FINANCE AND FACILITIES COMMITTEE
MARCH 19, 2014
10:30 A.M.

MCCORMICK ROOM
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.

(1) Minutes of the Finance and Facilities Committee of January 21, 2014 (pp. 1 - 9)

(2) Minutes of the Joint Meeting with Academic and Student Affairs and Finance and Facilities Committee of January 21, 2014 (pp. 10 - 14)

(3) 2016 – 2021 General Obligation, Capital Budget and 2015 Revenue Fund Guidelines (Second Reading) (pp. 15 - 23)

(4) Acquisition of Property Related to Metropolitan State University Parking Ramp Construction (pp. 24 - 29)

<u>Members</u>
Michael Vekich, Chair
Dawn Erlandson, Vice Chair
Duane Benson
Phil Krinkie
David Paskach
Thomas Renier
Elise Ristau

Bolded items indicate action required.

MINNESOTA STATE COLLEGES AND UNIVERSITIES

BOARD OF TRUSTEES

FINANCE AND FACILITIES COMMITTEE

MEETING MINUTES

January 21, 2014

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

Other Board Members Present: Trustees Ann Anaya, Margaret Anderson Kelliher, Alexander Cirillo, Cheryl Dickson, Clarence Hightower, Maria Peluso, and Louise Sundin

Leadership Council Representatives Present: Chancellor Steven Rosenstone, Vice Chancellor Laura King, President Phil Davis, and President Richard Hanson

The Minnesota State Colleges and Universities Finance and Facilities Committee held its meeting on January 21, 2014 4th Floor, McCormick Room, 30 East 7th Street in St. Paul. Vice Chair Erlandson called the meeting to order at 2:00 p.m. and noted that Trustees Krinkie and Paskach were present by phone.

1. Finance and Facilities Update

Vice Chancellor King reported that the 2014-2016 capital project bonding tours concluded in early December. There are a few more visits to the schools in the metro area by the Senate in early February.

Last week marked the start of the annual Trends & Highlight meetings. The meetings include a small group format with presidents, campus leadership, system office finance and facilities staff, and other system office representatives. This year, the meetings were expanded to include campus human resources leadership. The format is designed to use historical data as the starting point for group discussions of recent performance and outlook, along with plans for upcoming years. This year's focus includes enrollment strategies, financial planning, and human resources planning. There are eight meetings scheduled, and the agenda will be expanded next year to include academic and student affairs data review and outlook.

Finance and Facilities leadership awards were presented to campuses at the December CFO conference. A list of the award recipients is at each Trustee's place. Vice Chancellor King said that there is outstanding work happening across the system and the awards are a way to acknowledge it. The Chancellor's Award was given to Mike Brossart from Riverland College for his work in safety and security. Fifteen Outstanding Service Awards were given and ten Certificates of Appreciation were awarded for assisting with the work of the Campus Service Cooperative.

Vice Chancellor King noted that the Minnesota Management and Budget (MMB) loan balance is currently $400 million and it is expected to hold there for several more months; the FY2013 financial statements are now posted to the web; and the CFO Conference held in early December was attended by over 100 campus finance and facilities leaders.

2. Minutes of November 19, 2013

The minutes of the November 19, 2013 Finance and Facilities Committee were approved as published.

3. FY2013 and FY2012 Audited Financial Statements

Vice Chancellor King introduced this item as a recap of the financial performance of the Minnesota State Colleges and Universities (MnSCU) system. There are audits of the system as a whole, thirteen campus stand-alone audits and the revenue fund. The audited financial statements resulted in clean opinions and no material weaknesses, and at the system level, there were no significant deficiencies. The auditors look for errors in excess of $12 million, which is the system's threshold number. The thirteen campus audits had a threshold in a range between $500,000 and $3 million.

The FY 2013 system financial results are stable. There were flat revenues and tight expense controls, resulting in balanced budgets by the colleges and universities. The reserves are thinly funded, but stable, remaining within Board approved levels. The primary reserves would cover 3.5 months of operating budgets and the budgetary reserves would cover the equivalent of 2.5 payroll cycles. With smaller margins and stable or declining enrollment, some resiliency has been lost in the system's financial position and strategic measures are in place to improve the financial condition.

In FY2013, the system had $1,889.8 billion in total revenue, and $1,891.8 billion in total expenses. This is a change of about $65 million from the prior period - not much revenue growth, and an increase of $75 million in expenses, much of which is payroll increases and increases in financial aid disbursements. Vice Chancellor King noted that compensation expense alone increased by $48.4 million from FY 2012 to FY 2013.

Systemwide, there are $2 billion in net assets at the end of FY2013. The increase is due mainly to additional capital asset improvements and some refunded and reissued bonds.

Because colleges and universities are all very different, the Composite Financial Index (CFI) has been used by MnSCU as a way of making comparisons. It normalizes an institution's performance and takes into account long-term and current performance. (More information on this tool can be found on the Finance webpage.) The two long-term components are primary reserve and the viability measure, which account for 70 percent of the weighting. The return on net position and net operating revenue are the short-term components. The CFI target threshold is 3.0 and currently the overall system CFI is 2.26 versus 2.78 in 2012. The reduction is a result of a negative operating position ratio in FY 2013 versus a positive one in FY 2012. The measure is significantly volatile at the institution level, and moves more moderately at the system level. The numbers are monitored over a large number of years in order to wash out abnormal years. The presidents and CFOs are very aware of the CFI methodology.

Trustee Hightower requested clarification of return on net position and viability. Vice Chancellor King responded that return on net position captures MnSCU reinvestment in its assets and illustrates whether the investment rate is sufficient to protect what is in place. The Higher Education Asset Preservation and Replacement (HEAPR) investments help with this number. Viability represents the debt load carried compared to the cash available to repay the debt. From a financial statement standpoint, MnSCU is fortunate to get state funding because MnSCU gets 100 percent of the asset on its books but only pay for one-third of it. When comparing colleges to universities, viability is the biggest difference in CFI because of the revenue fund; however, the distinction is lessening with more colleges taking on revenue bonds.

Trustee Renier asked when does the CFI become a concern. Vice Chancellor King replied the CFI is flagged and monitored if it is below 1.5 over two years or if it drops to 1.0 or below in any given year. There were two schools in FY 2012 below 1.0 and four in FY 2013. If a measure raises concern, the system office works with the school's CFO to resolve the issue. If the financial concern continues beyond a reasonable amount of time, it is brought to the attention of the chancellor and the Board of Trustees in an exception report. Vice Chancellor King said that for FY 2013, nine colleges and one university have tripped monitoring flags established in procedure. Procedure calls for development of a financial recovery plan (often a multi-year plan), including established periodic reporting to the Vice Chancellor – CFO. The goal is to help schools regain financial and operational health. Board Policy 7.3 and Procedure 7.3.16 addresses monitoring protocols. The financial management plan includes peer review and assistance, enrollment and margin improvement strategies and revenue and expense forecasting and monitoring. The elements are discussed as part of the Trends and Highlights agenda.

Vice Chancellor King said that colleges and universities are managing budgets through focused planning of revenue and expenses. There are thin margins, which leaves the campuses vulnerable to surprises. Strategic enrollment management and strong program development are important factors to mitigate risks. The reserves also provide some protection for enterprise risk. It is a matter of balancing risk management against overcharging students or investing in facilities. Chancellor Rosenstone added that risks to MnSCU have increased dramatically. The CFI numbers are below the Board's expectations. Colleges and universities are responsible for managing risks, even with thin margins. MnSCU must keep working to find ways to remain resilient enough to protect students, programs and community partnerships.

4. Rochester Community and Technical College Contracts Exceeding $3 Million for Regional Sports Center and Career Technical Education Center at Heintz/Science, Technology, Engineering, and Math Village

Brian Yolitz, Associate Vice Chancellor for Facilities, said Interim President Gail O'Kane was present to help answer questions that may arise. Mr. Yolitz thanked his staff and Rochester Community and Technical College (RCTC) staff for their help with this item. Mr. Yolitz said there are two distinct initiatives before the Board today – the Career Technical Education Center at Heintz/Science, Technology, Engineering, and Math Village (CTECH/STEM) and the third phase of the sports stadium project.

The city of Rochester reauthorized a .5 percent sales tax increase in November 2012 through a general election referendum. Ten projects have been funded with the funds throughout the city of Rochester. The city has provided the Development and Financing agreement, committing the funds necessary to complete the projects on the RCTC campus. The campus is responsible for the design and construction. Mr. Yolitz presented a map from the Facilities Master Plan at the RCTC campus, identifying the location of the two projects. Mr. Yolitz showed images of the initiatives; the regional stadium with a new "bubble" covering the field and a new set of bleachers to be constructed on the visitor's side; and the general location of the site targeted for the CTECH/STEM Village. Both projects will exceed $3 million, requiring Board approval.

Mr. Yolitz said that each Trustee would find a revised copy of the motion at their place which has three elements – the acceptance of tax proceeds from the city of Rochester, the authorization of the chancellor or designee to proceed with the projects and to proceed with the legislative authority to execute the projects.

The CTECH/STEM Village project is before the Board because the Board must authorize construction on state lands for projects funded by gifts or grants. (None of the funding comes from state appropriation or tuition dollars.) The Board must also grant approval to seek any necessary legislative authority. The CTECH/STEM Village, a 22,350 sq. ft. addition to the Heintz Center, is a joint project with Rochester Public Schools to add traditional technical education facilities that are not presently available in the school district. Mr. Yolitz noted that the project also adds Winona State University's teacher resource center. Targeted completion dates are Fall 2014 for the stadium and Fall 2015 for the CTECH/STEM Village.

Trustee Anderson Kelliher asked if the CTECH/STEM Village was a capital request that was unfunded, or if it is to gain Board permission to put this package together with partners involved. Mr. Yolitz said it is the latter; it is not a capital request that was unfunded. Vice Chancellor King added that it is general authority in statute to accept gifts for building improvements under certain conditions.

Trustee Benson asked if we are funding any other projects in the system though local sales tax. Vice Chancellor King was not aware of any. There are local sales taxes and hospitality taxes in cities in which we are located including in Minneapolis, St. Paul, Duluth, St. Cloud and Bemidji and MnSCU has no capital relationships with any of them. Trustee Anderson Kelliher noted that there are facilities that MnSCU utilizes that would have been built with funding from local sales tax, such as the Mankato Civic Center and Hockey area. MSU, Mankato doesn't own that facility but leases the facility for its hockey team.

[*Note: Subsequent research find sales and hospitality taxes are also present in Brainerd, Detroit Lakes, Fergus Falls, Mankato, Marshall and Worthington.*]

Trustee Benson said that the original sales tax was incorporated in the early 1980s for flood control and has been ongoing ever since. The residents of the city of Rochester, plus outlying communities, pay the tax. Vice Chancellor King said that there were multiple uses presented for the revenue, including these two items. MnSCU was not a part of the discussion of how the sales tax should be used. The city of Rochester has been a strong partner with the college and viewed the construction as a community benefit, and open to the community for use. Vice Chancellor King said the sales tax is external in that it is charged for food and beverage. Trustee Anderson Kelliher inquired if the two projects are independent of each other. Mr. Yolitz confirmed that they are. Funding has been secured for the projects and both have predesign completed to get a sense of the scope for the construction. Schematic designs are underway and the projects with be executed through Construction Manager at Risk.

Trustee Anderson Kelliher asked if there is a commitment by the city of Rochester for the use of these facilities, and if so, for how long and if a maintenance component is included. Mr. Yolitz said that documents are being drafted that would expand the agreement already in place for the stadium - the operating expenses are covered through the rent and shared use agreement. An agreement is being drafted between MnSCU, the city of Rochester, and the school district for the lease and fee agreement for the CTECH/STEM Village. The initial term is five years, with the expectation for ongoing renewal.

Trustee Krinkie asked what the current HEAPR backlog is for the system. Mr. Yolitz responded that HEAPR is just over $700 million systemwide for academic facilities. Trustee Krinkie said, because of the lack of legislative support for HEAPR, and without a guarantee of a lease or maintenance agreement longer than five years, he'd be reluctant to support adding more facilities. Mr. Yolitz said the Board could direct to extend the agreement to ten years or more. There is enough demand for the stadium to continue and to sustain operations, even without the lease. The CTECH/STEM Village has opportunities to be explored for other lease agreements if RCTC felt the agreement in place was becoming risky. Interim President O'Kane added that the CTEC/STEM Village has been part of the community planning for a long time. The public schools, business, and community support the project. There has been high demand for career and technical education in the community. There has been higher use of the stadium than expected. The Rochester Amateur Sports Commission expects to draw new tournaments after the expansion is complete. The Rochester area population is also growing.

Trustee Anderson Kelliher complimented RCTC on their innovative work with the community and supported a ten year agreement with the community partners, and noted that not all communities can impose a local sales tax to support projects, lease community facilities, and the prioritization of the capital bonding list no longer means just moving up the ladder. Trustee Benson expressed concern for the smaller communities that don't have the ability to impose a local sales tax. The "gift" from the city of Rochester came from the people of Rochester and the people of surrounding communities. Other communities may not have an opportunity to impose a local sales tax because they don't have the population/tax base to support it. Additionally, the sales tax was imposed for a specific purpose, but with legislative approval, the purpose was changed.

Trustee Hightower said this is an opportunity and MnSCU should find ways to do more of this kind of community partnering. Trustee Erlandson and Renier gave examples of other communities that have local sales tax and acknowledged it is the city that is the decision maker on what is funded with the revenue, and Rochester chose to partner with RCTC. Trustee Dickson said the initial stadium was built with city tax dollars and the Board is just expanding on what was previously approved. The disparity of community tax bases should not stand in the way of community partnerships that choose MnSCU institutions.

Trustee Krinkie said both of these projects will benefit the community and RCTC, however, they circumvent two processes in the purview of the legislature - tax policy process and capital improvement process. Trustee Sundin said if all campuses and their surrounding communities feel they must all get the same, second thoughts should be given to embarking on Charting the Future. Trustee Anaya said any student in Minnesota can attend Rochester and enjoy the new facilities, so it is not a matter of fairness, since it not only benefits RCTC, it benefits MnSCU.

Chancellor Rosenstone said the system must find new ways to work together and the partnership presented today with the city of Rochester supports public schools, the community and higher education. The programs offered will fuel the healthcare workforce of that region. It is proper for the Board to be concerned about the risks involved, and the Board is entitled to its opinion on the sales tax usage for the project, but the system needs to look creatively for new and innovative opportunities. In this case, there has been a long standing partnership between RCTC and the city of Rochester, and stepping back from these projects would not only send a wrong message to the city of Rochester, but it would hinder RCTC's ability to serve the Rochester area at a critical moment in its development.

Trustee Paskach asked if there was consensus to expand the agreement to ten years. Vice Chancellor King said that a motion is not needed and the advice of the Board will be considered. There is authority in Board policy to negotiate beyond five years. The pros and cons of extending the agreement will be evaluated. Trustee Krinkie requested a roll call vote.

Trustee Paskach moved that the Finance and Facilities Committee recommend adoption of the following motion. Trustee Paskach seconded the motion. The motion prevailed with Trustee Benson and Trustee Krinkie voting in dissent.

REVISED RECOMMENDED COMMITTEE ACTION:

Finance and Facilities Committee recommend the Board of Trustees adopt the following motion:

The Board of Trustees approves the acceptance of sales tax proceeds from the City of Rochester for the Regional Sports Center and the Career Technical Education Center at Heintz/Science, Technology, Engineering, and Math Village for Rochester Community and Technical College, and authorizes the chancellor or his designee to enter into the necessary contracts for the projects and to seek any legislative authority needed for construction.

5. Dakota County Technical College Surplus Declaration

Mr. Yolitz said that Dakota County Technical College (DCTC) is requesting the Board to designate property located at 125 Grand Ave. East in South St. Paul as surplus property. The property includes a 6,400 sq. ft. technical classroom building and a small 360 sq. ft. storage building. It was conveyed to MnSCU as part of the merger in 1995. The property is located 15 miles away from the main campus and 5.5 miles away from Inver Hills Community College. DCTC's long term plan has been to sell the property since the building is not suitable for renovation or reuse. Consistent with statute, the Board may declare property that is no longer needed by system as surplus, and offer it up for public sale. The estimated value is $255,000 and the proceeds from the sale of the property will be used to help fund capital projects.

Trustee Benson moved that the Finance and Facilities Committee recommend adoption of the following motion. Trustee Ristau seconded the motion. The motion prevailed.

RECOMMENDED COMMITTEE ACTION:

Finance and Facilities Committee recommend the Board of Trustees adopt the following motion:

The Board of Trustees designates the property located at 125 Grand Avenue East, South St. Paul, Minnesota, as surplus, and delegates authority to the chancellor or the chancellor's designee to execute such documents as may be necessary to complete the sale for no less than the appraised value.

6. Authorization to Negotiate Third Party Housing Agreement at Minnesota West Community and Technical College and Northland Community and Technical College

Mr. Yolitz said that President Temte and President Shrubb were present to help answer questions about housing concerning their campuses. The locations of the proposed third party housing are in Thief River Falls and Worthington, both facing housing shortages due to the

Bakken oil fields and Digikey in Thief River Falls, and Worthington faces competition for low price rental housing from processing plant workers. The Board last considered two-year housing in 1999 and established guidelines that included an analysis of the demand, financing, and long-term viability. Since that time, several two year colleges have added housing including Fond du Lac Tribal and Community College, Hibbing Community College, Itasca Community College, Alexandria Technical College, and Vermilion Community College.

There are three types of two year housing – owned, third party ownership, and unaffiliated (advertised as student housing and marketed predominantly to students). The proposal is for unaffiliated housing at Northland and Minnesota West.

Trustee Benson asked why the owned housing properties are located in the iron range only, and if funding could have come from Iron Range and Rehabilitation Board (IRRRB). Vice Chancellor King gave a rundown of the financing for each college that owned housing, and said none of it was IRRRB money but she would verify that. Several other colleges will be exploring housing options in the future.

Under statute, the Board has the authority to pursue two-year housing developments that meet certain requirements, including that no funding can come from appropriation and/or tuition, satisfaction of financial viability, siting and design consistent with the master facilities plan, and the lease term of less than 30 years.

Both campuses have gone through the process of consulting local municipalities, exploring partnerships with local landlords, and completing a demand and market analysis. They have both engaged an architecture firm to evaluate siting and locations. Northland and Minnesota West have concluded that student housing is a desired tool to enhance enrollment and support persistence, and seeks a developer to design, finance, and construct student housing on their campuses.

Mr. Yolitz showed current and future dimensions of the rental properties of Thief River Falls and Worthington. Thief River Falls has a vacancy rate of 1.7 percent, 65 percent of students commute 45 minutes or more to campus and there is demand for 140 beds. Likewise, Worthington has a vacancy rate below 1 percent, 63 percent of students commute 45 minutes or more to campus and there is demand for 100 – 110 beds. Mr. Yolitz added that part of the urgency is the limited housing options in the community, despite low vacancy rates.

Moving forward into negotiations, certain conditions must be met to assure a balance. The housing is to be used for the benefit of enrolled students and facilities master plan and design and construction standards must be met. Financing is at the expense of the developer. Rent is to be all-inclusive, but there may be an extra charge for parking. At the end of the term, there is an option to purchase for $1 or remove it from the site.

Trustee Anderson Kelliher asked if there are any zoning issues that would be a potential obstacle. Mr. Yolitz replied that a zoning process will be followed, no red flags are anticipated, and the communities are aware of the projects.

Trustee Renier moved that the Finance and Facilities Committee recommend adoption of the following motion. Trustee Ristau seconded the motion. The motion prevailed with Trustee Benson and Trustee Krinkie voting in dissent.

RECOMMENDED COMMITTEE ACTION:

Finance and Facilities Committee recommend the Board of Trustees adopt the following motion:

The Board of Trustees delegates authority to the chancellor or the chancellor's designee to continue negotiations, up to and including execution of ground leases and related documents with the third-party housing developer for student housing at Minnesota West Community and Technical College and Northland Community and Technical College. The Board further directs that final agreements with the developer shall be consistent with the terms and conditions outlined herein, and shall be subject to the approval of the chancellor or the chancellor's designee.

The meeting was adjourned at 3:57 p.m.

Respectfully submitted,

Laury Anderson, Recorder

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

MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet

Finance and Facilities Committee **Date:** March 19, 2014

Title: FY2016 - 2021 General Obligation, Capital Budget and FY2015 Revenue Fund Guidelines (Second Reading)

Purpose (check one):

- [ ] Proposed New Policy or Amendment to Existing Policy
- [x] Approvals Required by Policy
- [ ] Other Approvals
- [ ] Monitoring / Compliance
- [ ] Information

Brief Description:

The second reading of the FY2016 - 2021 General Obligation, Capital Budget and FY2015 Revenue Fund Guidelines seeks Board of Trustees approval of the proposed capital program guidelines for the preparation of the FY2016 - 2021 capital budget and future revenue fund bond sales from FY2015 - FY2020. The proposed guidelines have been modified to reflect board feedback obtained at the joint Academic and Student Affairs and Finance and Facilities committee meeting on January 21, 2014.

Scheduled Presenter(s):
Brian Yolitz, Associate Vice Chancellor for Facilities
Laura M. King, Vice Chancellor – Chief Financial Officer

BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES

ACTION ITEM
FY2016 - 2021 General Obligation, Capital Budget and FY2015 Revenue Fund Guidelines (Second Reading)

PURPOSE

This second reading seeks Board of Trustees approval of the proposed capital program guidelines for the preparation of the FY2016-2021 capital budget and future revenue fund bond sales from FY2015-FY2020. The proposed guidelines have been modified to reflect board feedback obtained at the joint Academic and Student Affairs and Finance and Facilities committee meeting on January 21, 2014.

Board Policy 6.5, *Capital Program Planning*, provides:

"The Board of Trustees shall establish criteria for and approve capital program guidelines and a multi-year capital budget, including a prioritized capital project list."

CAPITAL PLANNING

Minnesota State Colleges and Universities (MnSCU) relies on two major programs to buy, build, renovate and repair the majority of its buildings and infrastructure, primarily based on the type of use:

1) State issued general obligation bonds through the capital bonding program for academic and student support facilities, and
2) Minnesota State Colleges and Universities-issued revenue bonds for auxiliary-type facilities, such as residence halls, student unions, athletic and fitness facilities, parking ramps and other eligible revenue generating facilities

Academic and Student Support Facilities

The state's capital bonding program addresses funding for academic and student support space. Such space represents approximately 78% of overall system facility square footage. To fund academic facility needs, the system participates in the biennial capital budget process, typically held during even-numbered year legislative sessions. During such sessions, the Board develops and puts forth a prioritized capital budget list to be considered by the legislature and governor, competing for state-issued general obligation bond financing with other state and local agencies. The state and system share in servicing the debt associated with this work. The state carries the debt for all asset preservation work through Higher Education Asset Preservation and Renovation (HEAPR) and two-thirds of the debt associated with major line-item capital projects. The system bears the one-third debt associated with major line-item capital projects. The system as a whole services one half of the one-third debt service. The campus gaining the capital improvement is responsible for the other half of one-third. This campus portion is serviced through state appropriation, tuition and other fees.

Minn. Stat. §135A.034 directs the Board of Trustees to consider the following criteria in establishing priorities for requests for bond funds for capital projects:

(1) maintenance and preservation of existing facilities;

(2) completion of projects that have received funding;

(3) updating facilities to meet contemporary needs;

(4) providing geographic distribution of capital projects; and

(5) maximizing the use of non-state contributions.

The Board, using those statutory provisions as guidance, establishes capital budget guidelines such as this document to set the system's priorities for its capital budget program. This approach to prioritizing capital investment in facilities is well regarded by the executive and legislative branches and internal constituencies.

Auxiliary-Type or Revenue Fund Facilities

The revenue fund is a program authorized in statute that addresses facilities traditionally considered "auxiliary" on a campus. Under this program, MnSCU issues revenue bonds to buy, build, renovate or repair residence halls, student unions, parking, dining and similar revenue-generating facilities. The Board has statutory authority to issue revenue bonds on behalf of the system to finance these needs, subject to consultation with the legislature. The full cost of the projects, including debt service, is paid for by student and user fees. No tuition or appropriation revenues are used to pay to build or renovate revenue fund facilities or for their operating costs.

The Board historically has not issued specific guidelines regarding revenue fund capital projects. This document and set of guidelines would bring the revenue fund planning process into the overall college and university capital planning program.

STRATEGIC FRAMEWORK GUIDANCE

The FY2016-2021 capital budget guidelines are designed to align with the principles established under the core commitments in the Strategic Framework as well as the recommendations adopted by the Board in November, 2013 in *Charting the Future for a Prosperous Minnesota*.

The Strategic Framework provides that Minnesota State Colleges and Universities will:

- Ensure access to an extraordinary education for all Minnesotans
- Be the partner of choice to meet Minnesota's workforce and community needs
- Deliver to students, employers, communities and taxpayers the highest value/most affordable higher education option

The six recommendations articulated in *Charting the Future*, include:

1. Dramatically increase the success of all learners, especially those in diverse populations traditionally underserved by higher education.
2. Develop a collaborative and coordinated academic planning process that advances affordability, transferability, and access to our programs and services across the state.
3. Certify student competencies and capabilities, expand pathways to accelerate degree completion through credit for prior learning, and foster the award of competency-based credit and degrees.
4. Expand the innovative use of technology to deliver high quality online courses, strengthen classroom instruction and student services, and provide more individualized learning and advising.
5. Work together under new models to be the preferred provider of comprehensive workplace solutions through programs and services that build employee skills and solve real-world problems for communities and businesses across the state.
6. Redesign our financial and administrative models to reward collaboration, drive efficiencies, and strengthen our ability to provide access to an extraordinary education for all Minnesotans.

System Capital Investment Strategy

The proposed FY2016-2021 guidelines take a crucial step toward aligning facilities needs and priorities with the Strategic Framework and the recommendations identified in *Charting the Future*. The strategy is informed in part by college and university facility conditions and utilization. As of 2013, the estimated backlog in academic facility spaces is approximately $715 million, an increase of nearly 13% since 2010. There is an estimated $440 million in additional work expected to be required over the next 5 years. This is a potential expense to Minnesota taxpayers and current and future students of nearly $1.2 billion.

Existing academic space is utilized, even on the most generous of measures, at an average rate of 70%. This means, on average, college and university academic space is used just over 22 hours a week during nine months of a year. There are many reasons spaces are underutilized including demand, scheduling, data collection, condition, configuration, preferences, and technology.

CAPITAL BUDGET GUIDELINES FY2016-2021

In an effort to better align the general obligation and revenue fund capital planning functions, the Board is asked to consider adopting capital budget guidelines for its academic and student support and auxiliary/revenue fund facilities.

The capital budget guidelines for FY2016-2021 are designed to establish the criteria to be used when developing the 2016 capital budget request, and serve as a framework when addressing any off-year capital budgets. The guidelines will also put forth the proposed criteria in anticipation of the revenue fund bonding request, currently scheduled for early 2015.

The guidelines reflect a strategy to address ongoing issues in the colleges and universities facilities, which include:

1. Fiscal viability and sustainability
2. Reducing deferred maintenance backlog and future renewal needs
3. Optimizing space use
4. Evolving delivery methods of higher education
5. Shifting demographics of student enrollment
6. Incorporating sustainable operating principles in facilities
7. Addressing long-term capital funding constraints
8. The rising need for informal learning spaces
9. The impact of technology on space needs
10. Rising need for faculty and student research space and partnership space with third parties
11. Maintaining "brand" competitiveness of our colleges and universities

Every dollar invested in new (additional) square footage reflects a dollar diverted from other college and university priorities. New space may be necessary to deliver the recommendations of the Strategic Framework and *Charting the Future* and meet the state's access and demographic trends. The underlying assumption is that we should strive to deliver such space without adding new net square footage to the total footprint of our colleges and universities.

The capital guidelines proposed for FY2016-2021 will include the following four core considerations:

1. **Strategic regional and statewide academic program focus**
    - Use campus facilities' master plans to help identify regional or statewide program opportunities
    - Target regional and state academic priorities and emerging academic needs
    - Meet long-term space requirements on a regional and multi-regional basis
    - Consider the long-term financial sustainability of the systems' colleges and universities and ensure a long-term sustainable presence across the state

2. **Take care of what we have**
    - With substantial deferred maintenance and renewal needs, repair and replacement will be given first priority in the capital budget request
    - Prioritize projects that reduce major deferred maintenance backlog and future renewal as part of project renovation
    - Prioritize renewable energy systems in all projects when considering repair, replacement and renewal
    - Identify and, where appropriate, leverage alternative financing, such as the state's Guaranteed Energy Savings Program in addressing backlog and renewal needs in lieu of seeking capital bonding

3. **Minimize new square footage**
    - In support of sustainable finance and building principles, colleges and universities are expected to optimize the use and reuse of existing facilities first, before seeking new square footage. Prioritize renovation and repurposed space to improve space utilization and align with projected enrollment and program expectations
    - Prioritize projects that combine deconstruction with renovation and repurposing to result in a net reduction in square footage on a total capital program basis
    - Consider the following criteria when new space is proposed:
        - Verifiable evidence of enrollment demands and workforce needs that support the need for new space
        - Consideration of space needs that can be satisfied through short- or long-term methods, such as leasing off-campus space, or sharing space with other colleges and universities within the system
        - Evidence of partner contributions that support a portion of the construction and operating costs of the project
        - Specialized program or student needs that require construction of new square footage
        - Impact on a college or university's long-term operating budget
        - Evidence that technology and flexible space use have been fully maximized before proposing the need for new space
        - Calculation of the cost to students attributable to estimated debt service and expected increase in operating expenses

4. **Build for the future with flexible and adaptable space**

Higher education teaching and learning methods are changing rapidly, and facilities should be able to change with them

- Prioritize projects that build in flexible and adaptable features, including room types, equipment and furnishings, that allow for cost effective adaptability of future programs
- Prioritize projects that include features that yield informal learning spaces and blur the line between traditional classroom learning and supportive collaborative, group learning methods
- Prioritize flexible space approaches that allow multiple disciplines the ability to use a facility

Overall Size of Capital Budget Request

Based on consultation with legislative and Minnesota Management and Budget staff, a reduction in the size of future bonding bills is expected. The MnSCU system makes up approximately one-third of the state's square footage, and traditionally, the system expects to receive its proportionate share of the overall bonding appropriation in a given year.

The chart below illustrates the bonding expectations.

State Bonding Target	MnSCU's Bonding (assuming 1/3 of bill)
$1 billion	$333 million
$850 million	$280 million
$750 million	$247.5 million
$500 million	$165 million

In an attempt to balance the state's bonding bill concerns with our colleges and universities' needs, the Board is asked to consider a 2016 capital budget target of between $250-$285 million for the total capital program.

Future Capital Investment Planning

Should opportunities arise for capital bonding in off-years, the Board has historically supported funding for those valid, approved, but unfunded priorities from the bonding session immediately prior to the off-year session . The Board may also be asked to support the 'tails' of valid projects approved and funded in prior bonding sessions. Examples would be a project approved in FY2016, but not funded, would be advanced for funding should there be an opportunity in FY2017, or a project funded for design in FY2016 could be advanced for construction funding in FY2017. The chancellor would consult with the Board on project integration and prioritization prior to the start of the legislative session.

In addition, to better understand and shape future capital investment planning, all colleges and universities are asked to indicate for Board consideration their major capital projects anticipated for the FY2018 and FY2020 biennial periods. These projects are expected to emerge from college and university facility master plans and align with principles and guidelines outlined above.

During Board contemplation of the FY2016 capital budget recommendation, the Board will be asked to approve projects presented for priority funding as part of a bonding bill in 2016 and endorse (approve) those projects identified for 2018 and 2020 for further study and development. In 2018, projects will be reassessed and presented to the Board for formal approval to seek funding.

Finally, the chancellor will at least annually seek input from campuses on contemplated facility projects being contemplated or pursued through funding outside the capital bonding or revenue fund bonding process. Examples of these projects would be college or university capital campaigns, gifts and grants, foundation sponsored projects, projects substantially funded through partnerships with private or commercial entities or city or county governments or state agencies. Available information will be forwarded to the Board on an annual basis.

REVENUE FUND CAPTIAL PROGRAM GUIDELINES

The revenue fund capital program operates on an odd-numbered year planning and funding cycle, which is designed to be countercyclical with the capital budget process. Revenue fund projects generally use the same capital planning methods as academic projects with a few key distinctions.

1. Students pay the full capital and operating cost of a revenue fund project through student fees
2. Revenue fund projects do not compete for bond funding at the state level
3. The Board issues revenue bonds based on the financial resources of the project and the college or university revenue fund program
4. The revenue fund does not use tuition or state appropriation revenues
5. Student consultation and support is critical, and without it, a project generally will not proceed

Background

Revenue fund capital projects face many of the same issues and challenges as academic facilities, although the issues generally have more to do with balancing affordability with building and maintaining competitive facilities that will attract students. The issues include:

1. Continued growth of deferred maintenance backlog and future renewal needs
2. Student affordability
3. Shifts in student enrollment, demographics and facility expectations
4. Student driven interest in sustainable operating principles in our facilities
5. Addressing long-term capital funding constraints
6. Rise of informal learning spaces and living learning communities

7. Expectations regarding technological amenities in student spaces
8. Maintaining a "brand" and competitiveness in our facilities

Capital Planning and Financing Principles for the Revenue Fund Program

The revenue fund staff will review individual projects to assess their design and financial feasibility on an individual project basis (i.e. renovating a residence hall) and program basis (i.e. health of entire residence hall program at a campus). The Board guidelines offer guidance to colleges and universities on preferred design and financial principles for revenue fund projects.

Capital Planning and Financing Principles for the Revenue Fund Program

The core considerations identified in the capital guidelines inform planning and financing principles of revenue fund facilities. During the planning and financial analysis for a revenue fund project, the following principles shall be emphasized:

1. Evidence of strong student involvement and support consistent with Board Policy 2.3, Student Involvement in Decision-Making and related system procedures
2. Reduction of deferred maintenance backlog
3. Balances student expectations with physical and financial realities
4. Takes into account enrollment and occupancy projections
5. Responds to competitive pressures
6. Leverages partnership or private industry to generate additional income

RECOMMENDED COMMITTEE ACTION:

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

The Board of Trustees approves the FY2016-2021 capital budget guidelines and FY2015-2020 revenue fund capital guidelines as presented.

RECOMMENDED MOTION:

The Board of Trustees approves the FY2016-2021 capital budget guidelines and FY2015-2020 revenue fund capital guidelines as presented.

Date Presented to the Board of Trustees: March 19, 2014

MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet

Finance and Facilities Committee **Date:** March 19, 2014

Title: Acquisition of Property Related to Metropolitan State University Parking Ramp Construction

Purpose (check one):

☐	Proposed New Policy or Amendment to Existing Policy	x	Approvals Required by Policy	☐	Other Approvals
☐	Monitoring / Compliance	☐	Information		

Brief Description:

To obtain approval from the Board to take all necessary steps to initiate and complete the acquisition of property located at 393 Bates Avenue, St. Paul, MN, via direct negotiation, settlement or eminent domain process for the benefit of Metropolitan State University.

Scheduled Presenter(s):

Laura M. King, Vice Chancellor – Chief Financial Officer

BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES

ACTION ITEM
Acquisition of Property Related to Metropolitan State University Parking Ramp Construction

PURPOSE

To obtain approval from the Board of Trustees to pursue the use of eminent domain in order to acquire the property located at 393 Bates Avenue, St. Paul, Minnesota.

BACKGROUND

The Board of Trustees authorized the issuance of revenue bonds in January 2013 for various revenue fund projects, including the construction of a parking ramp and student center at Metropolitan State University's main campus. One of the purposes for the ramp was to build sufficient parking capacity for the university's proposed Science Education Center contained in the 2014 capital budget request to the legislature. The overview of the planned development at Metropolitan State University is illustrated in **Attachment A** contained as part of this report.

In anticipation of the revenue fund projects, the university took steps to acquire three residential properties located on the edge of the surface parking area already owned by the university. The properties are considered necessary for the construction of the planned ramp. Consistent with statutory authority, the university acquired two properties:

- 381 Bates Avenue, a multi-unit rental, at a cost of $231,000, including $10,000 in relocation benefits;
- 387 Bates Avenue, a single family home, at a cost of $183,000, including a $34,000 lump sum relocation assistance payment.

After the first two acquisitions, the design process for the ramp and student center continued, and it became apparent that the city and neighborhood's district council were desirous of changes to the designs proposed by the university. As a result, representatives from the university and the system office entered into intensive discussion with the city and district council about the siting of the ramp, the student center and related parking requirements on the site. Area legislators also participated in the discussions. The resulting consensus was a modification to the ramp and student center orientation, and a path forward through the city approval process for the projects. The resolution also cleared the way to accommodate the expected need for increased parking if the proposed Science Education Center is funded during this legislative session. Throughout these discussions, it was understood by all parties that the three residential properties were slated for acquisition and the site cleared. No objections were registered from any quarter in the process.

While the ramp and student center design discussions were occurring, the university entered into a purchase agreement in October 2013 with the sellers of the final property needed for the project, 393 Bates Avenue. This property would be the eventual location of new surface parking. See the site map contained on **Attachment B** for the proximity to the planned ramp and surface parking location. The 393 Bates Avenue property contains a smaller, single family house that the seller rented out periodically; the house is no longer occupied.

The university obtained appraisals and offered to pay for the seller's appraisal, which the seller rejected. Although negotiations resulted in a proposed purchase price, the university learned that the seller had title problems with the property and would be unable to deliver marketable title as planned. The university notified the seller of the title objections, and the seller informed the university that it would continue to work on correcting title to achieve a closing.

At about the same time, the chairs of the Minnesota House of Representatives Ways and Means and Senate Finance committees, were provided notice as required by Minn. Stat. §136F.60, Subd. 1, that the system was contemplating this real estate purchase. The chair of the House of Representatives Ways and Means Committee, in particular, took interest in the transaction and conveyed concerns regarding the offered price. Following the legislative consultation, the university reengaged the seller in late December 2013 without success.

The seller has not responded to subsequent written or personal visits or requests to renegotiate the proposed purchase, leaving the university at an impasse on the acquisition of 393 Bates Avenue. This circumstance has already led the university to incur additional design costs because of the potential need to build around the property, which would require a large retaining wall to accommodate a major grade change on site. We project that design and construction costs will increase significantly if there are further delays in the property acquisition.

ACQUISITION METHODS

Given the impasse, the board is asked to authorize the use of eminent domain to acquire this property. Eminent domain may be used to acquire real property only for a public use or public purpose. Under Minn. Stat. §136F.60, Subd. 2, the Board may acquire real property "…by gift, purchase or condemnation proceedings. Condemnation proceedings must be under Chapter 117." Minn. Stat. §117.025, Subd. 11 (1) defines public use or public purpose to include "the possession, ownership and enjoyment of the land by the general public or by public agencies." In this case, the university plans to fund, build, and operate a parking ramp and surface parking on its site to serve its classroom and event activities. Further, the university is required to produce parking necessary under city requirements to support its use. The property at 393 Bates Avenue is part of the overall plan for parking on the site.

Minnesota State Colleges and Universities has engaged the services of the Minnesota Department of Transportation to handle the eminent domain process, given that agency's expertise and established processes. The university intends to continue negotiating with the seller, but if the eminent domain action proceeds, the system intends to use the "quick take" process provided under state law. The quick take approach is commonly used by the state to take early possession of the property, but still requires proceedings in state district court before the state can take title. Even using this process, securing title to the property likely would not be completed until late 2014.

RECOMMENDED COMMITTEE ACTION:

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

1. The Board of Trustees finds that acquisition of property at 393 Bates Avenue, St. Paul, Minnesota, is necessary for the needs of Metropolitan State University.

2. The Board authorizes the chancellor or his designee to take all necessary steps to initiate and complete the acquisition via direct negotiation, settlement or the eminent domain process and acquire the property located at 393 Bates Avenue, St. Paul, Minnesota for the benefit of Metropolitan State University.

RECOMMENDED MOTION:

1. The Board of Trustees finds that acquisition of property at 393 Bates Avenue, St. Paul, Minnesota, is necessary for the needs of Metropolitan State University.

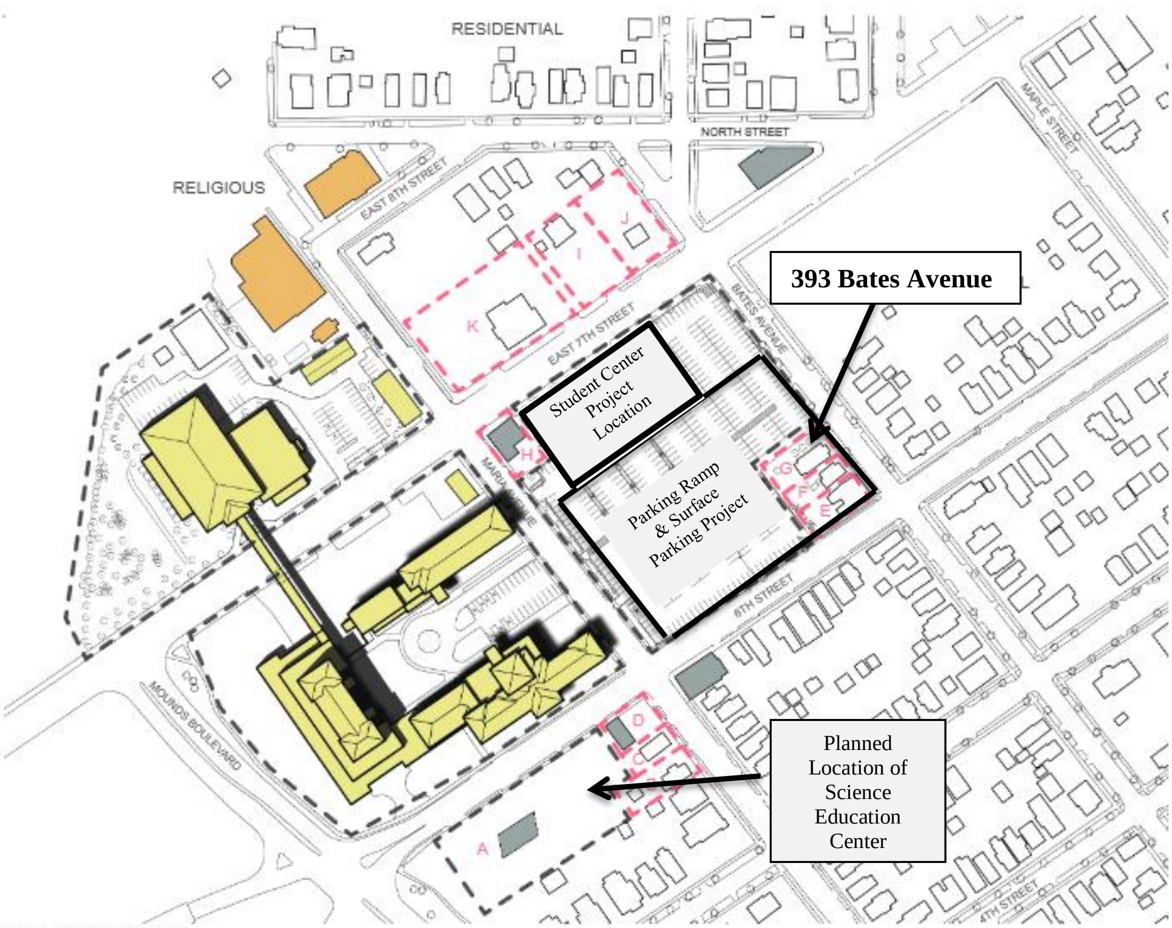
2. The Board authorizes the chancellor or his designee to take all necessary steps to initiate and complete the acquisition via direct negotiation, settlement or the eminent domain process and acquire the property located at 393 Bates Avenue, St. Paul, Minnesota for the benefit of Metropolitan State University.

Date Presented to the Board of Trustees: March 19, 2014

Attachment A – Excerpt from Campus Facilities Master Plan

Master Plan: Proposed Property Purchase

St. Paul Campus



Existing Plan Diagram

Attachment B