

APPROVAL OF AUXILIARY MAINTENANCE RESERVE PROJECT

VIRGINIA TECH

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Virginia was one of the first states to recognize the need to provide supplemental ongoing funding for major maintenance of facilities. Beginning in the 1982-84 biennium, the General Assembly appropriated state funds to the public institutions of higher education to accomplish major repair projects for Educational and General facilities which could not be accomplished within existing appropriations. The program is conducted through an on-going capital project called Maintenance Reserve. The state appropriates General Fund resources each biennium to address major maintenance needs, and, since 1982, the state has allocated \$88 million to Virginia Tech for deferred maintenance.

By state definition, a maintenance reserve project is a major repair or replacement to plant, property, or equipment that is intended to extend its useful life. Each project usually costs between \$25,000 and \$1,000,000 and must meet one or more of the following criteria:

- Repair or replacement of functionally obsolete, damaged, or inoperable built-in equipment such as elevators, furnaces, plumbing fixtures, air conditioning, and ventilation.
- Repair or replacement of components of a plant, such as exterior wood, masonry, ceilings, floors, floor coverings, doors, windows, roofs, sidewalks, parking lots, fencing, and exterior lighting.
- Repair or replacement of existing utility systems, such as steam lines, natural gas, air, electrical, water, and sewer.
- Correction of problems resulting from erosion and drainage.
- Work related to handicapped access, energy conservation, building and safety codes compliance, lead paint abatement, or asbestos correction.

In 1994, the University established a Maintenance Reserve program for auxiliary enterprise facilities. This program is authorized and managed under a capital project like the Educational and General program. Major maintenance repair needs are identified as part of routine facility inspections and assessments, priorities are established jointly by facilities and the auxiliary enterprise units, and each planned activity on subprojects is approved by finance. Auxiliary enterprise units are self-supporting and their resources are nongeneral fund. The auxiliary enterprise units with facilities allocate resources to support Maintenance Reserve costs on an annual basis as an integral part of the auxiliary budget planning process. The Auxiliary Maintenance Reserve project is a 100 percent nongeneral fund project. The project is currently authorized on the state books and the appropriation level is increased by the state on an as needed basis.

Under the 2006 Management Agreement between the Commonwealth of Virginia and the University, the Board of Visitors has the authority to approve nongeneral fund capital outlay projects. This request is to establish a local Auxiliary Maintenance Reserve project to shift the program from the state to the University. The project is envisioned to be an on-going program with future resource allocations and adjustments identified as part of the auxiliary budget planning process and with expense budget adjustments reflected on the capital outlay section of the Financial Performance Report. The initial budget level for the proposed project is \$5.2 million and includes an estimated \$1 million of outstanding authorization on the state books that will be closed June 30, 2007 and \$4.2 million of resources budgeted for fiscal year 2007-2008.

Resolution on Auxiliary Maintenance Reserve Project

WHEREAS, the Auxiliary Maintenance Reserve project is an on-going capital project for major maintenance repairs to extend the useful life of facilities; and

WHEREAS, the University has an existing Auxiliary Maintenance Reserve project authorized on the state books; and

WHEREAS, major maintenance repair needs are identified as part of routine facility inspections and assessments, priorities are established jointly by facilities and the auxiliary enterprise units, and subprojects are approved by finance; and

WHEREAS, the Auxiliary Enterprise units are self-supporting; and

WHEREAS, the existing Auxiliary Maintenance Reserve project is a 100 percent nongeneral fund capital project; and

WHEREAS, the University allocates resources to support the Auxiliary Maintenance Reserve project as part of the auxiliary enterprise budget planning process; 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, and funding of nongeneral funded major capital outlay projects; and

WHEREAS, this request is to establish a university Auxiliary Maintenance Reserve project to replace the existing state project with an initial budget of \$5.2 million; and

WHEREAS, the University will make future allocations and adjustments to the Auxiliary Maintenance Reserve project budget as part of the auxiliary budget planning process and will adjust expense budgets as reflected on the capital outlay section of the Financial Performance Report;

NOW THEREFORE BE IT RESOLVED, that the University be authorized to move forward with establishing a locally managed Auxiliary Maintenance Reserve project.

RECOMMENDATION:

That the resolution authorizing Virginia Tech to establish a locally managed Auxiliary Maintenance Reserve project be approved.

June 4, 2007