

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

Name: Finance and Facilities Committee

Date: June 17, 2015

Title: FY2016-FY2020 Capital Budget Proposal (Second Reading)

Purpose (check one):

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> Proposed<br>New Policy or<br>Amendment to<br>Existing Policy | <input checked="" type="checkbox"/> Approvals<br>Required by<br>Policy | <input type="checkbox"/> Other<br>Approvals |
| <input type="checkbox"/> Monitoring /<br>Compliance                                   | <input type="checkbox"/> Information                                   |   |

Brief Description:

The report seeks committee and Board of Trustees approval of the FY2016 – FY2020 priorities for capital bonding for submission to the governor and the Minnesota House of Representatives and Senate as a part of the 2016 legislative session, consistent with Policy 6.5, Capital Program Planning.

The report has been modified since the first reading to incorporate answers to trustee questions concerning construction cost management.

Scheduled Presenter(s):

Brian Yolitz, Associate Vice Chancellor for Facilities

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

**BOARD ACTION**

**FY2016-FY2020 Capital Budget Proposal (Second Reading)**

**PURPOSE**

To obtain the Board of Trustees approval of the priorities for capital bonding for submission to the governor and the Minnesota House of Representatives and Senate as a part of the 2016 legislative session, consistent with Policy 6.5, Capital Program Planning.

**BACKGROUND**

The system's 54 college and university campuses include about 28.0 million square feet of facility space. Of this total, 22.4 million square feet is academic space and eligible for general obligation bonding through the state of Minnesota's capital bonding process. The remaining 5.6 million square feet of facility space is attributable to the revenue fund and include residence halls, student unions, dining facilities and parking ramps. Revenue fund facilities are maintained, improved and constructed through user fees and the sale of revenue fund bonds.

All colleges and universities develop and maintain comprehensive facility plans that take into account academic programming, demographic and enrollment trends, facility condition, configuration, space utilization and energy consumption data. These plans identify and prioritize institutional investment needs for both the academic and revenue fund facility spaces along with any real estate matters.

In March, 2014, the board approved capital guidelines for both the 2016 capital budget and the 2015 revenue fund programs: <http://www.mnscu.edu/board/materials/2014/march19/fin-03-guidelines.pdf>. Taking into account the Strategic Framework and the six recommendations in Charting the Future, the board guidelines sought to focus on projects meeting the following priorities:

1. Strategic regional and statewide academic program focus
2. "Taking care of what we have"
3. Minimizing new square footage
4. Building for the future with flexible and adaptive space

The guidelines also established a total 2016 capital bonding target for the legislative request of between \$250-\$285 million.

Given this guidance, colleges and universities reviewed their comprehensive facility plans and forwarded their prioritized capital bonding requirements for their academic spaces. These

submittals included over \$350 million in asset preservation priorities to be included in the system's Higher Education Asset Preservation and Replacement (HEAPR) program, and nearly 40 capital projects totaling over \$250 million.

In early January 2015, more than 100 academic, finance, facilities and technology faculty and staff from our colleges and universities and the system office reviewed and scored proposed capital projects against the board guidelines. This scoring process included projects that were approved by the board as part of the 2014 process but not fully funded in the 2014 capital bonding bill. Results of that scoring informed the DRAFT recommended 2016 capital bonding priorities at **Attachment A**.

**NOTE** In October 2014, the board approved a capital bonding recommendation for the 2015 legislative session, an 'off' bonding year, made up of those 1) projects approved by the board

year 2015 was \$31.7 million. If the DRAFT recommended 2016 program was fully funded, the system's total general obligation bond obligation would increase by \$58.9 million and annual debt service payments would increase by \$3.5 million. For debt capacity and debt burden calculations over time, see **Attachment B**.

### **HISTORICAL PERSPECTIVE**

Since 2006, on average, the board has approved a total capital bonding program of \$318.5 million in even or 'on' capital bonding years. In those same years, the system has received



**TABLE 4: Major Project Funding and Program Changes**

Funding Year	Program	Original Funding/Projects	Program Funding Changes	Notes
2010	Capital	\$54.2M/9	(\$1.95M)	7 of 9 projects provided funds for conversion to HEAPR for campus use
2011	Capital	\$101.6M/7	(\$296K)	1 project provided funds for conversion to HEAPR
2011	Revenue Fund	\$104.0M/9	\$0	
2012	Capital	\$112.1M/17	(\$1.17M)	4 of 17 projects provided funds for conversion to HEAPR for campus use
2013	Revenue Fund	\$66.2M/7	\$7.4M	2 of 7 projects required additional funding (NOTE 1)
2014	Capital	\$117.3/26	\$637K	4 of 26 projects required additional funding through HEAPR and/or campus general funds (NOTE 2)
<b>TOTAL</b>		<b>\$555.5/75</b>	<b>\$4.62M</b>	

NOTE 1: Construction of two projects at Metropolitan State University (Parking Ramp and Student Union) encountered unforeseen contaminated soil requiring mitigation, costing a total of \$7.4M beyond the original project budget. This figure does not reflect modifications to Maria Avenue to meet City of St Paul traffic flow needs totaling \$1.9M

NOTE 2: Two projects required \$213K in HEAPR funding to address asbestos abatement and ADA restroom compliance requirements identified after original funding. Two projects required \$424K in additional funding to meet institutional scope changed after original project funding.

The system’s construction programs are managed to be fully executed within the appropriated amounts. System office program managers and college and university leadership and project managers work diligently to bring projects in on budget. In the years 2010-2012, programs were somewhat favored by the soft construction market and actually returned project savings back to campuses for asset preservation. That trend appears to have disappeared and the state’s construction market had heated up. The system has solved any cost increases internally and has never sought additional appropriations.

**RECOMMENDED COMMITTEE ACTION:**

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

The Board of Trustees approves the 2016 capital bonding request as presented in **Attachment A 5 H Y L V H G**, specifically the projects and priorities for 2016. 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 2016 capital budget.



BOARD OF TRUSTEES  
MINNESOTA STATE COLLEGES AND UNIVERSITIES

FY2016-FY2020 Capital Budget Proposal (Second Reading)  
Supplement

**PURPOSE**

To supplement and update documents provided earlier to obtain the Board of Trustees approval of priorities for capital bonding for submission to the governor and the Minnesota House of Representatives and Senate for funding part of the 2016 legislative session consistent with Policy 6.5, Capital Program Planning.

**BACKGROUND**

While no bonding bill passed during the regular 2015 legislative session, a bonding bill was approved and funded during the June 12<sup>th</sup> special session. This bonding bill totaled \$373.4 million and included



Draft 2016 Capital Bonding Recommendation – Proposed Priority List

	Institution	Project	Recommended
1	Systemwide	HEAPR – Asset preservation	\$110,000,000
2	South Central College North Mankato	STEM and Healthcare	\$8,600,000

