

## MEMO

To: OSC Committee  
From: TRC Committee  
Date: 7-27-21  
Re: TRC Committee Assessment of Additional ACC Project Funding Needs for the Center for Excellence Project and the Student Services Center Project

ACC staff have communicated at TRC meetings that (due to rising material costs), the construction costs proposed for the Center for Excellence Project exceeded the approved project amount of \$17,560,000. In order to keep the project on timeline, ACC (and the Office of State Construction) approved a Preliminary GMP which allowed them to award the construction bid and allowed the contractor to line up subcontractors to begin work. The PGMP (which is within the existing budget) included value-engineered portions of the project and also excluded parking upgrades that could be delayed. It's possible that delaying the bids for parking upgrades would allow prices to come back down to historically lower levels. The full amount of the cost overrun is \$1,900,430.

ACC staff have also communicated that the same price increases will make it difficult for bids on the Student Service Center to meet the approved project amount of \$6,200,000. Preliminary estimates for cost overruns are in the range of \$900,000 - \$1,000,000 over budget. Construction bids for the Student Center are due the first week of August and any cost overruns can be better quantified at that time.

ACC has also communicated that the bond goals would be best met if these two projects were completed as originally designed and want to request that funding be provided in excess of the original budgets.

Based on this information, the TRC Committee has been researching options to fund up to \$3,000,000 in additional costs for these two projects. While ACC has some capital reserve funds banked, the balance available for future projects is only \$1.7 million which is insufficient to pay for all needs. However, there is \$3,095,000 in unissued bonds available for future unanticipated needs. (Since the first ACC bond debt issuance was sold at a premium, Alamance County issued only \$20,665,000 bond par instead of the expected \$23,760,000 leaving \$3,095,000 unissued.) County staff have had initial conversations with Davenport financial advisors and our bond attorney to confirm the possible ways to provide funding.

Issuing those remaining unissued bonds is the best method to provide enough funding to meet the cost overruns for the COE and Student Center Projects. The next (and final) ACC bond issuance in September 2022 is intended for the Training Center Project, the Main/Gee/Powell Building Bond Project, and the Satellite Campus Projects. By issuing all available bonds at that time, the COE and Student Center could be completed according to original design as well as provide funding for the original budgets of the last four projects.

Other Considerations: Cash flow would be managed using a "Reimbursement Resolution" for the temporary use of ACC Capital Reserve balances if needed before the debt is issued. This would effectively "tie up" the ACC capital reserves until the next debt issuance has reimbursed any costs incurred.

To implement this funding method, the following actions would be needed:

1. Staff would confirm the exact process with bond attorney, financial advisers, and LGC
2. Commissioners would approve a budget amendment to increase the Center for Excellence Project from \$17,560,000 to become approximately \$19,460,430 funded with additional bond debt.

This action allows the County to sign Form 3-1 signifying the County's intent to fund the project so that ACC can submit it to State Construction and with their approval, move forward to sign contracts.

3. Commissioners would approve a budget amendment to increase the Student Services Center Project from \$6,200,000 to become approximately \$7,200,000 funded with addition bond debt.

This action allows the County to sign Form 3-1 signifying the County's intent to fund the project so that ACC can submit it to State Construction and with their approval, move forward to sign contracts.

4. Commissioners would approve a new "Reimbursement Resolution" to ensure that any costs incurred prior to the next bond issuance could be reimbursed legally when the debt is issued.