

MINNESOTA STATE COLLEGES AND UNIVERSITIES

BOARD OF TRUSTEES

**JOINT ACADEMIC AND STUDENT AFFAIRS AND FINANCE AND FACILITIES
COMMITTEE**

MEETING MINUTES

January 22, 2014

Finance and Facilities Committee Members Present: Vice Chair Dawn Erlandson, Trustees Duane Benson, Thomas Renier, and Elise Ristau

Academic and Student Affairs Committee Member Present: Chair Margaret Anderson Kelliher, Trustees Duane Benson, Cheryl Dickson, Dawn Erlandson, Maria Peluso, Louise Sundin

Other Board Members Present: Trustees Alexander Cirillo, and Clarence Hightower

Leadership Council Representatives Present: Chancellor Steven Rosenstone, Vice Chancellor Laura King, Vice Chancellor John O'Brien, President Phil Davis

The Minnesota State Colleges and Universities Joint Academic and Student Affairs and Finance and Facilities Committee held its meeting on January 22, 2014, 4th Floor, McCormick Room, 30 East 7th Street in St. Paul. Vice Chair Erlandson called the meeting to order at 11:02 a.m.

1. 2016 – 2021 Capital Budget, and 2015 - 2020 Revenue Fund Guidelines (First Reading)

Vice Chancellor King introduced President Phil Davis, Finance Committee liaison, also representing the Leadership Council. President Davis will be sharing comments from President Hanson, Finance Committee liaison and President Potter, Academic and Student Affairs Committee liaison.

Chancellor Rosenstone said that Minnesota State Colleges and Universities needs academic priorities to be embedded into its capital requests and asked the Trustees to keep that in mind throughout the discussion.

Mr. Yolitz said this joint meeting is designed to guide academic planning as part of the 2016 capital planning process. This is the first reading of the guidelines and any amendments that emerge from today's discussion will be incorporated into the second reading, which will be presented at the March Board meeting. The draft guidelines that are presented today differ from past guidelines in four key ways: inclusion of the revenue fund investment parameters in the document; a call for stronger regional and statewide academic and physical planning coordination; explicit Board endorsement of the system's historical off season approach to

bonding bills; and, in addition to the 2016 request, a request for inclusion of potential 2018-2020 projects in campus submissions. This will give a better sense of capital development in the future.

Mr. Yolitz said that capital projects carry one third of the debt service cost; one sixth by the gaining institution, and one sixth by the system, carried over twenty years. Under the revenue fund, MnSCU issues its own bonds to buy, build, renovate or repair revenue generating facilities such as residence halls, student unions, parking and dining. The full costs of the projects are paid for by students and user fees.

The capital budget guidelines are designed to align with the principles established in the Strategic Framework and the six recommendations adopted by the Board in Charting the Future. The Board will be presented with a list of recommended revenue fund projects this fall.

Mr. Yolitz reported that, as of 2013, the estimated maintenance backlog in academic facility spaces is approximately \$715 million. There is an estimated \$440 million in additional work expected to be required over the next 5 years, bringing the total to a potential expense of \$1.2 billion. Eighty percent of MnSCU facilities were built in or prior to 1975. Existing academic space is utilized an average of 70 percent, converting to 22 hours per week, nine months of the year.

The draft guidelines reflect a strategy to address ongoing issues in the colleges and universities facilities such as fiscal viability and sustainability, reducing deferred maintenance backlog, and optimizing space use, and adaptability for evolving delivery methods in higher education. The proposed guidelines for FY 2016 - 2021 include: a strategic and statewide program focus (both institutionally and regionally), taking care of what we have and what we need, renovating and repurposing existing space, building for the future with adaptable space, and minimizing new square footage.

Mr. Yolitz indicated that the Board will be asked to consider a 2016 capital target budget of \$250-\$285 million for the total capital program. The Board has historically supported funding for valid, unfunded priorities from the prior bonding session if capital bonding opportunities arise in off-years. A change to the guidelines is that the Board may be asked to support 'tails' of new projects approved and funded in prior bonding sessions, broadening the scope of what could be funded. The chancellor would consult with the Board prior to the start of the legislative session. Additionally, in order to provide full visibility to the Board, all schools are asked to indicate major capital projects anticipated for the FY 2018 and FY 2020 biennial periods as part of their facility master plans.

Trustee Renier asked if there is a strategic use for HEAPR-like projects and how is maintenance backlog categorized. Mr. Yolitz said that the focus will be on taking care of what we have. A lot of work can be done under HEAPR, and the funding mechanism is different than for that of capital projects. Projects are categorized under the Facilities Reinvestment and Renewal Model (FRRM). The FRRM takes into account age, life

expectancy, and then an assessment is made by the facilities staff at the school to determine if preventative maintenance can be performed, prolonging the life of the asset.

The revenue fund is countercyclical with the capital budget process, operating in an odd-numbered planning and funding cycle. Unlike capital projects, revenue fund projects are funded through student fees, do not compete for bond funding at the state level, and must have student support through a consultation process.

Vice Chancellor King requested that the Board think about key questions surrounding the guidelines – are the five core considerations (found on pages 5 – 6) the right ones; do the draft guidelines better position academic goals in the capital process; and will the guidelines generate the highest priority projects?

Vice Chancellor O'Brien said that Academic and Student Affairs strongly supports the first consideration which focuses on strategic institutional and regional alignment. The flexible language in the guidelines is important due to the ever-changing needs of Academic and Student Affairs. The relationship between Academic and Student Affairs and the capital program aligns with Charting the Future work. Academic and Student Affairs topics will be integrated into the Trends and Highlights meetings beginning next year.

President Davis noted the draft guidelines before the committee have been reviewed and endorsed by the Leadership Council. President Davis said the guidelines have a good focus with the addition of Academic and Student Affairs' needs. Physical assets can be the deciding factor for recruiting new students. It is important to have adequate classrooms and labs to support their learning. Stronger regional and statewide focus allows for better individual and collective planning. In order to remain competitive, the focus of academics has changed from classifications such as libraries and science, technology, engineering and math (STEM) focus, towards spaces for general or workforce education.

President Davis offered remarks on behalf of the Academic and Student Affairs and Finance committee liaison presidents. President Hanson's comments included that the guidelines represent a movement toward long-term planning. The guidelines, both institutionally and systemwide, point toward student success.

President Potter's remarks included that the process for collaboration among institutions is unknown, but the guidelines will help define the path, and they will change MnSCU's methodology. Charting the Future is about stability and meeting the needs of our students; it presents new expectations, fiscal responsibility, and a new financial model that better meets the changing times.

Trustee Anderson Kelliher referred to the first consideration (strategic regional and statewide program focus), and suggested that the word academic be inserted for clarification purposes. (There may not be an assumption that "program" is referring to academics.) On the fourth consideration (flexible and adaptable space), clarify if that addresses new space only, and combine bullet point 3 and 4, and then move it into consideration 5 (minimizing new square

footage). Trustee Dickson added that many people will only read the bolded line, so it should be as clear as possible.

Trustee Dickson referred to consideration five (minimizing new square footage) and asked how MnSCU would be able to present a need for new construction, particularly with only 70 percent usage, as Mr. Yolitz had stated. Mr. Yolitz replied that there is variation of space campus to campus – some campuses have experienced growth to where scheduling goes into the night; and others have excess square footage. Some campuses may require new square footage, while others may need demolition. There is maintenance cost associated with each square foot, so the goal is no new net square footage. There is capacity to use more of the existing space and become more efficient and effective with it. The no new net square footage is at a program level, and not campus by campus. Vice Chancellor King added that considerations 2-5 are similar to what has been proposed in the past. The 2014 program is a reduction in square footage, even with adding buildings at Metropolitan State University and Minnesota State University Mankato, and adding square footage at Saint Paul College and Minnesota State University, Moorhead.

Trustee Sundin recommended labeling consideration 5 in a more concise way. Somehow, it should include items such as access, competition, demographics, proximity, etc. This consideration is not meant to be negative.

Trustee Benson asked how the guidelines will be used. Mr. Yolitz said that once the Board approves the guidelines, a scoring mechanism is built based on the themes. Presidents classify needs at their institutions and submit their proposal. Campus leadership teams review proposals. Projects are scored, and a list emerges for approval by the Board. Once approved, the list is presented to the legislature. Vice Chancellor King referred to page 3 of the Board packet, and said that statute also directs legislative expectation for MnSCU's capital program.

Trustee Renier asked if there was an implied rank order of the considerations against the project list that will be presented to the Board. Mr. Yolitz said that the scoring elements have not been prioritized in any specific order. Various elements will be factored in to come up with an ultimate overall score. Trustee Renier said that consideration 1 (strategic regional and statewide program focus) does not allow for emphasis on geographic distribution, but rather focuses on distribution in a much more strategic way. It does not allow for competition or duplication among MnSCU institutions.

Chair Hightower asked for clarification of the first paragraph on page 7, under Future Capital Investment Planning. Mr. Yolitz said in the past, the only projects to advance were those not approved in the prior legislative session. With new guidelines, tails of funded projects would be considered. There could be the start of design and construction on other projects from master plans.

Trustee Anderson Kelliher asked about other projects that don't go through the legislature - how are they accounted for, such as those built with gifts, and asked if they factor into new square footage. Also, there is maintenance and upkeep to consider. Trustee Anderson

Kelliher said, at some point, the Board would like an opportunity to review these projects. Vice Chancellor King replied that these are great points which have not been presented in the past. The legislative view is that the general obligation program pays for academic space, and the revenue funds pays for enterprise space. The legislature has not been supportive of student space at two year colleges and gifts have typically not supported academics. Growth of new partnerships is a community resource and is essential. The Anoka STEP program and the two Rochester projects presented yesterday are good examples of those types of partnerships. They help pay for buildings, land and assets – all benefiting the system and the community. Vice Chancellor King acknowledged Trustee Anderson Kelliher's request for a review of the "gift" projects.

Trustee Erlandson commended the creativity that went into the development of the guidelines and also likes the partnering with K – 12 on facilities, and energy savings investments. MnSCU must continue to schedule classes when students can come to class. Regarding the efficient use of space, the system needs to meet the needs by offering classes when students can come to school.

The meeting was adjourned at 12:03 p.m.

Respectfully submitted,

Laury Anderson, Recorder