

Minutes*

Senate Committee on Finance and Planning
Wednesday, August 9, 2000
9:00 – 10:00
Room 471 Law

Present: Charles Speaks (chair), Jean Bauer, Stephen Gudeman, Michael Korth, Eric Kruse, Richard Pfitzenreuter, Michael Volna

Regrets: Charles Campbell, Wendell Johnson, Terry Roe

Absent: none for a summer meeting

Guests: Bob Baker (Parking and Transportation), Theresa Robinson (Auxiliary Services)

[In these minutes: minutes; funding of parking and transportation]

1. Attribution in Minutes

Professor Speaks convened the meeting at 9:00 and began by proposing that the Committee approve attribution in the minutes, as is the case with the Faculty and Senate Consultative Committees. Inasmuch as attendance was not high at this meeting, he suggested that any such decision be for this meeting only, and that the issue be raised at the first regular meeting.

Asked what had triggered the proposal, Professor Speaks said he wondered why this Committee did not follow the same practice as the Faculty Consultative Committee and that in a review of ten years of abstracts from the minutes on parking it would have been helpful to know who said what.

Those Committee members present approved Professor Speaks' recommendation without dissent.

2. Parking and Transportation Funding

Professor Speaks now welcomed Mr. Baker and Ms. Robinson to discuss parking, and noted that Committee members had received a document containing excerpts of discussions of parking from the Committee minutes for the last ten years. He suggested that the Committee use Professor Gudeman's letter (appended to this section of these minutes) as the focal point of the discussion.

The first question, Professor Speaks said, is about cross-subsidies, a subject on which the Committee has sent mixed messages over the last ten years. Is the current practice the way things should be done, the way that conforms to the industry standard?

Mr. Baker said it is. He did a quick survey of the Big Ten schools: about a third provide 100% (or nearly so) subsidy for transit, about a third provide 20-30%, and the remaining third provide no

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subsidy. Institutions are moving in the direction of providing a subsidy. When the subsidy is zero or less than 100%, where do the funds come from, Professor Speaks asked? Typically from central administrative funds, not a fee. Ms. Robinson added that there is almost no way to get the user to pay 100% of the cost; there would be no riders.

Professor Gudeman said that while it was useful to look at other universities, Minnesota is differently situated. He then noted that the alternatives presented for subsidizing transit appear to be 100% or 0%; what about something in between? He also recalled that the President has said there will be no University funds put into transit; Professor Gudeman said he was not sure he agreed with that position and that if transit is part of running the University, the proposition should be reconsidered. He concluded that there is some lack of fit in subsidizing transit by parking, because the transit system is not an option for some people and because it includes service both TO and FROM the campus as well as intra- and inter-campus.

Mr. Baker explained that the net cost of the commuter system is about \$230,000; the balance of the cost, about \$3 million, is the campus system (the connector between Minneapolis and St. Paul, the circulators on each campus, paratransit, and the express service (late nights and weekends, primarily for students).

Professor Gudeman said he was suggesting these different services could be treated differently. For example, those who have a choice between driving and transit could pay for the difference. Students use the service and there could be a student fee. Part of the cost is operating the University and could be paid for from central funds. Why, he inquired, are Parking funds seen as the only choice? There could be three sources and the result would be closer to a market solution

Ms. Weinberg inquired what the "industry standard" is; the Big Ten Conference? It is universities, more than just the Big Ten, Mr. Baker responded. The sources of funding for transit are drying up on university campuses while parking typically has the ability to generate revenues. In the effort to balance transportation alternatives, universities merge parking and transit into one unit and try to reduce the demand for parking. Once the units are married, it is a logical progression for parking to finance transit.

Professor Speaks said he saw three central issues: transit funding, debt service and the length of life of facilities, and consultation. The Committee has sent mixed messages about the polarity between 100% and 0% subsidy for transit; he said he recognized that there would be riots if the University proposed charging \$1.25 per ride on the campus service. It would be most helpful, he told Mr. Baker, if, later in the fall, the Committee could be presented a plan with options for different ways of funding transit, possibly for different percentages of the cost of transit that riders might pay, different percentages of funding that might come from parking, and some percentage of funds that might come from the University even if the President says there won't be such support.

Professor Gudeman and Mr. Pfitzenreuter agreed that there were four possible sources of funding: a fee paid by students/faculty/staff, fares, parking funds, and central funds. Professor Gudeman argued that the Committee should consider the case for central funds and said there should be an attempt to create greater rationality in the budget and to be conscious about decisions on subsidies. Relying on fares, perhaps by selling a card, would bring funding a little closer to a market solution where users pay.

This approach is the same as the one presented in 1998, at which time Mr. Baker provided three options for rate increases, each with a different rationale, said Professor Speaks. He said he would prefer to see the issue approached in this way rather than simply treating transit as a free good, with alternative ways to fund it and the possible consequences of the choices.

Minnesota is often compared to the University of Washington, Professor Gudeman commented; how do they deal with transit? Mr. Baker said they subsidize transit and have a mandatory student/faculty U-Pass kind of fee (with an option to obtain a refund). They have minimal on-campus transit because the campus is fairly compact; most funds go to commuter transit. At Minnesota the reverse is true.

There will be a student fee for the U-Pass, Ms. Robinson pointed out; it will be \$5 per semester for about 40,000 students, rising to \$10 over the next three years. This revenue will cover the University's 20% cost of participating in the demonstration grant; in the third year, the fee must cover the entire cost of the program.

Professor Gudeman moved that the Committee request Parking and Transportation to bring back models of different ways to fund the transit system. Mr. Pfutzenreuter suggested a bifurcation of the models: getting people TO the campus and getting people around once they are on the campus. On the latter, Professor Speaks added, transportation between the east and west bank, between Minneapolis and St. Paul, and within each campus should all be included. The question of getting people TO the campus is tied up in metropolitan politics, Mr. Pfutzenreuter observed; that led Professor Bauer to ask that any policy or other constraints on the options be included in the material presented to the Committee.

Another issue embedded in this, Professor Speaks said, is how parking rates are set--quite apart from how transit expenses are paid. On several occasions, for example, the Committee has raised the question of whether rates should be different for different salary levels or job classifications. Some have contended that modestly-paid staff members should not have to pay as much as a better-paid faculty member. At other times, however, the Committee has said that salary should not matter.

Mr. Baker said he was aware of only one university, Rutgers, that uses that model. A number of others have chosen NOT to use it. He said it would be extremely difficult to administer a program to charge people for parking based on salary. Everyone has gone through the conversion to PeopleSoft; it is hard to keep track of people who go on and off salary, those who are paid by grants, and so on. The University also offers parking to affiliated agencies (e.g., federal agencies) whose employees are not paid by the University; there are also student contract parkers who do not pay with payroll deduction. Mr. Baker said he did not agree or disagree with the idea, only that he would have no clue how to try to apply revenue needs against a sliding scale of charges based on salaries. Professor Speaks rejoined that the assertion has been made in the past that it COULD be done.

At this point the Committee voted on Professor Gudeman's motion; it passed unanimously. Mr. Baker agreed to provide the information late Fall Semester. The most important thing is not how soon the information is presented but how complete and timely it is so that the Committee can discuss it and have an effect on decisions.

With respect to point #7 in Professor Gudeman's letter, having to do with consultation, Professor Speaks said it was probably not in the best interest of the Committee to belabor it or to rehash the difference between perception and reality. It is more important, he said, to get things organized so the

Committee can consult effectively. He recalled that in 1996 Senior Vice President Jackson said she would not consult, she would only share information, and that she had the consent of the chair of the Committee to take that approach (which consent, Professor Speaks commented, no one could ever find). At other times, information comes to the Committee so late that there is no time for consultation. In addition, the Committee often perceives that it has not been consulted when its advice is not taken. It is CRUCIAL that items get on the agenda in a timely way so the Committee can consider them and make a recommendation.

Professor Speaks inquired of Professor Gudeman if he wished to take up the question of debt service and the life of facilities. That (facility life) is a technical question, Professor Gudeman responded; the questions addressed in the motion are long-term and could require a lot of changes. He would like to see the different numbers and financial statements; the building question will be answered as the other issues are taken up.

Professor Bauer asked about the support for transit provided by other Big Ten schools. Mr. Baker said the subsidy amounts are as follows:

Wisconsin	100%
Indiana	3%
Ohio State	100%
Northwestern	0
Iowa	20%
Michigan State	0
Penn State	19%
Michigan	0
Purdue	0
Illinois	20%

The longer he is with the University, Mr. Baker reflected, the more apparent it becomes to him that no two institutions are the same. He said he could remember discussions at the Committee when one individual said Illinois only charges half the parking rates that Minnesota does; that is because Illinois has the land to use for parking lots. There have been questions about why maintenance expenses are higher at Minnesota than at UCLA (because UCLA does not have to contend with ice, snow, and salt). One can spend a lot of time figuring out the differences between universities; he said he would prefer to keep the analysis he presents to the Committee as simple as possible.

Professor Speaks said it is nonetheless useful to have comparative information. He added that while policies and politics may constrain the options available, philosophy should not be constraining. Universities are not the same; neither are presidents--what one president supports the next one may not. One can note a philosophy and still have a rational discussion.

In the mid-1980s the University paid for transit and there were fare boxes, Ms. Robinson reflected. The situation changed over the next 15 years.

Professor Speaks asked if there were any other parking issues to be taken up. Professor Gudeman raised the question of the funding of the Northrop Plaza renovation; how were the charges calculated? It was the Committee's understanding that Parking and Transportation was paying the entire cost; Mr. Baker

reported, in his letter responding to Professor Gudeman, that Parking and Transportation is paying \$1 million of the \$4.5 million cost. How was that calculated?

There was no exact calculation, Vice President Kruse explained. They took money from a variety of sources because something had to be done; there was a risk of structural failure and building collapse. This was not a planned project; it was NECESSARY. This is also a 50-year solution, he said; as good stewards, it made more sense to pay for the appropriate long-term solution rather than adopt a fix that would require additional work in another few years. Mr. Pfutzenreuter said he had raised the same question about assessing costs for the project.

Professor Gudeman said he asked because this is an issue of subsidies. There are two parts to the project: repairing the garage roof so it doesn't fall in and renovation of the plaza. How were the costs parsed? Mr. Pfutzenreuter said it was his view that this was an emergency and the funding had to be found; it is both the roof of the garage and the renovation of the plaza. There was not a lot of cost-benefit analysis involved, he said.

The bigger question, Ms. Robinson observed, is the use of parking revenues. In the past parking funds paid for non-parking items (e.g., the child care center, the Carlson School loading dock). At least in this case there is a connection with parking. Parking has properly protested every diversion of funds, but each has been put before a central policy committee and were approved. This Committee has been consistent in saying that should not happen, Professor Speaks pointed out. But Parking and Transportation IS an auxiliary service, Professor Gudeman said, and expected to make a small profit; the question is where the money should go.

Mr. Baker said he appreciated the recognition of the Committee that Parking and Transportation was not always the master of its own finances.

Professor Speaks thanked everyone for joining the meeting and adjourned it at 9:50.

-- Gary Engstrand

University of Minnesota

APPENDIX

20 June 2000

Mr. Bob Baker
Parking and Transportation Services
300 Transportation and Safety Building
University of Minnesota

Dear Bob,

Thank you for coming before the Senate Finance and Planning Committee last Tuesday, 13 June, and speaking about the current parking and transit situation. You will have received the minutes which

contain the substance of the discussion, but I think the issues are sufficiently complex, important, and disquieting that a summary letter may be appropriate so we may continue the discussion and reach some acceptable solutions. I believe that seven related issues were woven into the conversation.

1. Currently, revenues from automobile parking subsidize the transit system, and the amount is substantial (slightly under \$4,000,000). I believe this cross-subsidy is inappropriate. As you know, one reason for implementing the IMG budgetary system (which is a variant of a RCM system) was to bring to light or make *transparent* cross-subsidies in the University budget. This same issue of avoiding cross-subsidies was discussed frequently by the President's Budget Management Task Force (the Rosenstone Committee), and it is explicitly mentioned in that committee's formal report. Everyone agrees that cross-subsidies represent poor management and planning, and their use should be abolished. In my view, cross-subsidies are "category mistakes," for they lump a set of revenues with a flow of expenditures that have no inherent relation one to the other; I sometimes view them as part of the *opaque* or invisible economy because they often remain hidden to participants, and so are not well managed.

I know you feel that if the transit system is not financially supported by the university that there may be a small rebellion by its users, and I am sympathetic with them and with you. But I fail to understand the morality or justice of making parking patrons pay for the University transit system: indeed, cross-subsidies are often unjust.

2. How should the transit system be supported? Some might consider it to be a common good that the University, in some manner, should underwrite. As you may know, I have been one of the most vocal (and occasionally articulate) supporters of the notion of the commons. But I think a university is a combination of commons and market (just as it draws revenues from the state and from tuition), and I am not convinced that the transit system is a commons that should be supported by the University. To repeat, I certainly do not understand why that subset of the university comprised of parking customers should provide the transit commons.

I suggest that we think of the transit system as a part-commons, for surely parts of its costs should be assigned to the people who use it, and this line between what is commons and what is market could be appropriately shifted over the years.

Would it be possible for you to provide the committee with budget schemes showing how the transit system might be financed fully or partly through direct costing?

3. One faculty member raised a different issue concerning cross-subsidies. It seems that the Northrop Plaza reconstruction is being paid for as part of work on Northrop Garage. I think Northrop Plaza is an excellent example of a commons that benefits the entire university. Is it true that parking customers are gifting this commons to the university and the larger Twin Cities community? Does that make sense? Could you provide the committee with further details concerning the cost to parking patrons of the plaza?

4. If the transit system is made independent, then the parking system, as an auxiliary, will still be nearly self-sufficient when the debt for building the new ramps and garages must be repaid, starting in the next fiscal year. Under these conditions, parking patrons will be paying for what they receive, and if parking rates must rise to cover building costs in the future, individual clients will have a clear choice whether to rent or not drive. They will receive that for which they are paying.

5. It appears to me, though I do not have the exact history, that parking ramps and garages physically last about 30 years. The debt service for building them lasts 20 years. As a result, in the final ten years of their lives, ramps and garages produce revenue free of debt. Apparently, it was this revenue that supported the transit system over approximately the last decade. Aside from the cross-subsidy issue, I do not believe this budgetary practice is wise. For example, would it not make more sense to begin rebuilding parking facilities after 20 years, especially since the debt costs are not assigned to a particular facility but are shared across all? In this way, we would overlap replacement and desuetude, while temporarily expanding parking availability. I am certain that other variations on this principle which takes account of depreciation and the pressing need for parking can be developed.

6. I think we all appreciate that parking fees are now a before-tax deduction rather than an after-tax cost, because it lowers the effective charge. But who should be the beneficiary of this serendipitous federal tax change? Your message has been that while parking rates are dramatically increasing before taxes, the real amount is insignificant when viewed after taxes. But faculty say, "who decides how my tax saving should be used?" Should not the parking rates be appropriately set so that the tax saving accrues to the customers who qualify for it?

7. Finally, I think many committee members were distressed because we were not consulted nor given a chance to voice opinions before many of these parking and transit decisions were taken. When consultation is carried out in this fashion, the notion of faculty and staff governance becomes meaningless. But we, with you and others, are the University. Together we make up a scholarly and teaching community that strives, in difficult conditions, to be self-governing. I do not think that in the area of parking and transportation we are advancing toward the goal of building a university community, and this lack of progress acts against the communal commitment that we so urgently ask of our fellows.

Thank you for your patience and willingness to listen. I am well aware that some of the issues lie beyond your control, but for that reason you may wish to raise them with the appropriate parties in the administration as examples of larger budgetary management concerns. We look forward to your responses and to reaching other solutions to the financial issues.

With best wishes,
/s/
Stephen Gudeman, Chair
Senate Committee on Finance and Planning

cc: Members, Senate Committee on Finance and Planning
Professor Fred Morrison