



REVIEW OF CHAPTERS 759/769 BOND ISSUANCE LIMIT

FISCAL YEAR
2020

Auditor of Public Accounts
Staci A. Henshaw, CPA

www.apa.virginia.gov
(804) 225-3350



EXECUTIVE SUMMARY

This is the Auditor of Public Accounts' fourth 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 \$260.2 million, did not exceed the limit during fiscal year 2020.
- The Department of General Services and the Department of Planning and Budget properly submitted quarterly reports during fiscal year 2020 on the status of the completion of the General Assembly Building project to the House Appropriations and Senate Finance and Appropriation Committees.

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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 and Appropriation Committee and House Appropriations Committee.

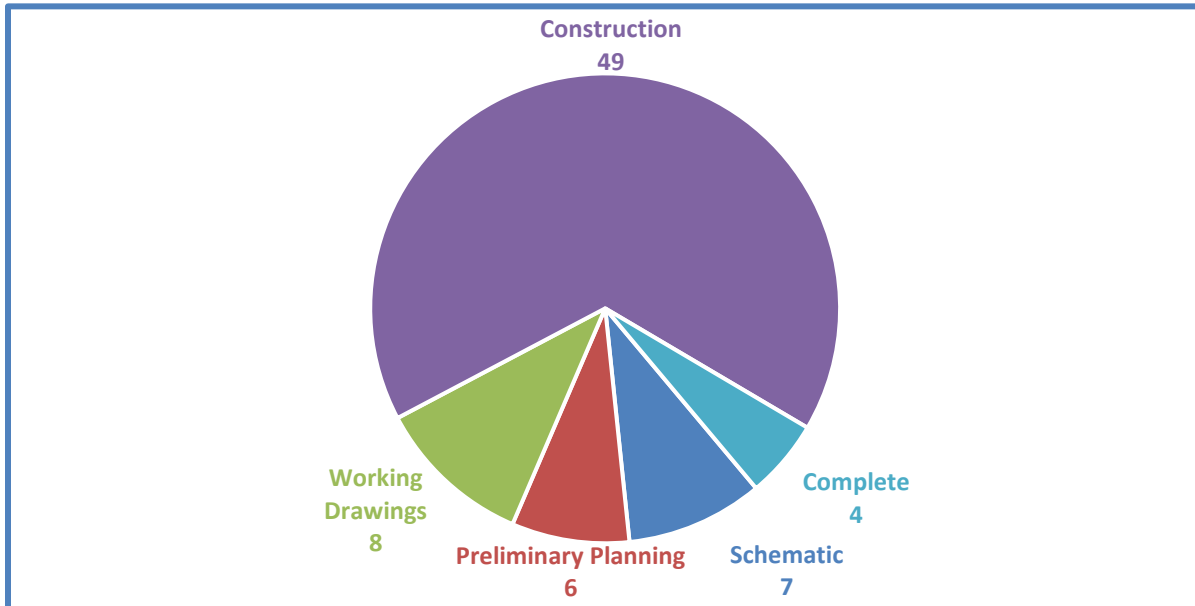
This is the fourth annual report to satisfy the requirements of Chapters 759/769 of the 2016 Acts of Assembly. The Auditor of Public Accounts issued its first annual report to review the annual debt issuance limit for Chapters 759/769 in November 2017 titled [Review of Chapter 759/769 Bond Issuance Limit](#). The second annual report was issued in October 2018 titled [Review of Chapters 759/769 Bond Issuance Limit](#) and the third in September 2019 titled [Review of Chapters 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 \$1,778.6 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, 2020

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. 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.

The Advisory Committee uses General Services' construction payment management system 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. General Services' construction payment management system is a vendor provided 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 the construction payment management system 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 C-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

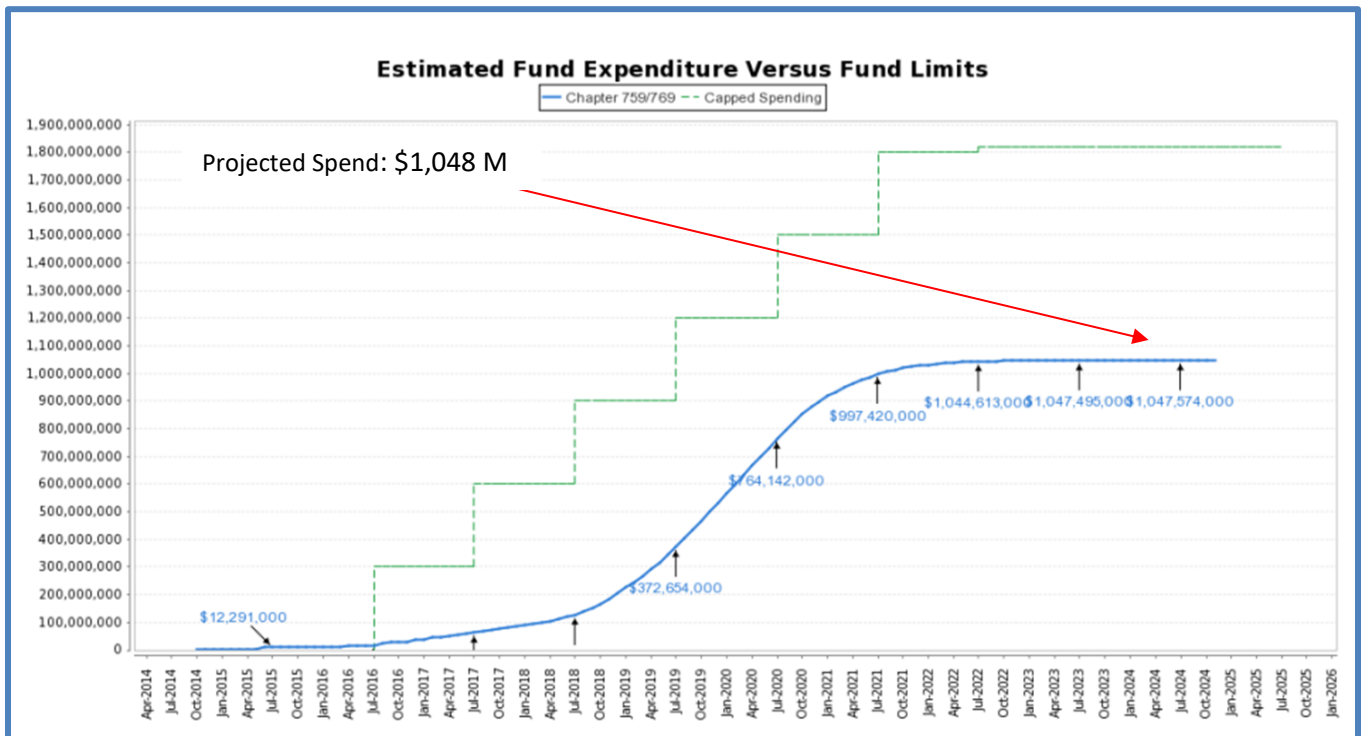
Agency Name	Project Title	Project #
CWM	Construct West Utilities Plant	18202
CWM	Construct Fine and Performing Arts Facility, Phases I and II	18292
GMU	Construct Utilities Distribution Infrastructure	18208
JMU	Construct New School of Business	18273
UVA	Renovate Gilmer Hall and Chemistry Building	18082
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, 2020

For planning purposes, the Advisory Committee directs General Services to use the construction payment management system 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 836, Item C-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 \$1,778.6 million.

Chapters 759/769, Projects Approved as of June 30, 2020
(Excludes Nine Higher Education Projects)

Chart 2



Source: Construction payment management system generated report as shown in DGS' Quarterly State of the Pools Report as of June 30, 2020

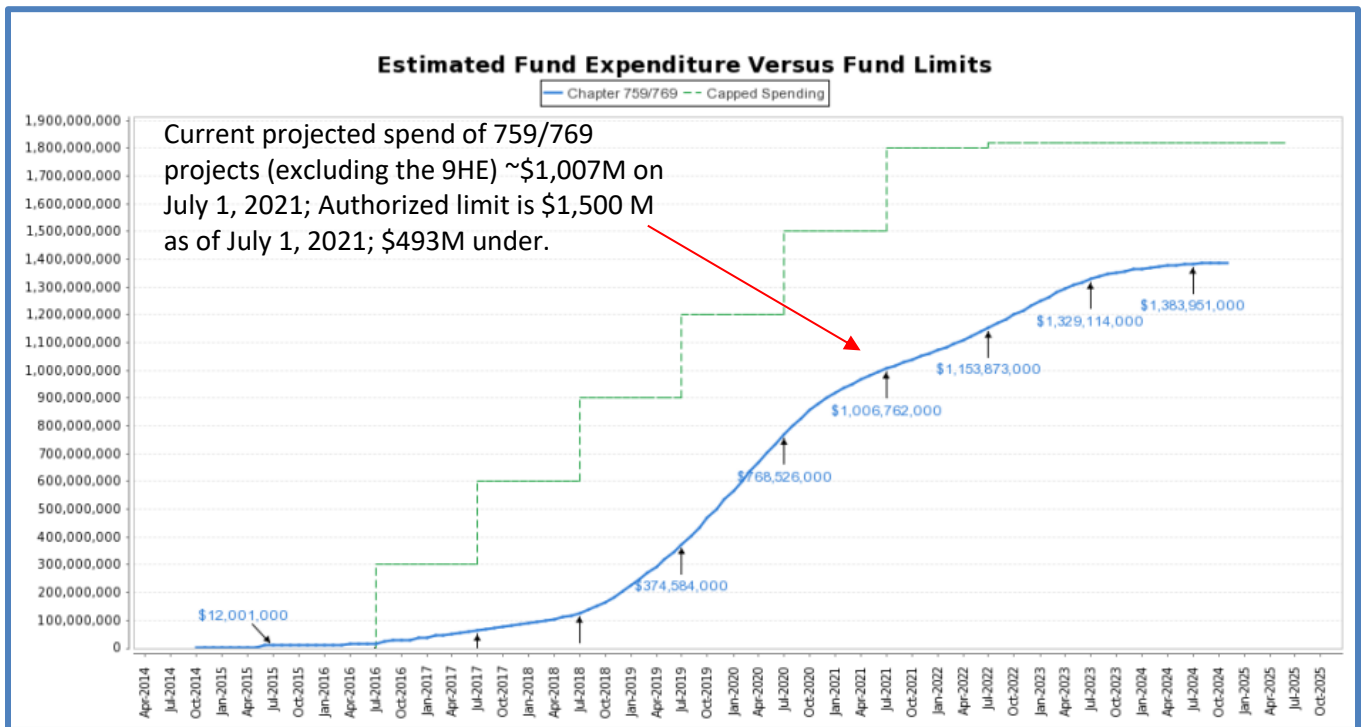
More developed budgets are used to create the approved projects graph (Chart 2), including information pertaining to planning and construction and more accurate start and end dates for particular phases of a project. Chart 2 is the basis of the evaluation for compliance with the \$300 million limit for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

Chart 2 shows the estimated expenditures for all approved projects using the approved amounts and schedule information received from the agencies and applying the construction payment management system 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, 2020, will not exceed the spending cap established by the General Assembly.

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, 2020
 (Excludes Nine Higher Education Projects)

Chart 3



Source: Construction payment management system generated report as shown in DGS' Quarterly State of the Pools Report as of June 30, 2020

Chart 3 shows the projection of all project expenditures in Chapters 759/769, excluding the nine projects not subject to the limit, totaling approximately \$1,384 million. Chart 3 shows that the expenditures for the projects included within the limit remain under the \$300 million issuance limit at June 30, 2020.

To verify that Chapters 759/769 project expenditures did not exceed the \$300 million annual issuance cap during fiscal year 2020, we compiled the actual expenditures from the Commonwealth's accounting and financial reporting system. The project expenditures total \$260.2 million, which does not exceed the \$300 million limit. Table 2 includes the projects and their corresponding expenditures for fiscal year 2020.

Chapters 759/769 Project Expenditures
Fiscal Year 2020

Table 2

Agency Name	Project Title	Project #	Expenditures
DCR	Construct Widewater State Park, Phase 1	18056	\$ 468,620
UMW	Construct Jepson Science Center Addition	18066	5,870,881
ODU	Construct Chemistry Building	18068	41,448,726
FCM	Construct Early American Industry Exhibit	18073	11,576
CNU	Construct Library, Phase II	18074	423,375
VCCS	Replace Phase I Academic and Administration Building, Eastern Shore	18076	5,329,031
VCCS	Construct Bioscience Building, Blue Ridge	18078	3,881,698
VCCS	Construct Student Service and Learning Resources Center, Christianna Campus, Southside Virginia	18079	8,142,420
LU	Construct Admissions Office	18083	5,499,399
LU	Construct New Academic Building	18084	10,324,485
CNU	Construct and Renovate Fine Arts and Rehearsal Space	18086	28,882,069
VIMS	Construct Facilities Management Building	18088	567,683
SWVHEC	Construct Service Corridor, Storage Area; Replace Generator	18126	1,098,282
DCR	Renovate Walnut Valley Farm at Chippokes State Park	18159	141,720
WWRC	Renovate and Expand Anderson Vocational Training Building, Phase II	18160	10,752,904
VCCS	Construct Academic Building, Fauquier Campus, Lord Fairfax	18161	296,751
DBHDS	Expand Sexually Violent Predator Facility	18166	50,906,790
VMI	Renovate Preston Library	18203	11,866,395
VMI	Post Infrastructure Improvements, Phases I, II, and III	18204	17,865,782
GMU	Renovate Robinson Hall and Harris Theater	18207	41,828,730
VCCS	Renovate Bird Hall and Renovate/Expand Nicholas Center, Chester Campus, John Tyler	18209	14,566,341
	Total		\$260,173,658

Source: Commonwealth's accounting and financial reporting system

TOTAL PROJECT LIMIT

Chapters 759/769 approved \$1,778.6 million in bond funds for the projects listed within the Chapters 759/769 construction pool. 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, for total funding of \$1,820 million. This additional funding went into effect July 1, 2018, and is included in the report and relative graphs for fiscal year 2020 and beyond. The Advisory Committee identified a potential shortfall of \$114.6 million as of June 30, 2020. This is up \$7.6 million from the \$107 million projected shortfall as of June 30, 2019. 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 1283, 2020 Acts of Assembly, Items C-47 and C-48, authorized an additional \$23.2 million in funding for Chapters 759/769 pool, for total funding of \$1,843.2 million. This funding was not reflected within the June 30, 2020, quarterly report.

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 and Appropriation Committees. We determined that General Services and Planning and Budget properly submitted quarterly reports during fiscal year 2020. As of June 30, 2020, the project status is "Construction in progress" and expenditures total \$94.8 million.



Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

April 2, 2021

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
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 and Appropriations 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 \$260.2 million, did not exceed the limit during fiscal year 2020.

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 and Appropriations Committees during fiscal year 2020.

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.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

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**CHAPTERS 759/769 CONSTRUCTION POOL PROJECT STATUS
AS OF JUNE 30, 2020**

Agency	Project Title	Project #	Status
VCCS	Renovate Seefeldt Academic Building/Replace Building Envelope, Woodbridge Campus, Northern Virginia	18162	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	Renovate Various Campgrounds	18266	Schematic
DOC	Renovate Marion Correctional Center	18288	Schematic
VCCS	Renovate Howsmon/Colgan Building, Manassas Campus, Northern Virginia	18163	Preliminary Planning
DCR	Repair/Replace Trestles at New River Trail State Park	18258	Preliminary Planning
DCR	Complete Bridge Repair at Staunton River Battlefield	18261	Preliminary Planning
DCR	Renovate Various Cabins	18265	Preliminary Planning
VIMS	Construct New Research Facility	18281	Preliminary Planning
DJJ	Construct New Juvenile Correctional Center, Isle of Wight	18286	Preliminary Planning
DCR	Construct Widewater State Park, Phase 1	18056	Working Drawings
FCM	Construct Early American Industry Exhibit	18073	Working Drawings
VCCS	Construct Academic Building, Fauquier Campus, Lord Fairfax	18161	Working Drawings
DCR	Develop Clinch River State Park	18201	Working Drawings
UMW	Repair/Replace Underground Utilities	18272	Working Drawings
VPISU CES	Construct Livestock and Poultry Research Facilities - Phase I	18277	Working Drawings
VCCS	Improve Life Safety and Security Systemwide, Phase I	18279	Working Drawings
NSU	Maintenance Reserve Supplement/Master Plan Update	18294	Working Drawings
UMW	Construct Jepson Science Center Addition	18066	Construction
ODU	Construct Chemistry Building	18068	Construction
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

Agency	Project Title	Project #	Status
VCCS	Construct Student Service and Learning Resources Center, Christianna Campus, Southside Virginia	18079	Construction
UVA ●	Renovate Gilmer Hall and Chemistry Building	18082	Construction
LU	Construct Admissions Office	18083	Construction
LU	Construct New Academic Building	18084	Construction
CNU	Construct and Renovate Fine Arts and Rehearsal Space	18086	Construction
VIMS	Construct Facilities Management Building	18088	Construction
SWVHEC	Construct Service Corridor, Storage Area; Replace Generator	18126	Construction
DCR	Renovate Walnut Valley Farm at Chippokes State Park	18159	Construction
WWRC	Renovate and Expand Anderson Vocational Training Building, Phase II	18160	Construction
DBHDS	Expand Sexually Violent Predator Facility	18166	Construction
DOC	Replace Generators - Statewide	18169	Construction
SMV	Construct Parking Facility/Master Site Plan	18200	Construction
CWM ●	Construct West Utilities Plant	18202	Construction
VMI	Renovate Preston Library	18203	Construction
VMI	Post Infrastructure Improvements, Phases I, II, and III	18204	Construction
VCU ●	Construct School of Allied Health Professions Building	18206	Construction
GMU	Renovate Robinson Hall and Harris Theater	18207	Construction
GMU ●	Construct Utilities Distribution Infrastructure	18208	Construction
VCCS	Renovate Bird Hall and Renovate/Expand Nicholas Center, Chester Campus, John Tyler	18209	Construction
DBHDS	Expand Western State Hospital	18210	Construction
VCU ●	Expand School of Engineering	18243	Construction
DCR	Replace Existing Bulkheads at False Cape State Park	18259	Construction
DCR	Replace Bridge to Amphitheater at Hungry Mother State Park	18260	Construction
DCR	Construct Various Cabins at Pocahontas and Powhatan State Parks	18264	Construction
VPISU ●	Renovate Holden Hall (Engineering)	18267	Construction
VPISU	Construct Central Chiller Plant, Phase II	18268	Construction
VPISU ●	Construct VT Carilion Research Institute Biosciences Addition	18269	Construction
VMI	Renovate Scott Shipp Hall	18270	Construction
JMU ●	Construct New School of Business	18273	Construction
JMU	Renovate Wilson Hall	18274	Construction
RU	Renovate Curie and Reed Halls	18275	Construction
VSDB	Renovate Bradford Hall	18276	Construction
VMFA	Replace Air Handling Units	18278	Construction
VCCS	Repair or Replace Major Mechanical Systems, Northern Virginia, New River and Mountain Empire	18280	Construction

Agency	Project Title	Project #	Status
EVMS	Renovate Hofheimer Hall	18282	Construction
EVMS	Renovate Lewis Hall	18283	Construction
EVMS	Construct New Education and Academic Administration Building	18284	Construction
JYF	Renovate Exhibits	18285	Construction
DOC	Replace roofs - Red Onion and Wallens Ridge	18287	Construction
SVHEC	Replace Roof, HVAC, and Make other Repairs	18290	Construction
CWM ●	Construct Fine and Performing Arts Facility, Phases I and II	18292	Construction
VSU	Maintenance Reserve Supplement/Master Plan Update	18293	Construction
UMW	Renovate Seacobeck Hall to Academic Facility	18297	Construction
DCR	Renovate Foster Falls Hotel at New River Trail State Park	18298	Construction
DCR	Construct Restroom at 64th Street Entrance at First Landing State Park	18262	Complete
DCR	Construct Restroom at Massie Gap in Grayson Highlands State Park	18263	Complete
LU	Replace Steam Distribution System Wheeler Mall	18271	Complete
RHEA	Renovate and Expand Clinical Simulation Labs for Nursing	18289	Complete

Source: DGS' Quarterly State of the Pools Report as of June 30, 2020

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).
- Complete: Project complete; the project is administratively complete when a CO-14 has been approved or Planning and Budget submits a Project Completion Report to Treasury.

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
CO-14	Project Completion Report

REVIEW OF CHAPTERS 759/769 BOND ISSUANCE LIMIT

as of June 30, 2020

DEPARTMENT OF GENERAL SERVICES

Joseph F. Damico, Director

DEPARTMENT OF PLANNING AND BUDGET

Daniel S. Timberlake, Director

SIX-YEAR CAPITAL OUTLAY PLAN ADVISORY COMMITTEE

Aubrey L. Layne, Jr.
Secretary of Finance

Daniel S. Timberlake
Director, Department of Planning and Budget

Joseph F. Damico, Director
Director, Department of General Services

Peter A. Blake
Executive Director, State Council of Higher Education for Virginia

Anne Oman
Staff Director, House Appropriations Committee

April Kees
Staff Director, Senate Finance and Appropriation Committee