

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

**Agenda Item Summary Sheet**

**Committee:** Finance, Facilities and Technology    **Date of Meeting:** December 17, 2007

**Agenda Item:** FY2010-2015 Capital Budget Process Design

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

**Cite policy requirement, or explain why item is on the Board agenda:** During review and discussion of the FY2008-2013 Capital Budget, several Board members expressed a desire to evaluate the capital budget process with an eye towards streamlining and becoming more efficient in dealing with project reviews.

**Scheduled Presenter(s):** Allan Johnson, Associate Vice Chancellor for Facilities  
Laura M. King, Vice Chancellor – Chief Financial Officer

**Outline of Key Points/Policy Issues:** The system's capital budget request process will be governed by the criteria, procedures and timeline contained in the FY 2010-2015 Capital Budget Guidelines, which are currently scheduled for Board consideration and approval in March and May 2008. Consistent with these upcoming Guidelines, Minnesota State Colleges and Universities would present a multi-year, capital budget proposal to the Minnesota Department of Finance, Governor and Legislature in June 2009 in anticipation of the state's capital bonding program for the 2010 legislative session.

**Background Information:** The capital budget process employed to date has been well received by college and university presidents as well as state legislators, Department of Finance and other stakeholders. However, with campus requests this year well over \$600 million and a final budget of \$347 million, there is a need for efficiencies to improve the process. To aid in this process improvement effort, a survey instrument was developed, reviewed by the Leadership Council and sent to all college and university presidents. Results of the survey are detailed in the attached report.

In addition, a brief update of the FY 2008-2013 capital budget will be presented.

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

**INFORMATION ITEM**

**FY2010 - 2015 Capital Budget Process Design**

**BACKGROUND**

The purpose of this agenda item is to frame a Board discussion regarding potential changes to the capital budget process for the FY 2010-2015 cycle. This system process will be governed by the criteria, procedures and timeline contained in the FY 2010-2015 Capital Budget Guidelines, which are currently scheduled for Board consideration and approval in March and May 2008.

Consistent with these upcoming Guidelines, Minnesota State Colleges and Universities would present a multi-year, capital budget proposal to the Minnesota Department of Finance, Governor and Legislature in June 2009 in anticipation of the state's capital bonding program for the 2010 legislative session. As a prelude to that development, campuses would be updating their master facilities plans and individual project plans for the funding cycle. Projects are evaluated against criteria that the Board establishes in the Capital Budget Guidelines. Currently, the schedule would be as follows:

March – June, 2008	Capital Budget Guidelines discussed and approved
January – October, 2008	Campuses develop specific projects
December 2008 – June 2009	Projects submitted; reviewed and evaluated; presented and prioritized by the Board; and submitted to the Department of Finance
July 2009 – December 2009	Legislative campus tours and evaluation by Department of Finance
February – May 2010	Legislative session

The capital budget process employed to date has been well received by college and university presidents as well as state legislators, Department of Finance and other stakeholders. However, with campus requests this year well over \$600 million and a final budget of \$347 million, there is a need for efficiencies to improve the process.

During review and discussion of the FY 2008 – 2013 Capital Budget, several Board members expressed a desire to evaluate the process with an eye towards streamlining and becoming more efficient in dealing with project reviews. To aid in this process improvement effort, a survey instrument was developed, reviewed by the Leadership Council and sent to all college and university presidents. However, policy issues that most directly impact the current process are highlighted below for discussion purposes. We are including a snapshot summary of the initial input received from presidents or their designees. Final conclusions may vary as all comments are received and analyzed.

**Survey Question #1:** The foundation of the biennial capital budget has been the System Strategic Plan. All capital projects reflect the goals of the Strategic Plan. However, the plan is broad, and most of the projects can be linked in some way. We are considering targeting the 2010-2015 Capital Budget plan to focus on specific program criteria for capital investment. To do this, the Board would establish four or five specific criteria for capital priorities (e.g. improved science facilities, improved technology lab spaces, improved energy and sustainability, reduction of the Facilities Condition Index (FCI), etc.). These focused, specific criteria would then receive higher points in the scoring process.

Please comment on this specific criteria in the selection process, and suggest any other specific criteria.

**Initial feedback:** While there is a value to have specific capital project criteria, there was concern that such additional criteria also reflect the System's Strategic Plan and, due to the diversity of the institutions, not be artificially limiting.

Majority of respondents indicated that adherence to the Strategic Plan, regional plans and campus master plans were still the most critical factors. Academic programs that promote access to learning also rated high. Also, strong support is evident to continue efforts to improve existing facilities and use the Facilities Condition Index (FCI) as a metric.

**Survey Question #2:** The current process requires ALL projects to be evaluated and re-evaluated each capital budget cycle.

Should projects that have already been funded in prior biennia be required to go through the process a second time, or simply retain their relative position on the list; presuming that the scope and cost have not materially changed? Suggest conditions that you believe should require re-evaluation.

*History:* In response to a question raised at the November Committee presentation, we examined prior-year project authorizations from FY2000 and whether any "phased projects" approved in one biennium failed to reappear in a subsequent biennium on the Board's approved list. In all cases, projects once initially approved continued their progress year-over-year.

**Initial feedback:** If the project has not materially changed, then the project could remain in its relative position without further team evaluation or Board presentation. The Chancellor and the Board would always reserve their discretion to establish final priorities.

**Survey Question #3:** Currently, the proposed capital budget request bottom line funding amount is arrived through technical analysis on the merit of projects, realistic construction phasing, evaluation of debt service and sensitivity to allocation of capital (regions, types of institutions, past allocation, etc.).

In the context of the Board establishing capital priorities in addition to the Strategic Plan, should the Board also establish a target budget bottom line?

**Initial feedback:** General consensus is that the need for capital projects and the resulting submittals will not change if an arbitrary cap is established; so it is not clear what is gained by

imposing a specific dollar target. On the other hand, there is merit in establishment of a planning target based on debt capacity and overall system needs.

**Survey Question #4:** Currently, the Board of Trustees hears presentations from colleges and universities on all capital projects. Presuming that a more 'specific criteria' method is in place (per question #1 of this survey) and that all the projects previously funded in prior biennia are automatically on the list again (per question #2 of this survey); is it necessary for the Board to hear detailed presentations on ALL projects?

Should only new projects that have not met the "Capital Budget Plan" have the opportunity for presentation? Should presentations be made only when the Office of Chancellor staff identifies projects that warrant the Board's attention?

**Initial feedback:** Generally, all colleges and universities want the option to present their project to the Board. However, most thought it is unnecessary to present projects that are phased and have received prior funding unless the project has materially changed.

**Survey Question #5:** The current capital budget process results in the majority of projects in a two-to-four year capital plan, e.g. design in one biennium and construction in the next biennium. Only very large projects have a six year cycle: design in one biennium, new addition in the second biennium and renovation in the third biennium. Ideally, the System should be creating a total six-year plan with multiple projects addressing the system needs.

Do you have any suggestions as to how to create a longer term vision that would result in a more robust six year capital budget planning process?

**Initial feedback:** This question had a variety of answers and requires further study.

**Survey Question #6:** Implementing changes as suggested above implies a higher degree of project planning prior to submission to the Office of the Chancellor. This requires extensive work to have a completed predesign from a campus done between March and the final submittal date in October. Predesigns are required by statute prior to legislative appropriations. Predesigns are funded by campuses operating dollars. Predesigns cost approximately 1/2% of the project amount - usually averaging around \$20,000 to \$40,000. This cost is typically less than the campus portion of debt service for the suggested project. Some campuses have voiced concern over this cost and the requirement to prepare a predesign for the suggested project.

Please comment on alternative methods of analysis for projects other than the predesign that would still capture the essence of the project to allow a reasonable evaluation.

**Initial feedback:** Overall, there is strong respect for the predesign process as it clearly delineates the overall scope and cost of a project. However, many would appreciate the opportunity to create the predesign document at a lesser cost, or have a common fund to assist campuses to pay for this product.

**Survey Question #7:** Comments regarding improving the big-picture concepts for the overall guidelines, schedule, evaluation, process or scoring of the next capital budget process.

**Initial feedback:** This question had a variety of answers and requires further study.

Regardless of process changes that may be made in response to the above, it is assumed that technical analysis of projects per the following existing criteria will still be included in the Capital Budget Guidelines:

**Asset Preservation:** continue to focus on renovation and modernization of existing space; sustainability; compliance with building and life safety codes; improve facilities condition index (FCI) by funding deferred maintenance and repair, and acknowledging the need to renew existing spaces in a timely manner.

**Planning:** continue to recognize approved prior funding; linkage to the System's Strategic Plan, improvement of spaces to enhance teaching and learning; provide sufficient space to accommodate demonstrated enrollment growth; or right-size existing space to properly reflect current and forecasted enrollment.

**Program:** recognize collaborations and partnerships; support STEM programs with appropriate facilities; further enhance facilities in support of the sciences, healthcare careers and high demand needs of Minnesota's workforce.

**Operations:** continue to examine new and existing system and campus debt, and other operating costs connected to capital projects.

**Rationale:** insist on clear problem definition; providing a solution that is of best value; address enrollment and space utilization; recognize innovative program delivery goals, high demand workforce results, and thoughtful study of alternatives.

In addition to the survey, staff have made presentations and sought input regarding process improvement at two recent system-wide conferences: Chief Finance and Facilities Officers conference in June 2007 and the Chief Academic and Student Affairs Officers meeting in October. Further information will be provided to the Board in January 2008 prior to presenting the draft FY 2010-2015 Capital Budget Guidelines in March.

## **FY2008-2013 CAPITAL BUDGET**

As the 2008 Legislative session approaches, several projects on the Capital Budget priority list have been adjusted to reflect changes in estimated costs. Revisions are shown on Attachment A.

*Date Presented to the Board: December 17, 2007*

**Minnesota State Colleges and Universities  
FY2008-2013 Capital Budget**

Attachment A  
Updated 11-20-2007

Priority	Institution Name	Campus	Project Description:	FY2008	Revised FY2008	Proposed FY2010	Revised 2010	Proposed FY2012
1	All Campuses	All	Higher Education Asset Preservation and Replacement (HEAPR)	110,000,000	110,000,000	110,000,000	110,000,000	110,000,000
2	Mn State University, Mankato	Mankato	Trafton Science Renovation	25,500,000	25,500,000			
3	St. Cloud State University	St. Cloud	Brown Hall Renovation	14,800,000	14,800,000			
4	Saint Paul College	St. Paul	Transportation and Applied Technology Lab Renovation	13,500,000	13,500,000			
5	Bemidji State University	Bemidji	Sattgast Science Building Addition and Renovation	8,900,000	8,900,000			
6	Normandale Community College	Bloomington	Classroom Addition and Renovation	7,000,000	7,000,000			
7	Inver Hills Community College	Inver Grove Heights	Classroom Addition and Renovation	13,200,000	13,200,000			
8	North Hennepin Community College	Brooklyn Park	Business and Technology Addition and Renovation	13,200,000	13,300,000			
9	Alexandria Technical College	Alexandria	Renovate Biology Lab	5,775,000	5,775,000			
	Anoka Technical College	Anoka	Renovate Multi-purpose Science Lab					
	Anoka Ramsey Community College	Cambridge	Renovate Multi-purpose Science Lab					
	Bemidji State University	Bemidji	Renovate Clinical Research Center					
	Central Lakes College	Brainerd	Renovate Dental Clinic					
	Century College	White Bear Lake	Renovate Radiology Lab					
	Inver Hills Community College	Inver Grove Heights	Renovate Multi-purpose Science Lab					
	Hennepin Technical College	Brooklyn Park	Renovate General Science Lab					
	Hennepin Technical College	Eden Prairie	Renovate General Science Lab					
	NHED Vermilion Community College	Ely	Renovate Science Lab					
Ridgewater Community Technical College	Willmar	Renovate Science Lab						
10	Northland Community Technical College	East Grand Forks	Classroom Addition and Renovation	7,800,000	7,800,000			
11	Mn State University Moorhead	Moorhead	Lommen Hall Renovation	13,100,000	13,100,000			
12	Century College	White Bear Lake	Classroom and Student Support Space Renovation - Phase 2	7,900,000	7,900,000			
13	Southwest Mn State University	Marshall	Science and HRA Labs Renovation	9,000,000	9,000,000			
14	Central Lakes College	Brainerd	Renovate Large Classroom	3,625,000	3,625,000			
	Mn State Community Technical College	Wadena	Renovate Rightsizing Classroom					
	Mn State Community Technical College	Moorhead	Renovate Classroom & Advanced Technology					
	MnWest Comm Tech College	Pipestone	Renovate TV & Learning Center					
	Northland Community Technical College	Thief River Falls	Renovate Swenson Center for Entrepreneurship					
	Pine Technical College	Pine City	Renovate Prototype / Metallurgy Technical Lab					
	Rochester Community Technical College	Rochester	Renovate Nursing Labs/Health Science Classroom					
15	Lake Superior College	Duluth	Health Science Center Addition	11,000,000	11,000,000	4,000,000	4,000,000	
16	Metropolitan State University	St. Paul	Classroom Center	4,980,000	4,980,000			
17	Alexandria Technical College	Alexandria	Law Enforcement Center	10,500,000	10,500,000	4,200,000	4,200,000	
18	Metropolitan State University/Minneapolis Community Technical College	Hennepin Technical College - Brooklyn Park	Co-location Law Enforcement Center	13,400,000	13,900,000			

**Minnesota State Colleges and Universities  
FY2008-2013 Capital Budget**

Attachment A  
Updated 11-20-2007

Priority	Institution Name	Campus	Project Description:	FY2008	Revised FY2008	Proposed FY2010	Revised 2010	Proposed FY2012
19	NHED Mesabi Range Community Technical College	Eveleth	Shop Space Addition and Renovation	5,000,000	5,000,000			
20	Winona State University	Winona	Memorial Hall Addition and Renovation \$18,400,000 total project request	8,400,000	8,400,000			
21	Minnesota State Community Technical College	Moorhead	Mechanical Construction Trades Addition Design and Construction and Classroom Design	2,800,000	2,800,000	5,200,000	5,200,000	
22	Anoka Ramsey Comm College	Coon Rapids	Classroom Building Addition Design and Construction and Renovation Design	3,800,000	3,800,000	5,000,000	5,000,000	
23	Hennepin Technical College	Eden Prairie	Eden Prairie: Design and Renovate Science and Design for Learning Resource Center/Student Service Center	2,400,000	2,400,000	10,600,000	10,600,000	
		Brooklyn Park	Brooklyn Park: Design for Learning Resource Center/Student Service Center					
24	Minneapolis Community Technical College	Minneapolis	Workforce Program and Infrastructure Renovation Design	700,000	700,000	12,750,000	12,750,000	4,000,000
25	Ridgewater Community Technical College	Willmar	Technical Instruction Design and Construction and Renovation Design	3,500,000	3,500,000	14,500,000	14,500,000	
26	Mn West Community Technical College	Worthington	Fieldhouse Renovation and Addition	4,000,000	4,000,000			
27	South Central College	Faribault	Classroom Renovation and Addition Design	700,000	700,000	12,000,000	12,000,000	
28	Bemidji State University	Bemidji	Property Acquisition, Former Bemidji High School	13,100,000	13,100,000			
	Dakota County Technical College	Rosemount	Property Acquisition, 105 Acres at UMORE Park					
	Found du Lac Tribal Community College	Cloquet	Property Acquisition, 7 Residential Properties					
	Mn State University Moorhead	Moorhead	Property Acquisition, Edison School					
	Mn State Community Technical College Moorhead	Moorhead	Property Acquisition, Fire Station					
	NEHD Vermilion Community College	Ely	Property Acquisition, Northern Terrace Trailer Park					
	Mn State College Southeast Technical	Red Wing	Property Acquisition, Bergwall Arena					
	Metropolitan State University:	St. Paul	Property Acquisitions on Bates Avenue					
29	Bemidji State University	Bemidji	Maple Hall Demolition	2,830,000	2,830,000			
	Hennepin Technical College	Eden Prairie	Greenhouse Demolition					
	NHED Vermilion Community College	Ely	Technology Trailer Demolition					
30	Owatonna College and University Center	Owatonna	Property Acquisition	3,500,000	3,500,000			
31	North Hennepin and Anoka Ramsey Community Colleges	TBD	BioScience and Allied Health for Workforce, Northwest quadrant planning	500,000	1,900,000	20,000,000	41,680,000	
32	Mn State University Moorhead	Moorhead	Livingston Lord Library Renovation Design	700,000	700,000	12,000,000	12,000,000	
33	Southwest Mn State University	Marshall	Science Lab Renovation Design	300,000	300,000	5,500,000	5,500,000	
34	St. Cloud State University	St. Cloud	Integrated Science and Engineering Laboratory Design	1,000,000	1,900,000	25,000,000	42,000,000	
35	Dakota County Technical College	Rosemount	Transportation and Emerging Technologies Design	300,000	700,000	6,500,000	6,500,000	6,500,000
36	St. Cloud Technical College	St. Cloud	Allied Health Center Design	300,000	300,000	5,000,000	5,000,000	
37	Rochester Community Technical College	Rochester	Workforce Center Co-location, Secondary Technical Education Program Design	300,000	300,000	8,000,000	2,000,000	
<b>Total</b>				<b>347,310,000</b>	<b>350,610,000</b>	<b>260,250,000</b>	<b>292,930,000</b>	<b>120,500,000</b>
<b>User Financing</b>				<b>76,303,333</b>		<b>50,083,333</b>		<b>3,500,000</b>
<b>General Obligation Bond Financing</b>				<b>271,006,667</b>		<b>210,166,667</b>		<b>117,000,000</b>



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# Minnesota State Colleges and Universities

**Board of Trustees  
Finance, Facilities and Technology Committee  
2010-2015 Capital Budget Process**

December 17, 2007



# Capital Budget - Background

- “Bonding year” is usually the even-year legislative session (2008, 2010)
- State sells “general obligation bonds” to finance capital projects
- State agencies, MnSCU, U of M, local governmental bodies make requests in June of the odd-year (2009)
- Legislature authorizes projects and appropriates funds (the “Bonding Bill”)
- Governor “enacts” the bill



# Capital Budget Process

- Capital Budget Guidelines – May 2008
  - To be approved by Board of Trustees
  - Defines the process
  - Foundation: System Strategic Plan
- Project submissions – December 2008
- Project evaluations – January 2009
- Board Committee hearings – March 2009
- Proposed Capital Budget to Leadership Council – April, May 2009
- Board adopts Capital Budget – June 2009



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# Opportunities to Improve Process

- Current process well regarded
- Detailed and labor intensive
- College and university presidents surveyed:
  - Policy questions
  - Technical questions



# Questions for Discussion

- Foundation of the capital budget is the System Strategic Plan

In addition to the Strategic Plan, should there be specific program criteria for capital investment on which to evaluate projects?



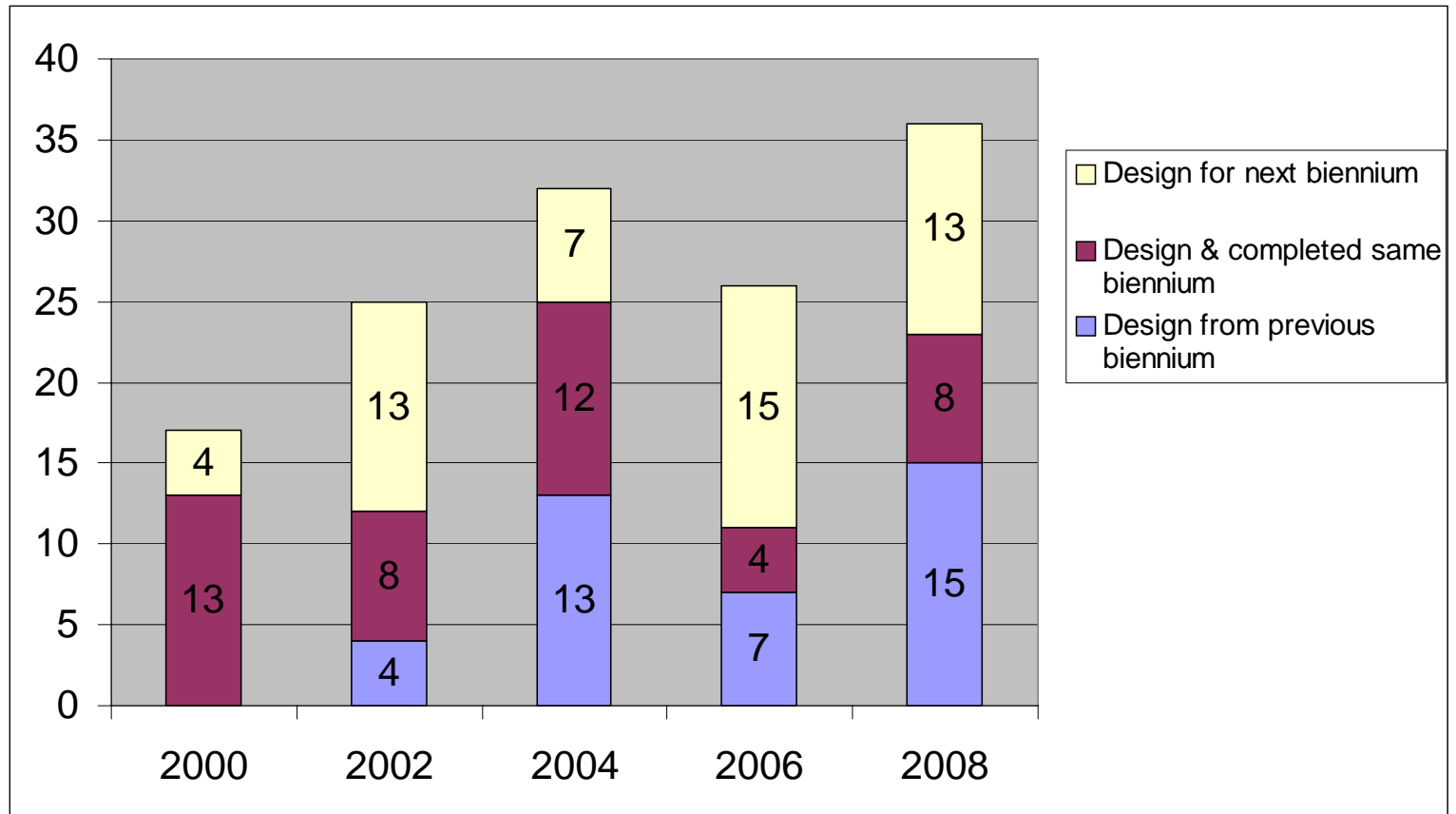
# Questions for Discussion

- Current process requires ALL projects to be evaluated and re-evaluated each budget cycle

Should projects already partially funded be re-evaluated a second or third time; or simply retain relative priority on the proposed list?



# Capital Request History





# Questions for Discussion

- Current process expects institutions to present ALL projects to the Board

Is this necessary, or should only new projects or those with material changes be presented to the Board?



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# 2010-2015 Capital Budget Guidelines

Next steps in CY 2008:

January	Recommendations and discussion
March	First reading
May	Second reading



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# FY2008-2010 Capital Budget Update

- Five projects cost estimates adjusted since initial approval
- Details shown on Attachment A