

# Recommended 2014 Capital Budget Request



## First Reading

# Minnesota State Colleges and Universities

The Minnesota State Colleges and Universities system is an Equal Opportunity employer and educator.

# Purpose

- Present to the Finance and Facilities Committee, as a first reading, the recommended capital budget request for 2014
- Gain Board approval of the capital budget request and priorities for 2014 at the June 19, 2013 meeting

# Overview

- Recommended 2014 capital program
- Background
- Program elements
  - HEAPR
  - Capital Projects
  - Demolition
- Recommended motion

# Recommended 2014 Capital Program

- Total Recommended Program: \$286.5 million
  - System Financing: \$58.8 million
  - General Obligation: \$227.7 million
- Major elements:
  - \$110.0 million – HEAPR
  - \$20.6 million – Demolition
  - \$155.9 million – Capital project design and construction

# Program impact on space

- Reflects impact of priority capital projects and demolition line
- Does not reflect HEAPR as these funds are facility system focused

	Square Footage	% of 2014 Program	Change in Square Footage
Renovation	540,800	34.7%	0
Renewal	202,301	13.0%	0
New Facilities	278,285	17.9%	+278,285
<u>Total Demolition</u>	<u>535,645</u>	<u>34.4%</u>	<u>-535,645</u>
Total Impact	1,557,301	100.0%	-257,360

# Capital Development Process

- Campus Facilities Master Planning
- Board Guidelines for 2014 – April 2012
- Project predesign review and feedback
- Scoring – January 2013
- 2013 Legislative session ends – May 20, 2013
- Board scope and sizing discussion – May 2013
- Board review and approval
- Minnesota Management and Budget – June 21, 2013
- 2014 legislative session begins – February 24, 2014

# Board Guidelines

- Overarching Principles:
  - Take care of what we have
  - Make campus space more efficient and flexible
  - Mothball or demolish what is no longer viable in terms of conditions, operating costs, and programs, and
  - Only consider new square footage if the requirement meets the three priorities in the strategic framework
- Strategic Framework
  - Access to an extraordinary education
  - Partner of choice
  - Highest value/most affordable option

# Project Scoring

- Scoring mechanism built on Board Guidelines
  - Access to an extraordinary education – 30%
    - Classroom redesign, 4-year program in metro, success of underrepresented students, college/university collaboration, academic program demand
  - Partner of choice – 20%
    - Emerging and sustained workforce and community needs, STEM programming, increased recruitment, retention, completion and transfer within system
  - High value/most affordable option – 50%
    - Reduced or sharing of costs, asset preservation/backlog reduction, space use, projects costs, campus R&R investment history, financial impacts, CFI, utility/resource conservation
  - Prior approval and Institutional priority – 10% each
- Executed by representatives from across the system



# HEAPR

- Authorized in 135A.046 – Asset Preservation and Replacement
  - Provide standards for higher education projects intended to preserve and replace existing campus facilities
- Uses:
  - Code Compliance
  - Building energy efficiency improvements
  - Preservation of building interiors and exteriors
  - Renewal
- Keep Up / Catch Up Strategy:
  - Address anticipated needs
  - Reduce backlog by 50% over 10 years

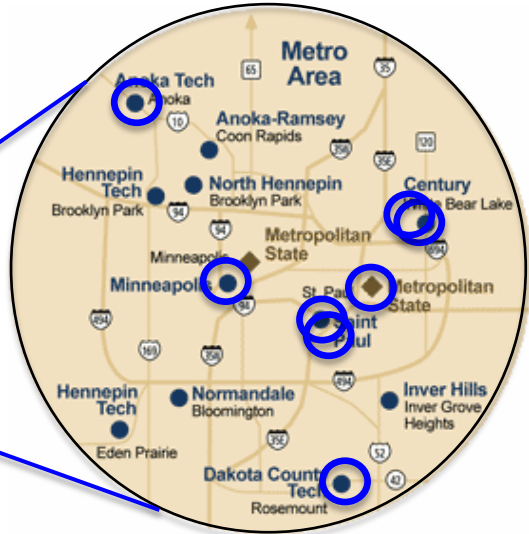
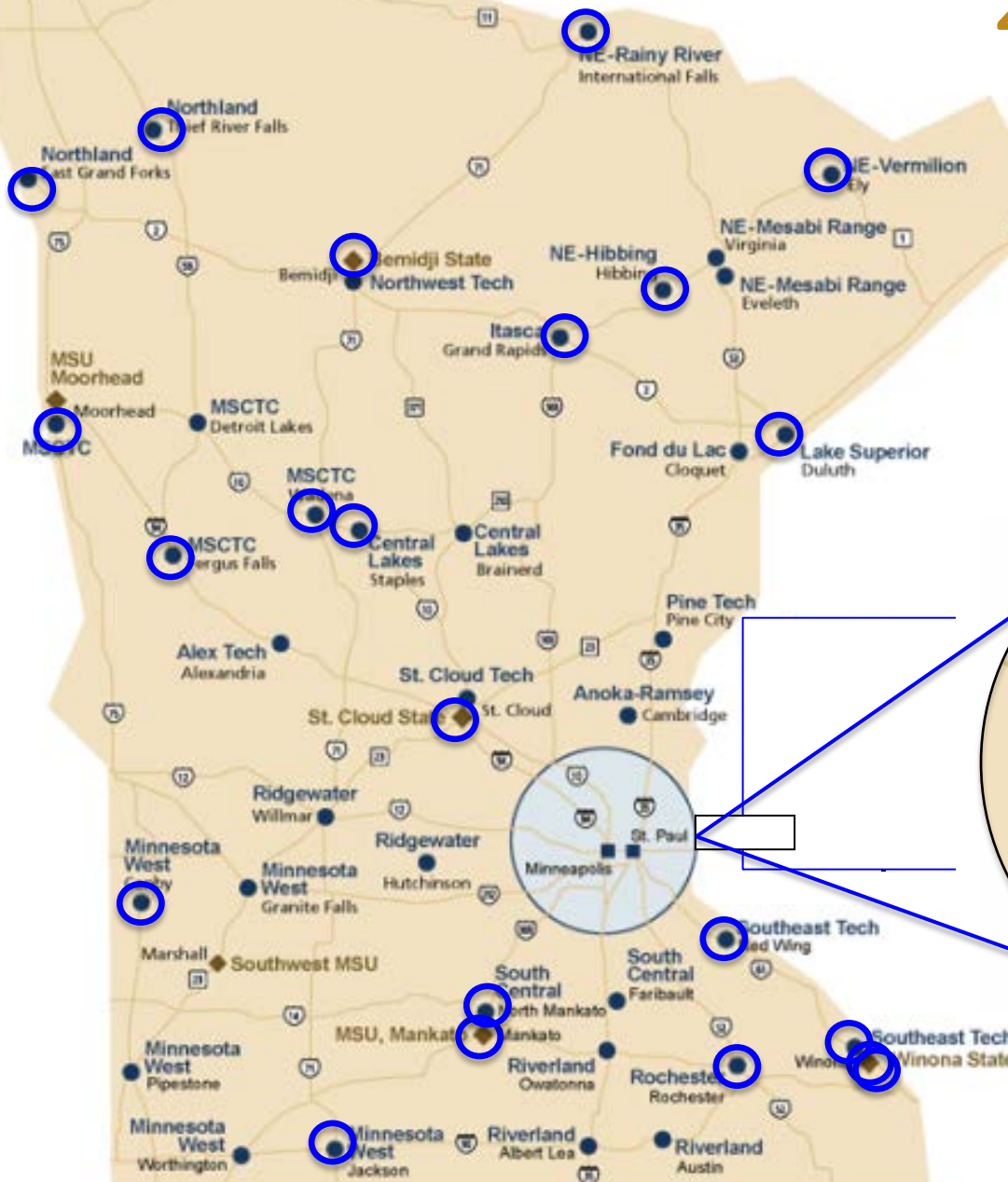
# Keep Up / Catch Up

- Keep Up: Address annual renewal needs :
  - $\$414\text{M}/5 = \$83\text{M}$  annually
- Catch Up: Reduce backlog by 50% in 10 years:
  - $\$705\text{M} \times 50\% / 10 = \$35\text{M}$  annually
- Total required asset preservation investment:
  - $\$118\text{M}$  annually
- Available resources/funding streams:
  - Operating Funds – R&R
  - Capital Investment – Major renovation and repair projects
  - Capital Investment – HEAPR

# Investments

- Available resources/funding streams:
  - Annual R&R:
    - Goal of \$1/sq. ft. = \$21.7M
    - 5 year average: \$29.5M
    - Assume: \$25.5M
  - Major renovation and repair projects:
    - Assume \$37.5M
    - Based on capital project funding:
      - \$154.3M in major projects = roughly \$77M annually
      - Assume 50% of projects HEAPR/HEAPR-like = \$37.5M
- HEAPR requirement:
  - $\$118M - \$25.5M - \$37.5M = \$55M$  annually -> **\$110M over a biennium**

# 24 Priority Capital Projects



● Minnesota State Colleges  
● Minnesota State Universities

# Capital Projects

- Programmatic Impact of \$155.9 million investment
  - STEM: \$53.2 million
    - Metropolitan State, NHED, Northland, and South Central
  - Allied Health: \$45.5 million
    - Lake Superior, MSU, Mankato, and Saint Paul
  - Technical Programs: \$33.5 million
    - Anoka, Central Lakes, Century, DCTC, MCTC, MnWest, MState, Southeast Technical, and Saint Paul
  - Business and Education: \$21.4 million
    - Bemidji State, RCTC, and Winona State
  - Student Support and Services: \$2.4 million
    - MState and St Cloud State

# Demolition

- Systemwide Rightsizing Initiative – \$20.6 million
  - Fiscal and facility sustainability
  - Eliminate backlog (demand for HEAPR) operating expenses
- Target removal of obsolete space:
  - Mothballed
  - Chronically underutilized
  - Called out in campus facilities master plan
- Demolish and mend campus facilities
- Manage similar to HEAPR
- May require legislative work to best incentivize program

# Recommended Motion

- The Board of Trustees approves the 2014 capital bonding request as presented in **Attachment A**, specifically the projects and priorities for 2014. The Chancellor is authorized to make cost and related adjustments to the request as required, and to forward the request through Minnesota Management and Budget to the Governor for consideration in the state's 2014 capital budget. The Chancellor shall advise the Board of any subsequent changes in the capital bonding request prior to the 2014 legislative session. In addition, as funding is authorized and appropriated by the legislature and approved by the Governor, the Chancellor or his designee are authorized to execute those contracting actions necessary to deliver on the project scope and intent.

# Questions and Comments

