

Capital Project for Unified Communications and Network Renewal Project

JOINT FINANCE AND AUDIT COMMITTEE AND BUILDINGS AND GROUNDS COMMITTEE

February 28, 2012

The university's communication infrastructure is integral to supporting all communications on campus and supports the institution's core mission of teaching, research, and outreach. The university's aging communications system has exceeded its useful life and must be replaced.

Network Information Systems explored alternatives to update the communication system in fiscal year 2011. A request for proposals was issued earlier this fiscal year to obtain solution specifications, an implementation schedule, and cost estimates. Several proposals were received this fall including a solution that meets the university's needs at a competitive price. The proposal included a limited offer period, and the university executed a contract in November 2011 to secure the price and benefits to the university.

The proposed implementation strategy is to improve four complementary communication infrastructure components over five years. The four components include a unified communications system, upgrading the Internet Protocol (IP) Network, upgrading the cable plant, and upgrading equipment rooms in various facilities. The unified communications component replaces the outdated campus telephones and voicemail systems. Upgrading the IP Network involves replacing outdated internet protocol equipment across the entire network system. Upgrading the cable plant replaces old horizontal and vertical cabling for 41 campus buildings. The facilities upgrade involves constructing or renovating equipment rooms on an as needed basis to support updated communications and data equipment.

The nature of the work and procurements may be implemented as an operating activity. However, the university funding plan calls for the use of debt to more closely align sources with user benefits, and a capital authorization is needed to access debt. Thus, the university is requesting this capital project authorization to upgrade the unified communication system.

The estimated project costs inclusive of design, construction, and equipment is \$16.5 million. As with all self-supporting projects, the university has developed a financing plan to provide assurance regarding the financial feasibility of the project. This funding plan calls for the use of debt which may be serviced from Telecommunications Services auxiliary revenue. Any cash designated for the project accumulated prior to the issuance of permanent debt may be used directly for project costs and to lower the 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. This request is for a project authorization for the Unified Communications and Network Renewal project.

RESOLUTION ON CAPITAL PROJECT FOR UNIFIED COMMUNICATIONS AND NETWORK RENEWAL PROJECT

WHEREAS, the university's communication infrastructure is integral to supporting all communications on campus and supports the institution's core mission of teaching, research, and outreach; and,

WHEREAS, the university's aging communications system has exceeded its useful life and must be replaced; and,

WHEREAS, the proposed implementation strategy is to improve four complementary communication infrastructure components over five years; and,

WHEREAS, the estimated project cost inclusive of design, construction, materials, and equipment for the unified communications and network renewal project is \$16.5 million; and,

WHEREAS, the university has developed a 100 percent nongeneral fund resource plan that can successfully support the \$16.5 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, the Finance and Audit Committee will further review and approve a financing resolution prior to securing permanent financing for the debt component of the project plus amounts needed to fund issuance costs, reserve funds, and other financing expenses; 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 major capital outlay projects; and,

WHEREAS, the university may address minor cost variances provided sufficient funds are available to support the full project costs;

NOW, THEREFORE BE IT RESOLVED, that the university be authorized to move forward with the Unified Communications and Network Renewal project at a total project cost of \$16.5 million 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 \$16.5 million project authorization, plus related issuance costs and financing expenses.

RECOMMENDATION:

That the resolution authorizing Virginia Tech to complete the Unified Communications and Network Renewal project be approved.

March 26, 2012