

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

Agenda Item Summary Sheet

Committee: Finance, Facilities and Technology **Date of Meeting:** May 18, 2010

Agenda Item: FY 2012 - 2017 Capital Budget Guidelines

<input type="checkbox"/> Proposed Policy Change	<input checked="" type="checkbox"/> Approvals Required by Policy	<input type="checkbox"/> Other Approvals	<input type="checkbox"/> Monitoring
 <input type="checkbox"/> 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**

Second Reading

BOARD ACTION

FY 2012-2017 Capital Budget Guidelines

Changes to these Guidelines since the First Reading are noted in italics on page 11 of this report and on Attachment A (revised).

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 **(revised)**.

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.

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 compete 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.

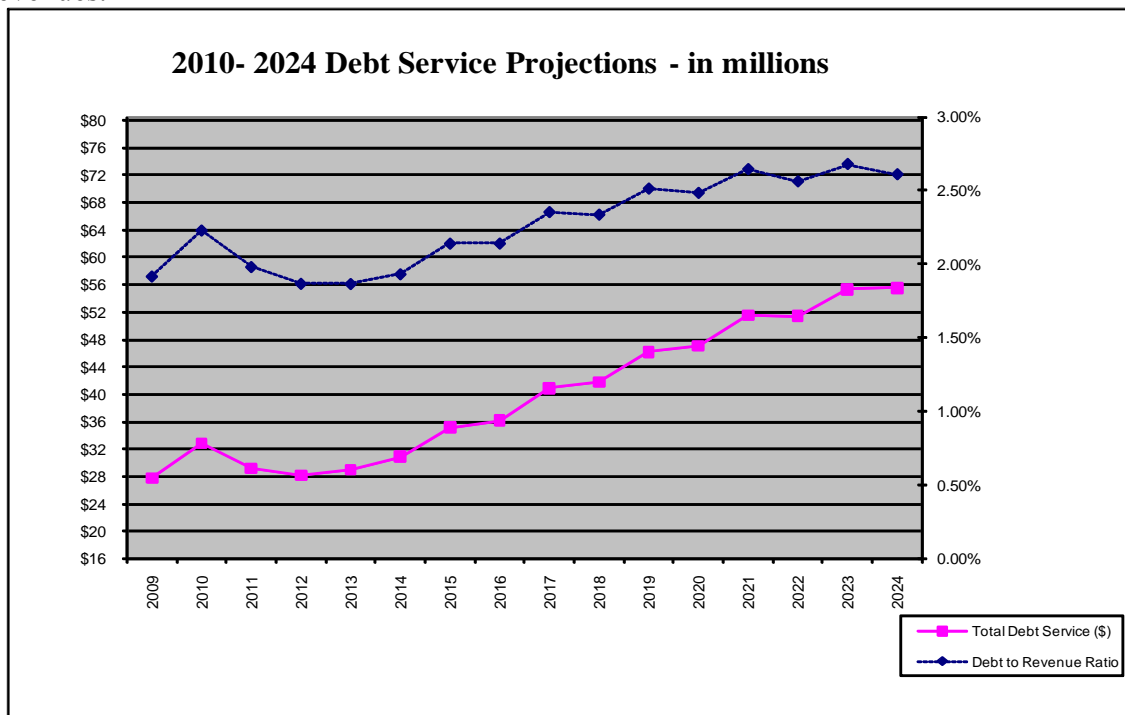
The current condition assessment of system facilities indicates a backlog of capital renewal of \$660 million. Any investment in addition to the \$273 million suggested above would help bring down the backlog. Allowing additional renovation projects at about \$17 million and raising the HEAPR budget 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 FY2012 – 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. **Projects that were previously approved by the Board in 2010 or earlier will receive a preferential ten percent (10%) bonus of their subtotal score. Projects that were approved by the Board and also in the 2010 bonding bill will receive an additional five percent (5%) for a maximum of fifteen percent (15%) bonus of their subtotal score.** 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.

College/university project priorities: Several colleges or universities may be submitting more than one capital project, and therefore should indicate their institution's priority. Ten additional points will be awarded to the institution's number one (#1) priority project. Additional points will not be awarded for an institution's priorities other than its #1 priority project.

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: May 19, 2010



Project Advisory Team Project Analysis
2012 Capital Projects Review & Comments

Project: _____

Strategic Plan	Not Appli- cable	Low		Average	High		Comments that justify your score
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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Attachment A Revised

Project Advisory 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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Attachment A Revised

Project Advisory 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 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
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Attachment A Revised

Project Advisory 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 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
					SUBTOTAL
<u>Additional points: 10% of subtotal for projects included in the Board of Trustees' 2010 Capital Budget; 5% additional (max 15% of subtotal) if on Board list and also approved by the legislature in 2010 bonding bill.</u>					
<u>Additional 10 points for college/university's #1 priority project.</u>					
GRAND TOTAL					GRAND TOTAL



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General Comments on the Project:

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 <u>Revised</u>
Project Name:	Fiscal YEARS 2010-2015	Project Narrative
<p>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</p>		
<p>2012 STATE APPROPRIATION REQUEST: Name the Project</p> <p>2010 Board of Trustees Approved Request: Yes or No</p> <p>CAMPUS PROJECT PRIORITY: Note campus priority here #1 or # 2 or #3</p> <p>PROJECT LOCATION: Campus Name</p> <p>PROJECT DESCRIPTION: No more than 300 words</p> <p>PROJECT RATIONALE AND RELATIONSHIP TO AGENCY LONG RANGE STRATEGIC PLAN:</p> <p>MnSCU Strategic Plan:</p> <p><u>Increase Access, Opportunity and Success:</u></p> <p><u>Ensure High-quality Programs and Services through a Commitment to Academic Excellence and Accountability:</u></p> <p><u>Provide Programs and Services to Enhance the Global Economic Competitiveness of the State, its Region and its Peoples:</u></p> <p><u>Innovate to Meet Current and Future Educational Needs:</u></p> <p><u>Ensure the Long Term Viability of Public Higher Education in Minnesota:</u></p> <p>Institution Master Plans & Regional Collaborations:</p> <p>Enrollment and Space Utilization:</p>		<p>FYE</p> <p>Room Utilization</p> <p>Project Rationale:</p> <p>Pre-design:</p> <p>Deferred Maintenance Backlog removed: Note proposed items to be removed or renewal addressed) and dollar amount and FCI current and with this proposed project.</p> <p>Energy efficiency or other specific sustainability highlights:</p> <p>IMPACT ON AGENCY OPERATING BUDGETS (Facilities Notes):</p> <p>Capacity of Current Utility Infrastructure:</p> <p>Building Operations Expenses (Heating, Cooling, Electrical, Refuse, 1% Renewal account, etc):</p> <p>Debt Service: Note Debt Service to date, with this project. Note CFI Note current year or 3 year average R and R spending:</p> <p>OTHER CONSIDERATIONS:</p> <p>Consequences of Delayed Funding:</p> <p>PROJECT CONTACT PERSON, TITLE, ADDRESS, PHONE, FAX, AND E-MAIL:</p>
<p>FY2007</p> <p>FY2008</p> <p>FY2009</p> <p>FY2010</p>		

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.