.

General Fund Project List, Attachment A

Attachment A lists the highest priority projects requesting General Fund resources. Projects are listed under each division of Virginia Tech in their priority order, which reflects the strategic priorities of the university and state priorities as understood at this time. This portion of the Capital Outlay Plan remains unchanged from the March 2025 Board of Visitors meeting.

On June 30, 2025, the state issued instructions for the preparation and submission of Capital Budget Requests for the 2026-28 Biennial Budget. The deadline for submission of the Capital Budget Requests to the state was July 28, 2025, and the university prepared and submitted its highest priority General Fund capital requests by the due date.

Nongeneral Fund Project List, Attachment B

Attachment B lists the highest priority projects that call for entirely nongeneral fund resources in their budget and that are reasonably expected to be implemented by 2032. This section covers the auxiliary enterprise system projects and other projects requesting some combination of private support, returned overhead dollars, external construction grants, and/or nongeneral fund debt to fund the total costs, including long-term leases.

Under the university's Management Agreement with the commonwealth for capital projects, the Board of Visitors has the authority to approve and implement projects supported 100 percent by nongeneral funds. Each project follows a three-step budgetary approval process by the Board of Visitors and those that require external debt require a fourth approval step. The steps include 1) inclusion in the approved Six-Year Capital Outlay Plan, 2) authorization for planning to produce design documents to validate the project's feasibility, 3) authorization for construction when funding is available and sufficient, and 4) approval of external debt required for any capital project prior to issuance.

Auxiliary enterprise projects with a financing plan that calls for an increase in student fees depend on Board of Visitors' approval of the rates as part of the annual tuition and fee actions. Projects with a financing plan that calls for private gifts depend on the successful completion of donation commitments and cash receipts.

Project Costs:

The university uses two parametric-based cost estimating methods for each project which are then compared and reconciled to inform the cost amounts used in the Plan.

The first method is the Commonwealth's July 2025 Department of General Services (DGS) Construction Cost Database plus a 1.3 regional market premium factor with a 1.13 escalation rate to reach a July 2028 midpoint of construction. [Note: escalation rates for this planning period are aligned with historical norms of approximately 1.12 to 1.14.]

The second method is based on historical data reflecting actual project costs for similar projects escalated to a date that matches the “as of date” of the DGS cost database and then escalated to the same July 2028 midpoint of construction.

These cost estimates provide a reasonable order of magnitude for planning purposes. Actual project budgets and costs may stray from the amounts used in the plan when escalation runs at a pace significantly different from the rates used in these estimates and/or the approved project scope is modified when design is authorized to proceed.

Summary:

The university’s updated Nongeneral Fund Plan for the 2026-2032 period, as shown in Attachment B, moves forward projects that address facility asset management and renewal to ensure the continuity of ongoing programs and services as well as strengthens student experience and success.

Combined with the General Fund Plan for the 2026-2032 period, approved by the Board of Visitors in March of 2025, the university is requesting approval of the Nongeneral fund component of the plan, to complete the Capital Outlay Plan for the 2026-2032 planning period.

RECOMMENDATION:

That the Nongeneral Fund portion of the Capital Outlay Plan for the 2026-2032 planning period be approved.

August 20, 2025

ATTACHMENT A - General Fund
Six-Year Capital Outlay Plan for 2026-2032
as of February 18, 2025

		Dollars in Thousands Escalated to July 2028			
		General Fund	Nongeneral Fund	Debt	Total
University Division					
Academic Construction and Renovation					
1	Virginia Tech Carilion School of Medicine and Fralin Biomedical Research Institute Expansion	(1) \$ 138,300	\$ -	\$ 26,200	\$ 164,500
2	Chemistry/Physics Facilities Renovation & Expansion (Hahn)	101,000	-	35,000	136,000
3	Renovate and Renew Academic Buildings Phase II (RRAB II)				
	Robeson Hall	30,525	6,475	-	37,000
	Price Hall	34,200	3,800	-	38,000
	Architecture Annex	8,000	-	-	8,000
	RRAB II Subtotal	72,725	10,275	-	83,000
4	Derring Hall Renovation	115,625	-	9,375	125,000
5	Newman Library Renovation	82,000	-	-	82,000
6	Burruss Hall Renovation	140,000	-	-	140,000
7	Classroom Renovations	25,000	-	-	25,000
Infrastructure and Safety					
1	Derring Hall Envelope Repair	(1) 23,000	-		23,000
2	Utilities Infrastructure Renewal (Chiller Phase III)	48,000		12,000	60,000
3	Life, Health, Safety, Code Compliance Package	8,000	-	-	8,000
	Total University Division Projects	<u>\$ 753,650</u>	<u>\$ 10,275</u>	<u>\$ 82,575</u>	<u>\$ 846,500</u>
Cooperative Extension / Agriculture Experiment Station Division (CE/AES)					
1	Agricultural Research and Extension Centers Improvements	(2) \$ 64,000	-	\$ -	\$ 64,000
2	Relocate Plant-Based Facilities from Glade Road	14,000	-	-	14,000
3	Plant and Zoonotic Disease Research Facility (HABB-II)	83,000	-	-	83,000
4	Renew Animal and Livestock Facilities	31,000	-	-	31,000
5	Brooks Center: Sustainable Packaging Laboratory Addition	13,000	-	-	13,000
	Total CE/AES Division Projects	<u>\$ 205,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205,000</u>
Total General Fund Capital Plan for 2026-2032		<u>\$ 958,650</u>	<u>\$ 10,275</u>	<u>\$ 82,575</u>	<u>\$ 1,051,500</u>

Notes:

(1) Project has State Planning Authorization

(2) AREC Improvements include the Eastern Shore AREC (with current State Planning Authorization), Southern Piedmont AREC and Tidewater AREC

ATTACHMENT B - Nongeneral Fund
Six-Year Capital Outlay Plan for 2026-2032
as of July 14, 2025

Dollars in Thousands Escalated to July 2028				
	General Fund	Nongeneral Fund	Debt	Total
Blacksburg and Roanoke Academic				
Creativity and Innovation District				
Renovate Henderson Hall	\$ -	\$ 15,500	\$ -	\$ 15,500
Renovate Media Building	-	8,900	-	8,900
Renovate Squires Performance Spaces	-	4,400	-	4,400
Expand Vivarium Spaces (1)	-	-	45,000	45,000
G. Burke Johnston Student Center Renovation	-	-	6,000	6,000
Library Storage Facility addition	-	7,000	-	7,000
Pamplin Hall Renovation	-	8,000	-	8,000
Renovate On-campus University Bookstore	-	4,450	13,350	17,800
Veterinary Teaching Hospital Expansion (2)	-	23,000	20,000	43,000
	\$ -	\$ 71,250	\$ 84,350	\$ 155,600
Blacksburg Auxiliaries and Campus Services				
Campus Services: Mail, Surplus & Storage Facility	\$ -	\$ 3,000	\$ 11,000	\$ 14,000
Dining Services Center and Warehouse	-	5,000	20,000	25,000
Parking Garage	-	12,500	30,000	42,500
Rescue Squad Facility (2)	-	4,500	11,500	16,000
Residential Programs				
Campbell Hall Renovation	-	20,000	20,000	40,000
New Residence Hall Swing Space	-	20,000	80,000	100,000
	\$ -	\$ 65,000	\$ 172,500	\$ 237,500
Greater Washington D.C., Metro Area				
Upfit Sixth Floor of Academic Building I	\$ -	\$ 11,500	\$ -	\$ 11,500
Total NGF Capital Plan for 2026-2032	\$ -	\$ 147,750	\$ 256,850	\$ 404,600
GRAND TOTAL SIX-YEAR CAPITAL OUTLAY PLAN	\$ 958,650	\$ 158,025	\$ 339,425	\$ 1,456,100

Notes:

(1) Project targeted for BOV authorization for long-term lease between the university and Foundation upon completion.

(2) Project has obtained a BOV Planning Authorization

Appendix 1

Project Descriptions for the 2026-2032 Capital Outlay Plan

JOINT FINANCE AND RESOURCE MANAGEMENT COMMITTEE AND BUILDINGS AND GROUNDS COMMITTEE

July 15, 2025

General Fund Projects – Listed in Attachment A:

University Division: Academic Construction and Renovation

1. Virginia Tech-Carilion School of Medicine and Fralin Biomedical Research Institute Expansion

This project envisions 125,000 gross square feet (GSF) of new construction including parking, to double the enrollment of the School of Medicine, and a backfill renovation of 51,000 GSF of the vacated space to expand the Fralin Biomedical Research Institute.

2. Chemistry/Physics Facilities Renovation and Expansion (Hahn Hall South)

Hahn Hall was constructed in 1988 with an addition in 2002, and no major renovations since construction was completed. The proposed project includes renovating the entire 71,100 GSF existing building for modern research laboratory and classroom space for the chemistry program and expanding with an addition to provide needed space for instructional classrooms, laboratory space, and support space for the physics program.

3. Renovate and Renew Academic Buildings Phase II (RRAB II)

The Renovate and Renew Academic Buildings Phase II project is a package of three academic buildings with renovation needs, which includes:

- Robeson Hall: Originally constructed in 1960, the proposed project includes a 66,200 GSF renovation for academic classroom, laboratory and support spaces for the College of Science,
- Price Hall: Originally built in 1907, the project would entail a 56,000 GSF academic renovation for the College of Agriculture and Life Sciences, and
- Architecture Annex: Originally built in 1916, the project envisions a 15,800 GSF classroom and office renovation for the College of Architecture, Art, and Design.

4. Derring Hall Renovation

Derring Hall was constructed in 1969 with only one major improvement via renovation since the original construction was completed. This request is to renovate and modernize approximately 168,000 GSF of high demand instructional space for the physical sciences programs.

5. Newman Library Renovation

Newman Library was constructed in 1955 with an addition in 1980, with no major renovations since construction was completed. This project envisions constructing a new high-density library storage facility off-campus to hold volumes that need to be retained followed by a renovation of Newman Library to address outdated and undersized restroom and plumbing facilities, electrical systems, HVAC systems, and egress points to meet student demand for modern academic collaboration and interactive learning formats. The proposed project totals 242,000 GSF and includes the storage needs.

6. Burruss Hall Renovation

The proposed project includes renovating 158,000 GSF of academic and administration space. Burruss Hall was built in 1936 with additions in 1968 and 1970, and a renovation in 2007 to convert a portion of the north elevation to academic use. This project replaces and updates the major building systems within the historic building.

7. Classroom Renovations

This project will renovate 65,000 GSF of outdated and underutilized general assignment classroom space to modernize instructional spaces to meet the existing space demand for interactive learning and uphold the quality of education.

University Division: Infrastructure and Safety

1. Derring Hall Envelope Repair

Derring Hall was built in 1969, is 208,000 GSF, has a Facility Condition Index score of 55 percent, and is the university's largest undergraduate science laboratory instruction building. This project will address the significant spalling, delamination, and cracking of the exterior concrete walls, columns, parapets, and window sealants.

2. Utilities Infrastructure Renewal (Chiller Phase III)

The Utilities Infrastructure Renewal project has two main components. The first component includes a chiller water utility renewal, increasing capacity for existing facilities, and connecting the chilled water plants to the central chilled water loop. The second component is thermal distribution utility renewal, replacing a large portion of the centralized thermal heating distribution system network, a fifty-year old system serving 70 percent of the main Virginia Tech campus.

3. Life, Health, Safety, Code Compliance Package

The university's health, safety, and accessibility initiative for the campus is an ongoing effort, and the university includes a request for this program in each capital plan. This project continues progress on needed campus improvements including accessibility improvements and life safety repairs that are beyond the scope of the Maintenance Reserve program.

Cooperative Extension / Agricultural Experiment Station Division

1. Agricultural Research and Extension Centers Improvements

This project will address the top priority infrastructure and renovation needs for three Agricultural Research and Extension Center sites: Eastern Shore (39,000 GSF), Tidewater (39,800 GSF), and Southern Piedmont (26,600 GSF). This project will make improvements for the research and extension programmatic needs at these locations via a combination of renovation and expansion.

2. Relocate Plant-Based Facilities from Glade Road

This project relocates plant and agricultural-based assets from the Glade Road area to more suitable permanent location near existing College of Agriculture and Life Sciences facilities on campus. The project includes the construction of multiple new buildings of approximately 34,000 GSF and the demolition of outdated assets.

3. Plant and Zoonotic Disease Research Facility (HABB-II)

This project is to provide a 94,000 GSF modern research laboratory space that will focus on infectious disease research and will include the laboratories, laboratory support spaces, faculty offices, and graduate student research space.

4. Renew Animal and Livestock Facilities

This project includes replacing approximately 100,000 GSF of outdated facilities primarily serving beef cattle, equine, sheep, and poultry. The replacement facilities consolidate functions and operational efficiencies.

5. Brooks Center: Sustainable Packaging Laboratory Addition

This project includes construction of a 17,000 GSF addition laboratory to the Brooks Forest Products Center, including fiber-based packaging materials and distribution packaging laboratories, offices and a loading dock. The laboratory will be equipped with cutting-edge technology to test and validate the performance of innovative sustainable packaging materials, accelerating their adoption to tackle pressing industry challenges.

Nongeneral Fund Projects – Listed in Attachment B:

Blacksburg and Roanoke Academic

Creativity and Innovation District Renovations

The proposed Creativity and Innovation District package includes renovating the 40,540 gross square foot (GSF) Henderson Hall, the Media Building (13,200 GSF) and Squires Performance Spaces (11,300 GSF). These renovations are needed to update and modernize spaces for the visual arts and performing arts programs.

Expand Vivarium Spaces

This project proposes a new Vivarium facility constructed in the Corporate Research Center with an estimated size of approximately 68,000 GSF.

G. Burke Johnston Student Center Renovation

This project will renovate the approximately 24,500 GSF of the G. Burke Johnson Student Center for future academic use including library space, academic advising and student success.

Library Storage Facility Addition

The project includes constructing an addition of 16,500 GSF of library storage space. The current library storage facility is of similar size and located on Energy Drive adjacent to the Virginia Tech Electric Service.

Pamplin Hall Renovation

The Pamplin Hall renovation project includes a light renovation of the 105,000 GSF building. The College of Business, once moved into the New Business School Building, will vacate Pamplin Hall; which provides the opportunity to backfill the space with other academic programs.

Renovate On-campus University Bookstore

The University Bookstore project is a renovation of the existing 40,600 GSF to be used for academic purposes.

Veterinary Teaching Hospital Expansion

The project includes approximately 25,000 GSF renovation and 32,000 GSF expansion totaling 57,000 GSF at the veterinary hospital to meet the demand for client services and clinical instruction. The funding plan for this project includes private gifts.

Blacksburg Auxiliaries and Campus Services

Campus Services: Mail, Surplus and Storage Facility

This project will replace the current lease for university surplus property, mail services, the sign shop, and departmental storage.

Dining Services Center and Warehouse (Food Processing and Storage)

This project is for a new food processing center to provide Dining Services with modern space for central food preparation, bakeshop, and cold storage to meet the demands of campus dining centers.

Parking Garage

This project provides additional parking capacity to address unmet demand in the North Academic area of campus.

Rescue Squad Facility

The Virginia Tech Rescue Squad new and expanded facility at 12,500 GSF will support its operations. The envisioned facility aims to address critical elements including temperature-controlled garage, office, bunk, lounge, storage, and locker spaces.

Residential Programs

Campbell Hall Renovation

The project will renovate Campbell Hall, a historic 329 bed residence hall located on the Drillfield. The 67,000 GSF building is split into two wings. The main wing was built in 1930 and the east wing was built in 1940.

New Residence Hall Swing Space

This project is envisioned residence hall space for up to 600 beds located off West Campus and Duck Pond Drive near the Virginia Tech Inn and Alumni Center to serve as residential swing space for renovations of existing on-campus residence halls.

Greater Washington D.C., Metro Area

Upfit Sixth Floor of Academic Building One in Alexandria, VA

This project is for an approximately 35,500 GSF upfit to create additional space for academic programs at Academic Building One in Alexandria, VA, including the relocation and expansion of the Pamplin College of Business programs.

Illustration of Debt Allocations Within a Six Percent Ratio
FINANCE AND RESOURCE MANAGEMENT COMMITTEE
As of July 8, 2025
(Dollars in Thousands)

	Planning Projections						Trailing Period					
	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total
<u>Authorized Projects</u>												
<u>Debt Issuances</u>												
Building Envelope Repairs	\$15,250	\$15,250										\$30,500
Pamplin College of Business	\$37,500											37,500
<u>BOV Approved Leases</u>												
Children's National Lease Expansion, Phase II (Lease)						\$11,300						11,300
Children's National Lease Expansion, Phase II (Upfits)						8,700						8,700
	52,750	15,250	-	-	-	20,000	-	-	-	-	-	88,000
<u>Placeholder Allocations for Six-Year Capital Outlay Plan</u>												
<u>Debt Issuances</u>												
Rescue Squad			\$11,500									11,500
Veterinary Teaching Hospital Expansion			20,000									20,000
VTC-School of Medicine & FBRI Expansion			30,000									30,000
Hahn Hall South Renovation and Expansion				\$35,000								35,000
Campbell Hall Rennovation					\$20,000							20,000
New Residence Hall					80,000							80,000
G. Burke Johnston Renovation						\$6,000						6,000
Parking Structure at Blacksburg Campus						26,300						26,300
<u>BOV Approved Leases</u>												
Dining Services Center and Warehouse			20,000									20,000
Campus Services: Mail, Surplus, & Storage					\$11,000							11,000
Expand Vivarium Spaces						45,000						45,000
	-	-	81,500	35,000	111,000	77,300	-	-	-	-	-	304,800
Total Authorized and Placeholder Issuances	\$52,750	\$15,250	\$81,500	\$35,000	\$ 111,000	\$ 97,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$392,800
 <u>Net Debt Capacity (20-Year Present Value)</u>	 \$440,804	 \$484,888	 \$550,746	 \$576,911	 \$641,651	 \$624,978	 \$757,578	 \$885,433	 \$1,009,451	 \$1,103,264	 \$1,373,221	
<u>Debt Ratio</u>	4.42%	4.31%	4.15%	4.12%	3.97%	4.09%	3.76%	3.46%	3.20%	3.03%	2.75%	