



REVIEW OF CHAPTERS 759/769 BOND ISSUANCE LIMIT

FISCAL YEAR
2018

Auditor of Public Accounts
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EXECUTIVE SUMMARY

This is the Auditor of Public Accounts second annual report to satisfy the requirements in Chapters 759/769 of the 2016 Acts of Assembly, Items 10 and 11. This report reviews the annual debt issuance limit enacted by this legislation that restricts the issuance of bonds to support the capital projects authorized by Chapters 759/769 to \$300 million annually and determines compliance with the conditions for the initial release of funding.

We determined that:

- The Six-Year Capital Outlay Plan Advisory Committee is properly monitoring the \$300 million annual debt limit, and the Chapters 759/769 project expenditures, totaling \$57.2 million, did not exceed the limit during fiscal year 2018.
- General Services and Planning and Budget properly submitted quarterly reports during fiscal year 2018 on the status of the completion of the General Assembly Building project to the House Appropriations and Senate Finance Committees.

- TABLE OF CONTENTS -

	<u>Pages</u>
EXECUTIVE SUMMARY	
INTRODUCTION	1-2
MONITORING THE ANNUAL ISSUANCE LIMIT	2-6
TOTAL PROJECT LIMIT	6-7
CAPITAL COMPLEX CONSTRUCTION STATUS	7
TRANSMITTAL LETTER	8-9
APPENDIX A: Chapters 759/769 Construction Pool Project Status	10-12
APPENDIX B: Acronyms for Agencies, Institutions, and Capital Outlay Forms	13
RESPONSIBLE OFFICIALS	14

INTRODUCTION

Chapters 759/769 of the 2016 Acts of Assembly, Item 10 states, “the Auditor of Public Accounts shall issue a report annually to the Governor, the Speaker of the House of Delegates, the President pro tempore of the Senate, and the Chairmen of the House Committee on Appropriations and the Senate Committee on Finance, regarding the adherence to the annual issuance limits.” This report reviews the annual issuance limit enacted by this legislation that limits the issuance of bonds to support the capital projects authorized by Chapters 759/769 to \$300 million annually and determines compliance with the conditions for the initial release of funding.

The objectives of this report are to:

- Determine how the Six-Year Capital Outlay Plan Advisory Committee is monitoring the \$300 million annual debt limit for capital projects set forth in Chapters 759/769, Item 10, and whether the Commonwealth has stayed within the limit.
- Determine if the Departments of Planning and Budget and General Services are complying with Chapters 759/769, Item 11, and have issued quarterly reports related to the status of the General Assembly Building to members of the Senate Finance Committee and House Appropriations Committee.

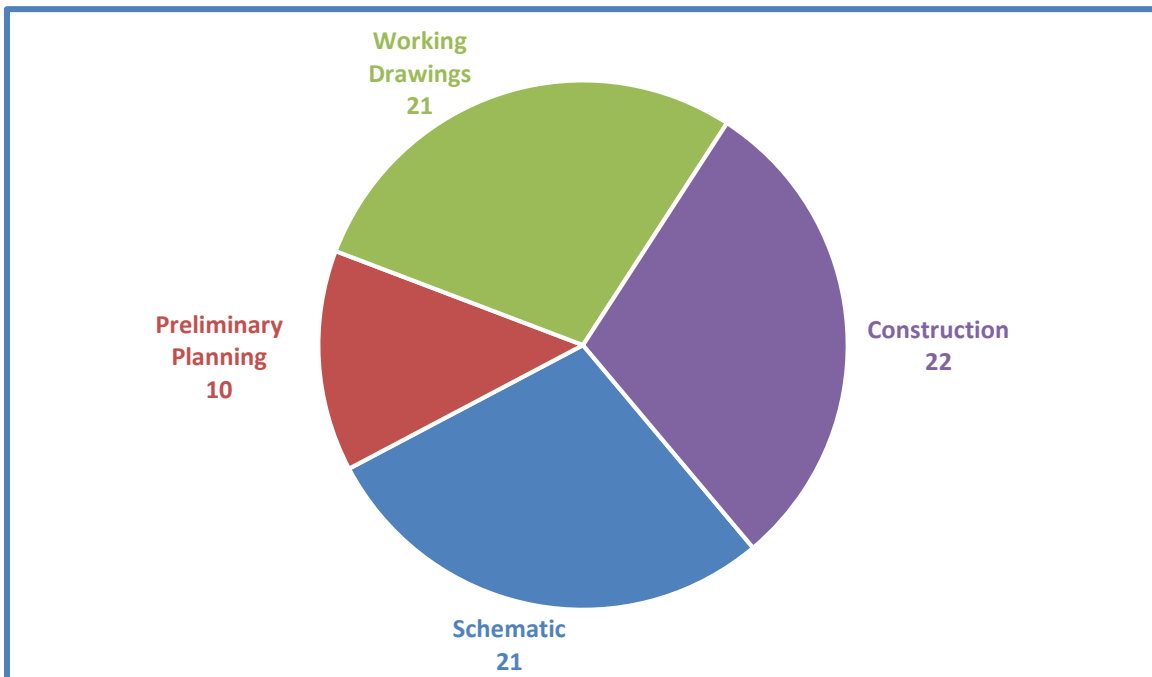
This is the second annual report to satisfy the requirements of Chapters 759/769 of the 2016 Acts of Assembly. The Auditor of Public Accounts issued its first annual report to review the annual debt issuance limit for Chapters 759/769 in November 2017 titled [Review of Chapter 759/769 Bond Issuance Limit](#). We will continue to report on these requirements until the Commonwealth has spent enough bond funds on the Chapters 759/769 capital projects that the annual limit no longer applies. With a \$300 million annual limit, of which any unspent amount compounds with the next year’s limit, and total approved funding for the construction pool of \$1,779 million, the annual limit will no longer apply after five years. We expect our final report to cover fiscal year 2021.

We conducted interviews with personnel at the Department of General Services (General Services). We attended the quarterly meetings of the Six-Year Capital Outlay Plan Advisory Committee (Advisory Committee). We tested the process that General Services performs and the Advisory Committee uses to determine when to approve initiation of construction on a capital project to stay within the annual \$300 million issuance limit. We used a non-statistical sampling approach. We designed our samples to support conclusions about our audit objectives. We used an appropriate sampling methodology to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

There are 74 projects in the Chapters 759/769 construction pool. See Appendix A for a listing of all projects and their status. Chart 1 shows a summary of all projects within the Chapters 759/769 construction pool and their relative status:

Project Status for All Projects in Chapters 759/769 Construction Pool

Chart 1



Source: DGS' Quarterly State of the Pools Report as of June 30, 2018

MONITORING THE ANNUAL ISSUANCE LIMIT

Chapters 759/769 of the 2016 Acts of Assembly, Item 10, states not more than a total aggregate principal amount of \$300 million in debt obligations shall be issued excluding refunding bonds in any fiscal year for such capital projects, provided, however, that if less than a total aggregate principal amount of \$300 million in debt obligations is incurred in any fiscal year for such capital projects, the unused amount may be added to any other subsequent fiscal year. The Advisory Committee is responsible for reviewing the cash flow needs and ensuring they do not approve projects for construction that will jeopardize staying within the \$300 million annual limit.

With General Services' assistance, the Advisory Committee uses the GCPay cash flow algorithm to forecast cash flows for projects to ensure that the expenditures for approved projects will stay within the \$300 million annual limit. GCPay is a vendor that provides a web-based service to process payment applications and track expenditures for construction projects. General Services is using agency provided data, such as project start and end dates and project cost, to forecast cash flows for each project. General Services uses the cash flow algorithm in GCPay and appropriate data received from agencies quarterly to produce several graphs to help the Advisory Committee make decisions.

The Advisory Committee discovered early on that several large projects were going to make it very difficult to stay within the \$300 million issuance limit of Chapters 759/769. This could potentially force the Advisory Committee to stop or slow down projects ready for construction to stay within the limit. Therefore, in Chapter 836 of the 2017 Acts of Assembly, Item 52.50, the General Assembly

removed nine higher education projects from the annual issuance limit set out in Chapters 759/769. The removal of these nine projects will help the Advisory Committee stay within the \$300 million annual limit.

Nine Higher Education Projects Removed from Annual Limit

Table 1

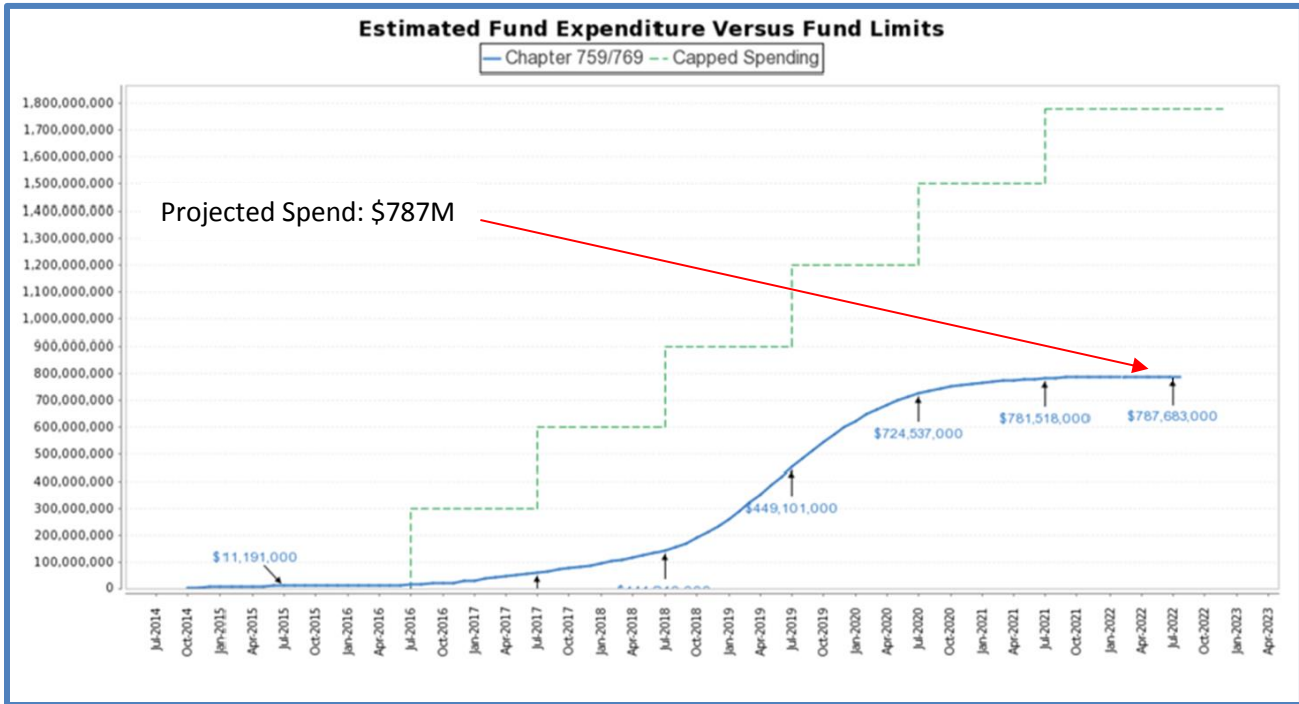
Agency Name	Project Title	Project #
CWM	Construct West Utilities Plant	18202
CWM	Construct Fine and Performing Arts Facility, Phases I and II	18292
GMU	Construct Utilities Distribution Infrastructure	18208
JMU	Construct New School of Business	18273
UVA	Renovate Gilmer Hall and Chemistry Building	18082
VCU	Construct School of Allied Health Professions Building	18206
VCU	Expand School of Engineering	18243
VPISU	Renovate Holden Hall (Engineering)	18267
VPISU	Construct VT Carilion Research Institute Biosciences Addition	18269

Source: DGS' Quarterly State of the Pools Report as of June 30, 2018

For planning purposes, the Advisory Committee directs General Services' to use GCPay to create two future year cash flow graphs to monitor the \$300 million annual limit. The first graph (See Chart 2) includes Chapters 759/769 projects within the construction pool that are approved for construction or for detailed planning from the construction pool. The second graph (See Chart 3) includes all Chapters 759/769 projects within the construction pool. For the purposes of these graphs, the nine projects excluded from the annual debt limit by Chapter 839, Item 52.50 are not shown within the approved projects graph or all projects graph. However, these project expenditures still count against the total pool funding amount of \$1,779 million.

Chapters 759/769, Projects Approved as of June 30, 2018
 (Excludes Nine Higher Education Projects)

Chart 2



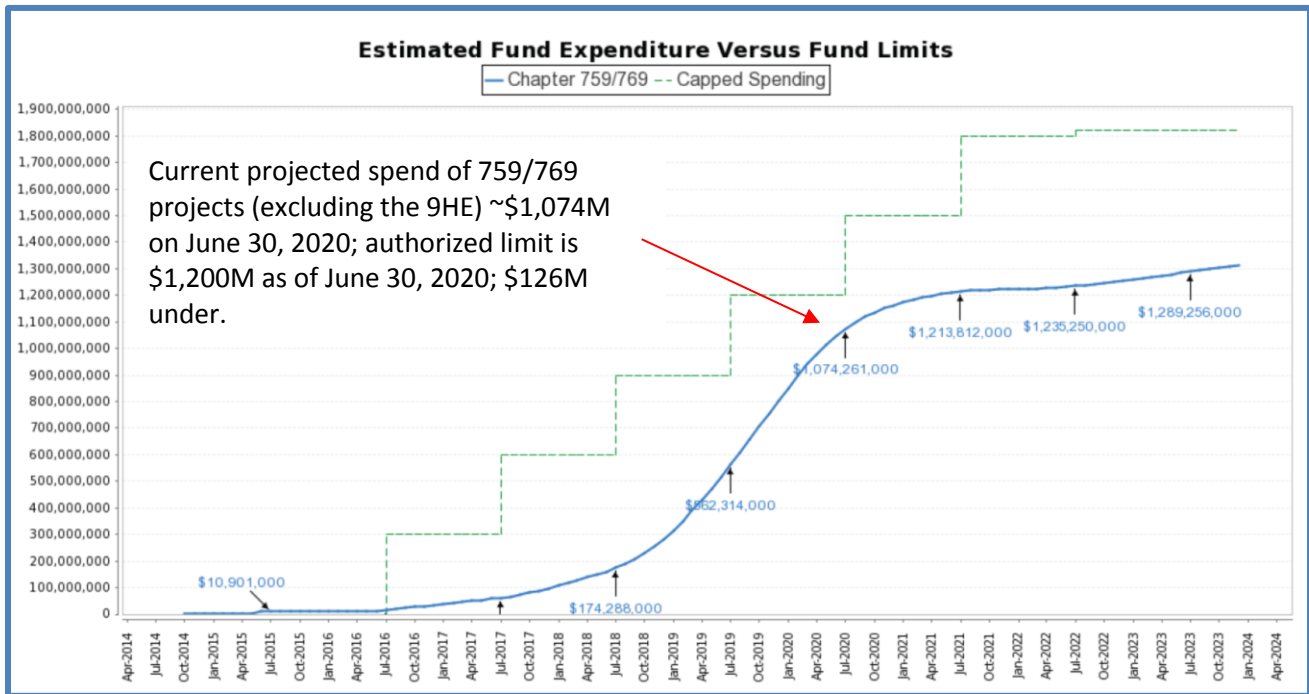
Source: GCPay Generated Report as shown in DGS' Quarterly State of the Pools Report as of June 30, 2018

The approved projects graph (Chart 2) has more developed budgets being used to create the graph, including information pertaining to planning and construction and more accurate start and end dates for particular phases of a project. Chart 2 is the basis of the evaluation for compliance with the \$300 million limit for approval to initiate a capital project through the General Services Form CO-2.

Chart 3 includes all projects, including those with less developed plans and budgets, to forecast total estimated project costs over the entire bell curve, where Chart 2 uses information for planning and construction expenditures to more appropriately distribute the data within the graph.

Chapters 759/769, Projection for All Projects as of June 30, 2018
 (Excludes Nine Higher Education Projects)

Chart 3



Source: GCPay Generated Report as shown in DGS' Quarterly State of the Pools Report as of June 30, 2018

Chart 2 shows the estimated expenditures for all approved projects using the approved amounts and schedule information received from the agencies and applying the GCPay algorithm. The graph shows the current estimated Chapters 759/769 project expenditures per year (solid blue line) and the \$300 million yearly spending restriction set by the General Assembly (dotted green line). It appears that the estimated expenditures for the Chapters 759/769 projects approved through June 30, 2018, will not exceed the spending cap established by the General Assembly.

Chart 3 shows the projection of all project expenditures in Chapters 759/769, excluding the nine projects not subject to the limit, totaling approximately \$1,289 million. Chart 3 shows that the expenditures for the projects included within the limit remain under the \$300 million issuance limit at June 30, 2018.

To verify that Chapters 759/769 project expenditures did not exceed the \$300 million annual issuance cap during fiscal year 2018, we compiled the actual expenditures from the Commonwealth's accounting and financial reporting system. The project expenditures total \$57.2 million, which does not exceed the \$300 million limit. Table 2 includes the projects and their corresponding expenditures for fiscal year 2018.

Chapters 759/769 Project Expenditures
Fiscal Year 2018

Table 2

Agency Name	Project Title	Project #	Expenditures
CNU	Construct Library, Phase II	18074	\$22,680,930
CNU	Construct and Renovate Fine Arts and Rehearsal Space	18086	1,778,192
DBHDS	Expand Sexually Violent Predator Facility	18166	1,277,363
DCR	Construct Widewater State Park, Phase 1	18056	4,779,714
DCR	Renovate Walnut Valley Farm at Chippokes State Park	18159	1,591,809
FCM	Construct Early American Industry Exhibit	18073	28,383
GMU	Renovate Robinson Hall and Harris Theater	18207	3,320,351
LU	Construct Admissions Office	18083	399,955
LU	Construct New Academic Building	18084	252,155
ODU	Construct Chemistry Building	18068	2,310,636
SWVHEC	Construct Service Corridor, Storage Area; Replace Generator	18126	1,766
UMW	Construct Jepson Science Center Addition	18066	6,547,461
VCCS	Replace Phase I Academic and Administration Building, Eastern Shore	18076	5,081,262
VCCS	Construct Bioscience Building, Blue Ridge	18078	1,582,327
VCCS	Construct Student Service and Learning Resources Center, Christianna Campus, Southside Virginia	18079	466,128
VCCS	Construct Academic Building, Fauquier Campus, Lord Fairfax	18161	29,916
VCCS	Renovate Bird Hall and Renovate/Expand Nicholas Center, Chester Campus, John Tyler	18209	1,030,900
VIMS	Construct Facilities Management Building	18088	3,086,720
VMI	Renovate Preston Library	18203	174,414
VMI	Post Infrastructure Improvements, Phases I, II, and III	18204	600,832
WWRC	Renovate and Expand Anderson Vocational Training Building, Phase II	18160	207,721
	Total		\$57,228,935

Source: Commonwealth's accounting and financial reporting system

TOTAL PROJECT LIMIT

Chapters 759/769 approved \$1,779 million in bond funds for the projects listed within the Chapters 759/769 construction pool. The Advisory Committee identified a potential shortfall of \$74.9 million as of June 30, 2018. This is up \$49.1 million from the \$25.8 million projected shortfall as of June 30, 2017. The increase in the shortfall is due to rising construction costs and inaccurate agency

estimates of project cost. As the construction funding expenditures progress, the Advisory Committee will continue to monitor the projects at the completion of detailed planning and prior to construction contract awards to ensure the pool expenditures do not exceed authorized spending limits in total or in a year's compounded \$300 million limit.

Chapter 2 of the 2018 Special Session, Items C-47 and C-48 authorized an additional \$41.4 million in funding for the Chapters 759/769 pool. This additional funding went into effect July 1, 2018, and will be included in the report and relative graphs for fiscal year 2019 and beyond, offsetting a portion of the \$74.9 million shortfall.

CAPITAL COMPLEX CONSTRUCTION STATUS

Chapters 759/769 of the 2016 Acts of Assembly, Item 11, requires the Directors of Planning and Budget and General Services to report quarterly on the status of the completion of the General Assembly Building project to the Chairmen of the House Appropriations and Senate Finance Committees. We determined that General Services and Planning and Budget properly submitted quarterly reports during fiscal year 2018. As of June 30, 2018, the project status is "In Design and Construction" and expenditures total \$39.3 million.



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Auditor of Public Accounts

Commonwealth of Virginia

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P.O. Box 1295
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September 28, 2018

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission

We have audited the processes to monitor and manage the annual bond issuance limit and are pleased to submit our report entitled **Review of Chapters 759/769 Bond Issuance Limit**. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

- Determine how the Six-Year Capital Outlay Plan Advisory Committee is monitoring the \$300 million annual debt limit for capital projects set forth in Chapters 759/769, Item 10, and whether the Commonwealth has stayed within the limit.
- Determine if the Departments of Planning and Budget and General Services are complying with Chapters 759/769, Item 11 and have issued quarterly reports related to the status of the General Assembly Building to members of the Senate Finance Committee and House Appropriations Committee.

Conclusion

The Advisory Committee is properly monitoring the \$300 million annual debt limit, and the Chapters 759/769 project expenditures, totaling \$57.2 million, did not exceed the limit during fiscal year 2018.

General Services and Planning and Budget properly submitted quarterly reports on the status of the completion of the General Assembly Building project to the House Appropriations and Senate Finance Committees during fiscal year 2018.

Report Distribution

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

DBC/clj

**CHAPTERS 759/769 CONSTRUCTION POOL PROJECT STATUS
AS OF JUNE 30, 2018**

Agency	Project Title	Project #	Status
DCR	Construct Widewater State Park, Phase 1	18056	Schematic
SWVHEC	Construct Service Corridor, Storage Area; Replace Generator	18126	Schematic
VCCS	Renovate Seefeldt Academic Building/Replace Building Envelope, Woodbridge Campus, Northern Virginia	18162	Schematic
VCCS	Renovate Howsmon/Colgan Building, Manassas Campus, Northern Virginia	18163	Schematic
DFS	Expand Central Forensic Laboratory and the Office of Chief Medical Examiner Facility	18167	Schematic
VCU	Construct Commonwealth Center for Advanced Logistics Systems (CCALS)	18205	Schematic
DCR	Provide Various Utility/ADA Upgrades	18256	Schematic
DCR	Construct Retaining Wall on Lovers Leap Trail at Natural Tunnel State Park	18257	Schematic
DCR	Repair/Replace Trestles at New River Trail State Park	18258	Schematic
DCR	Replace Existing Bulkheads at False Cape State Park	18259	Schematic
DCR	Complete Bridge Repair at Staunton River Battlefield	18261	Schematic
DCR	Renovate Various Cabins	18265	Schematic
DCR	Renovate Various Campgrounds	18266	Schematic
UMW	Repair/Replace Underground Utilities	18272	Schematic
VPISU CES	Construct Livestock and Poultry Research Facilities - Phase I	18277	Schematic
VCCS	Improve Life Safety and Security Systemwide, Phase I	18279	Schematic
VCCS	Repair or Replace Major Mechanical Systems, Northern Virginia, New River and Mountain Empire	18280	Schematic
VIMS	Replace Mechanical Systems and Repair Building Envelope of Chesapeake Hall	18281	Schematic
DOC	Renovate Marion Correctional Center	18288	Schematic
UMW	Renovate Seacobeck Hall to Academic Facility	18297	Schematic
DCR	Renovate Foster Falls Hotel at New River Trail State Park	18298	Schematic
CNU	Construct and Renovate Fine Arts and Rehearsal Space	18086	Preliminary Planning
SMV	Construct Parking Facility/Master Site Plan	18200	Preliminary Planning
VMI	Renovate Preston Library	18203	Preliminary Planning
VPISU ●	Renovate Holden Hall (Engineering)	18267	Preliminary Planning
VPISU	Construct Central Chiller Plant, Phase II	18268	Preliminary Planning
LU	Replace Steam Distribution System Wheeler Mall	18271	Preliminary Planning
JYF	Renovate Exhibits	18285	Preliminary Planning
DJJ	Construct New Juvenile Correctional Center, Chesapeake	18286	Preliminary Planning

Agency	Project Title	Project #	Status
SVHEC	Replace Roof, HVAC, and Make other Repairs	18290	Preliminary Planning
CWM●	Construct Fine and Performing Arts Facility, Phases I and II	18292	Preliminary Planning
UMW	Construct Jepson Science Center Addition	18066	Working Drawings
ODU	Construct Chemistry Building	18068	Working Drawings
FCM	Construct Early American Industry Exhibit	18073	Working Drawings
VCCS	Construct Student Service and Learning Resources Center, Christianna Campus, Southside Virginia	18079	Working Drawings
WWRC	Renovate and Expand Anderson Vocational Training Building, Phase II	18160	Working Drawings
VCCS	Construct Academic Building, Fauquier Campus, Lord Fairfax	18161	Working Drawings
DCR	Develop Clinch River State Park	18201	Working Drawings
VMI	Post Infrastructure Improvements, Phases I, II, and III	18204	Working Drawings
GMU	Renovate Robinson Hall and Harris Theater	18207	Working Drawings
DBHDS	Expand Western State Hospital	18210	Working Drawings
DCR	Replace Bridge to Amphitheater at Hungry Mother State Park	18260	Working Drawings
DCR	Construct Restroom at 64th Street Entrance at First Landing State Park	18262	Working Drawings
DCR	Construct Restroom at Massie Gap in Grayson Highlands State Park	18263	Working Drawings
DCR	Construct Various Cabins at Pocahontas and Powhatan State Parks	18264	Working Drawings
VMI	Renovate Scott Shipp Hall	18270	Working Drawings
VSDB	Renovate Bradford Hall	18276	Working Drawings
VMFA	Replace Air Handling Units	18278	Working Drawings
EVMS	Renovate Lewis Hall	18283	Working Drawings
EVMS	Construct New Education and Academic Administration Building	18284	Working Drawings
VSU	Maintenance Reserve Supplement/Master Plan Update	18293	Working Drawings
NSU	Maintenance Reserve Supplement/Master Plan Update	18294	Working Drawings
CNU	Construct Library, Phase II	18074	Construction
VCCS	Replace Phase I Academic and Administration Building, Eastern Shore	18076	Construction
VCCS	Construct Bioscience Building, Blue Ridge	18078	Construction
UVA●	Renovate Gilmer Hall and Chemistry Building	18082	Construction
LU	Construct Admissions Office	18083	Construction
LU	Construct New Academic Building	18084	Construction
VIMS	Construct Facilities Management Building	18088	Construction
DCR	Renovate Walnut Valley Farm at Chippokes State Park	18159	Construction
DBHDS	Expand Sexually Violent Predator Facility	18166	Construction
DOC	Replace Generators - Statewide	18169	Construction

Agency	Project Title	Project #	Status
CWM●	Construct West Utilities Plant	18202	Construction
VCU●	Construct School of Allied Health Professions Building	18206	Construction
GMU●	Construct Utilities Distribution Infrastructure	18208	Construction
VCCS	Renovate Bird Hall and Renovate/Expand Nicholas Center, Chester Campus, John Tyler	18209	Construction
VCU●	Expand School of Engineering	18243	Construction
VPISU●	Construct VT Carilion Research Institute Biosciences Addition	18269	Construction
JMU●	Construct New School of Business	18273	Construction
JMU	Renovate Wilson Hall	18274	Construction
RU	Renovate Curie and Reed Halls	18275	Construction
EVMS	Renovate Hofheimer Hall	18282	Construction
DOC	Replace roofs - Red Onion and Wallens Ridge	18287	Construction
RHEA	Renovate and Expand Clinical Simulation Labs for Nursing	18289	Construction

Source: DGS' Summer 2018 Quarterly Update on Pool Status

Legend

- : Higher education projects removed from the annual bond issuance limit.
- Schematic: Undergoing schematic design development and cost review.
- Preliminary planning: Undergoing preliminary design development and cost review, schematic cost review report issued.
- Working drawings: Undergoing working drawings development; preliminary cost review and detailed planning complete (CO-2 forwarded to Planning and Budget to the Division of Engineering and Buildings (DEB)).
- Construction: Approved for construction contract award via DEB-approved CO-8, approval to award construction contract; or if funding is supplemental/Furniture, fixtures, and equipment only (for which no CO-8 is required).

ACRONYMS FOR AGENCIES, INSTITUTIONS, AND CAPITAL OUTLAY FORMS

Acronym	Agency/Institution
CNU	Christopher Newport University
CWM	College of William and Mary
DBHDS	Department of Behavioral Health and Developmental Services
DCR	Department of Conservation and Recreation
DOC	Department of Corrections
DGS	Department of General Services
DFS	Department of Forensic Science
DJJ	Department of Juvenile Justice
EVMS	Eastern Virginia Medical School
FCM	Frontier Culture Museum
GMU	George Mason University
JMU	James Madison University
JYF	Jamestown-Yorktown Foundation
LU	Longwood University
NSU	Norfolk State University
ODU	Old Dominion University
RU	Radford University
RHEA	Roanoke Higher Education Authority
SMV	Science Museum of Virginia
SVHEC	Southern Virginia Higher Education Center
SWVHEC	Southwest Virginia Higher Education Center
UMW	University of Mary Washington
UVA	University of Virginia
VCCS	Virginia Community College System
VCU	Virginia Commonwealth University
VIMS	Virginia Institute of Marine Science
VMI	Virginia Military Institute
VMFA	Virginia Museum of Fine Arts
VPISU	Virginia Tech
VPISU CES	VPISU Cooperative Extension Service
VSDB	Virginia School for the Deaf and Blind
VSU	Virginia State University
WWRC	Woodrow Wilson Rehabilitation Center

Acronym	Capital Outlay Form
CO-2	Authority to Initiate Capital Outlay Project
CO-8	Approval to Award Construction Contract

REVIEW OF CHAPTERS 759/769 BOND ISSUANCE LIMIT

as of June 30, 2018

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