Board of Trustees Meetings
March 20-21, 2018
Board of Trustees Meeting Schedule
Tuesday and Wednesday, March 20 and 21, 2018
Minnesota State
30 7th Street East
St. Paul, Minnesota

Unless noticed otherwise, all meetings are in the McCormick Room on the fourth floor. Committee and board meeting times are tentative. Meetings may begin up to 45 minutes earlier than the times listed if a committee meeting concludes its business before the end of its allotted time slot. In addition to the board or committee members attending in person, some members may participate by telephone.

Tuesday, March 20, 2018
1:00 pm Committee of the Whole, Fourth Floor, McCormick Room, Michael Vekich, Chair
   1. National Trends in Higher Education
   2. NextGen Update

2:30 pm Break

2:45 pm Joint Academic and Student Affairs and Finance and Facilities Committees, Alex Cirillo and Jay Cowles, Co-chairs
   • Collaborative Campus and Regional Planning Update

3:45 pm Meeting ends

4:00 pm Closed Session: Human Resources Committee, Dawn Erlandson, Chair
   • Labor Negotiations Strategy

4:30 pm Meeting ends

5:00 pm Dinner (Social event, not a meeting)
Wednesday, March 21, 2018

8:30 am  Finance and Facilities Committee, Jay Cowles, Chair

1. Minutes of January 24, 2018
2. FY2020 Capital Program Guidelines for 2020 Capital Program and 2019 Revenue Bond Sale (Second Reading)
3. Contracts Exceeding $1 Million
   a) Oracle Cloud Services
   b) Individual Emergency Messaging System Software
   c) Normandale Community College, Parking Lot Reconstruction
   d) MSU, Mankato, Student Union HVAC Upgrade
4. Proposed Amendment to Policy 8.3 College, University and System Related Foundations (Second Reading)

9:30 am  Academic and Student Affairs Committee, Alex Cirillo, Chair

1. Minutes of January 23, 2018
2. Mission Statement: Central Lakes College
3. Student Success Update
4. Proposed Amendment to Policy 2.8 Student Life (First Reading)
5. Proposed Amendment to Policy 3.7 Statewide Student Association (First Reading)
6. Proposed Amendment to Policy 3.24 Institution Type and Mission, and System Mission (First Reading)

11:00 am  Human Resources Committee, Dawn Erlandson, Chair

1. Minutes of January 24, 2018
2. Minutes of February 21, 2018
3. Approval of Minnesota State Colleges and Universities Personnel Plan for Administrators
4. Appointment of President of Rochester Community and Technical College
5. Appointment of President of St. Cloud Technical and Community College

12:00 pm  Luncheon, Rooms 3304/3306

1:00 pm  Board of Trustees Meeting, Michael Vekich, Chair

2:30 pm  Meeting ends

BOLD denotes action items
Title: FY2020 Capital Program Guidelines for 2020 Capital Program and 2019 Revenue Bond Sale (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:

Board Policy 6.9, *Capital Planning*, provides, the chancellor, shall “develop and recommend for board approval capital funding guidelines for system facilities and real property.”

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

Board Policy 6.9, Capital Planning, provides, the chancellor, shall “develop and recommend for board approval capital funding guidelines for system facilities and real property.” The following details are for the Board of Trustees review of capital program guidelines for preparation of the 2020 capital budget and any 2019 Revenue Fund bond sale.

CAPITAL PROGRAMMING – GENERAL

Capital program guidelines establish the goals the system seeks to achieve when obtaining funding for major capital projects. The guidelines serve a two-fold purpose:

1. A foundation for creating a prioritized capital bonding list that is submitted to the board for approval and then forwarded to the state’s capital bonding process and
2. Providing guidance on investment priorities in our revenue bond program.

Each college or university that wishes to participate in a capital budget cycle will base their request on their current comprehensive facility plan and prepare a full predesign consistent with established guidelines that describes the project’s scope, anticipated costs and schedule.

RECOMMENDED CAPITAL PROGRAM GUIDELINES

The capital program guidelines will be used to establish the major criteria for prioritizing the 2020 capital budget request. Capital program guidelines are grounded in the Minnesota State Strategic Framework principles of ensuring access to an extraordinary education, being the partner of choice to meet Minnesota’s workforce and community needs, and delivery to students, communities, and taxpayers the highest value, most affordable option.

Since the 2018 capital program guidelines were approved, the Report of the Workgroup on Long-term Financial Sustainability recommended the system adjust the size of its physical plant and space capacity in order to address regionally disproportionate surpluses, as well as to accommodate new academic and administrative organizational structures. The
recommendation recognized that the system is overbuilt in some parts of the state and there is a high cost to the system due to this imbalance. Through effective capital planning, space allocation and utilization can significantly reduce operating costs and increase revenues.

In addition, the Board approved the Strategic Roadmap for Long Term Financial Sustainability for Minnesota State called for tempering the appetite for new buildings and focusing on deferred maintenance and increasing facilities utilization as strategies for reducing facilities costs.

In preparing the proposed FY2020 capital program guidelines for Board consideration, the staff also took into consideration regional planning efforts to accommodate more efficient academic planning and their long term impact on academic facilities. Staff also consulted with the Leadership Council and solicited discussion during the Board’s November 2017 meeting to develop recommended capital program guidelines to prioritize 2020 capital bonding requests.

Based on the considerations above, the Board is asked to consider the following capital program guidelines for development of the FY2020 capital investment program:

1. **Update Academic Spaces.** The Board seeks strategic improvements and modernization of existing campus spaces to support current and emerging academic and student needs of a region and the state of Minnesota. The system’s number one priority remains asset preservation to best support long term facility stewardship and financial sustainability.

2. **Ease Barriers to Student Success.** Improve opportunities for student success by updating support services, academic advising, and tutoring spaces and prioritize space that improves transferability between our colleges and universities and access to baccalaureate programming.

3. **Prioritize Energy Efficiency and Renewable Energy Infrastructure.** Build for the future with flexible and adaptable spaces that prioritize energy efficiency and integrate renewable energy sources as a long-term strategy to enhance environmental and financial sustainability.

4. **Limit New Square Footage.** Preserve and maintain the space we have by reinvesting in campus infrastructure and prioritizing renovation over adding new square footage; additional square footage should be considered only in unique situations where options for reutilization or replacement of existing space have been exhausted.

5. **$250 million request.** The total FY2020 capital investment program target should be $250 million with approximately $130 million prioritized to address asset preservation needs and $120 million for major projects to meet programmatic updates.
OTHER CAPITAL PROGRAM CONSIDERATIONS

Should opportunities arise for capital bonding in off-years, the Board historically supported the completion of unfunded priorities from the bonding session immediately prior to the off-year session. That strategy is recommended for the 2020 capital request as well. At the conclusion of the 2019 legislative session, staff will provide an update of the final bonding bill and prepare a new capital bonding list of unfunded 2020 projects for consideration by the governor and the legislature in the following legislative session.

CAPITAL BONDING DEBT MANAGEMENT

The state requires Minnesota State to pay one-third of the total debt service obligation attributable to the individual capital projects funded for the benefit of the system (excluding Higher Education Asset Preservation and Replacement (HEAPR) projects). Given recent discussion and feedback, the recommendation is to remain with the historical policy of sharing debt service 50% with state funds taken off the top of the state allocation and 50% paid by the benefiting college or university. This approach would be effective with the 2018 capital program. Staff will continue to monitor the impacts of this policy in context with the many other drivers of campus financial conditions.

2019 REVENUE FUND BOND GUIDELINES

The 2019 Revenue Fund bond guidelines will be used as guidance as the system prepares for its 2019 revenue bond sale, which is expected to be brought for Board consideration in the fall of 2018. The revenue bond process is distinguishable from the capital budget process by two primary differences:

1) Minnesota State has statutory authority to issue revenue bond debt, and

2) Each campus is responsible for the full debt service and must levy student/user fees and charges sufficient to financing the full debt service and operating requirements for their particular project and program.

To that end, the board is asked to consider the following proposed guidelines for the revenue fund capital program to include:

1. Evidence of strong student involvement and support for a project
2. Balance student affordability with required reinvestment in the buildings
3. Reduction of deferred maintenance backlog
4. Addresses long-term demographic forecasts in planned project
5. 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 2020 Capital Program Guidelines and 2019 Revenue Fund bond sale guidelines as presented. The Board further approves the debt management policy effective with the 2018 capital program.

RECOMMENDED BOARD MOTION:

The Board of Trustees approves the 2020 Capital Program Guidelines and 2019 Revenue Fund bond sale guidelines as presented. The Board further approves the debt management policy effective with the 2018 capital program.

Date of Adoption: 03/21/18
Date of Implementation: 03/21/18