

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

**Agenda Item Summary Sheet**

**Committee:** Finance, Facilities and Technology    **Date of Meeting:** Nov. 17, 2009

**Agenda Item:** FY2012-2017 Capital Budget Guidelines

- Proposed Policy Action       Approval Required by Policy       Other Approvals       Monitoring
- Information

**Cite policy requirement, or explain why item is on the Board agenda:** Board Policy 6.5, Capital Program Planning, requires the Board of Trustees to establish criteria for and approve a prioritized multi-year capital budget, approve capital project priorities and guidelines, and final capital projects lists.

**Scheduled Presenter(s):** Allan Johnson, Associate Vice Chancellor for Facilities

**Outline of Key Points/Policy Issues:** Minnesota State Colleges and Universities expects to present a Fiscal Year 2012-2017 capital budget plan to the Minnesota Department of Finance, Governor and Legislature in June 2011 consistent with the state’s anticipated capital bonding program for the 2012 legislative session.

**Background Information:** The foundation of the capital budget is the Capital Budget Guidelines, approved each biennium by the Board, usually in the spring of the year that capital project submissions are due to the Office of the Chancellor, i.e. 2010. The purpose of this report and presentation is to get input from the Committee to help shape development of the Guidelines. The Guidelines will be presented for Board review in April 2010.

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MINNESOTA STATE COLLEGES AND UNIVERSITIES**

<b>INFORMATION ITEM</b>
<b>FY2012-2017 Capital Budget Guidelines</b>

**BACKGROUND**

As the FY2010 – 2015 capital budget request moves forward to the governor and legislature for deliberation in the 2010 legislative session, action must now begin on the development of the FY2012 –2017 capital budget. The foundation for this next capital budget will be the FY2012 – 2017 Capital Budget Guidelines which are scheduled to be published in May 2010. These Guidelines will shape the development of capital projects by colleges and universities for submission to the Office of the Chancellor in late 2010.

The purpose of this Board report is to solicit input from the Finance/Facilities/Technology Committee of the Board regarding the next capital budget cycle. Based on the process used for the FY2010 – 2015 cycle, and feedback received after Board approval of the current capital budget, the following main points are suggested as the beginning framework for development of the next cycle of capital budget guidelines.

**MAJOR POINTS FOR DEVELOPMENT OF THE FY2012 – 2017 GUIDELINES**

- Capital projects of Minnesota State Colleges and Universities must support the goals and objectives of the System’s Strategic Plan.
- Capital projects are preferred that directly and positively impact the state’s economy through development of a highly educated and trained workforce. Construction and renovation work should provide flexibility to address future workforce related programs.
- Projects in support of science, technology, engineering and math (STEM) programs should be a high priority. These may be single, stand-alone projects or several small renovation projects bundled together as a System-wide STEM initiative
- Projects should provide capacity to increase delivery of four-year baccalaureate programs in the Twin Cities metro area. Program delivery may be through Metropolitan State University or other state universities that partner with two-year colleges. This could take place through expansion or renovation of space at existing two-year campuses or through expansion of Metropolitan State University.
- Projects should reflect improved alignment between campus physical capacity and academic program requirements, community and public service, and appropriate stewardship of state buildings. Many campuses are overbuilt for current and forecasted regional populations. Efforts should be supported that lead to co-located programs, enhanced programs (i.e., adding or increasing baccalaureate programs), downsized campus space, mothballed buildings, demolition of obsolete space and revitalization of spaces to reflect the needs of future student enrollments and the regional/state workforce.
- Encourage creative use of space, particularly in support of technical programs. Some technical programs require a significant amount of space for relatively few students (e.g.,

diesel truck repair, agricultural equipment repair, etc.). New and renovated spaces should allow creative scheduling, multiple uses, flexible and appropriate construction and other space use strategies to maximize the benefit of limited project dollars.

In addition to the suggested points above, the capital budget must continue its focus on maintaining and renewing the existing buildings and infrastructure located state-wide on 54 campus sites. Accordingly, several additional items are suggested for the Guidelines:

- Encourage repair, renovation and modernization of existing facilities rather than construction of new space. Most of the System's building stock was built 30 to 40 years ago, is basically sound, but is in need of major renewal. The System focus on renovation and modernization over the past several capital budget cycles has resulted in a reduction of the backlog of maintenance and repair from \$685 million to \$655 million and a small improvement in the Facilities Condition Index (FCI). Continuing this trend should be encouraged. Considering space utilization and demographics, particularly in Greater Minnesota, improving existing yet aging facilities rather than build new seems a responsible approach. This approach to stewardship has allowed the system to be more efficient, increasing enrollment over 25% while only increasing square footage by 10% in the last several years.
- Continue a robust HEAPR (Higher Education Asset Preservation and Replacement) program as critical to the ongoing preservation of existing facilities. HEAPR appropriations, gained from state general obligation bond financing, do not require financing by the System or gaining institution.
- All projects must demonstrate improved energy efficiency. All projects are required to meet Minnesota State Colleges & Universities Design and Construction Guidelines as well as the state's B3 Guidelines. Implementation of our new Energy Benchmarking system should allow quantification of energy savings and reduction of the campus carbon footprint.
- Bundling a number of smaller projects for energy efficiency may be advantageous; similar to past initiative projects for STEM and classroom renovations. Note that the HEAPR appropriation is also a good source of funding for energy related projects.
- Advancing the use of alternative fuel sources should be encouraged, particularly as they relate to the region and economy, and link to academic programs.
- Improve space use. Each campus has unique building space constraints and academic offerings. Capital projects should specifically target improved space use, such as rightsizing, leasing out space to an appropriate tenant, development of multi-use space, collaborative use with campus partners, etc.

## **PROCESS**

No major changes to the capital budget process are recommended. Specifically, the following major elements of the process will be maintained:

- Project review and scoring by teams from multiple campuses, regions and disciplines after campus submission of projects in the fall of 2010. Projects will be scored on the basis of Capital Budget Guidelines.
- Only new projects will be reviewed and scored. Projects that have received Board and/or legislative approval in the FY2010 – 2015 cycle need not be resubmitted for scoring unless there are material changes to the project scope and/or cost. (Actual

project documents, cost estimates, etc. must be updated for submission as part of the capital budget.)

- Project predesigns must be completed at the time of project submission to fully describe the project scope, cost and schedule. This will allow time for staff review and availability for the formal review by the Review Teams.
- A proposed project and priority list will be published prior to a Board public hearing on the capital budget in early 2011. At the public hearing, colleges and universities may present their project to the Board if desired.
- Past practice of funding the design of a project in one biennium and seeking construction or renovation funds in the next biennium is appropriate for most projects over \$5 million. This process allows a thoughtful and methodical development of the project. However, smaller projects (e.g., under \$5 million) that could be executed within 30 months would be appropriate for funding in a single biennium.
- Improvements to parking facilities should be funded through parking revenues and/or revenue bond proceeds unless a case can be made for partial funding through the capital budget process.

#### **NEXT STEPS**

The FY2012 – 2017 Capital Budget Guidelines will be presented to the Board in April 2010 as a first reading and in May 2010 for a second reading. At this point in time, campuses have been urged to proceed with predesign documents to ensure that academic and student interaction occurs before the spring 2010 semester ends, as final project predesigns are due in the fall 2010.

A detailed schedule of the FY2012 – 2017 capital budget is contained at Attachment A.

## **FY2012-2017 Capital Budget Schedule**

November 2009	Review capital budget process; input from Board of Trustees and Leadership Council
March 2010	Campuses must have started work on predesigns; allow for input from faculty prior to end of semester in May
April 2010	Board and Leadership Council: review draft FY2012-2017 Capital Budget Guidelines
May 2010	Board action: FY2012 - 2017 Capital Budget Guidelines
June 2010	Campuses submit preliminary project titles and cost estimates
August 2010	Campuses develop predesign documents for 2012 capital projects; 50% to 70% submittals to Office of the Chancellor
September 2010	Draft project narratives and data spreadsheets submitted to Office of the Chancellor. Campuses analyze FRRM backlog and renewal data; begin engineering studies for significant HEAPR projects
October 2010	Master list of all campus requests for 6-year capital plan developed; all predesigns for 2012 must be complete
November 2010	Final capital project narratives and spreadsheets due
January 2011	Campus Review Teams evaluate and score capital projects
February 2011	Leadership Council reviews preliminary results from Campus Review Teams; HEAPR budget documents due; HEAPR engineering reports at 50%
February 2011	Project scoring results presented to Board of Trustees; public hearings on proposed capital projects and 6-year capital plan
April 2011	Leadership Council reviews preliminary FY2012-2017 Capital Budget
May 2011	Chancellor recommends FY2012-2017 Capital Budget to Board of Trustees
June 2011	Board action: FY2012-2017 Capital Budget Capital Budget forwarded to governor and legislature
August - October	Legislative committees conduct campus bonding tours using June project data
October 2011	Capital Budget requests frozen in the state's Budget Information System
January 2012	Governor's Capital Budget recommendations
February 2012	2012 Legislature convenes