

Overview

2016 Six-Year Capital Plan for FY2017 – FY2022

University of Minnesota

04/20/2016

Overview

The *2016 Six-Year Capital Plan* for the University of Minnesota establishes the University's capital requests to be submitted to the State for consideration; sets priorities and direction for continued capital project and academic planning efforts; identifies the impact of additional University debt; assigns responsibility for capital fundraising; and forecasts additional building operational costs. The plan is updated on an annual basis, and approved by the Board of Regents.

The President's recommended *2016 Six-Year Capital Plan* includes:

- 2017 state capital request
- Future state capital requests for 2018 through 2022
- Major projects scheduled to be financed with University resources during the period FY2018 through FY2022

Capital Process Leadership

The development of the University's overall capital improvements plan is guided by the Capital Strategy Group (CSG). The CSG includes:

- Executive Vice President for Academic Affairs and Provost
- Vice President, Health Sciences and Medical School Dean
- Vice President, Research
- Vice President, University Services
- Vice President and Chief Financial Officer
- Special Assistant to the President, Government and Community Relations (ex officio)

This group recommends a capital plan to the President, and the President recommends a plan for review and approval by the Board of Regents. The group is convened by the Vice President, University Services. Other system and campus executives are included and consulted as the need arises.

The role of this group is to provide overall leadership and strategy development for institutional capital issues, including:

- Establishing strategic capital goals for the institution
- Integrating academic planning with physical and financial planning
- Prioritizing competing requests for capital funding
- Reviewing the financial parameters of the overall capital plan
- Developing a six-year capital plan recommendation to the President
- Establishing capital and space allocation policies (under development)

The routine management of capital process and project issues is addressed by the Capital Oversight Group (COG), which includes the Senior Vice President for Academic Affairs and Provost, Vice President for University Services, and the Vice President and Chief Financial Officer. This group is charged with coordinating routine activities associated with the University's capital planning, capital budget approvals, financing, communications, and construction activities.

Planning Process

Long-range strategic facility planning at the University of Minnesota begins with the academic planning process. Each year Vice Presidents, Chancellors, and Deans are asked to identify their most important program priorities and the facility improvements necessary to support those programs as part of the budget process. Through the academic planning process, academic leadership establishes the priorities for each college and campus. Facilities Management simultaneously evaluates the current condition of the buildings and infrastructure that support all academic programs. The capital planning process merges the academic priorities, available financial resources, facility needs, and facility conditions into specific project proposals.

Although many projects have both academic and organizational value, the projects that demonstrate both a programmatic urgency and implementation readiness are advanced for further analysis in the six-year timeframe. Other factors analyzed before projects are placed in the capital plan include:

- *Financial parameters* - The University reviews state economic forecasts, Minnesota Management and Budget debt capacity estimates and financial reports, past trends, and budget instruction documents to help shape the size of the overall capital plan relative to the State bonding bill. The University also projects its debt capacity annually and builds the capital plan in adherence to the debt guidelines expressed in Board of Regents policy. Lastly, the University evaluates its capacity to fundraise for specific projects.
- *Operating budget impact* - The University will be placing an increased emphasis in this plan update on each submitting RRC's ability to fund the incremental operating (facility and programmatic) and debt costs associated with proposed projects. RRCs will be expected as part of feasibility analysis stage to work with staff from the Office of Budget and Finance and University Services to develop preliminary estimates for operating and debt costs. RRCs should make the assumption that all incremental costs will need to be funded from RRC resources and should discuss operating cost impacts for projects in the Six-Year Plan as part of their annual budget meetings with the Office of Budget and Finance.
- *Timing and sequencing of projects* – Many capital projects depend upon other capital project “dominoes.” For example, Pillsbury Hall, a future home for College of Liberal Arts programs, cannot be renovated until Earth Sciences moves out of the building and into a renovated Tate Lab, which in turn had to wait until Physics and Nanotechnology was completed.

- *Impact on academic programs (both research and instructional)* – The University manages the level of disruption that can be absorbed while still maintaining the operation of its research and teaching. Because the University does not close, renovations require “swing space” for programs to continue to operate and the institution needs to maintain a level of functional classrooms.
- *Health, safety, and regulatory requirements* – The University needs to maintain the health and safety of all its students, faculty, and staff, regardless of the program. These issues require some projects to be included in the capital plan.
- *Geographic Distribution* – The University is a system with programs and facilities across the State of Minnesota. Plans reflect the need to balance investment across the institution.

The capital improvement plan is built around four primary stages of project development, including a) Proposal/Project Definition; b) Planning and Feasibility; c) Resource Acquisition; and d) Implementation (Design and Construction).

To initiate a potential project (Proposal Stage), RRCs should submit a request to complete a Feasibility Study to Capital Planning and Project Management. The Feasibility Study request should be accompanied by a completed Capital Needs Identification Form. Requests will be reviewed with the respective Vice President and the Capital Strategy Group prior to initiating the study.

Potential projects with completed Feasibility Studies will be considered for inclusion in the Six-Year Capital Plan (Planning and Feasibility Stage). Projects included in the Six-Year Capital Plan are eligible to begin predesign, an exploratory process rooted in design and cost estimating that results in physical solutions to space and facility problems.

Projects in the Six-Year Capital Plan that have completed Predesigns and that require State funding are submitted to the State for consideration during the bonding process. Projects are eligible to begin fundraising once the predesign process is substantially complete.

Fully funded projects with completed predesign documents are approved by the Board of Regents in the Annual Capital Improvement Budget. Approved projects are then implemented by Capital Planning and Project Management with other key partners such as Facilities Management.

Project Costs

Project costs included in the Six-Year Capital Plan are order-of-magnitude estimates only because programming and predesign studies for each project have not been completed. Projections are based on square foot costs recently experienced with comparable building and space types at the University, applied to the estimated square footage of each project. Project costs are represented in 2015 dollars; the 2016 projects have been escalated to midpoint of construction as required for submission to the State as part of the University’s capital request.

Beyond the 2016 year, cost escalation for inflation has not been included because of the uncertainty of construction inflation. When programming is completed and predesign studies are prepared for projects at the appropriate time, based on their position within the Six-Year Capital Plan, more accurate cost figures will be inserted into the plan when it is updated annually.

Areas of Focus for the 2016 Six-Year Capital Plan

The 2016 Six-Year Capital Plan is largely a continuation of previously expressed priorities updated to reflect the outcome of the 2015 capital request to the State.

The 2016 Six-Year Capital Plan was designed to further the following objectives:

- Advance strategic plan priorities
- Enhance the campus-based experience
- Align projects with available revenue sources
- Increase utilization and functionality of physical assets
- Complete capital investment sequences
- Reduce total campus square footage

These objectives are the foundation of a long-term capital plan that balances programmatic needs against facility condition related needs, distributes opportunity geographically throughout the University system, and completes in-process capital investment sequences.

Four key initiatives designed to advance strategic plan goals are embedded in the updates to the Six-Year Capital Plan.

- Removal of buildings rated as *Critical* by the Facility Condition Assessment (FCA) - Currently, about one third of the buildings (7.7 million square feet) on the Twin Cities campus alone are rated critical or poor in the FCA. Still, students study and live in those buildings, staff work in those buildings, faculty office in those buildings, and patients receive care in those buildings. This is in conflict with our goal of being an “exceptional University”. This plan puts a strong emphasis on fixing or replacing some of our worst buildings. Higher Education Asset Preservation and Replacement (HEAPR) funding remains at the core of this strategy. Proposed investments involving Pillsbury, Child Development, Mayo Building, Biological Sciences Greenhouse, and several yet to be selected critical facilities are all designed to advance this strategic goal.

A key component of the University’s broader capital investment planning and HEAPR prioritization processes is the development of a building-by-building strategy. Under this initiative, Facilities Management is working to identify needs in each of the University’s 916 buildings, and to classify them as “keep up / catch up”, “sustain”, or “dispose” based on a combination of factors including facility condition, historic consideration, programmatic relevance, and adaptability. With this information, the University and its colleges and departments can plan investments and prioritize projects

accordingly. The effort is nearly complete for supported buildings on the Twin Cities campus, and will be expanded to system campuses at a future date.

- **Advancing the Health Sciences** – This plan proposes three large investments in improving the educational and clinical research spaces for the Medical School and the other colleges of the Academic Health Center (AHC). Phase I and II involve renovation and improved utilization of existing space in the AHC plus some new construction for an integrated Health Sciences Education Facility and the construction of a new Clinical Sciences Facility envisioned in the \$10 million of funding provided to the University by the State as an outcome of the 2015 session. A proposed Phase III would seek modern replacement space for programs currently housed in the Mayo Building, a complex of individual former hospital buildings constructed between 1920 and 1950 that are well past their useful life. The goal of this sequence of projects is to make significant progress towards the University’s goal of decommissioning the Mayo Building while advancing the quality and capability of the University’s health science programs in education, research, and clinical care.
- **Modernizing St. Paul campus research laboratories** – In the 2013 Six-Year Capital Plan the University identified a need to invest in St. Paul campus research laboratories and outlined a sequence of renovation, new construction, and decommissioning actions that focused on the needs of the College of Food, Agricultural, and Natural Resource Sciences (CFANS), the College of Veterinary Medicine (CVM) and the College of Biological Sciences (CBS). Leadership on the St. Paul Campus identified a need for facilities capable of supporting research to address the challenges of determining how safe, affordable, nutritious food can be provided for 9 billion people over the next 40 years while ensuring environmental sustainability, strengthening economic stability, and promoting public health.

The State provided funding to replace the Veterinary Isolation Facility in the 2015 session. The University is again requesting funds in 2016 to replace the obsolete and FCA critical Biological Sciences Greenhouse. Additional requests for FCA critical facility replacement and renovation projects are included in 2018 and 2020.

- **Expanding capacity in STEM programs** – Student demand for Science, Technology Engineering, and Math (STEM) programs as well as State performance measures related to STEM degrees has increased the need for additional laboratory facilities. Chemistry is a core component of most STEM programs and an inadequate supply of chemistry labs is restricting the University’s ability to meet demand and move students through the necessary course sequences. The University received design funding for the UMD Chemistry and Advance Materials Science building in 2014 and has included the balance of the project on the 2016 Capital Request. The Plant Growth Research Facility and Academic and Student Experience Investment program in the 2016 Capital Request make investments in STEM related teaching and research laboratories on the UMC and UMTC campuses. The Six-Year Capital Plan also includes funding on the Twin Cities

Campus for an Undergraduate Teaching Laboratory Facility (2018) and a Chemistry Research Facility (2020).