



MINNESOTA STATE
Board of Trustees

AGENDA ITEM SUMMARY

NAME: Finance and Facilities Committee

DATE: Nov. 16, 2022

TITLE: FY2023 Capital Program Recommendation

- Proposed New Policy or
Amendment to Existing Policy Approvals Required by
Policy Other Approvals
- Monitoring/Compliance Information

PRESENTERS

Brian Yolitz, Associate Vice Chancellor for Facilities

PURPOSE

To gain board approval of a recommendation for capital investment funding from the state of Minnesota during the 2023 legislative session.

BACKGROUND INFORMATION

In June 2021, after a full, formal capital program development process, the Board of Trustees approved a \$292.9 million capital budget request of the State of Minnesota for investment in Minnesota State college and university academic facilities for consideration during the 2022 legislative session. This request included \$150 million for Higher Education Asset Preservation and Replacement (HEAPR) and \$142.9 million for design and construction of major capital projects at 20 colleges and universities. It included thirteen (13) projects that were part of earlier board capital bonding requests of the state, including four (4) projects that received \$3.0 million for design in prior bonding bills and seven (7) new projects. Unfortunately, no bonding bill was passed and signed into law during the 2022 legislative session.

While there has been some rhetoric around a ‘lame duck’ bonding bill emerging prior to the next legislative session, we are turning our attention to the 2023 legislative session. Odd year legislative sessions primarily focus on policy and state agency operating budgets. With no bonding bill passing during the 2022 legislative session, there is an expectation that a bonding bill will also be considered during the 2023 session.

RECOMMENDATION FOR 2023

In preparing for the 2023 legislative session, facilities staff reviewed the 2022 request along with the candidate projects being requested for the formal legislative bonding session in 2024.

After consultation with individual institution leaders and the chancellor, one project has been amended and one has been removed from the recommended 2023 request as campus plans and priorities have changed since these projects were originally conceived. The scope of work and strategy for Lake Superior College's Integrated Manufacturing Workforce Lab has been amended to fund new construction and renovation of existing campus space to accommodate program currently in leased spaces off campus. The leased space is no longer available after June 30, 2024. The design funding request for North Hennepin Community College's Center for Innovation and the Arts has been removed from consideration at this time.

As a result, the recommended capital budget request for the 2023 legislative totals \$291.6 million based on 2022 project budget estimates, \$150.0 million for HEAPR and \$141.6 million for design and construction of nineteen (19) individual college and university projects. The state would fund \$244.4 million or 83.8% of the program and Minnesota State would be responsible for \$47.2 million or 16.2%.

In recent discussion with Minnesota Management and Budget (MMB), facilities staff has expressed concerns with relying on project funding estimates from the 2022 request as these projects cost estimates were originally prepared in 2021 and Minnesota and the nation have experienced significant inflationary pressures and supply chain issues within the construction sector. In their recent [report](#) for the second quarter of 2022, the Mortenson Cost Index showed a single quarter increase in construction costs of 3.3% both nationally and here in Minneapolis and increases of 11.8% nationally and 10.8% in Minneapolis over the last twelve months. We understand MMB is developing a strategy to make global adjustments to project costs in preparation for the 2023 legislative session, especially around construction costs.

PATH TO THE 2024 CHANCELLOR'S RECOMMENDATION

Formal capital program development planning is underway for the next regular bonding request for the 2024 legislative session. This process started with the board passing [capital program guidelines earlier this year](#). These strategic guidelines included:

Adapting and modernizing academic and support spaces critical to student success.

Acknowledge the importance of physical campus spaces for our students by modernizing and adapting existing space that directly contributes to student and faculty recruitment, retention, and success. Create flexible spaces that support changing teaching and learning strategies and demographic needs.

Facilitate fulfilling the vision of Equity 2030. Prioritize facility improvements that directly support student success at Minnesota State colleges and universities by supporting inclusive educational opportunities, growing programs, and improving campus climate and culture. Prioritize projects that support closing equity and opportunity gaps to address workforce and employment challenges in Minnesota. Prioritize contracting and procurement strategies and practices that encourage diversity in suppliers of project design, consultation, and construction services as well as their workforces.

Advancing resilience and environmental sustainability. Strive to reduce campus facility impacts on the natural environment by updating infrastructure and facility spaces to reduce

energy and resource use, prioritizing sustainable and efficient construction, utilization, and operating practices. Actively pursue and create renewable energy infrastructure and encourage institutions to incorporate environmental, climatic, and other risks in their institutional plans and projects.

No net increase in academic footprint. Invest in maximizing the potential of existing academic space through renovation, retrofit, or replacement with smart, flexible, and wherever possible, a smaller footprint. Increasing campus footprint may be considered in rare and extraordinary circumstances.

The 2024 guidelines also call for first addressing the stewardship and asset preservation responsibilities in the existing academic facilities and the associated growing backlog of maintenance. From here, the process is to be more zero-based. All candidate projects will be evaluated and prioritized for funding based on the Strategic Guidelines from above, as well as campus enrollment trends and composition; program and course offerings; campus workforce posture; existing academic space, its utilization and configuration; project size and scope and position within the Comprehensive Facilities Plan; and other institutional factors. Prior state funding for a project will be considered and prioritized where appropriate and conditions dictate seeking further state investment. Priority will be on projects that are quickly deliverable and focused on improving specific programmatic or student support needs. Planned future requests (project phases and construction tails) would be limited to the potential of \$75 million in the next biennial request.

Projects included in past requests may not be automatically included in future requests. The total FY2024 program request is to be approximately \$350 million including HEAPR and major capital projects. The specific project list will be modeled to ensure projects can be fully delivered in 6 years (3 biennia) or less, given delivery strategies and trends in state support. Given the combined effects of these criteria, projects from past requests may not be included in the 2024 request.

The first reading to the board of the chancellor's recommendation for the 2024 program will be in May 2023 with approval being sought after a second reading in June 2023. Given the timing of the 2023 legislative session and the board's schedule there may be adjustments from the first and second readings to take into account legislature action during the 2023 session.

RECOMMENDED COMMITTEE MOTION

The Finance and Facilities Committee recommends the Board of Trustees approve the 2023 capital program recommendation as presented in **Attachment A**, specifically the projects and priorities for the 2023 legislative session. The chancellor is authorized to make cost and related adjustments to the request including those required by Minnesota Management and Budget. In addition, as funding is authorized and appropriated by the legislature and approved by the governor, the chancellor or the chancellor's designee is authorized to execute contracting actions necessary to deliver on the scope and intent of the projects.

RECOMMENDED BOARD MOTION

The Board of Trustees approves the 2023 capital program recommendation as presented in Attachment A, specifically the projects and priorities for the 2023 legislative session. The chancellor is authorized to make cost and related adjustments to the request including those required by Minnesota Management and Budget. In addition, as funding is authorized and appropriated by the legislature and approved by the governor, the chancellor or the chancellor’s designee is authorized to execute contracting actions necessary to deliver on the scope and intent of the projects.

<i>Date Presented to the Finance and Facilities Committee:</i>	<i>11/16/2022</i>
<i>Date Presented to the Board of Trustees:</i>	<i>11/16/2022</i>
<i>Date of Implementation:</i>	<i>11/16/2022</i>

2023 Capital Program Recommendation

Institution	Project Title	2022 Request (\$000)	Recommended 2023 Request (\$000)
System wide	Higher Education Asset Preservation and Replacement (HEAPR)	\$150,000	\$150,000
Minnesota State University Moorhead	Weld Hall Renovation and Accessibility Additions (Construction)	\$19,048	\$19,048
Inver Hills Community College	Technology and Business Center Renovation (Construction)	\$18,087	\$18,087
Minneapolis College	Management Education Center Metro Baccalaureate Initiative (Construction)	\$16,938	\$16,938
Pine Technical and Community College	Technical/Trades Lab Addition and Renovation (Construction)	\$13,906	\$13,906
Saint Paul College	Academic Excellence Renovation (Design)	\$1,392	\$1,392
Minnesota North College – Vermilion/Ely Campus	Classroom Building Renovation (Design and Construction)	\$3,019	\$3,019
Central Lakes College	Brainerd Student Services Renovation (Design and Construction)	\$9,519	\$9,519
Northland Community and Technical College	Effective Teaching and Learning Labs (Design and Construction)	\$2,710	\$2,710
Minnesota State University, Mankato	Armstrong Hall Replacement (Design)	\$7,083	\$7,083
Winona State University	Center for Interdisciplinary Collaboration, Engagement, & Learning (Design)	\$4,240	\$4,240
Lake Superior College	Integrated Manufacturing Workforce Labs (Design)	\$1,055	\$7,355
North Hennepin Community College	Center for Innovation & the Arts* (Design)	\$7,598	\$0
Metropolitan State University	Cyber Security Lab (Design and Construction)	\$4,292	\$4,292
Alexandria TCC	Transportation Center Construction, Student Services Renovation, and Selective Campus Demolition (Design)	\$832	\$832
Riverland Community College	Student Services Renovation (Design and Construction)	\$9,924	\$9,924

Southwest Minnesota State University	Wellness and Human Performance Center (Design)	\$1,156	\$1,156	
St. Cloud State University	Education and Learning Design Complex (Design)	\$4,487	\$4,487	
Rochester Community and Technical College	Heintz Center Renovation: Reimagining Education for a Diverse Workforce (Design)	\$1,347	\$1,347	
Minnesota West CTC	Nursing, Law Enforcement, and Student Service Renovation (Design)	\$1,963	\$1,963	
Ridgewater College	Healthcare, Construction, Student Services, and Classroom Renovation (Design and Construction)	\$14,280	\$14,280	
<p>* Requires \$40 million in community matching funds</p> <p>BOLD – included in 2020 capital budget request</p>		Total Program	\$292,876	\$291,585
		Project Requests	\$142,876	\$141,585
		State Funding	\$245,251	\$244,390
		User Financing	\$47,625	\$47,195