

Recommended 2014 Capital Budget Request



Second 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 second reading, the recommended capital budget request for 2014
- Gain Board approval of the capital budget request and priorities for 2014

Overview

- Recommended 2014 capital program
- Background
- Program elements
 - HEAPR
 - Capital Projects
 - Demolition
- Debt Service Modeling
- Historical trends and references
- Recommended motion

Investment in Minnesota

- Asset preservation:
 - 109 HEAPR Projects at 47 campuses
 - 53% improves building exterior integrity: roofs, walls, windows
 - 40% building infrastructure systems: HVAC, electrical, plumbing
 - 5% code and standard compliance
- Improves existing educational and student support space
 - Renovates and renews 740,000 sq. ft. at 27 campuses
- Select expansion to meet workforce needs
 - STEM, allied health, transportation, general studies and workforce skills
 - 2 universities and 3 colleges
- Replacement or elimination of obsolete space:
 - Within capital projects at 7 campuses
 - Demolition initiative at up to 16 campuses

Recommended 2014 Capital Program

- General Obligation funding: \$227.7 million
- System financing: \$58.8 million
- Total Capital Program: \$286.5 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

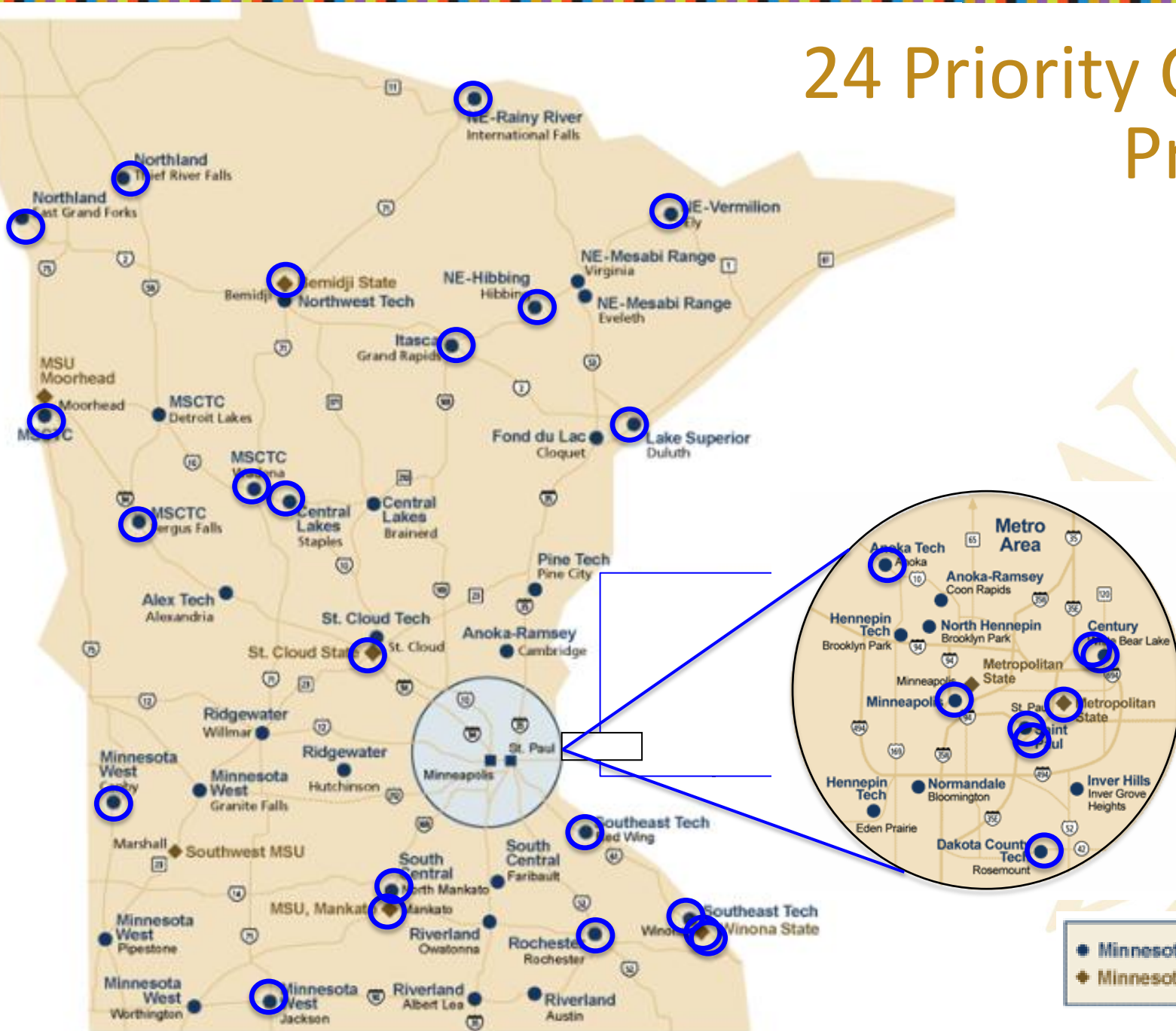
Board Guidelines

- 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

HEAPR

- Authorized in 135A.046 – Asset Preservation and Replacement
 - Provide standards for higher education projects intended to preserve and replace existing campus facilities
- Uses:
 - Preservation of building interiors and exteriors
 - Renewal
 - Code Compliance
 - Energy efficiency improvements
- Keep Up / Catch Up Strategy:
 - Address anticipated needs
 - Reduce backlog by 50% over 10 years
 - Calls for \$110 million in HEAPR investment per biennium

24 Priority Capital Projects



● Minnesota State Colleges
◆ Minnesota State Universities

Capital Projects

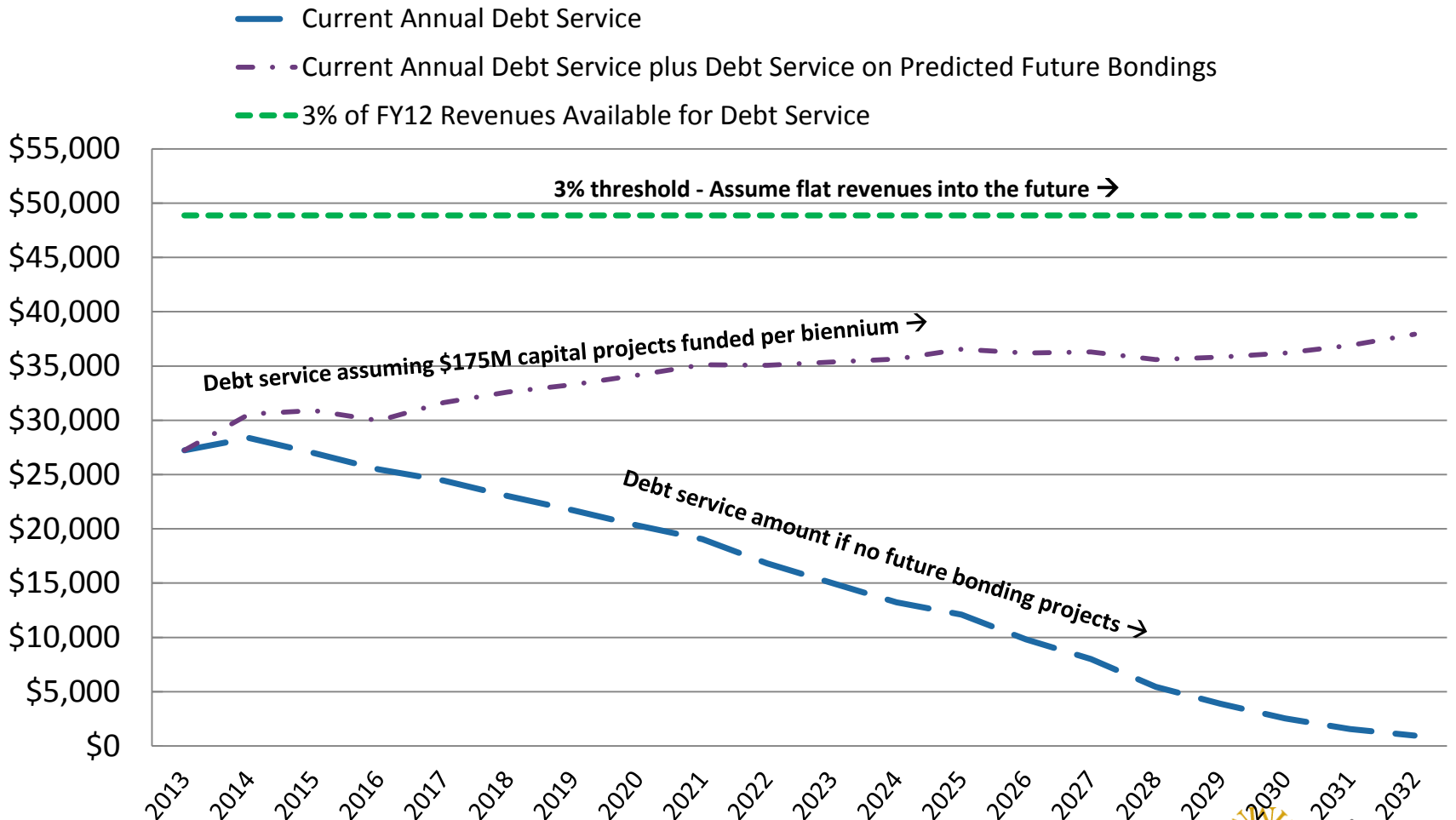
- Programmatic Impact of \$155.9 million investment
 - STEM: \$53.2 million
 - Metropolitan State, NHED, Northland, and South Central
 - Allied Health: \$45.5 million
 - Lake Superior, MSU, Mankato, and Saint Paul
 - Technical Programs: \$33.5 million
 - Anoka, Central Lakes, Century, DCTC, MCTC, MnWest, 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

- System-wide 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

Debt service modeling

20 Years Current and Projected Debt Service & 3% FY2012 Revenue Available



System Bonding Historical References

- Total Capital Program:
 - Average Even-Year Request (2000-2012): \$295 million
 - Average Total biennial funding (2000-Present): \$207 million (70%)
- HEAPR:
 - Average Even-Year Request (2000-2012): \$106 million
 - Average Total biennial funding (2000-Present): \$53 million (50%)
- Projects:
 - Average Even-Year Request (2000-2012): \$189 million
 - Average Total biennial funding (2000-Present): \$154 million (82%)

State and MnSCU GO History

- Bonding Bills 2005 – 2012
- Total State GO Bonding:
 - Average GO approved and appropriated: \$652 million
- MnSCU program:
 - Average GO requested: \$215 million
 - Average GO approved and appropriated: \$150 million
 - 17% of total state GO appropriation, 53% of the GO request

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



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