



FINANCE, FACILITIES AND TECHNOLOGY COMMITTEE

APRIL 20, 2010

8:00 a.m.

BOARD ROOM
WELLS FARGO PLACE
30 7TH STREET EAST
SAINT PAUL, MN

Please note: Committee/Board meeting times are tentative. Committee/Board meetings may begin up to 45 minutes earlier than the times listed below if the previous committee meeting concludes its business before the end of its allotted time slot.

Committee Chair Thomas Renier calls the meeting to order.

- (1) **Minutes of March 16, 2010** (pp 1-7)
- (2) Finance, Facilities and Technology Update
- (3) **Proposed Amendments to Board Policies:** (pp 8-12)
Policy 5.13 Information Technology Administration;
Policy 6.4 Facilities Planning (Second Reading)
- (4) Proposed Amendments to Board Policies: (pp 13-19)
Policy 5.14 Procurement and Contracts;
Policy 5.17 Resources Recovery and Environmentally Responsible Practices;
Policy 6.6 Facilities Maintenance and Repair Including Revenue Fund Facilities (First Reading)
- (5) FY2012-2017 Capital Budget Guidelines (First Reading) (pp 20-45)
- (6) FY2012-2013 Biennial Operating Budget Request (pp 46-52)
- (7) Follow-up to OLA Evaluation of the System Office (pp 53-61)

Members

Thomas Renier, Chair
Clarence Hightower, Vice Chair
Duane Benson
Christopher Frederick

Ruth Grendahl
Dan McElroy
Scott Thiss
James Van Houten

Bolded items indicate action required.

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
FINANCE, FACILITIES AND TECHNOLOGY COMMITTEE
MEETING MINUTES
March 16, 2010**

Finance, Facilities and Technology Committee Members Present: Tom Renier, Chair; Clarence Hightower, Vice Chair; Trustees Duane Benson, Christopher Frederick, Ruth Grendahl, Dan McElroy, Scott Thiss, and James Van Houten

Other Board Members Present: Cheryl Dickson, Jacob Englund, Christine Rice, Louise Sundin and Terri Thomas

Leadership Council Representatives Present: Vice Chancellor Laura King, President Robert Musgrove

The Minnesota State Colleges and Universities Finance/Facilities Policy Committee held its meeting on March 16, 2010, 4th Floor, Board Room, 30 East 7th Street in St. Paul. Vice Chair Hightower called the meeting to order at 2:15 pm. Chair Renier recognized 15 campus leaders from Lake Superior College who were in the audience.

1. MINUTES OF JANUARY 19, 2010

Trustee Frederick moved that the minutes of January 19, 2010 be approved as presented. Trustee Thiss seconded the motion which carried with no dissent.

2. FINANCE, FACILITIES AND TECHNOLOGY UPDATE *(Information)*

Vice Chancellor King informed the committee about a proposal in the Minnesota House for a pilot project which would provide for the Board to select 8 colleges/universities (including 5 outstate) and allow them to move the institutions' Board required reserve funds from the state treasury to community financial institutions. Concerns were expressed about FDIC limits (additional insurance may need to be purchased) and return rates (currently the state treasury pays the system interest about 1-1½ percent above local banks). The committee members expressed differing views on the merit of this proposal. It is uncertain if the benefit to economic development in local communities outweighs the concern about the administrative issues. Trustee Benson expressed opposition to the institutions receiving less return on their funds. Trustee Sundin expressed support of the proposal noting that it is a "feel good" issue for the citizens of Minnesota.

Vice Chancellor King advised the committee that she has traveled throughout the state, along with Associate Vice Chancellor Tim Stoddard and his staff, and met with 24 college leadership teams over the past two months to review the colleges' financial performance, measurements, benchmarks, indicators, enrollment projections and program planning. These overviews have come to be known as the "Trends and Highlights" meetings. The meetings are tremendously valuable to staff and to the colleges.

Vice Chancellor King hosted a spring flooding webinar earlier today with four colleges and universities that have moderate/severe risk of flooding: Minnesota West Community and Technical College (Granite Falls), Southwest Minnesota State University (Marshall), Winona State University and Minnesota State University Moorhead. Efforts are underway to increase coordination this year in the area of loaned staff and equipment and volunteer efforts.

3. ST. CLOUD STATE UNIVERSITY NATIONAL HOCKEY CENTER DEVELOPMENT PLAN (*Action*)

Associate Vice Chancellor Allan Johnson introduced the approval request to construct an addition to and renovation of the National Hockey and Events Center on the campus of St. Cloud State University (SCSU) in cooperation with the SCSU Foundation. Mr. Johnson noted that this project is not unique within the system. In the past 10 years about 20 projects have been completed with outside resources including donated funds.

St. Cloud State University President Earl Potter commented that this project has broad community appeal. In the 2008 bonding bill, \$6.5 million of state General Obligation bond funds were authorized by the legislature to improve the facility with the expectation that additional funds for the project would be obtained through sponsorships, naming rights and donations through a capital campaign. The University's capital campaign is to be publically launched this summer. These sources will provide the additional funds needed for a total project cost of approximately \$29.2 million. The funds are expected to include sponsorships, cash donations and pledges to fund \$7 million prior to the start of phase 1 construction in addition to the current state funding of \$6.5 million. An additional amount from sponsorships and donations of \$15.7 million will be transferred to the University from the Foundation prior to initiation of phase 2 construction.

Steve Ludwig, SCSU's Vice President for Administrative Affairs, used renderings of the proposed facility to show the trustees the proposed design and construction phases. The construction plan calls for two phases with continued use of the hockey center between phases. The main rink improvements will allow the facility to host a wide array of events beyond hockey through improved sounds systems, arrangements for audience seating on the floor and provision for rigging shows. The second rink in the facility will be modified to meet NHL standards, provided with additional spectator seating and improved access.

The University will continue to operate the expanded facility. No university funds will be used for the construction. The Foundation has assessed the feasibility of the philanthropic goals. A premier national firm, Front Row Marketing, has been engaged to assist the Foundation with the sale of sponsorships and naming rights through the Foundation. There has also been consultation with operational consultants to assure appropriate design and reasonable assumptions on operation of the facility.

President Potter responded to several concerns expressed by trustees. He noted that fiscal projections on fundraising and operating costs were conservative. Increased usage is projected to provide \$700,000 of revenue each year from concessions which could provide for more scholarships. He also noted that no alcohol would be served in

this facility. Trustee Frederick commented that fundraising efforts could be directed to other needs of the University rather than hockey. President Potter responded that projects of this type tend to increase interest and private support for universities across a broad front. No St. Cloud State University funds will be used for the construction. Trustee Dickson noted that there is no debt service on the \$6.5M state funding because it was part of economic development legislation. Chair Renier remarked that the facility would be a great asset for the St. Cloud area.

Trustee Grendahl moved that the Finance, Facilities, and Technology Committee recommend adoption of the following motion. Trustee Benson seconded the motion which carried with no dissent.

RECOMMENDED MOTION:

The Finance, Facilities and Technology Policy Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees approves the development plan for the St. Cloud State University National Hockey Center, specifically the Phase 1 and Phase 2 construction contracts valued at approximately \$11 million and \$12.1 million respectively, and the funding agreement between the University and the St. Cloud State University Foundation, valued at approximately \$22.6 million. The chancellor is authorized to negotiate the agreement with the Foundation contingent upon approval of the documents by the Office of the Attorney General.

4. FY2010 CAPITAL PROJECT UPDATE (*Information*)

Associate Vice Chancellor Allan Johnson reported on the Governor's veto actions concerning the 2010 bonding bill. The legislature had approved a bonding bill total for MnSCU of \$239.9M (\$174M state financing). The Governor vetoed many projects resulting in a final bill of \$106M of which \$88M is financed by the state. This is a record low since the MnSCU system was created.

The good news is HEAPR funding of \$52M. In addition, major capital projects number 2 through 6 on the MnSCU list were approved. These projects had been vetoed in 2008. The results of the bill were disappointing but Trustee McElroy commented that the vetoes were not a reflection of MnSCU but of financial issues in Minnesota and the nation. He noted that general obligation bonds for California were downgraded 3 times recently and Arizona and Illinois may also be downgraded. Vice Chancellor King said it is increasingly clear that the state can't afford the system it spent 100 years building. Ms. King cautioned presidents to respect the board process and get ahead of political interest in projects outside of the MnSCU list. There has been limited activity in this respect, but every couple of years there are 1 or 2 projects that emerge from the legislature outside the system's capital planning process.

Trustee Hightower questioned whether future requests should be reduced in size. Mr. Johnson will address that issue in the first reading of the Capital Budget Guidelines at the April committee meeting.

Mr. Johnson also noted that sustainability and energy efficiency are being emphasized in capital projects. He is convinced the system's standards are high and the HEAPR and capital projects promote energy efficiency. An energy benchmarking program has been undertaken to get a good handle on measuring energy consumption at campuses. Johnson Controls, Xcel Energy and other companies are offering programs to help campuses to conserve energy. The state's Departments of Commerce and Administration have also established the Public Buildings Enhanced Energy Efficiency Program (PBEEEP) program which provides more attractive financing with a shorter commitment. The PBEEEP program is more transparent and leverages other state resources.

5. PROPOSED AMENDMENTS TO BOARD POLICIES (*First Reading*)

Vice Chancellor King noted that Board Policy 1A.1, Part 6, Subpart H, has established that each board policy and system procedure be reviewed at least once every five years.

Policy 5.13 Information Technology Administration

The proposed amendment to Policy 5.13 calls for each college and university to ensure that the information technology planning components of its strategic plan are aligned with system planning goals.

Policy 6.4 Facilities Planning

The proposed amendment to Policy 6.4 notes that the president of each college and university is responsible for developing and maintaining a current facilities assessment as well as plans for modernization, renewal and improved sustainability and a record of space utilization as a base for multi-year capital program planning requests. The second reading for the proposed amendments is scheduled for the April meeting of the committee.

6. PROPOSED AMENDMENTS TO BOARD POLICIES (*Second Reading*)

Vice Chancellor King noted that Board Policy 1A.1, Part 6, Subpart H, has established that each board policy and system procedure be reviewed at least once every five years.

Policy 5.14 Procurement and Contracts

The proposed amendment to Policy 5.14 will provide for annual reports on contracts with values greater than \$100,000 on the web site. The proposal increases board pre-approval to \$3,000,000 on contracts and amendments. Committee members had earlier expressed support for an increase to the \$3,000,000 limit at this time.

The committee felt there was a gap in the language regarding limits for pre-approval of intra-agency agreements, joint powers agreements that do not create a joint powers board, Minnesota Department of Administration master contracts, Office of Enterprise Technology master contracts or Minnesota State Colleges and Universities master contracts from pre-approval. Vice Chancellor King agreed and proposed that the committee approve the proposed amendment as a step to completing action on one of the items cited in the OLA MnSCU Office report. She would then bring a new amendment to the April committee meeting with clarifying language for those agreements.

Policy 5.22 Acceptable Use of Computers and Information Technology Resources

The proposed amendment to this policy adds “mobile computing devices and multimedia materials” to the list of technical information resources;

Policy 7.4 Financial Reporting

The proposed changes to this policy note the recent name change of the Department of Finance to Minnesota Management and Budget. The amendment also clarifies that financial statements for individual institutions are designated by Board action. Financial statement will be presented to the Board of Trustees for review and authorization to release.

Policy 7.7 Gifts and Grants Acceptance

The proposed amendment to Policy 7.7 provides that the Board of Trustees will be periodically updated on the nature and the amount of all gifts and grants with a value in excess of \$50,000 accepted by the colleges, the universities, and the systems. Colleges and universities are required to maintain a list of all gifts and grants for submission each fiscal year to the Office of the Chancellor to be incorporated into a comprehensive report to the Board of Trustees.

Trustee Sundin questioned whether the reference to the “Office of the Chancellor” might more appropriately be the “system office”. Particularly since the OLA report was issued it appears that impressions and language are important. Gail Olson and Linda Kohl are working on a style guide which could offer more clarity to this language.

Trustee Benson moved that the Finance, Facilities, and Technology Committee recommend adoption of the following motion. Trustee McElroy seconded the motion which carried with no dissent.

RECOMMENDED MOTION:

The Finance, Facilities and Technology Policy Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees approves amending Policy 5.14 Procurement and Contracts; Policy 5.22 Acceptable Use of Computers and Information Technology Resources; Policy 7.4 Financial Reporting; and Policy 7.7 Gifts and Grants Acceptance as shown in Attachments A-D.

7. MINNESOTA STATE COLLEGES AND UNIVERSITIES SYSTEM AND STATE ECONOMIC OUTLOOK FOR FY 2011-213 (*Information*)

Associate Vice Chancellor Judy Borgen and System Budget Director Karen Kedrowski presented information on the system and state economic outlook for fiscal years 2011-2013. The state’s February forecast has shown some modest improvement but income tax receipts are still down and it is estimated the state will have a \$5.8B deficit for the next biennium.

It is anticipated that the system will have an additional reduction of \$10.5M this fiscal year (total reduction will be \$60.5 which includes the Governor’s unallotment of

\$50M). This will take the system's appropriation down to the FY2006 funding level. Budget planning assumptions used when planning for the FY2011 operating budget assume tuition rate increases not to exceed 5 percent; modest compensation inflationary cost increases (insurance increases and steps for classified employees), continued use of the federal stimulus funds for one-time expenses; maintenance of fund balances and reserve levels when appropriate and targeting the Governor's planning assumption of \$594.4M. The FY2011 operating budget will have its first reading at the April Board meeting with approval anticipated at the May meeting. Chair Renier urged committee members to look carefully at the legislative report they received today which highlights what the colleges and universities are doing to cope with budget reductions.

Further modeling for FY2012-2013 budgets anticipates further reductions in state appropriation, perhaps as much of \$100M, inflationary cost increases, no federal stimulus funds, and no cap on tuition rate increases but an expectation of reasonableness. Trustee Hightower questioned whether enrollment increases might be an additional source of revenue. Vice Chancellor King indicated that was absolutely the case, but the colleges and universities may have difficulty projecting enrollment increases because recent experience has been so strong. Increased enrollment also increases the institution's delivery costs.

Trustee Van Houten wondered whether excess cash should stay at colleges/universities or be distributed to those who have more need. Vice Chancellor King suggested focusing the committee's attention on the distribution of the state allocations (green sheet) and adding flexibility to that process. The most direct way to target the distribution of state allocation would be through "disparity aid" or program development funds in distressed regions. This would be the most effective way to target state appropriation.

President Musgrove commented on the dynamic and tension within the system right now between the "have" and "have not" institutions. He suggested that the future workforce needs of the state and current capacity of the institutions should be included in future conversations.

The Chancellor commented that other systems collect all tuition and re-distribute between the institutions unlike the allocation model at the Minnesota State Colleges and Universities system. Other systems are now capping enrollment. He noted he is not recommending this.

Minnesota has always had an open admissions policy. Vice Chancellor King acknowledged that the state has failed in its public compact to pay for access. She promised more conversation will be held in the future. She acknowledges the tension between access and the financial condition of the institutions.

8. COLLEGE AND UNIVERSITY FINANCIAL HEALTH INDICATOR/ MEASUREMENT PROJECT (*Information*)

Vice Chancellor King noted that she was pleased with the progress represented in this report. Associate Vice Chancellors Judy Borgen and Tim Stoddard have led the Finance Division in an exception reporting process since 2004. The report draws

attention to areas of operational concern in the finance and business office arena. The Finance Division has also implemented an annual overall financial performance review process. The current trends and highlights process includes the Composite Financial Index (CFI) and other financial performance measures. These reports improve predictability and provide monitoring and both short-term and long-term oversight for the colleges and universities. They are helping to make the financial condition of each institution more transparent and complete. Staff is working to incorporate budget and accrual measurements into the financial monitoring effort.

Starting with FY 2006 financial reporting, the Higher Learning Commission (HLC) implemented monitoring centered on the CFI. This is the HLC's first step in determining if a college's ability to carry out its educational mission is at risk, which could lead to a review of accreditation status.

9. FOLLOW-UP TO OLA EVALUATION OF THE SYSTEM OFFICE

(Information)

Vice Chancellor King reported on several administrative, finance and information technology recommendations from the OLA evaluation of the system office. She commented that opportunities for administrative efficiencies through multi-campus or centralized delivery of services are complicated by the considerable staff and IT resources which would be required to make substantial progress by January 2011. Trustee Thiss emphasized the sense of urgency to show progress on these issues. The magnitude of the project will be determined and a plan developed.

Chair Renier commented that the report was complimentary to the finance and facilities units in the system office. Action is pending to re-establish the Information Technology Committee. The committee will deal with issues such as selection of projects, project management and tracking, user testing and training and contract management in the IT arena.

Clarification of presidential authority for purchase transactions and recommended changes in procedures should be solved by the end of the month. The annual budget materials will be submitted to the committee in April and changes to the regular allocation process will be noted. Plans are underway for improved oversight of professional technical contracts. Two working groups including campus leadership will be formed to review changed to the capital project management process. Vice Chancellor King will report to the committee at their April meeting on the status of progress.

The meeting adjourned at 4:55 pm.

Respectfully submitted,
Nancy Lamden, Recorder

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Committee: Finance, Facilities and Technology **Date of Meeting:** April 20, 2010

Agenda Item: Proposed Amendments to Board Policies: Policy 5.13 Information Technology Administration; Policy 6.4 Facilities Planning (Second Reading)

Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring

Information

Cite policy requirement, or explain why item is on the Board agenda: Board Policy 1A.1, Part 6, Subpart H, has established that each board policy and system procedure is to be reviewed at least once every five years.

Scheduled Presenter(s): Laura M. King, Vice Chancellor - Chief Financial Officer

Outline of Key Points/Policy Issues:

Board policies and procedures are reviewed to:

1. assure contemporary and responsible business practices are maintained
2. assure the system's current financial and operating control mechanisms are sustained or strengthened
3. assure continuity of operations
4. clarify conflicting or misunderstood information
5. eliminate redundancy

Background Information: The Finance Division is responsible for reviewing and proposing amendments to most board policies in Chapters 5, 6, and 7.

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

Second Reading

BOARD ACTION

Proposed Amendments to Board Policies: Policy 5.13 Information Technology Administration; Policy 6.4 Facilities Planning

BACKGROUND

Board Policy 1A.1, Part 6, Subpart H, has established that each board policy and system procedure is to be reviewed at least once every five years. This purpose of this review is to:

1. assure contemporary and responsible business practices are maintained
2. assure the system's current financial and operating control mechanisms are sustained or strengthened
3. assure continuity of operations
4. clarify conflicting or misunderstood information
5. eliminate redundancy

The following policies contain language and syntax revisions in addition to the specific changes noted.

Policy 5.13, Information Technology Administration

There was a clerical error in the board materials when this policy amendment was presented in January for its first reading. The error has been corrected as shown in Attachment A.

The proposed amendment to Policy 5.13 Information Technology Administration calls for each college and university to ensure that the information technology planning components of its strategic plan are aligned with system planning goals.

Policy 6.4, Facilities Planning

As shown in Attachment B, the proposed amendment to Policy 6.4 Facilities Planning adds "plans for modernization, renewal and improved sustainability" to each president's scope of responsibility.

RECOMMENDED COMMITTEE ACTION

The Finance, Facilities and Technology Policy Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees approves amending Policy 5.13 Information Technology Administration; Policy 6.4 Facilities Planning as shown in Attachments A-B.

RECOMMENDED BOARD ACTION

The Board of Trustees approves amending Policy 5.13 Information Technology Administration; Policy 6.4 Facilities Planning as shown in Attachments A-B.

Date Presented to the Board: April 21, 2010

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

BOARD POLICY		5.13	
Chapter	5	Chapter Name	Administration
Section	5.13	Policy Name	Information Technology Administration

Policy 5.13 Information Technology Administration

1 **Part 1. Policy Statement.** It is the policy of the Board of Trustees in accordance with
 2 [the system's](#) its mission to disseminate and extend knowledge, to foster the free
 3 exchange of ideas, and to provide effective support for its teaching, research and public
 4 service functions. Appropriate access will be afforded to information technology
 5 resources, including but not limited to computers, software, e-mail accounts, internet
 6 access, and similar computing tools, for ~~Minnesota State College and University~~
 7 students, faculty and staff for fulfilling the missions, and for appropriate related
 8 activities.

9
 10 **Part 2. Responsibilities.** The chancellor shall develop an information technology
 11 strategic plan
 12 for approval by the Board of Trustees and prescribe data, applications, security, and
 13 technology standards in order to ensure the effectiveness, efficiency, timeliness, and
 14 accuracy of information gathered, stored and utilized by the system office, colleges, and
 15 universities. ~~The chancellor shall review college and university information technology~~
 16 ~~plans.~~ [Each college and university shall ensure that the information technology planning](#)
 17 [components of its strategic plan are aligned with system planning goals.](#)

18
 19 Each college and university shall adopt a ~~campus~~ policy on computer and network
 20 system use and security.

21
 22 **Part 3. Accountability/Reporting.** The [chancellor](#) ~~Board~~ will be periodically [shall](#)
 23 [provide an](#) updated [to the Board](#) on the implementation of the [system](#) ~~MnSCU~~
 24 information technology strategic plan ~~and the plans of the colleges and universities.~~

25 **Related Documents:**

- 26
- [IT Strategic Plan](#)
 - ~~Future Procedure 5.13.1 Information Technology Administration~~
- 27

28 www.csu.mnscu.edu

29 www.ot.state.mn.us

30 [Minnesota State Agency Digital Signature Implementation and Use Standards](#)

31

32 *Date of Implementation: 06/21/00*

33 *Date of Adoption: 06/21/00*

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

BOARD POLICY		6.4
Chapter 6	Chapter Name	Facilities Management
Section 6.4	Policy Name	Facilities Planning

1 **6.4 Facilities Planning**

2 **Part 1. Policy Statement.** It is the policy of the Board of Trustees to require a Facilities
3 Master Plan following campus adoption of a master academic plan for all colleges and
4 universities to assure [short and](#) long-range planning of college and universities facilities.
5 It is the policy of the Board of Trustees that the facilities of state colleges and
6 universities are to be used primarily for purposes of fulfilling the college's or
7 university's missions of teaching, research, and public service.

8 **Part 2. Responsibilities.** The president of each college and university is responsible for
9 developing and maintaining an ongoing Facilities Master Plan. Facilities Master Plans
10 must be consistent with systemwide guidelines. Campus development, siting of new
11 buildings and structures, and renovation, [repair and renewal](#) of existing facilities shall be
12 consistent with the Facilities Master Plan. The president of each college and university
13 is responsible for assuring appropriate use of all facilities and grounds on their
14 campuses.

15 The president of each college and university is responsible for developing and
16 maintaining a current facilities assessment, [plans for modernization, renewal and](#)
17 [improved sustainability](#), and [a](#) record of space utilization as a base for multi-year capital
18 program planning requests.

19 **Part 3. Accountability/Reporting.** All Facilities Master Plans and periodic updates, and
20 deviations therefrom, will be approved by the chancellor.

21 *Date of Implementation:*

22 *06/21/00 Date of*

23 *Adoption: 06/21/00*

24 *Date and Subject of Revision:*

25 *01/22/04 -clarifies in Part 2 the activities that shall be consistent with the Facilities*
26 *Master Plan; revises Part 3 to provide for the chancellor to approve Facilities*
27 *Master Plans and periodic updates, and deviations therefrom.*

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Committee: Finance, Facilities and Technology **Date of Meeting:** April 20, 2010

Agenda Item: Proposed Amendments to Board Policies: Policy 5.14 Procurement and Contracts, Policy 5.17 Resources Recovery and Environmentally Responsible Practices and Policy 6.6 Facilities Maintenance and Repair including Revenue Fund Facilities (First Reading)

- Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring
- Information

Cite policy requirement, or explain why item is on the Board agenda: Board Policy 1A.1, Part 6, Subpart H, has established that each board policy and system procedure is to be reviewed at least once every five years.

Scheduled Presenter(s): Laura M. King, Vice Chancellor - Chief Financial Officer

Outline of Key Points/Policy Issues:

Board policies and procedures are reviewed to:

1. assure contemporary and responsible business practices are maintained
2. assure the system's current financial and operating control mechanisms are sustained or strengthened
3. assure continuity of operations
4. clarify conflicting or misunderstood information
5. eliminate redundancy

Background Information: The Finance Division is responsible for reviewing and proposing amendments to most board policies in Chapters 5, 6, and 7.

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

First Reading

BOARD ACTION

Proposed Amendments to Board Policies: Policy 5.14 Procurement and Contracts,
Policy 5.17 Resources Recovery and Environmentally Responsible Practices and
Policy 6.6 Facilities Maintenance and Repair Including Revenue Fund Facilities

BACKGROUND

Board Policy 1A.1, Part 6, Subpart H, has established that each board policy and system procedure is to be reviewed at least once every five years. This purpose of this review is to:

1. assure contemporary and responsible business practices are maintained
2. assure the system's current financial and operating control mechanisms are sustained or strengthened
3. assure continuity of operations
4. clarify conflicting or misunderstood information
5. eliminate redundancy

The following policies contain language and syntax revisions in addition to the specific changes noted.

Policy 5.14, Procurement and Contracts

Policy 5.14, Procurement and Contracts was amended at the March 2010 meeting. It was recommended by committee members at that time that approval by the Board of Trustees should be required for inter-agency and intra-agency agreements, joint powers agreements that do not create a joint powers board, Minnesota Department of Administration master contracts, Office of Enterprise Technology master contracts or Minnesota State Colleges and Universities master contracts with a value greater than \$3,000,000.

Policy 5.17 Resources Recovery and Environmentally Responsible Practices

As shown in Attachment B, the proposed amendment to Policy 5.17 Resources Recovery and Environmentally Responsible Practices clarifies responsibilities of the chancellor and college and university presidents.

The chancellor, in concert with college and university presidents, shall develop system-wide procedures and initiatives that reflect long-term stewardship of the campus physical environment. The chancellor shall develop facilities planning guidelines, design and construction standards, and energy conservation procedures that appropriately provide for

enhanced sustainability and long-term stewardship of campus physical resources.

College and university presidents shall develop and implement campus-based initiatives in support of these practices, and identify and report accomplishments.

The name of the policy will also be changed to better reflect its purpose – Sustainability, Resources Conservation and Recovery and Environmentally Responsible Practices.

Policy 6.6 Facilities Maintenance and Repair Including Revenue Fund Facilities

As shown in Attachment C, the proposed amendment to Policy 6.6 Facilities Maintenance and Repair Including Revenue Fund Facilities states that the chancellor shall develop and implement processes by which the physical condition of system facilities can be assessed and gauged, and shall determine targets for annual operating budgets for campus-funded repair and replacement (R&R).

RECOMMENDED COMMITTEE ACTION

The Finance, Facilities and Technology Policy Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees approves amending Policy 5.14 Procurement and Contracts, Policy 5.17 Resources Recovery and Environmentally Responsible Practices and Policy 6.6 Facilities Maintenance and Repair Including Revenue Fund Facilities as shown in Attachments A-C.

RECOMMENDED BOARD ACTION

The Board of Trustees approves amending Policy 5.14 Procurement and Contracts, Policy 5.17 Resources Recovery and Environmentally Responsible Practices and Policy 6.6 Facilities Maintenance and Repair Including Revenue Fund Facilities as shown in Attachments A-C.

Date Presented to the Board: April 21, 2010

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

BOARD POLICY		5.14	
Chapter	5	Chapter Name	Administration
Section	5.14	Policy Name	Procurement and Contracts

Policy 5.14 Procurement and Contracts

1 | Part 1. Authority.

2 Pursuant to Minnesota Statutes § 136F.581, the Board of Trustees has authority for
3 purchases and contracts consistent with Minnesota Statutes § 471.345, the Uniform
4 Municipal Contracting Law, and other pertinent statutes, as well as the authority to
5 utilize any contracting options available to the commissioner of administration under
6 Minnesota Statutes Chapters 16A, 16B and 16C. It is the policy of the Board of Trustees
7 that contracts, including real property leases, shall not exceed five years, including
8 renewals, unless otherwise provided for by law or approved by the chancellor or the
9 chancellor's designee.

10

11 | Part 2. Responsibilities.

12 | The state colleges, universities, and Office of the Chancellor are responsible for
13 procurement of necessary goods and services and the implementation of contracts that
14 maximize the use of financial resources.

15 The system-wide procedures for procurement and contracts shall be consistent with
16 Minnesota Statutes § 471.345, the Uniform Municipal Contracting Law, as applicable,
17 and in compliance with other pertinent state and federal laws. The procedures shall
18 provide detailed instructions for campus and system implementation.

19 Policies and procedures relating to facilities design and construction contracts are
20 addressed in [Board Policy 6.5](#), Capital Program Planning.

21 | Part 3. Accountability/Reporting.

22 College and university presidents will be held accountable by the chancellor for
23 complying with state and federal laws, Board policy, and system-wide procedures for all
24 purchases and contracts.

25 ~~Annual reports on procurement contracts with values greater than \$100,000 will be~~
26 ~~available on the system's Web site and in other formats upon request.~~ Contracts,
27 including amendments, with values greater than \$3,000,000 must be approved in
28 advance by the Board of Trustees ~~except as provided in this policy.~~

29 ~~Approval by the Board of Trustees is not required for~~ [Contracts include](#) inter-agency and
30 intra-agency agreements, joint powers agreements that do not create a joint powers

1 board, Minnesota Department of Administration master contracts, Office of Enterprise
2 Technology master contracts or Minnesota State Colleges and Universities master
3 contracts with values greater than \$3,000,000. ~~Periodic reports will be provided to the~~
4 ~~Board of Trustees on these types of contracts.~~

5 Annual reports on all procurement contracts with values greater than \$100,000 will be
6 available on the system's Web site and in other formats upon request.

7

8 Date of Implementation: 06/21/00

9 Date of Adoption: 06/21/00

10 Date & Subject of Revisions:

11 03/17/10 - Amended Part 3 to require annual reports on procurement contracts with
12 values greater than \$100,000 be available on the system's Web site and in other formats
13 upon request, and requires Board approval for contracts, including amendments, with
14 values greater than \$3,000,000. Amends Part 3 to clarifies which do not require approval
15 by the Board of Trustees.

16 06/21/06 - Amended Part 1 removing requirement to report exceptions the Board
17 annually. Other technical changes.

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

BOARD POLICY		5.17
Chapter 5	Chapter Name	Administration
Section 5.17	Policy Name	Resources Recovery and Environmentally Responsible Practices

1 **5.17 Sustainability, Resources Conservation and Recovery, and Environmentally**
2 **Responsible Practices**

3
4 **Part 1. Policy Statement.** The Board of Trustees promotes sustainability, reduction of
5 waste, resources conservation and recovery, and environmentally responsible practices,
6 including energy conservation and pollution prevention, consistent with law and current
7 executive orders.

8
9 Part 2. Responsibilities.

10 The chancellor, in concert with college and university presidents, shall develop system-
11 wide procedures and initiatives that reflect long-term stewardship of the campus physical
12 environment. The chancellor shall develop facilities planning guidelines, design and
13 construction standards, and energy conservation procedures that appropriately provide for
14 enhanced sustainability and long-term stewardship of campus physical resources.

15
16 College and university presidents shall develop and implement campus-based initiatives
17 in support of these practices, and identify and report accomplishments consistent with
18 Part 3.

19
20 **Part 32. Accountability.** The Office of the Chancellor, and each college and university
21 shall appoint a representative(s) for all environmental and resource recovery issues and
22 shall maintain records regarding recycling, energy consumption and conservation, and
23 pollution prevention efforts. The Office of the Chancellor and each college and
24 university shall report progress and accomplishments periodically to the Board.

25
26
27 *Date of Implementation: 06/21/00*

28 *Date of Adoption: 06/21/00*

29
30 *Date and Subject of Revision:*

31 *10/5/09 – Policy reviewed, no content amendments recommended.*

32 *06/18/03 – changes “system office” to “office of the chancellor”*

33 *06/21/00 – Contains language formerly in Board policy 5.6; Added Part 1, Policy Statement and language in*
34 *Part 2 requiring the system office and the colleges and universities to appoint a representative;*

35

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

BOARD POLICY		6.6
Chapter 6	Chapter Name	Facilities Management
Section 6.6	Policy Name	Facilities Maintenance and Repair including Revenue Fund Facilities

6.6 Facilities Maintenance and Repair including Revenue Fund Facilities

Part 1. Policy Statement. It is the policy of the Board of Trustees that long-range plans be developed addressing the physical plant needs of the office of the chancellor, colleges, and universities. The Board of Trustees strongly supports a sustained level of funding to address infrastructure needs, backlog of deferred maintenance and ongoing annual preventive maintenance, [energy efficiency](#), repair and renewal.

Part 2. Responsibilities. The chancellor is responsible for periodic communications, reporting, and oversight of facilities maintenance and repair funds. [The chancellor shall develop and implement processes by which the physical condition of system facilities can be assessed and gauged, and shall determine targets for annual operating budgets for campus-funded repair and replacement \(R&R\).](#) The presidents shall budget for adequate maintenance, ~~and~~ repair [and replacement](#) of campus facilities and grounds including those facilities under the Revenue Fund (e.g., residence halls, student unions, parking facilities and dining services).

Part 3. Accountability/Reporting. Periodic reports will be presented to the Board of Trustees on facilities [condition assessments and capital requirements for capital renewal.](#) ~~management on an exception reporting basis.~~

Date of Implementation: 06/21/00

Date of Adoption: 06/21/00

Date and Subject of Revision:

06/21/06 – Amended Part 2 requiring presidents to budget for adequate maintenance and repair, including parking facilities.

06/18/03 – revises “system office” to “office of the chancellor”

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Committee: Finance, Facilities and Technology **Date of Meeting:** April 20, 2010

Agenda Item: FY 2012 - 2017 Capital Budget Guidelines

Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring

Information

Cite policy requirement, or explain why item is on the Board agenda: Board Policy 6.5.1, Capital Program Planning, requires the Board of Trustees to establish criteria for and approve a prioritized multi-year capital budget, approve capital project priorities and guidelines, and final capital projects lists.

Scheduled Presenter(s): Allan Johnson, Associate Vice Chancellor Facilities

Outline of Key Points/Policy Issues: This agenda item is to present facilities projects' planning guidelines for the next capital budget cycle, FY2012 – 2017.

Background Information: Capital budgets are presented to the legislature every two years in the even year of the biennium as part of a six-year capital plan. The Capital Budget Guidelines presented herein will frame the development of capital projects for presentation to the legislature and governor for the 2012 legislative session. Capital projects include major facilities projects that are specific to certain colleges and universities, as well as major facilities repair and replacement projects under the Higher Education Asset Preservation and Replacement (HEAPR) program.

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

First Reading

BOARD ACTION

FY 2012-2017 Capital Budget Guidelines

BACKGROUND

Minnesota State Colleges and Universities expects to present a Fiscal Year 2012-2017 capital budget plan to Minnesota Management and Budget, the governor and the legislature in June 2011 consistent with the state's anticipated capital bonding program for the 2012 legislative session. As part of that plan, specific capital projects recommended for design and/or construction in 2012 will be submitted for the FY2012 bonding bill. Projects recommended for the later years of FY2014 and 2016 will serve as potential "place holders" for future capital budgets.

The FY2010-2015 capital budget included a funding recommendation of \$396.8 million for 2010 and proposed levels of \$247 million and \$122 million for the 2014 and 2016 biennia respectively based on projects submitted and scored for the 2010 legislative session. Prioritization reflected the Board's desire to address the demonstrated facilities needs of the colleges and universities, and to preserve, maintain and modernize existing campus facilities. Important priorities included life safety and asset preservation; program enhancement, particularly in the area of science instruction; facilities revitalization or replacement; and collaborative ventures, particularly between individual colleges and universities. Of the \$396.8 million budget in FY2010, \$110 million was requested for the Higher Education Asset Preservation and Replacement (HEAPR) program. Over 75% of the square footage impacted by individual, major projects was for renewal or renovation of existing facilities. The FY2010-2015 plan also featured projects valued at \$46.7 million which had been vetoed in the previous 2008 and 2009 sessions. Significant follow-through funding of \$197 million represented additional, previously phased construction projects that had been funded for design in 2008 or earlier.

On March 14, 2010, the Governor signed the 2010 bonding bill. The final appropriation for MnSCU totaled \$106 million and included \$52 million for HEAPR and \$54 million in line item projects. Details were provided to the Board at the March Board meeting. There were a considerable number of projects vetoed, leaving a potential carry forward to FY2012 of \$223 million in Board-approved projects.

In preparation for the FY2012 – 2017 capital budget, many discussions have taken place regarding the process that lead up to the FY2010 – 2015 budget. Initial input was obtained from the Board during the public hearing in February, 2009, and subsequently from the Board and Leadership Council Finance and Administration Committee in May and November 2009 and January and March 2010. Additional discussions took place at the Chief Finance and Facilities Officers' conference in January 2010. The results of these discussions and comments are reflected in the Guidelines presented herein.

FOUNDATION OF THE CAPITAL BUDGET

The proposed FY2012 – 2017 capital budget will reflect the system strategic plan recently updated at the March 2010 Board meeting yet still in draft. Should further refinement take place at the April Board meeting, these capital budget guidelines will be adjusted as needed.

Strategic Directions

- Increase access, opportunity and success
- Ensure high-quality programs and services through a commitment to academic excellence and accountability
- Provide programs and services to enhance the global economic competitiveness of the state, its regions and its people
- Innovate to meet current and future educational needs
- Ensure the long term viability of public higher education in Minnesota

Planning at the individual college and university level forms the foundation that includes integrated academic, technology, financial and facilities planning. These plans address each institution's vision for future academic and student services needs, and result in facilities requirements in support of the academic mission.

FY2012-2017 CAPITAL BUDGET GUIDELINES

The FY2012-2017 Capital Budget Guidelines correspond to the system strategic plan in overall tone and in the criteria used for project evaluation. These elements are highlighted below and are reflected in the grading criteria to be used by the Project Advisory Teams. A draft project scoring instrument is at Attachment A.

Strategic Direction 1: Increase access, opportunity and success

- Project supports students' participation and achievement; meets the needs of students with diverse backgrounds and educational goals. Project is responsive to demographic and/or labor market trends in the region or state; relates to specific access issues; clearly states impact on the job market in terms of regional needs, number of graduates, etc.
- Project supports collaboration between partner higher education institutions by hosting their programs and courses or accommodating programs designed for transfer.
- Project supports growth of 4-year baccalaureate programs in the Twin Cities metropolitan area.
- Project will contribute to the academic success of underrepresented students through program enhancement.
- Project allows institutions to improve instruction or services for underrepresented students through improved facilities and services.

Presented to the Board: March 19, 2008

Strategic Direction 2: Ensure high-quality programs and services through a commitment to academic excellence and accountability.

- Integrated academic and facilities planning: project promotes the efficient delivery of programs and services; enhances opportunities in program delivery and/or preparing the future workforce.
- Completed predesign clearly details the specific program requirements of the learning spaces.
- Space utilization of existing space is improved by reconfiguration and/or making space flexible to adapt to changing needs.
- Facilities are rightsized: space is mothballed, demolished or leased to a compatible tenant (such as K-12, other higher education or community partners).
- Project renovates, modernizes or otherwise improves existing spaces.
- Project supports improved delivery of science, technology, engineering and math (STEM) programs.

Strategic Direction 3: Provide programs and services to enhance the global economic competitiveness of the state, its regions and its people.

- Project supports programs that demonstrate strong demand for graduates or close partnerships with employers and workforce agencies. Partnerships with other workforce connections are clearly defined and documented.
- Project supports academic programs which serve specific workforce development needs in the region and state.
- Project's goals and planned results are clearly defined with compelling rationale.
- Project leverages funding from private and other governmental sources.
- Project is economically viable; cost appears reasonable for a high-demand state or regional workforce. Conversely, the project cost is not proportional to a limited gain in a relatively low-demand workforce.

Strategic Direction 4: Innovate to meet current and future educational needs.

- Project creates innovative learning spaces and advances opportunities for faculty to use innovative instructional delivery models.
- Project provides flexibility to support multifunctional class sessions.

- Project enhances use of space by multiple programs and services, now or over time.
- Project supports collaborations with other higher education institutions, creating facilities that specifically enable flexibility, innovation and more effective use of space.
- Project demonstrates “best value for learning” with project costs that are reasonable or low in relation to outcomes.
- Project reduces backlog; and each project dollar put towards modernization and/or renewal of space is matched by an equal dollar amount towards reducing campus backlog or the immediate 5-year renewal requirement.

Strategic Direction 5: Ensure the long term viability of public higher education in Minnesota.

- Project reflects integrated campus planning and carries out directions noted in the approved campus master plan.
- Project improves the condition of existing facilities by lowering the Facilities Condition Index (FCI) and recognizing future near-term renewal needs.
- Renovation improves the current condition and positions academic space for future use.
- Campus demonstrates effective spending of Repair and Replacement (R&R) funds (i.e. 3 year average of \$1.00/sq ft).
- Project clearly identifies operational cost impact; demonstrates how additional costs will be supported if required.
- Project specifies how sustainability and energy conservation will be enhanced.
- Project demonstrates it can be supported by current utilities and other infrastructure or includes necessary updating/expansion of systems needed to support new or renovated facilities.
- Overall campus financial condition is healthy to absorb debt and operational expenses as demonstrated by college/university Composite Financial Index (CFI).
- Project advances the use of alternative fuel sources on campus, or supports academic programs related to development and use of alternative fuel sources.

HIGHER EDUCATION ASSET PRESERVATION AND REPLACEMENT (HEAPR)

An important component of capital budgets in the last 10 years has been the request for major repair and replacement funding under the Higher Education Asset Preservation and Repair (HEAPR) program. The FY2000, 2002 and 2004 capital request for HEAPR was \$100 million for each biennium; and \$110 million in FY2006, FY2008 and FY2010.

The Board was provided information in January and June 2009 regarding the condition of campus facilities and the deferred maintenance (or deferred capital renewal) situation in the system. These presentations provided detail on the Facilities Reinvestment and Renewal Model (FRRM) that each campus and the system use to track backlog and the need for future renewal. While substantial HEAPR and capital funding has been provided in prior capital bonding appropriations, it has been barely sufficient, even when coupled with expenditures from the annual operating budget, to adequately maintain campus facilities or make a marked reduction in the backlog of repair and renewal.

The first Facilities Condition Assessment conducted across the system in 1998-99 identified a \$498 million (1998 dollars) backlog of repair, maintenance and renewal work across all 53 campuses. The backlog was later estimated in 2005 at \$635 million using the FRRM; \$646 million in 2006, \$672 million in 2007, \$685 million in 2008, and \$655 million in 2009. Preliminary data results from the 2010 campus reports will be available later this year. During this period, the Facilities Condition Index, the ratio of deferred maintenance and repair to current plant value, improved (i.e., declined) from 0.14 in 2005 to 0.11 in 2009. While this is good news, there is no indication that substantial reduction will take place without continued capital budgeting of \$110 million for HEAPR.

The FY2012-2017 HEAPR guidelines further respond to the need for continued assessment of the condition of physical plant statewide; central management of a roof repair and replacement program (campuses are responsible for annual maintenance and minor repair, and roof project prioritization); analysis of base line data and life expectancy on mechanical and electrical infrastructure systems; analysis of fire, life safety and code compliance issues; allocation of annual operating funds specifically towards physical plant maintenance and repair; and timely delivery of projects funded from the capital HEAPR appropriation.

During this current legislative session, lawmakers have been particularly interested in our ability to execute HEAPR funding quickly. The system has been lauded by the legislature for executing HEAPR projects quickly, as well as major line item projects. This is the result of constant attention to master planning, advancing design for HEAPR projects in the prior biennium, and close oversight of the design/construction process. Legislators were eager to fund projects that had construction ready to spend funds quickly. Design for many of these repair projects often takes substantial time, as verification of existing conditions, evaluation of building systems, production of design documents and contract bidding takes anywhere from six to twelve months. In addition, many of these projects cannot be undertaken when classes are occupied so careful advance scheduling must

occur. Advance funding of design work for future HEAPR projects will continue as an important component of the 2012 HEAPR program. Such advance funding will be given priority in the selection of 2012 HEAPR projects.

HEAPR BUDGET GUIDELINES

The 2012 HEAPR program will follow the established principles for preserving and improving the physical plant infrastructure to support quality education. Specifically, the HEAPR program will strive to keep students, staff and the public “warm, safe and dry.”

- 1. Focus on preservation and renewal to protect the state's investment in facilities,** and to offer high quality, safe, attractive facilities where students can succeed. Stewardship will be reflected by an improvement (reduction) of the Facilities Condition Index (FCI). The goal will continue to be to reduce high FCI ratings whenever possible while assuring that any campus FCI does not increase. A copy of the updated FCI campus assessment and the project scenario identifying the applicable HEAPR items must be attached to the request.
- 2. Lessen environmental impacts, conserve energy, and reduce operation and maintenance costs;** enhance life safety and accessibility in context with existing campus resources. HEAPR projects should augment other energy efficiency initiatives of the campus. Campuses will need to update their B3 data demonstrating existing energy consumption and estimated potential savings.
- 3. Maximize functionality of the facility to accommodate current academic programs.**
- 4. Provide an infrastructure backbone for reliable utility services** for all campus activities and support of technology to enhance teaching and learning.
- 5. Partner with college and university operating budget in the maintenance of facilities.**
- 6. Per statute, comply with one or more of the following:** code compliance, including health and safety; ADA requirements; hazardous material abatement; access improvement; air quality improvement; or building or infrastructure repairs necessary to preserve the interior and exterior of existing buildings; and renewal to support existing programs. The recent upgrade in elevator safety codes will continue a noticeable number of project requests.
- 7. HEAPR projects must be over \$25,000 in total cost. Projects that are substantive, complex or exceed \$1 million dollars are required to have a predesign study or engineering analysis** indicating that review of the estimated initial and operational costs of the proposed solution has been made.
- 8. Projects should be planned to guarantee construction delivery within 24 months of funding:** encumbrance of all funds by December 31, 2013 and expenditure of all funds by June 30, 2014. This is best accomplished through advance design of

potential 2012 projects. The recently approved 2010 HEAPR program includes approximately 5% for advance design for the 2012 cycle. Campuses may also use their own operating resources to advance design HEAPR projects.

PRIORITY FOR HEAPR PROJECTS

To maintain sound facilities, and stressing “warm, safe and dry” campus conditions, priority will be given to the following HEAPR projects:

Roofs: Each campus should include roofs identified by their campus roof management report as requiring repair or replacement in 0-4 years. The Office of the Chancellor will determine a reasonable capital roof investment program that matches available state contractor resources for delivery of the program within a 30-month timeframe. Roof requests from campuses will be organized into a 5-year roof replacement budget plan. Advanced design to ensure early delivery will be preferred.

Major mechanical and electrical system repair and replacement: Many HEAPR items are not “deferred maintenance;” rather, they are planned replacement or repair of items that have reached the end of their useful life. Many large HVAC (heating, ventilating and air conditioning) and electrical distribution systems are nearing or exceeding 40 years of age and require replacement. All mechanical and electrical infrastructure project requests over \$1 million must be accompanied by a completed preliminary engineering report funded by the institution. This report will study energy efficiency and climate issues for repair and replacement, cite the impact of initial cost, operational costs and overall energy efficiency. It is critical that the HEAPR report include phasing of major projects to allow for incremental funding, as often times there is insufficient funding allocation to allow complete execution of large mechanical/electrical systems work under one project. Preliminary engineering reports should be completed by institutions prior to February 2011. After review by the Office of the Chancellor, projects may be considered for advance design either funded by the campus or funds available within the current HEAPR appropriations.

Fire Protection, Detection and Warning: The HEAPR budget will continue to address fire safety items and code compliance at existing facilities. An effort will be made to fund all high priority fire detection, monitoring, protection and other code related items. (A fire detection, system monitoring, protection and testing plan should be included in each campus asset protection and loss control plan.)

Facilities Condition Index (FCI): Projects should reduce the building or campus FCI, noting the improvement and addressing backlog of deferred maintenance and/or renewal issues. The goal is to reduce the “high” FCI campus ratings, while maintaining or even lowering “low” FCI ratings. Preference will be given to projects that improve the overall FCI. To augment the planning methodology, campuses will be required to create a 6-year HEAPR plan as they update their Facilities Master Plan similar to the 6-year project-specific capital budget request.

CAPITAL BUDGET SCOPE – SIZE

The Board approved the FY2010 – 2015 capital budget in June 2009 at \$396.8 million including \$110 million in HEAPR and \$286.8 million in major projects. The 2010 bonding bill was finally enacted at \$106 million including \$52 million for HEAPR and \$54 million in projects. This presents a potential carry forward situation of approximately \$223 million without new projects, property acquisition or HEAPR.

The Board has expressed concern over the size of the capital budget. Accordingly, all new and carry forward projects must be placed under greater scrutiny in the analysis and scoring process. All projects, including those carried forward, will be evaluated and scored regardless of their prior approval or funding status. However, carry forward projects should also be recognized for their prior investment and the desire to complete work already in progress.

There is an overarching responsibility to maintain and update existing campus space. In general, only three funding sources are available: individual capital projects, HEAPR, and each college and university operating budget. Based on data from the Facilities Renewal and Reinvestment Model, described to the Board in January and June 2009, there is a recurring need of \$190 million per biennium as the minimum necessary to “keep up” with current facilities renewal requirements.

This \$190 million requirement can be met by budgeting \$148 million in HEAPR plus major repair and replacement capital projects, and continuing the spending of \$42 million per biennium on repair and replacement activities from campus operating funds. This is exclusive of new space construction and property acquisition.

The FY2010 carry forward projects include approximately \$101 million in repair and renovation work. Full funding of these projects plus a typical HEAPR appropriation of \$50 million would be sufficient to hold the backlog at par. Construction of new space represented in the carry forward projects (e.g. Normandale Community College; St. Cloud State University; Anoka-Ramsey Community College; North Hennepin Community College; Metropolitan State University) valued at \$122 million yields a minimum capital budget of \$273 million.

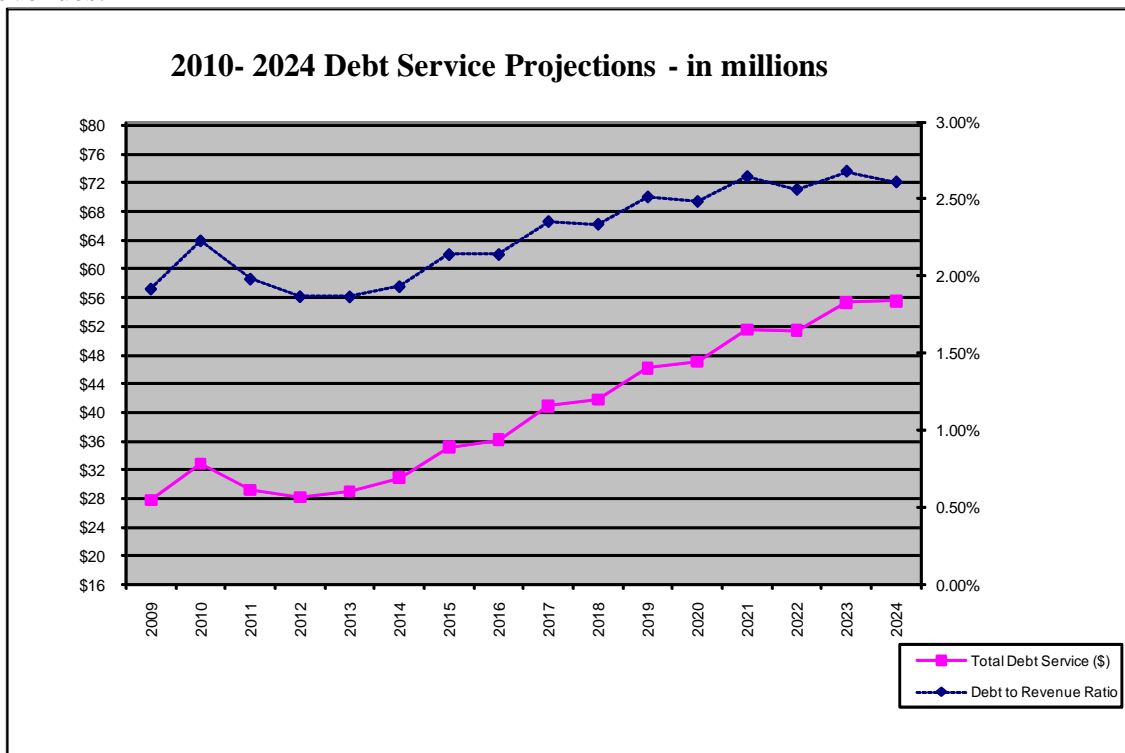
The current condition assessment of system facilities indicates a backlog of capital renewal of \$660 million. Any investment in addition to the \$273 million suggested above would help bring down the backlog. Allowing additional renovation projects at about \$17 million and raising the HEAPR budget request to \$110 million would yield a budget request of \$350 million. This level of HEAPR request is important given the overall limited capital funding received in 2010. This amount is also within the suggested 3% debt limit discussed below. Note, however, that it does not include additional projects for construction of new space in FY2012 beyond those already in the queue as carry forward from 2010.

CAPITAL BUDGET SCOPE – DEBT

Beginning in 1991, the higher education systems now comprising the Minnesota State Colleges and Universities were required in session law to pay one-third debt service for projects funded by state general obligation bonds. Only the University of Minnesota and the Minnesota State Colleges and Universities have this requirement within the state bonding process. In 1996, the Board determined that one-sixth would be passed on to the individual institutions that were receiving the benefit of the capital appropriation with the remaining one-sixth absorbed throughout the system. Thus, the one-third debt service is internally funded using primarily general fund appropriations. Tuition and other revenues also play a part. HEAPR projects do not incur debt for the system or campuses.

For the FY201 – 2017 capital budget, each campus must confirm their ability to pay the debt obligation. For purposes of these capital budget guidelines, debt should not be greater than 3% of revenue for the requesting institution as well as the system. This 3% level was chosen as it has a modest and limited operating budget impact, and parallels the state’s historic guideline. (The state recently modified their guidelines to incorporate other types of state debt. The system has limited exposure to these other types of debt, but will be studying the state’s model in the year ahead.)

This 3% standard is tested over the 20-year bond life. Based on current debt, new debt from FY2010 approved projects, and potential debt on future capital budgets, the system can absorb additional debt resulting from new capital projects at the \$250 million level for 2012 and rising by \$10 million each biennium thereafter. Also, assuming a 1% growth in revenue in 2012 and 2013, and a conservative 3% growth thereafter, the system will remain under the 3% ratio of debt service to general operating revenue. The chart below indicates a system average debt-to-revenue ratio of 2.3% through 2024 with the highest ratio of 2.68% over time. Currently, individual college and universities’ average debt-to-revenue ratios range from 0.06% to 1.32%. Only six colleges are above 1.0%; all universities are below 1.0%. Fond du Lac Tribal and Community College’s ratio is 2.52%, a reflection of a relatively short term build-out plan during a period of modest revenues.



SYSTEMWIDE INITIATIVES

Systemwide capital project initiatives, which are smaller projects bundled together with a common theme, have received good legislative support in past biennia, i.e. science and classroom renovations, and demolition of obsolete facilities. These systemwide initiatives have been extremely helpful in improving academic space and addressing deferred maintenance at a large number of campuses, and should be considered again for the 2012 program. These relatively modest modernization projects, usually in the \$500,000 range, represent a significant improvement for academic program delivery.

The strongest initiative with the most support in funding has been the initiative for Science, Technology, Engineering and Math (STEM) lab and classroom renovations. This has been requested in three biennia and has received funding support each time although vetoed in 2010. It is proposed again for 2012, as many campuses still have lab spaces that are in need of updating. A recent analysis of science and allied health facilities determined that only two campuses are without science labs, but that many have significantly outdated, obsolete and/or unsafe facilities.

Another initiative that has had mixed funding results is that for renovations of classrooms and workforce program space. This has been requested twice and vetoed once. This initiative has modernized and renewed obsolete or underutilized classrooms for more robust use and activity. These relatively low cost projects have a “big bang for the buck” at the local campus.

A new initiative proposed for 2012 involves furthering the development of sustainable and energy efficient projects. This initiative involves development of alternative fuel sources such as photovoltaic, solar panels or small wind turbines to augment campus utility systems. In addition, as ‘green’ jobs are increasing, the initiative could respond to academic program needs and create space for related workforce training.

Preliminary information from campuses on these proposed initiatives was to be submitted by late March. If there is sufficient interest, a predesign will be developed by the Office of the Chancellor to determine the need, scope and cost of the projects.

2012-2017 CAPITAL BUDGET PROCESS

To guide development of the FY2012-2017 capital budget, a work plan has been developed and is presented in Attachment B. The core element of this process is the identification of capital needs by each college and university, development of the required predesign and project description documents, and submission to the Chancellor and Board for consideration. Key elements of the process are described below:

Campus master facilities plan: A major initiative launched in 1998 has resulted in the creation of campus master facilities plans at all colleges and universities. Board policy requires all campuses to update their facilities master plan every five years to assure correlation with academic programs and plans, and good stewardship and appropriate reinvestment in the physical plant. All projects proposed for the FY2012-2017 capital budget must relate to the campus master facilities plan.

Project Predesign: A predesign document will be required at points noted in the work plan schedule, Attachment B. There is clear evidence that projects with an underdeveloped or weak predesign correlate to a poor and/or ill-defined project. Conversely, a thoroughly defined and understandable predesign document correlates to a higher ranking project with less opportunity for scope or cost creep from the design phase to construction. As a result, failure to meet deadlines for predesign submission will eliminate the projects from consideration.

Documentation: In addition to the predesign, campuses will be required to fill out a standard sheet of information that addresses the major components of their project. See Attachment C.

Prior approved projects: Projects that were previously approved in the 2010 budget cycle will be reviewed for their priority in relationship to other carry forward projects as well as new proposed projects. This deviates from practice in the last budget cycle, but gives the Board more flexibility in evaluating the overall capital budget. Staff will also evaluate both prior approved projects and new projects for cost, schedule and any scope changes along with inflation.

Evaluation teams: Following submittal of the projects, review and scoring will take place by a diverse, cross disciplinary Project Advisory Team of academic, finance, facilities and technology personnel from campuses and the Office of the Chancellor. The Project Advisory Team will be more robust this cycle with greater academic representation. Attachment A is the scoring mechanism the Team will use.

Schedule: Per the work plan, Attachment B, institutions planning to submit projects for the FY2012-2017 capital budget should now be actively evaluating their approved master plan and looking to create a project predesign. Capital budget requests and initial project documentation must be submitted to the Office of the Chancellor in July 2010 for initial 50% predesign comments. From July thru September 2010, colleges and universities should be engaged in discussion of facilities and program requirements, specific space utilization issues, energy efficiency considerations, and improvement of the FCI. Final predesign documentation must be submitted by October 29, 2010.

Board of Trustees Public Hearings: Public hearings for the FY2012 – 2017 capital budget will take place in February and March 2011. Prior to those hearings, the Chancellor's preliminary list of projects and priorities will be provided to the Leadership Council and Board. Presidents who wish to comment on their project's placement or non-placement on the priority list may present their project to the Board and the Chancellor at that time. A final draft of the Chancellor's prioritized project list will be presented to the Leadership Council in April 2011 and to the Board in May and June 2011. Approval of the capital budget in June 2011 is necessary to meet the state timetable for the 2012 legislative session.

Definitions applicable to the capital budget process are contained in Attachment D.

RECOMMENDED COMMITTEE ACTION:

The Facilities/Finance/Technology Committee recommends that the Board of Trustees adopt the following motion:

The Board of Trustees approves the FY2012-2017 Capital Budget Guidelines as presented herein.

RECOMMENDED MOTION:

The Board of Trustees approves the FY2012-2017 Capital Budget Guidelines as presented.

Date Presented to the Board of Trustees: April 21, 2010



Minnesota
STATE COLLEGES
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Project Advisory Team Team Project Analysis
2012 Capital Projects Review & Comments

Project: _____

Strategic Plan	Not Applicable	Low			Average	High		Comments that justify your score
		0	1	2		3	4	
1.0 Increase Access, Opportunity and Success								
1.1 Planned project connects to populations and meets needs of students with diverse background and educational goals. Project directly is responsive to demographic or labor market trend in the region; relates to specific access issue either directly in demographics or clearly states impact of job market, regional need and number of graduates.	0	1	2	3	4	5		
1.2 Project supports collaboration – with partner institutions by hosting their courses or accommodating programs design for transfer.	0	1	2	3	4	5		
1.3 Project accommodates growth of the 4-year baccalaureate programs in the Twin Cities metropolitan area.	0	1	2	3	4	5		
1.4 Project will contribute to the academic success of underrepresented students	0	1	2	3	4	5		
1.5 Project allows institution to increase or improve instruction or services for underrepresented students.	0	1	2	3	4	5		
								1 TOTAL Increase Access, Opportunity and success - max 25 points



Minnesota
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Project Advisory Team Team Project Analysis
2012 Capital Projects Review & Comments

2.0	Ensure high quality programs and services through a commitment to academic excellence and accountability	0	1	2	3	4	5	
2.1	Planning components – efficient delivery of academics; i.e. opportunities in programs or workforce will occur due to this specific project.	0	1	2	3	4	5	
2.2	Completed predesign details the specific program requirements of the learning spaces.	0	1	2	3	4	5	
2.3	Space utilization: improves use of existing space by reconfiguration and/or making it flexible to adapt to changing needs.	0	1	2	3	4	5	
2.4	Facilities rightsizing: mothballs, demolishes or leases space to a compatible tenant (such as K-12, other higher ed or other community partner)	0	1	2	3	4	5	
2.5	Project renovates spaces.	0	1	2	3	4	5	
2.6	Project improves and supports science, technology, engineering and math (STEM) programs.	0	1	2	3	4	5	
								2 TOTAL Ensure high quality programs and services through a commitment to academic excellence and accountability – max 30 points



Minnesota
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Project Advisory Team Team Project Analysis
2012 Capital Projects Review & Comments

3.0	Provide programs and services to enhance the global economic competitiveness of the state, its regions and its people	0	1	2	3	4	5	
3.1	Project accommodates programs that demonstrate strong demand for graduates or close partnerships with employers and workforce agencies. Partnerships of other workforce connections are clearly defined with proven documentation.	0	1	2	3	4	5	
3.2	Projects accommodate academic programs which serve specific workforce development needs in the region.	0	1	2	3	4	5	
3.3	Projects goals and results are clearly defined and rationale is compelling.	0	1	2	3	4	5	
3.4	Project leverages funding from private and other governmental sources.	0	1	2	3	4	5	
3.5	Economic vitality objective; i.e. cost appears reasonable for a high-demand state or regional workforce and conversely, cost is not proportional to limited workforce gain	0	1	2	3	4	5	
								3 TOTAL Provide programs and services to enhance the global economic competitiveness of the state, its regions and its people – max 25 points



**Project Advisory Team Team Project Analysis
2012 Capital Projects Review & Comments**

4.0	Innovate to meet current and future educational needs											
4.1	Creates an innovative learning space and advances opportunities for faculty to use innovative instructional delivery models.	0	1	2	3	4	5					
4.2	Project provides flexibility to support multifunctional class sessions.	0	1	2	3	4	5					
4.3	Design of space for use by multiple programs and services now or over time.	0	1	2	3	4	5					
4.4	Collaborations with other higher education facilities that specifically enable flexibility, innovation and effective use of space.	0	1	2	3	4	5					
4.5	Demonstrates "best value for learning" – costs are reasonable or low in relation to outcomes.	0	1	2	3	4	5					
4.6	Project reduces backlog and that each project dollar towards modernization and/or renewal of space is matched by a project dollar amount to reduce campus backlog or address the immediate 5-year renewal	0	1	2	3	4	5					
												4 Total Innovate to meet current and future educational needs – max 30 points



Minnesota
STATE COLLEGES
& UNIVERSITIES

Project Advisory Team Team Project Analysis
2012 Capital Projects Review & Comments

5.0	Ensure the long term viability of higher public education in Minnesota											
5.1	Integrates planning and carries out provisions noted in the approved campus master plan.	0	1	2	3	4	5					
5.2	Improves condition of Facilities Condition Index (FCI) by improving the backlog or renewal.	0	1	2	3	4	5					
5.3	Renovation improves the current condition and positions academic space for future use.	0	1	2	3	4	5					
5.4	Effective use of Repair and Replacement funds (i.e. 3 year average of \$1.00/sq ft) at the institution that this project will augment	0	1	2	3	4	5					
5.5	Operational costs are clearly delineated. Quantifies positive or negative impact on operational cost and, if applicable, demonstrates how additional costs can be supported.	0	1	2	3	4	5					
5.6	Specifies how the project will advance sustainability and energy conservation in campus facilities.	0	1	2	3	4	5					
5.7	Project can be supported by current utility and other infrastructure or includes necessary updating of systems needed to support new facilities.	0	1	2	3	4	5					
5.8	Overall campus financial condition is healthy to absorb debt and operational expense – review Composite Financial Index (CFI)	0	1	2	3	4	5					
5.9	Project advances use of alternative fuel sources on campus, or project supports academic programs related to development and use of alternative fuel sources.	0	1	2	3	4	5					
												5 TOTAL Ensure long term viability of public higher education in Minnesota – max 45 points



**Project Advisory Team Team Project Analysis
2012 Capital Projects Review & Comments**

FINAL Scoring for the project:

1 Increase access opportunity and success	2 Ensure high quality programs and services through a commitment to academic excellence and accountability	3 Provide programs and services to enhance the global economic competitiveness of the state, its region, and its people	4 Innovate to meet current and future educational needs efficiently	5 Ensure the long term viability of public education in Minnesota	TOTAL
25 high 15 aver 5 low	25 high 15 aver 5 low	25 high 15 aver 5 low	30 high 18 aver 6 low	45 high 27 aver 9 low	150 high 90 aver 30 low

General Comments on the Project:



**Project Advisory Team Team Project Analysis
2012 Capital Projects Review & Comments**

Attachment A

Suggestions to Improve the Project:

FY2012 – 2017 Capital Budget Schedule

Oct – Dec 2009	Review and modify process; review planning survey, hear from discussion groups, obtain input from Board of Trustees and Leadership Council
March 2010	Campuses start predesigns to allow for input from faculty (prior to end of semester in May)
April 2010	Leadership Council: review draft FY2012 – 2017 Capital Budget Guidelines Board of Trustees: FY2012 – 2017 Capital Budget Guidelines, 1 st Reading
May 2010	Board of Trustees: FY2012 – 2017 Capital Budget Guidelines, 2 nd Reading
June 2010	Campuses submit tentative capital project titles and preliminary cost estimates
June - Aug 20	Develop predesign documents for 2012 capital projects and submit partial reports to the Office of the Chancellor: 50% due July 16, 2010; 80% due September 9, 2010
September 1, 2010	Capital project narrative (2 pages) and spreadsheets (3) submitted to Office of the Chancellor. HEAPR: Campuses analyze FRRM backlog and renewal data; begin engineering studies for significant HEAPR projects (over \$1 million)
October 29, 2010	Master list prepared of all campus requests for the 6-year Capital Plan; comments provided to campuses based on predesigns. <u>Predesigns must be 100% complete for 2012 projects.</u> Revised capital project narrative (2 pages) and spreadsheets (3) due. Responses back to campuses from Office of Chancellor no later than November 12
November 24, 2010	Final submittal of capital project narrative (2 pages) and spreadsheets (3) due
December 15, 2010	Project documents mailed to Project Advisory Teams. Predesigns posted on internal website and available to all Project Advisory Team members.
January 5 - 7, 2011	Project Advisory Teams evaluate and score capital projects
February 2011	Leadership Council reviews preliminary Project Advisory Teams' comments and project scores. HEAPR budget documents due; engineering reports should be complete
Feb - March 2011	Project Advisory Teams' scores presented to Board of Trustees; public hearings on proposed capital budget held and MnSCU 6-Year Capital Plan developed
April 2011	Leadership Council reviews preliminary FY2012 – 2017 Capital Budget
May 2011	Board of Trustees reviews FY2012 – 2017 Capital Budget, 1 st Reading
June 2011	Board of Trustees action on FY2012-2017 Capital Budget, 2 nd Reading Capital Budget forwarded to Governor and Legislature via state's Budget system
Aug – October 2011	Legislative committees conduct campus bonding tours using June project data
October 2011	Capital Budget requests "frozen" in the state's Budget Information System.
January 2012	Governor's Capital Budget recommendations
February 2012	2012 Legislature convenes

Mn State Colleges and Universities

2012 AGENCY CAPITAL BUDGET REQUEST

ATTACHMENT C

Project Name:

Fiscal YEARS 2010-2015

Project Narrative

NOTE: No more than 2 pages at 9 point; 50% due July 16; if Final due Oct 29, 2010. Revisions with Office of Chancellor comments then due Nov 24, 2010

2012 STATE APPROPRIATION REQUEST: Name the Project

AGENCY PROJECT PRIORITY: Note campus priority here #1 or # 2 or #3

PROJECT LOCATION: Campus Name

PROJECT DESCRIPTION: No more than 300 words

PROJECT RATIONALE AND RELATIONSHIP TO AGENCY LONG RANGE STRATEGIC PLAN:

Project Rationale:

Predesign:

Deferred Maintenance Backlog removed:

Note proposed items to be removed or renewal addressed) and dollar amount and FCI current and with this proposed project.

Energy efficiency or other specific sustainability highlights:

MnSCU Strategic Plan:

Increase Access, Opportunity and Success:

Ensure High-quality Programs and Services through a Commitment to Academic Excellence and Accountability:

Provide Programs and Services to Enhance the Global Economic Competitiveness of the State, its Region and its Peoples:

Innovate to Meet Current and Future Educational Needs:

Ensure the Long Term Viability of Public Higher Education in Minnesota:

IMPACT ON AGENCY OPERATING BUDGETS (Facilities Notes):

Capacity of Current Utility Infrastructure:

Building Operations Expenses (Heating, Cooling, Electrical, Refuse, 1% Renewal account, etc):

Debt Service:

Note Debt Service to date, with this project. Note CFI Note current year or 3 year average R and R spending:

OTHER CONSIDERATIONS:

Consequences of Delayed Funding:

Institution Master Plans & Regional Collaborations:

PROJECT CONTACT PERSON, TITLE, ADDRESS, PHONE, FAX, AND E-MAIL:

Enrollment and Space Utilization:

FYE	FY2007	FY2008	FY2009	FY2010
Room Utilization				

FY2012 – 2017 Capital Budget Guidelines Definitions

- **Asset Preservation:** There is no legal or generally accepted definition for asset preservation, but the definition in the state’s capital budget guidelines describe it as "committing necessary resources to preserving, repair, or adaptive re-use of current assets." Such projects are identified by including a dollar amount in the renewal (or asset preservation) column on the Project Construction spreadsheet in the official capital budget submission. Renewal in this context is defined as "expenditures to keep the physical plant in reliable operating condition for its present use, without programmatic change". Work under Higher Education Asset Preservation and Replacement (HEAPR) is usually characterized as simply “asset preservation.”
- **B3: Buildings, Benchmark and Beyond:** The B3 Guidelines are statutory requirements applicable to all new buildings and should also be used in all major renovations (where feasible). Guidelines are available at www.csbr.umn.edu/B3
- **Capital project:** A project for construction, renovation, major repair/replacement, and/or land acquisition, such that the total cost is “capitalized” on the books of the college or university. Capital projects are normally authorized and funded by the state legislature, through the sale of state general obligation bonds. Bonds are backed by the “full faith and credit” of the state, with interest based on the state’s current bond rating, and are repaid over 20 years. A capital project includes all costs associated with delivery of that project: design, construction, demolition, testing, inspection, furniture and furnishings, equipment, land acquisition, and project management.
- **Composite Financial Index (CFI):** A measurement tool used to annually gauge the financial health of a college or university based on generally accepted accounting principles. A higher CFI indicates stronger health, with a CFI of 3 being a possible benchmark. The system's current 2009 CFI is 1.87 (this follows 2.24 and 2.44 in fiscal years 2008 and 2007 respectively). The Higher Learning Commission has noted that if a campus is below 1.0, it is a warning sign concerning an institution’s financial health. A negative CFI would indicate criticality. For purposes of evaluating capital projects, the CFI will be examined over a three year time period. The CFI consists of four ratios or measures that are complex and aim for a more balanced look at financial health. The two current operating measures, return on net assets and operating margin, demonstrate the level of return on net assets and the extent to which operating revenues do or do not cover operating expenses, respectively. The primary reserve and viability ratios measure an organization’s liquid net assets that are available directly, or through additional borrowing, to cover emergency expenditures or invest in innovation.
- **Debt service:** Payments made by the state for principal, interest and issuance costs for the 20-year general obligation bonds. Minnesota State Colleges and Universities pays one-third of the debt service on authorized projects except HEAPR. One-half of the assigned debt service (one-sixth of the total) is assigned to the college or university benefiting from the project; one-sixth is spread over the system as a whole.

- **Deferred Maintenance and Repair Backlog (“Backlog”):** Necessary facilities renewal work that has not been accomplished and has been deferred due to lack of funding. This is often referred to as “deferred maintenance” which can give the mistaken impression that work has been deferred due to inattentiveness to maintenance or repair. A better term is “deferred capital renewal.” Items in the FRRM backlog run the gamut from being in marginal condition; to being obsolete where replacement parts are no longer available; to be failing or have already failed and will require expensive repairs in the future. For example, a boiler or roof that is past its useful life expectancy and is marginally functioning would be in the backlog. A single pane window system may be 50 years old, has failing material composition due to age and is energy inefficient. Despite the fact it provides marginal view and weather protection, the window system would be in the backlog. On the other hand, a 40-year old boiler may be in top condition due to exceptional maintenance and timely replacement of components. It would not be in the backlog.

For the FRRM purposes, the backlog represents the existing (or extrapolated) estimated costs associated with major maintenance, repair and replacement requirements for buildings, grounds, fixed equipment and infrastructure. The total equals the amount of funding that is needed for a facility or entire campus to be “whole and at current value.” It does not include work that is associated with program or academic improvements. Note the word ‘deferred’ is used only in that lack of funding creates this ‘deferred’ condition and does not imply that the campus has willingly chosen to not maintain the physical plant.

- **Facility Condition Index (FCI):** A measure of the physical condition of a building, or entire campus, with the value of deferred maintenance and repair divided by the replacement plant value. The Association of Higher Education Facilities Officers (APPA) indicates an FCI less than 5% is considered “good;” 5% to 10% as “fair;” and over 10% as “poor.” Through the FRRM documentation, the system has been tracking conditions since 2005. The 2010 extrapolation for all the campuses indicated a system wide average FCI of 11%. Campus FCI will be evaluated over a three year time period in connection with review of projects.
- **Facility Renewal Reinvestment Model (FRRM):** This program, implemented in 2005, evaluates the life cycle of building components and systems to determine and quantify campus conditions, both in terms of backlog of needs not addressed (or deferred due to lack of funding) and the upcoming needs for renewal of major systems and sub-systems. The model is easily updated by campus personnel on a yearly basis, thus providing an ongoing assessment of campus conditions. The model has 2005 as the base year and is updated by campus personnel annually in February of each year.
- **Furniture, fixtures and equipment (FF&E):** The outfitting phase of the project. State policy allows the purchase of FF&E using bond proceeds when included in a capital project. Most FF&E is purchased by the college or university using recommendations from the project architect, MinnCorr (prison industries), or local preferences and sources. Computers and other technology equipment may also be procured this way as part of the project.
- **HEAPR: Higher Education Asset Preservation and Replacement.** The HEAPR program, defined in Minnesota Statutes Chapter 135A.046, focuses on facilities maintenance and

repair needs that are capital in nature and unable to be funded through the campus operating budget. HEAPR also includes funding for compliance with life safety and building codes; Americans with Disabilities Act (ADA) requirements; hazardous material abatement and indoor air quality improvements; and facilities renewal in support of existing programs. As a part of the capital budget, HEAPR is usually expressed as a total, lump-sum requirement for appropriation purposes with a detailed campus-by-campus project list provided as backup information. HEAPR, since its inception in 1992, has been funded by general obligation bonds with no debt service requirement.

- **Operating Costs:** In context with the capital budget, projects must consider the impact on the campus operating budget. Operating costs include utilities, custodial care, maintenance and repair, debt service and staff labor expenses. The state does not provide additional operating budget funding in support of new or expanded facilities.
- **Space utilization:** A measure of how efficiently space is used as expressed by hours of class room usage. The baseline is considered to be 32 hours a week of any class and any timeframe (day or hourly) for 100% utilization.
- **Sustainability:** The best term we have found is: "the ability to meet current needs without compromising the ability for future generations to do the same." Components of sustainability include recycling and minimizing solid waste, conserving water and energy, purchasing appropriate goods and materials, long lived, low maintenance cost construction and development, and appropriate grounds maintenance. For further information contact the United States Green Building Commission at www.usgbc.org or the local Minnesota sustainable guidelines found at www.sustainabledesignguide.umn.edu.
- **Stages of a Project: Predesign – Design – Construction:**
 - **Predesign:** An element of project planning required by statute to define the project scope, cost and schedule. Predesign reports are commonly funded by the respective college or university from their operating budgets and generally cost less than 0.5% of the total project value. A professional architect/engineering firm should prepare the predesign report.
 - **Design:** The process that takes the project scope and budget as defined in the predesign and creates the architectural and engineering specifications and drawings on which a construction contractor will bid and perform the work. The design process normally has three phases: schematic design – the phase during which the project evolves as to siting, size, functionality, materials, and program placement; design development – the phase during which the architectural and engineering details emerge; and construction drawings – the final phase where specific drawings, specifications, details and instructions are provided to define the construction and provide the basis on which a contractor will bid. Cost estimates are prepared, analyzed and adjusted during all phases. Design of state buildings and other facilities must be accomplished by architects and engineers licensed to practice in Minnesota.

- **Construction:** The phase of the project where construction trades build the new facility, and renovate or repair the existing facility. Construction is normally accomplished through one contract with one general contractor, thereby minimizing risk to the owner. However, two or more contracts may be used to facilitate progress, e.g. an early contract for asbestos removal, site work and utilities; or a later contract for a parking lot, landscaping, or ancillary items able to be funded through cost savings over the life of the project. The system also uses other forms of project delivery such as design/build and construction manager. Construction normally represents about 70% of the total project cost.
- **Reinvestment:** The amount of funds that must be spent on an existing facility each year to preserve its physical state of readiness and programmatic value; the funds needed to return the capital asset to its full intended use, whether through planned renewal or reduction of the backlog. In the FRRM context, it is funding of Backlog plus Renewal. All building components have a predicted life span and must be replaced and/or refreshed periodically. To not reinvest is to “defer” and thus build a backlog of maintenance, repair and renewal.
- **Renewal:** The amount required to maintain facilities “at par” condition; the current or anticipated replacement need of a subsystem. For example, a 40-year old boiler that is scheduled to be replaced due to its age in 2012 would be indicated in that year as a “renewal” need. The FRRM model predicts future renewal requirements.
- **Repair and Replacement (R&R):** The amount of investment from a campus for items that assist in lengthening the life of the building which are typically coded from Fund 830.

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Committee: Finance, Facilities and Technology **Date of Meeting:** April 20, 2010

Agenda Item: FY 2012-2013 Biennial Operating Budget Request

Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring

Information

Cite policy requirement, or explain why item is on the Board agenda: The purpose of this report is to seek direction from the Finance, Facilities and Technology Committee regarding development of a 2012-2013 biennial operating budget request.

Scheduled Presenter(s): Laura M. King, Vice Chancellor - Chief Financial Officer
Judy Borgen, Associate Vice Chancellor Budget
Karen Kedrowski, System Budget Director

Outline of Key Points/Policy Issues: A significant state budget deficit is projected for 2012-2013. The state's economic outlook has a significant influence on the system's economic future. The financial outlook for the system for 2012-2013 is more than likely one of reduced state resources.

Background Information: Every other year the system develops a biennial operating budget request. Input is being sought from the Committee regarding interest in developing a biennial operating budget request for new state resources.

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

INFORMATION ITEM
FY 2012-2013 Biennial Operating Budget Request

BACKGROUND

Every other year, as part of the state’s operating budget process, the Minnesota State Colleges and Universities develops a biennial operating budget request. The request for the 2012-2013 biennium is due to the Governor and Minnesota Management and Budget in the fall of this year. Direction from the Finance, Facilities, and Technology Committee is sought to determine if the system should move forward with development of an operating budget request in light of the state’s projection of a significant budget deficit for the 2012-2013 biennium.

Financial outlook for 2012-2013 biennium

The state’s most recently released planning estimates for the 2012-2013 biennium projects a structural shortfall of \$5.789 billion. As specified in current law, projected spending does not include general expenditure inflation which would add an additional \$1.181 billion to spending estimates for the next biennium assuming a 2.1 percent increase in fiscal year 2012 and a 1.9 percent increase in fiscal year 2013. (Table 1) With a projected \$5.789 billion deficit before consideration of general expenditure inflation, the 2011 legislative session will be a difficult one. The November 2010 and February 2011 revenue forecasts will set the stage for deliberations.

Table 1 **State of Minnesota
FY2012-2013 Planning Estimates**

(\$ in millions)	February Forecast
Revenues	\$32,906
Expenditures	\$38,695
Difference	(\$5,789)
<i>Inflation estimate (CPI)</i>	<i>\$1,181</i>

Planning assumptions assume:

- Complete repayment of the K-12 aid deferral. Delaying repayment would save \$1.163 billion.
- No repayment of the K-12 property tax recognition shift. Repayment would cost \$564 million.
- No continued GAMC spending. Restoring the program would cost \$928 million.

Source: Minnesota Management and Budget, February 2010 Forecast.

The state’s economic outlook has a significant influence on the system’s economic future. With the system’s relationship between state appropriation and tuition of 45 percent appropriation and 55 percent tuition, a large portion of its general fund revenue comes from the state of Minnesota. The financial outlook for the system also shows a structural shortfall for the 2012 and 2013 biennium. The system’s fiscal year 2011 general operating fund expenses are projected to be \$1.5 billion (adjusted to exclude the use of fund balance). After factoring in the governor’s planning assumption of \$594.4 million of appropriation, expenditure inflation assumptions at the CPI level of 2.1 percent and 1.9 percent, the system is projecting a \$91.9 million shortfall over the next biennium. This estimate is prior to consideration of any further appropriation reductions, additional tuition revenue as a result of rate increases or enrollment change, and labor settlement costs above the CPI inflation assumptions. (Table 2)

**Table 2 Minnesota State Colleges and Universities
General Fund Planning Outlook**

(\$ in millions)	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>
REVENUES			
Appropriation	\$605.5	\$594.4	\$594.4
Tuition	\$789.6	\$789.6	\$789.6
Other revenue	\$128.0	\$128.0	\$128.0
Total	\$1,523.1	\$1,512.0	\$1,512.0
EXPENSES			
Compensation	\$1,097.2	\$1,120.3	\$1,118.2
Other operating	\$414.6	\$423.3	\$422.6
Total	\$1,511.9	\$1,543.6	\$1,540.8
GAP	\$11.3	(\$31.6)	(\$28.7)

Note:

1. Biennium budget gap is equal to the 2012 gap times 2 plus the 2013 gap = \$91.9 million.
2. The model assumes the previous year's budget gap is solved before calculating the following year's budget gap.
3. Model does not contain a tuition rate increase or change in volume in 2012 or 2013.
4. Model assumes labor costs increase at CPI only.

In the supplemental higher education bill, the legislature set the system’s base for the next biennium at \$632.4 million per year. However, for planning purposes the system is continuing to use the governor’s planning assumption of \$594.4 million which recognizes the unallotment as a permanent base reduction.

The financial outlook for the system is more than likely one of reduced state resources, assuming spending reductions are part of the legislative solution to the 2012-2013 deficit. The system represents 3.9 percent of the state's general operating budget. If half of the state's projected deficit was solved through spending reductions, the impact on the system could be at least a \$100 million reduction over the next biennium. Assuming a base appropriation reduction of \$35 million from the governor's planning estimate in fiscal year 2012 and an additional \$35 million base reduction in FY2013, the system would have a budget gap of \$196.3 million over the biennium. This shortfall is before any additional tuition revenue as a result of rate increases or enrollment growth and without consideration of labor contract settlements above CPI inflation assumptions. (Table 3)

Table 3 **Minnesota State Colleges and Universities**
General Fund Planning Outlook
Model for Forecasting Appropriation Reductions
Fiscal Years 2012-2013

(\$ in millions)	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>
REVENUES			
Appropriation	\$605.5	\$559.4	\$524.4
Tuition	\$789.6	\$789.6	\$789.6
Other revenue	\$128.0	\$128.0	\$128.0
Total	\$1,523.1	\$1,477.0	\$1,442.0
EXPENSES			
Compensation	\$1,097.2	\$1,120.3	\$1,092.3
Other operating	\$414.6	\$423.3	\$412.8
Total	\$1,511.9	\$1,543.6	\$1,505.1
GAP	\$11.3	(\$66.6)	(\$63.1)

Note:

1. Biennium budget gap is equal to the 2012 gap times 2 plus the 2013 gap = \$196.3 million.
2. The model assumes the previous year's budget gap is solved before calculating the following year's budget gap.
3. Model does not contain a tuition rate increase or change in volume in 2012 or 2013.
4. Model assumes labor costs increase at CPI only.

As shown below in Table 4 below, a one percent increase in the tuition rate would reduce the budget gap by \$7.9 million. A four percent tuition increase would generate an additional \$31.6 million in revenue, reducing the budget gap by half. A one percent increase in compensation above the CPI assumption would increase expenses by an additional \$11.2 million.

Table 4

**Minnesota State Colleges and Universities
Tuition and Compensation Impact on Budget Gap**

(\$ in millions)	<u>FY2012</u>	<u>FY2013</u>
GAP	(\$66.6)	(\$63.1)
1 percent tuition rate increase	\$7.9	\$7.9
1 percent compensation increase	\$11.2	\$11.2

Development process of the biennial operating budget request

The development of the system’s biennial budget request is a collaborative process between the Board, the Leadership Council, and constituent groups. The development process used to generate the operating budget request would seek input over several months from the system’s stakeholders regarding the content of the operating budget request. Conversations with stakeholders would occur at scheduled meet and discuss with students, meet and confer sessions with bargaining groups, Leadership Council, and other venues with system constituents. Based on the input from the stakeholders, the chancellor would develop and release his recommendation for the biennial operating budget request to the Board for its action in late fall.

Historically, the biennial operating budget request seeks resources for inflationary costs and for advancement of the strategic priorities of the Board. The funding of a biennial operating budget request is typically structured as a shared responsibility between the state, students, and the system. The operating budget request would include additional state resources (state responsibility), a tuition expectation (student responsibility), and reallocation of current resources (system responsibility).

In the current biennium, the operating budget requested approved by the Board sought new funds totaling \$71.7 million, a 5.3 percent increase over the 2010-2011 base appropriation of \$1,363.4 million. The budget request was for inflationary costs only. Although the system requested new state resources, the final Omnibus Higher Education bill reduced the system by \$92.7 million, a 6.8 percent reduction. In addition, a governor’s unallotment and the 2010 supplemental higher education budget bill reduced the system’s fiscal year 2011 appropriation by another \$60.5 million. The total reduction

in this biennium will be \$153.2 million (11 percent). However, the system received \$79.2 million of one-time federal stimulus aid through the American Recovery and Reinvestment Act (ARRA) of 2009, for a net reduction of \$74 million, 5.4 percent.

With the exceptions of the 2004/2005 and 2010/2011 biennia when the state was dealing with large budget deficits, the legislature has funded from 34 percent to 86 percent of the system’s biennial operating budget requests. Table 5 shows the success of the system in receiving new operating budget resources from the Legislature.

Table 5 **Minnesota State Colleges and Universities**
Biennial Budget Request Versus Funded
Fiscal Years 1996 to 2011
 (\$ in millions)

<u>Fiscal Years</u>	<u>New Funds Requested</u>	<u>Funded</u>
1996/1997	\$115.7	\$42.5
1997 Supplemental	\$29.7	\$4.9
1998/1999	\$127.9	\$110.5
1999 Supplemental	\$42.0	\$36.0
2000/2001	\$253.0	\$104.4
2001 Supplemental	\$21.6	\$13.2
2002/2003	\$310.9	\$105.0
2003 Supplemental	\$0	(\$22.7)
2004/2005	\$107.6	(\$189.0)
2006/2007	\$197.3	\$107.5
2008/2009	\$177.0	\$151.8
2009 Supplemental	\$0	
2010/2011	\$71.7	(\$92.7)
2010 Supplemental (and governor’s unallotment)	\$0	(\$60.5)

With the state’s lack of resources and competing legislative priorities, the system will most likely find itself in the position of making a strong case for maintaining its current base funds in an environment where the legislature will be making spending reductions. Such a prospect is a daunting challenge to the system which provides services that are indisputably critical to the future of the state and its citizens. The colleges and universities will be pressured to balance a decrease in state resources while trying to provide affordability and accessibility for students.

Summary

Direction will be sought from the Finance, Facilities, and Technology Committee regarding consideration of the formulation of a 2012-2013 biennial operating budget request. The Committee will need to consider the state's economic outlook and its desire to further advance the Board's strategic plan. If it is the Committee's desire for the system to pursue development of a biennial budget request that seeks new resources above the forecast base, the Chancellor and Vice Chancellor – Chief Financial Officer will seek advice as to the content, size, and role of tuition in the budget request that would move forward.

Date Presented to the Board of Trustees: April 21, 2010

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Committee: Finance, Facilities and Technology **Date of Meeting:** April 20, 2010

Agenda Item: Follow-up to OLA Evaluation of the System Office

Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring

Information

Cite policy requirement, or explain why item is on the Board agenda: The evaluation report of the MnSCU System Office was released by the Office of the Legislative Auditor in February 2010 and included several recommendations which address the operations of the Finance and Information Technology divisions of the Office of the Chancellor.

Scheduled Presenter(s): Laura M. King, Vice Chancellor – Chief Financial Officer

Outline of Key Points/Policy Issues: This report identifies the lead elements of work effort, timelines, and initial resource estimates required to initiate and sustain the identified work. The committee’s input is needed endorsing the initial scope of effort and acknowledging additional resource needs.

Background Information: In early 2009, the chair of Minnesota State Colleges and Universities Board of Trustees and Chancellor McCormick requested the Legislative Audit Commission to authorize an evaluation of the Office of the Chancellor, including an examination of administrative functions. The study was approved and undertaken in the fall of 2009.

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

INFORMATION ITEM

Follow-up to OLA Evaluation of the System Office

BACKGROUND

In early 2009, the Chair of Minnesota State Colleges and Universities Board of Trustees and Chancellor McCormick requested the Legislative Audit Commission to authorize an evaluation of the Office of the Chancellor, including an examination of administrative functions. The study was approved with work undertaken in the fall of 2009 and final report released in February 2010. Several recommendations addressed operations within the Finance and Information Technology divisions of the Office of the Chancellor.

The March 2010 meeting of the Finance, Facilities and Technology Committee included the initial follow-up to the recommendations contained in the Office of Legislative Auditor's report. The purpose of this report is to outline preliminary action plans and timetables for the consideration of the recommendations.

There are three recommendations with substantial system wide and strategic implications and four recommendations that represent opportunities for administrative process improvements.

SYSTEM WIDE AND STRATEGIC RECOMMENDATIONS

Efficiency and Effectiveness – “There may be opportunities for administrative efficiencies through multi-campus or centralized delivery of some services.” (page 28 of the report). The Board chair has charged this committee with examining the opportunities to foster expanded use of multi-campus delivery for certain administrative services. The report included a list of possible areas for study (page 30 of the report).

Project Plan: This report will focus on further development of the planning, design and implementation work currently envisioned as lead elements addressing opportunities for continuous improvement in administrative efficiency and effectiveness. The following information has been developed in response to the OLA findings and recommendations.

It is worth noting that the themes of efficiency and effectiveness are not new, and have been an on-going focus for a long period of time. A number of past efforts have resulted in significant effectiveness and efficiency gains, including:

- Seamless,
- Business Process Alignment Committee (BPAC), and
- Students First

Furthermore, specific areas have already benefited from utilizing a shared service approach, for example:

- Student loans,
- Tax services, and
- ISRS improvements.

There has also observed a recent increase in collaboration between the colleges/universities. Specific examples include:

- Collaborative sourcing team,
- Metro alliance banking RFP, and
- HR/payroll processing.

However, continuous improvement principles dictated a renewed emphasis on further efforts to achieve a more fully-integrated MnSCU-wide enterprise. The February 10, 2010 memo from the Board Chair provides clear direction. It indicates progress should be demonstrated by the end of June, 2010, with additional progress and timelines for completion of other actionable items by January, 2011. Given this schedule, it is recommended that four areas receive immediate attention:

- Financial aid loan processing
- eTimesheet interface/payroll processing
- Retirement system processing
- Unclassified leave processing

Success will be defined in multiple ways, including:

- Improved service levels to students, faculty and staff (timeliness, fewer complaints)
- Effectiveness (more accurate, more consistent, better)
- Efficiency (quicker, less effort)
- Cost savings/future cost avoidance
- Increased compliance (more automation, less manual processing)

These five categories are frequently cited as best practices, and are heavily utilized in the private sector, when large organizations are considering moving specific functions and services into a shared services environment.

The following table depicts how the proposed initiatives align with the success criteria.

	Improved service levels	Effectiveness	Efficiency	Cost savings/ future cost avoidance	Increased compliance
Financial aid processing	✓	✓	✓	✓	✓
eTimesheet / Payroll	✓	✓	✓	✓	
Retirement system processing	✓	✓	✓	✓	✓
Unclassified leave	✓	✓	✓	✓	✓

Specific details around each proposed initiative and a conceptual timeline can be found in Attachment A.

Resource Requirements

In order to begin work, a number of required resources have been identified. These are incremental/new positions, in addition to existing requests. MnSCU cannot simply shift existing resources onto these projects, as they are already fully consumed on existing projects and activities. Stopping existing work that has already been prioritized is not feasible.

Accomplishment of the 4 initiatives will require the following resource set for Phase I, however, the process analyst resource anticipates initiative development beyond Phase I. These are VERY preliminary estimates only, based on efforts of similar scope and assuming all initiatives are designed, developed and implemented concurrently.

- 4-8 Business Analysts for 3-9 months (1-6 FTE)
- 4-8 Developers for 3-9 months (1-6 FTE)
- 4-8 Process Analysts for 12-18 months (4-12 FTE)

Resources will also be required to support the full implementation (i.e., beyond Phase I) for each initiative, and allow for implementation of other initiatives over time.

The March 16, 2010 Finance, Facilities and Technology OLA follow-up information item identifies several other potential campus administrative services

that could be candidates for multi-campus or centralized service delivery. This list was also augmented during a discussion of the Students First – Shared Services working group. It should be emphasized that each of these efforts would likely require a similar level of resource support.

Summary

The preliminary timelines are heavily dependent on resourcing. Aggressive resourcing can accelerate the timelines, allowing MnSCU to realize significant benefits in a short time frame. Conversely, insufficient resourcing will result in tasks falling behind schedule, and anticipated benefits may not be fully captured.

The next steps include development of a through cost-benefit analysis for each initiative, which will provide a detailed return-on-investment (ROI), and articulate both the quantitative and qualitative benefits in the five categories previously identified. Effort will also begin to obtain financial resources through the internal allocation process in support of this effort.

Committee endorsement of this scope and approach is requested, allowing the project to move forward with planning, design, resourcing and implementation activities for each initiative.

Board Oversight – “the Board of Trustees should exercise stronger ongoing oversight of the system office” (page 46 of the report). The Board chair has recommended that each Board committee develop recommended measures and benchmarks for the division(s) assigned to it. The Executive committee would then consolidate the recommendations into a cohesive oversight plan.

Project Plan: The Executive Committee of the Board will consider a strategy for this recommendation at its April 2010 meeting. The concept includes an annual report to each policy committee in June of each fiscal year. The report will provide budget and staffing information for the related division of the Office of the Chancellor and report on accomplishments of the division and the committee against that year’s committee/division work plan.

Information Technology Services – the report raised several concerns about the work of the division (page 79-80 of the report). The issues include selection of projects, project management and tracking, user testing and training and contract management. The Chair has indicated an interest in re-establishment of the Information Technology committee of the board. Pending that action, this issue will be tracking in the Finance, Facilities and Technology Committee.

Project Plan: The Vice Chancellor – Chief Information Officer has undertaken a complete review of the issues identified in the OLA report. It is noted that significant progress has occurred in some areas while others are still underway. Work is progressing to prepare a workplan with timetables and action steps for

each of the identified areas. The work plan and a status report will be presented at the first meeting of the newly formed Technology Committee expected to occur after May 2010.

Administrative Process Improvements

***Purchasing authority for presidents** - The report noted the need for clarification of presidential authority for certain purchase transactions and recommended changes in board procedure or other changes (page 32 of the report). Staff had been working on this issue for several months prior to the reviewers' comments.*

Action Plan: board adopted revisions to Board Policy 5.14 at its March 2010 meeting. The policy and the related revised procedure have been distributed to the colleges and universities. Additional training will be provided during 2010.

Status: completed

***Institutional charges outside of the regular allocation process** - the report recommends that the Board receive additional information about charges made by the Chancellor's office to the colleges and universities (page 48 of the report).*

Action plan: The annual budget materials submitted to the committee will be expanded to include a complete discussion of any charges contained in the plan.

Status: Pending consideration of 2011 budget scheduled for April/May 2010

***Oversight of professional technical contracts** - The report recommended that the Chancellor's office should improve oversight of professional technical contracts (page 80 of the report). Several recommended process changes are put forward including improvements to the contract form and implementation of a post completion review.*

Action plan: A work group will be formed to review this issue.

Status: It is expected that recommended additions to procedure will be in place by September 1, 2010.

***Efficiencies in the management of capital projects** - The report made several recommendations for changes to the capital project management process (page 87 of the report) Observations were made about the project planning, design and construction phases of the process.*

Action plan: Two work groups including campus leadership will be formed to review the recommendations and underlying processes. Recommendations for changes will be considered and implemented by December, 2010.

Status: Work groups formed and project underway. Completion on schedule expected.

Date Presented to the Board of Trustees: April 21, 2010

EFFICIENCY AND EFFECTIVENESS PROJECT

CONCEPTUAL PLANS

Financial aid processing

Key elements of the financial aid loan request and certification process require manual intervention. By implementing both process and application changes, processing time can be dramatically reduced, providing an immediate benefit to students. It will also eliminate the need for financial aid staff to spend time on non-value added activities, and instead allow them to focus on student needs.

- Phase 1 – these changes will reduce student loan request processing time from 6 weeks to less than 1 week
- Goal: 3-4 institutions by end of calendar 2010
Most or all institutions by June, 2011

Once the manual tasks above have been automated, all downstream activities could be handled in a shared services environment.

- Phase 2 – implement shared services, will require additional design effort, initial scope would only be for loan processing, but then opens the door for processing of award letter creation
- Goal: Pilot in January, 2011
Most or all institutions by end of calendar 2012

eTimesheet/Payroll processing

This project will automate the time sheet interface between MnSCU and MMB.

- Phase 1 – get the interface up and running, convert all colleges and universities
- Goal: 6-12 institutions by end of calendar 2010
Most or all institutions by June, 2011

Once the interface has been rolled out, payroll is an excellent candidate for processing in a shared services environment.

- Phase 2 – implement shared services, will require additional design effort, initial scope would only be payroll processing, but then opens the door for broader human resources transaction processing
- Goal: 1-2 institutions by end of calendar 2010
Most or all institutions by June, 2012

Retirement system processing

This project will result in a new/updated retirement record keeper and fund provider.

- Phase 1 – evaluation, selection, conversion and implementation of record keeper and fund provider
- Goal: Completion by June 30, 2011 This effort will implement specific changes, along with a centralized help desk and audit function, allowing retirement system processing to occur in a shared service environment

- Phase 2 – implement report and application changes, implement help desk and audit function
- Goal: Fully implemented by June 30, 2011

Unclassified leave processing

Currently, processing of unclassified leave is a manual and error-prone process. Additionally, many process variances exist across the colleges/universities. This area has been highlighted as a concern in past OLA and external audit findings.

(Preliminary analysis not completed in time for inclusion in this report)



Conceptual Timeline

April '10

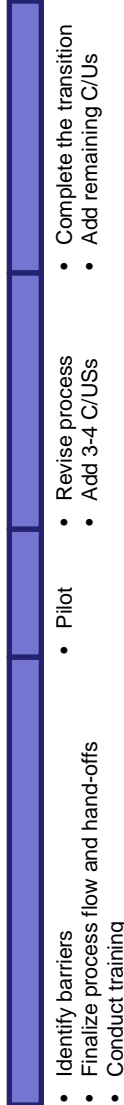
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Jan '13

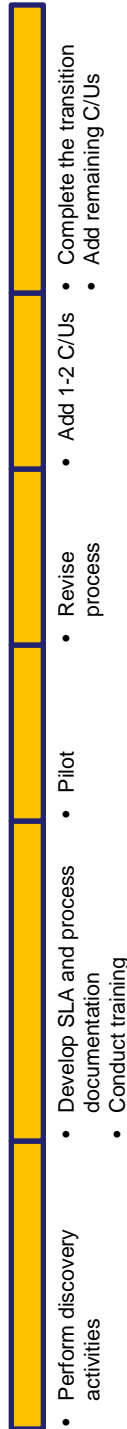
**PRELIMINARY
DRAFT**
Discussion only

Attachment B

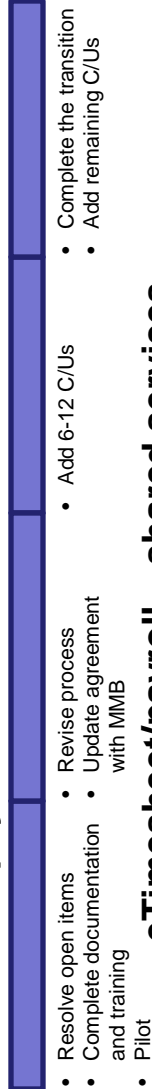
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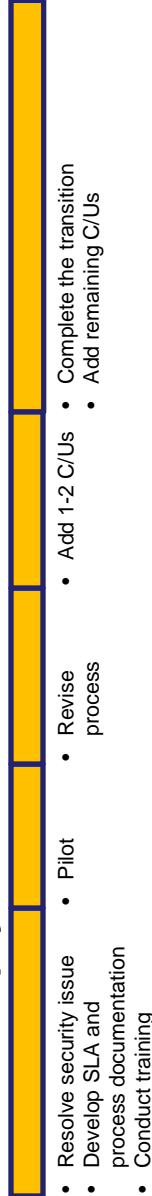
Financial aid – shared services



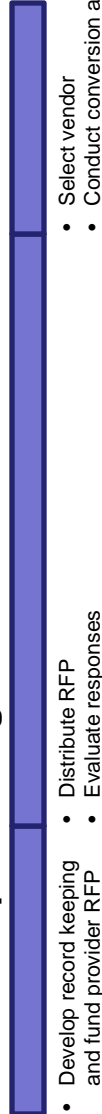
eTimesheet/payroll Interface



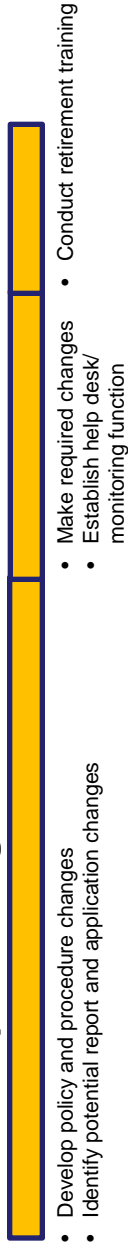
eTimesheet/payroll – shared services



Retirement processing – vendor selection



Retirement processing – shared services



Attachment B