



**FINANCE AND FACILITIES COMMITTEE
SPECIAL MEETING
JUNE 3, 2013
8:30 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) FY2014 Capital Budget Request – First Reading (pp. 1 – 12)

Members

Michael Vekich, Chair
David Paskach, Vice Chair
Brett Anderson
Dawn Erlandson
Phil Krinkie
Alfredo Oliveira
Thomas Renier

Bolded items indicate action required.

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

Agenda Item Summary Sheet

Committee: Finance and Facilities Committee **Date of Meeting:** June 3, 2013

Agenda Item: 2014 Capital Budget Request - First Reading

Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring

Information

Cite policy requirement, or explain why item is on the Board agenda:

The purpose of this report is to present the Chancellor's recommendation for the FY2014 Capital Budget. This request is provided to the Board consistent with the Board of Trustees Policy 6.5, *Capital Program Planning*.

Scheduled Presenter(s): Laura M. King, Vice Chancellor - CFO
Brian Yolitz, Associate Vice Chancellor - Facilities

Outline of Key Points/Policy Issues:

Campus facilities master planning drives planning and strategy for capital projects, and the projects on the list typically begin as an item on a campus master plan. The system began work on the 2014 capital budget upon the Board of Trustees issuing guidance to shape and focus the capital programming process. The Board reviewed and approved 2014 capital guidelines in April 2012.

Background Information:

The proposed 2014 capital budget recommendations started with campus facilities master plans and are the result of an ongoing facility planning process. Institutions reviewed their facilities master plans, prepared, updated, and refined candidate project predesigns, and created and submitted project narrative and data sheets documenting candidate projects. Throughout the summer and fall of 2012, system office staff reviewed project documentation and provided feedback and recommendations to institutions in preparation for formal project scoring. In January, the candidate projects were reviewed and scored by campus and system office representatives from academic affairs, student affairs, information technology, finance, and facilities. By Board direction, the review and scoring process included capital projects approved by the Board as part of the 2012 process that were not funded in the 2012 capital bonding bill. The scoring results were reviewed and used to shape the capital budget recommendation

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

BOARD ACTION

**FY2014 Capital Budget Request
First Reading**

This report presents the Chancellor’s recommendation for the FY2014 Capital Budget and is provided to the Board consistent with the Board of Trustees Policy 6.5, *Capital Program Planning*. The Board will be requested to take final action on the capital budget at its June 19 meeting. The recommended capital project and priority list is contained in Attachment A.

BACKGROUND

The proposed 2014 capital budget recommendations started with campus facilities master plans and are the result of a deliberate, ongoing facility planning process taking into account academic program priorities, enrollment, and financial trends and requirements as well as age and condition of the existing physical plant and its supporting systems.

Campus facilities master planning drives programming for capital projects, and proposed projects typically begin as items in a campus facility master plan. The system office began work on the 2014 capital budget upon the Board of Trustees adopting the 2014 capital guidelines in April 2012. The 2014 capital guidelines are found at (<http://www.mnscu.edu/board/materials/2012/april18-docs/fin-05-capbudg.pdf>).

The Board-approved 2014 guidelines are rooted in the elements of the strategic framework and includes four guiding principles:

1. Taking care of what we have
2. Making campus space more efficient and flexible
3. Mothballing or demolishing what is no longer viable in terms of conditions, operating costs and programs, and
4. Only considering new square footage if the requirement meets the three priorities in the strategic framework

In response, institutions reviewed their facilities master plans, prepared, updated, and refined proposed project predesigns, and created and submitted project narrative and data sheets documenting proposed projects. Throughout the summer and fall of 2012, system office staff reviewed project documentation and provided feedback and recommendations to institutions in preparation for formal project scoring.

In early January 2013, more than 100 representatives from campuses and the system office reviewed and scored proposed projects which included 54 capital projects totaling \$264.0

million. Participants in the review and scoring process included campuses and system office representatives from academic affairs, student affairs, information technology, finance, and facilities.

By Board direction, the review and scoring process included capital projects approved by the Board as part of the 2012 process that ultimately were not funded in the 2012 capital bonding bill. The scoring results were reviewed and used to shape the capital budget recommendation contained in Attachment A.

CAPITAL BUDGET RECOMMENDATION FOR FY2014

The recommended 2014 program is aligned with the system’s overall strategic framework, the Board’s capital guidelines, and is informed by the Chancellor’s commitment to financial sustainability and greater physical efficiency. The recommendation for the 2014 capital budget at Attachment A totals \$286.4 million and includes:

HEAPR	\$110.0 million
Demolition of obsolete facilities:	\$20.5 million
<u>Capital projects:</u>	<u>\$155.9 million</u>
Total	\$286.4 million

The proposed capital budget request aligns with the system’s emphasis on STEM facilities and the ongoing work in meeting Minnesota’s workforce needs. In particular, the capital guidelines emphasized STEM facilities, and the 2014 capital review process supported projects that would align with Minnesota workforce needs and industry sectors.

The 2014 capital budget by the numbers:

- \$89 million investment in STEM and Allied Health facilities at six campuses throughout the state (Metropolitan State University, Lake Superior College, Saint Paul College, Minnesota State University, Mankato, South Central College and Northland Community and Technical College, East Grand Forks)
- \$125 million for projects meeting Minnesota’s workforce needs. These are projects in the healthcare/allied health, manufacturing, engineering, information technology, energy, transportation, agriculture, mining and natural resources, and financial services sectors. The capital projects meeting these market sectors to produce graduates that Minnesota businesses and industry need.
- 27 campuses have capital projects on the list, and all 54 campuses have HEAPR projects.
- 1.5 million square feet will be touched in some way by the 2014 capital budget. This translates to about 5% of overall academic space. This will occur through renovating and renewing existing space, construction of new facilities and space, or demolishing obsolete facility space.

- 101,000 FYE enrollment (FY12) at campuses impacted by capital projects

The major facets of the 2014 capital budget include:

1. Higher Education Asset Preservation and Replacement (HEAPR), \$110 million.

The system's number one priority is for funding to address deferred maintenance and repair backlog in our academic facility space that totals over \$700 million. HEAPR funds touch every campus in the system. They address a wide variety of backlog within building systems, such as installation of new roofs, heating, ventilating, and cooling equipment, boiler replacements, ADA improvements, electrical systems upgrades, asbestos abatement, window replacement, and similar upgrades to infrastructure items.

New Minnesota Management and Budget criteria for HEAPR this year requires consideration of projects for the Guaranteed Energy Savings Program (GESP). The state will be examining the system's HEAPR list to determine possible candidates for using the Department of Commerce's newly implemented GESP in place of HEAPR funds. The GESP uses Energy Savings Performance Contracts, a performance-based procurement and financing mechanism that uses energy and operational cost savings achieved through the installation of energy efficient and renewable energy equipment, to finance the cost of the building retrofit and renewal project, with no net cost increase to the public entity. St. Cloud State University is currently undertaking the first steps of participating in GESP to tackle some of its backlog. The current HEAPR list identifies approximately \$30-\$40 million worth of projects that may be suited to GESP.

2. Capital Projects, \$176.5 million. The capital projects include about \$160.6 million of major design and construction projects throughout the state and \$15.9 million in campus-specific initiative (smaller) projects centered on renovating and optimizing existing classroom and lab space. The project list will impact approximately 1.5 million square feet. When taking into account the demolition initiative, the 2014 recommended capital program would result in a net overall reduction in square footage.

Additional detail on the capital project lists are contained below and on Attachment A. Generally, the square footage is broken into four categories: New, Renovation, Renewal and Demolition. A high level summary is contained on the following table:

Table 1

FY2014 Capital Project Impact on Facility Space

	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
Demolition	535,645	34.4%	-535,645
Total Impacted Space	1,557,031	100.0%	-257,360

- **Renovation, 540,800 sq. ft.** The majority of projects on the recommended list include renovation and are fairly diverse in work and scope. Renovations involve the repurposing of space from one use to another or substantial interior and infrastructure work, such as the movement of walls and installation of new programmatic furniture and equipment. The largest of the renovation projects is a combined renovation and renewal project located at Minneapolis Community and Technical College. MCTC’s 2014 project is Phase 2 of their workforce renovation, and includes a substantial portion of infrastructure renewal and HEAPR-like work. The second largest is Bemidji State University, which is also undertaking some substantial renovations, bringing academic units back into the core of campus from an outlying building and demolishing a hall as part of their work.
- **Renewal, 202,301 sq. ft.** Renewal work primarily involves traditional “lights and brights,” and includes anything from new floor coverings, paint to new doors, lights and furnishings (chairs, tables, etc), and may include a component of HEAPR-like work. The largest of the renewal projects is at South Central College at the North Mankato campus, and represents one of the major renovations of STEM and healthcare workforce renewals and renovations. Similarly, Central Lakes College is another large reconfiguration and renewal project to rightsize their Staples campus.
- **New Facilities. 278,285 sq. ft.** There are five major projects that involve new square footage, including Metropolitan State University, Saint Paul College, MSU, Mankato, M State Moorhead, Century College and St. Cloud State University. (Although included in the new square footage line, the project at St. Cloud State University renovates and adds a new floor within the existing building. No new square footage is being constructed outside the existing footprint.) Funding to construct new square footage is recommended only at campuses where the project is in strong alignment with the strategic framework, and where space utilization is expected to remain high.
- **Demolition of obsolete space, 535,645 sq. ft. (132,195 sq. ft. without the demolition initiative).** Projects at Hibbing Community College and at Minnesota West Community and Technical College have planned demolitions of major amounts

of square footage and are designed to address the mothballed or extremely inefficient space. The project at Northland Community and Technical College, Thief River Falls campus involves the demolition and replacement of new hangar and work space for the unmanned aerial system program. The initiative also contemplates funds for design and small project funding for renovation work as they may arise.

3. **Demolition of obsolete space, \$20.6 million.** The demolition initiative targets campuses with mothballed or underutilized space that is obsolete. It is meant to create a capital program that reduces systemwide operating costs and reduces future HEAPR needs. Using a candidate list culled from facilities master plans and in consultation with campuses, the amount includes funds for design, demolition, and modest renovation of relocated space resulting from demolition work. The demolition initiative would remove approximately 400,000 sq. ft. throughout the system. The stand-alone demolition initiative is in addition to the demolition work already incorporated in the project list and will ensure that the 2014 capital budget program results in a net reduction in the system's overall square footage.

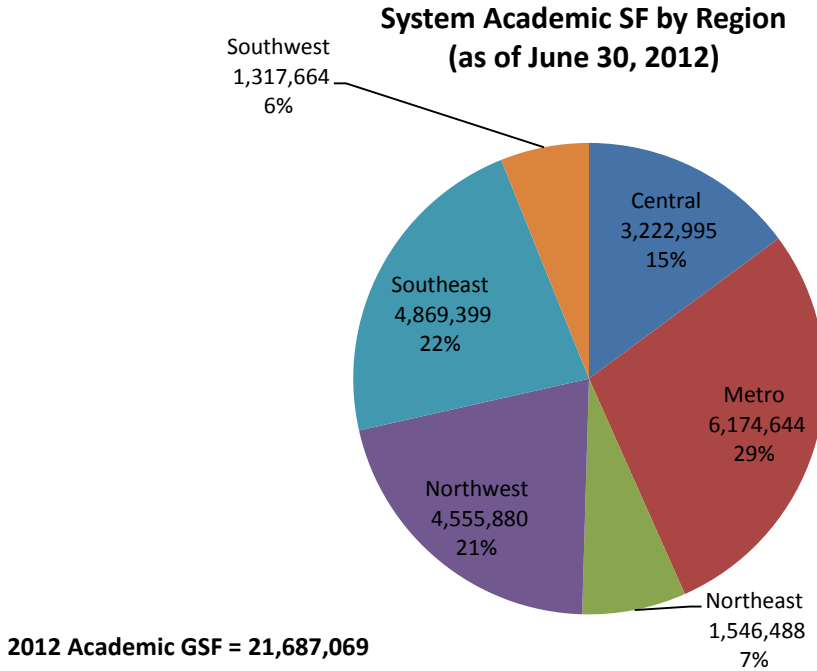
The system intends to seek legislation during the 2014 session that would add demolition activity to the HEAPR authorizing statute. Staff would recommend that the candidate list be viewed as preliminary. Work will continue to refine and complete the list.

SYSTEMWIDE FACILITIES STATISTICS

As of June 30, 2012, the system had approximately 21.7 million square feet of academic space. Of that, a little over one-half (1/2) is located in the Metropolitan and Southeast regions. The Southwest region maintains the smallest square footage by region. Chart 1 identifies the distribution of gross square feet by region.

Chart 1

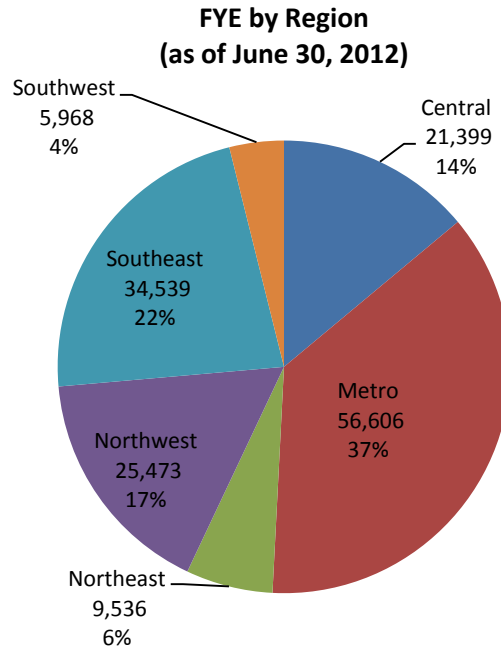
System Gross Academic Square Footage (GSF) by Region (FY2012)



Despite having only 29% of the system square footage, the Metropolitan area represents nearly 37% of the system’s FYE students. The Southeast, although it contains about the same square footage, serves around 22% of the system’s FYE students.

Chart 2

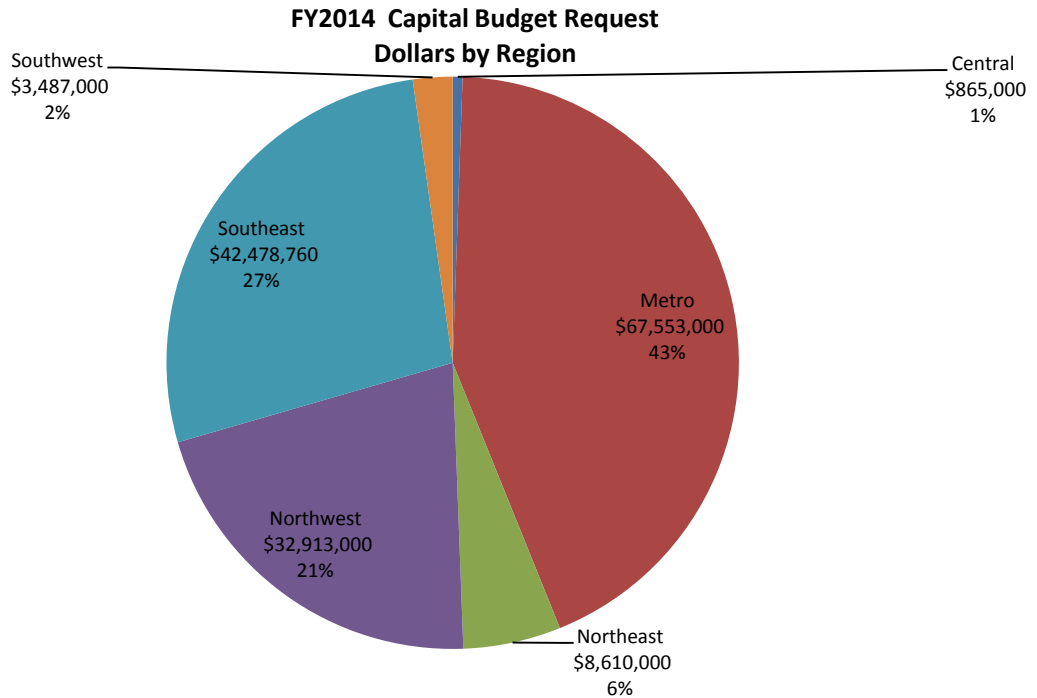
System Full-Year Equivalent (FYE) by Region



The recommended FY2014 capital budget invests in the metro area reflecting the continued academic program demand and demographic trends in the state.

Chart 3

FY2014 Capital Investment in Projects by Region



FUTURE CAPITAL PROGRAM

Fifteen (15) projects with an estimated cost of approximately \$178.0 million were scored during the process and did not make the recommended list for 2014. Five (5) of the projects were for large, new space requests to be funded over two biennia.

Two of the projects not on the recommended list – the original requests at Bemidji State University for Hagg-Sauer and at Rochester Community and Technical College for Memorial and Plaza Halls – were dropped, but two new line items were added to the recommended list to assist both Bemidji State and Rochester campuses post-demolition that would provide planning funds to design renovation and better right size the campuses.

2013 CAPITAL BONDING RESULTS

During the 2012 legislative session, the system received \$132.1 million out of a \$278.7 million capital budget request, representing about 47% of the total request. The 2012 appropriation included \$20.0 million in HEAPR and \$112.1 million for design and construction of projects, leaving \$146.6 million unfunded from the 2012 request.

Shortly before the 2013 legislative session, it was learned that the legislature and governor were considering introduction of a bonding bill. After inquiries from legislative and the governor’s staff, the system submitted a 2013 bonding request that included the unfunded requirements left over from the Board’s 2012 priorities. When accounting for inflation and minor project adjustments, the 2013 request totaled \$151.4 million and included \$90 million in HEAPR and \$61.4 million in capital projects for 2013. The 2013 list of projects are shown on Attachment B.

Both the House and Governor put forth a bonding bill including system projects, but ultimately, that version of the bonding bill did not pass. The legislature did pass and the governor did sign a pared down bonding bill in the waning hours of the session, but the legislature adjourned without including any projects for the system. Projects on the 2013 list were already part of the 2014 capital budget review process.

PAST CAPITAL BONDING REQUEST

Since 2006, the system has requested approximately \$1.7 billion of capital bonding. The system has received approximately \$795.5 million of the \$1.7 billion total request from 2006-2013, representing about a 46% funding rate.

Table 2 identifies the past four biennial capital requests (years in bold) and the appropriation results. Although the average request during this time period is around \$325 million, this is mostly due to large 2008 and 2010 total requests.

Table 2

Systemwide Capital Bonding Request and Appropriation (2006 – 2013)

Bonding Year	Request	Received	% Received
2006	\$280.4	\$191.4	68%
2007	\$0.0	\$0.0	0%
2008	\$350.2	\$234.2	67%
2009	\$0.0	\$0.0	0%
2010	\$396.8	\$106.2	27%
2011	\$279.8	\$131.6	47%
2012	\$278.7	\$132.1	47%
2013	\$151.4	\$0.0	0%
Total	\$1,742.3	\$795.5	46%
Even Bonding Year Average	\$326.5	\$166.0	51%

NEXT STEPS

All capital bonding requests are due to Minnesota Management and Budget on June 21, 2013. The legislature will use this preliminary information as they make visits around the state this summer and fall to become familiar with proposed capital requests.

Specific project cost estimates on Attachment A may change over the next several months as some design work is completed on previously funded projects. Final adjustments to the requested projects must occur no later than October 2013 for preparation of the Governor's capital budget recommendation to the 2014 legislative session.

RECOMMENDED COMMITTEE ACTION:

Finance and Facilities Committee recommend the Board of Trustees adopt the following 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.

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.

Date submitted to the Board of Trustees: June 3, 2013

ATTACHMENT A

Last Updated: May 30, 2013

Minnesota State Colleges and Universities
FY2014 Capital Budget Request - Recommended List

Priority	Institution	Campus/Location	Region	Project Title	Design OR Construct	Project Type	Project Cost		Square Footage			
							2014	2016	New	Renovate	Renewal	Demo/Mothball
1	HEAPR	Systemwide	System wide	Higher Education Asset Preservation and Replacement	D/C		\$110,000,000					
2	Demolition	Systemwide	System wide	Demolition of mothballed or under-utilized space to reduce campus square footage	D/C		\$20,576,000					403,450
3	Metropolitan State University	St. Paul	Metro	Science Education Center new construction	C	○	\$35,865,000		65,712	3,500		
4	Bemidji State University	Bemidji	North West	Memorial, Decker, and Sanford Hall renovation, demolition; design, post-demolition Hagg Sauer	D/C	○	\$13,790,000		4,000	46,700	11,800	17,000
5	Lake Superior College	Duluth	North East	Allied Health ('86 Wing) Revitalization renovation	D/C	○	\$5,266,000			36,500	4,500	
6	Minneapolis Community & Technical College	Minneapolis	Metro	Workforce Program Phase 2 renovation	D/C	○	\$3,600,000			90,470		
7	Saint Paul College (Initiatives)	St. Paul	Metro	Initiatives: Culinary Arts Lab, and Machine Tool renovation	D/C	△	\$1,500,000			16,773	10,777	
8	Minnesota State College - Southeast Technical (Initiatives)	Red Wing, Winona	South East	Initiatives: Welding/Indust. Labs, Science Labs, and Multipurpose Classrooms renovation	D/C	△	\$1,700,000			14,250		
9	Central Lakes College	Staples	North West	Campus Rightsizing renovation	D/C	□	\$4,581,000			7,435	56,895	17,810
10	Minnesota State University, Mankato	Mankato	South East	Clinical Science Building new construction, renovation	C	○	\$25,818,000	\$4,444,000	55,717	13,191	8,584	
11	Minnesota State Community & Technical College	Moorhead	North West	Transportation Center addition	D/C	□	\$6,544,000		22,630	23,186		2,900
12	Rochester Community and Technical College	Rochester	South East	Design, post-demolition Plaza, Memorial & Art buildings	D	□	\$1,000,000			13,530		
13	Minnesota State Community and Technical College (Initiatives)	Jackson, Canby	South West	Initiatives: ITV Classrooms, Powerline Training Facility, and Geothermal System renovation	D/C	△	\$3,487,000		10,900	44,090		18,000
14	Dakota County Technical College	Rosemount	Metro	Transportation & Emerging Technologies lab renovation	C	○	\$7,586,000			42,580	22,970	
15	Century College (Initiatives)	White Bear Lake	Metro	Initiatives: Digital Fabrication, Kitchen space, and Solar Panel System renovation	D/C	△	\$2,020,000			6,000	1,700	
16	Northland Community Technical College	Thief River Falls	North West	Aviation Maintenance Facility Expansion demolition and addition	C	○	\$5,864,000		20,410	5,790		21,680
17	(NHED) Northeast Higher Education District (Capital and Initiatives)	Itasca, Hibbing, Rainy River, Vermilion	North East	Initiatives, Capital: Science Labs (3), Art Classroom, Biomass renovate; Rightsizing /Demolition	D/C	△	\$3,344,000	\$8,600,000	20,000	19,371	8,500	46,805
18	Winona State University	Winona	South East	Education Village, Phase I, renovation	D/C	□	\$5,902,000	\$18,697,000	1,000	18,816		
19	Anoka Technical College (Initiatives)	Anoka	Metro	Initiatives: Manufacturing Technology Hub, and Auto Tech Lab renovation	D/C	△	\$1,500,000			42,025		
20	Saint Paul College	St. Paul	Metro	Health & Science Alliance Center addition	D/C	○	\$14,482,000		36,770	3,248		8,000
21	Century College	White Bear Lake	Metro	Classroom and Workforce Alignment addition	D	○	\$1,000,000	\$12,432,000	25,584	4,000	1,000	
22	South Central College	North Mankato	South East	STEM and Healthcare Workforce renovation	D/C	○	\$7,467,000			19,765	71,125	
23	St. Cloud State University	St. Cloud	Central	Integrated Student Health and Academic Programs renovation	D	○	\$865,000	\$15,000,000	15,562	43,291		
24	Minnesota State Community and Technical College (Initiatives)	Fergus Falls, Wadena	North West	Initiatives: Campus Rightsizing, and Center for Student Success renovation	D/C	△	\$1,385,000			21,832		
25	Northland Community and Technical College (Initiative)	East Grand Forks	North West	Initiative: Laboratory renovation	D/C	△	\$749,000			754	4,450	
26	Winona State University (Initiative)	Winona	South East	Initiative: Psychology Lab - Phelps Hall renovation	D/C	△	\$591,760			3,703		

Project Type Legend

- Previous Appropriation (2008-2012)
- Appeared on 2013 Capital Budget Bonding List
- First Time Submittal
- △ Initiative - Small Projects

FY2014 - 2019 Major, HEAPR, and Demolition GRAND TOTAL:

	\$286,482,760	\$59,173,000	278,285	540,800	202,301	535,645
HEAPR:	\$110,000,000					
Projects:	\$176,482,760					
user (MnSCU) Financing:	\$58,827,587					
General Obligation:	\$227,655,173					

Attachment B
2013 Capital Bonding Priorities - Results

Priority	Project Title	Campus/Location	FY2012 Request	FY2012 Funding	Request	2013 Approved and Funded
1	Higher Education Asset Preservation and Replacement (HEAPR)	Systemwide	\$110.000	\$20.000	\$90.000	\$0
2	Metropolitan State University - Science Education Center, <i>construction</i>	St. Paul	\$31.000		\$33.800	
3	Systemwide STEM Initiative - Renovation (Century College, MSU Moorhead, NHED Itasca Community College, NHED Mesabi Range - Eveleth), <i>design and construction</i>	White Bear Lake, Moorhead, Grand Rapids, Eveleth	\$5.200	\$2.500	\$2.700	
4	Rochester Community and Technical College - Classroom renovation, <i>design</i>	Rochester	\$0.900		\$0.900	
5	Central Lakes College, Staples - Agriculture reconfiguration, and renovation, <i>design & construction</i>	Staples	\$3.458		\$3.458	
6	Riverland Community College, Albert Lea - Demolition, reconfiguration, and renovation, <i>design and construction</i>	Albert Lea	\$3.083		\$3.083	
7	Systemwide Energy Initiative - Renovation (Century College, Minnesota West - Canby and Jackson, NHED Itasca Community College), <i>design and construction</i>	White Bear Lake, Canby, Jackson, Grand Rapids	\$3.700		\$3.700	
8	Systemwide Classroom Initiative - Renovation (Century College, Inver Hills Community College, NHED Vermilion Community College, Saint Paul College), <i>design and construction</i>	White Bear Lake, Inver Grove Heights, Ely, St. Paul	\$2.675		\$2.675	
9	Minnesota State Community and Technical College, Moorhead - Transportation Center addition & renovation, <i>design and construction</i>	Moorhead	\$5.210		\$5.210	
10	Winona State University - Business & classroom renovation, <i>design and construction</i>	Winona	\$5.828		\$5.828	
	Total Program				\$151.354	
	HEAPR				\$90.000	
	Projects				\$61.354	
	User Financing				\$20.451	
	General Obligation				\$130.903	