

Minutes*

**Special Meeting
Senate Committee on Finance and Planning
Thursday, February 28, 2002
10:30 – 11:45
238A Morrill Hall**

Present: Charles Speaks (chair), Brittny McCarthy Barnes, Jean Bauer, Stanley Bonnema, Charles Campbell, Greg Fox, Gary Jahn, Wendell Johnson, Elo Charity Oju, Richard Pfutzenreuter, Terry Roe, Susan Carlson Weinberg

Absent: None for a meeting called on two days' notice

Guests: President Mark Yudof, Mark Rotenberg (University General Counsel), Associate Vice President Donna Peterson, Deputy Chief of Staff Laurie McLaughlin, Michael Berthelsen (Budget and Finance), Brian Swanson (University Planning); Professor Eugene Borgida (Advisory Committee on Athletics)

[In these minutes: (1) football stadium; (2) subcommittee on capital projects, size of this Committee]

1. Football Stadium

Professor Speaks convened the special meeting of the Committee at 10:35 and turned to Mr. Pfutzenreuter for a briefing on the stadium proposals.

Mr. Pfutzenreuter outlined the basic facts. Most basic, he said, is why the University is in these discussions at all. The Vikings and the Metropolitan Sports Facilities Commission (MSFC) had been talking for a number of years about remodeling the Metrodome--and these discussions were all between the Vikings and the MSFC. The Vikings finally decided they could not make the Metrodome work for them. As a result, they began talking with the University about a new joint-use stadium.

Mr. Pfutzenreuter next reviewed the elements of the current proposal. It would be on campus; the site would be northeast of Williams/Mariucci Arenas where there are currently large surface parking lots. The cost would be about \$500 million, including a \$60-million attached parking ramp. It would have 68,500 seats, expandable to 72,000, and could also be reduced to 50,000 seats. It would have 150 sideline suites and 7,500 club seats--and it is from these that money can be made. The parking ramp would hold 4000 cars, the stadium would have a retractable roof, outdoor plaza, and marching band facility.

At this point the President joined the meeting and discussed with the Committee the current politics of the situation at the capitol vis-à-vis the stadium. With respect to the parking ramp, which the University would be obligated to build under the current proposal, there is a risk that it would not make enough money to pay for itself in its early years and current University staff and students might have to absorb some of the cost.

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The stadium will also take a big piece of land, all of which is owned by the University, Mr. Pfutzenreuter observed. That is a major contribution, the President observed.

Mr. Pfutzenreuter next reviewed the 10 principles the University had set forth as conditions for its support of a stadium on campus. (See also the minutes following the principles for comment; the comments following the dashes reflect the status of the current Senate bill.)

1. The project scope will include all stadium, utility, parking, environmental and site preparation costs. Provisions must be made for the financing and construction of related transportation infrastructure.
2. The project cannot detract from current or future investment by the state in academic programs or capital projects.
3. The project cannot have any negative impact on the University's balance sheet, debt capacity or debt rating.
4. The University will not be responsible for any capital project costs.
5. The stadium will be located on the Twin Cities Campus – East Bank, on a site provided by the University through a long-term lease. The project will take appropriate action to mitigate potential impacts on adjacent neighborhoods.
6. The stadium, and all related development, will have a collegiate 'look and feel' appropriate to the campus, meet the University's programmatic requirements, and include a retractable roof.
7. The University will participate in the management and oversight of the stadium design, construction, project delivery and all other related construction activities located on University property.
8. The stadium will be designed and operated to maximize revenue opportunities for the University. Each team will retain game day revenue. Both teams will commit to a 30-year lease agreement and the joint marketing of football related activities. The project must provide for the replacement of existing surface parking on the proposed site due to the need to maintain current parking revenue streams for current operations.
9. The University will participate in the management and oversight of the day-to-day stadium operations, including all non-football related events. On non-game days, the University will have priority for scheduling other University activities.
10. The University will not pay any maintenance, depreciation or operating costs beyond its current contribution towards Metrodome operations.

These principles have guided how the University has worked with the Vikings as they developed a proposal, Mr. Pfutzenreuter told the Committee. There is now legislation to approve a stadium, legislation that changes every day. Mr. Pfutzenreuter reviewed with the Committee how the current legislation accords with the University's 10 principles.

The Committee next reviewed the financial pro forma for the proposed parking ramp. When the accounting for revenues and expenses is done, the ramp (using reasonably conservative projections about occupancy) shows a deficit of \$3,126,000 annually. Committee members asked a number of questions.

-- What do students now pay in the surface lots where the stadium would be built? \$3; the ramp rate for students is projected at \$4, which is probably about what they would pay given normal increases in parking rates, so students are mostly held harmless from the cost of the ramp.

-- One can assume that it would cost about \$15 to park in the ramp for a Gopher football game.

-- There are currently 2000 surface parking spaces in the area to be occupied by the stadium; the ramp would accommodate 4000 cars. The lots are full now; it is likely that there is some pent-up demand that would be met in the new ramp. It is also possible that development in the area would benefit, and there is no projection of any parking from the area in the ramp.

-- If there is a Vikings game during the academic week, students would pay more to park there. Mr. Pfutzenreuter agreed that issue needs to be addressed, but Mr. Swanson noted that in terms of an evening NFL game, that would affect perhaps two days per year. It is possible there would be a few other evening events in the stadium, although nothing is certain at this point. It was also true that when football games were played on campus, that was the one time parking contracts were not valid.

-- Projected revenues do include events at Mariucci and Williams Arenas. Students who park in facilities around those buildings on game nights NOW pay event parking rates. That would not change.

-- It is assumed there would be four full-capacity events other than football games. There are very few concert events that can fill a stadium.

The Committee turned next to the financial projections for the stadium itself.

-- Total projected income for Gopher football, in a new stadium compared to the Metrodome, could increase. The data are based on a marketing study conducted for the Vikings and assume a 15% increase in ticket price and a 15% increase in attendance.

-- Would alcohol be sold at University games at the new stadium? There is a liquor license in the bill for the stadium; the Vikings assume they will sell beer and perhaps hard liquor; the University does not assume alcohol will be sold; that is a question it will have to address. The discussions should be held with the neighborhoods and with students and Boynton Health Service, given that binge drinking is an issue in higher education, Ms. Barnes said. (The projected concessions income for the Vikings, which includes alcohol, is a very large number, Mr. Swanson reported.)

The stadium legislation will create a sports facilities account in the office of the State Treasurer, Mr. Pfutzenreuter reported, which will be separate from the general fund and will receive revenues from

various sources. The goal is to get a stadium for the Twins and for the Vikings and provide funding to improve the Target and Xcel Centers.

The legislature is avoiding addressing stadia in sequence, Ms. Peterson commented, and is instead pooling all of the tax money for stadium use. There is a question whether legislators will vote for legislation that contains two stadia; they might build one now and one later, or may only build one for baseball.

Mr. Rotenberg next explained the legal work associated with the project. Their objective is to ensure that the University's principles will be put into effect. He said he divides the factors associated with the project into three categories: management (alcohol, relationship with neighborhoods, etc.), financial, and long term.

What are the safeguards for the University if the Vikings are sold and the team moved, Professor Speaks asked? There are guarantees but he said he did not know if they are strong enough, Mr. Rotenberg said. This is a topic in which the public and the Metropolitan Council are also interested, he pointed out. The University's position on the legislative provisions is not adversarial, he added, but the provisions are drafted so quickly that it must take a position on short notice.

If the Vikings are sold, that would be a major problem, Mr. Rotenberg said, because the stadium would be owned by a political body that does not share the University's research and teaching agenda. A big question would be who pays to run the facility indefinitely? And who would decide to tear it down?

The lawyers see this as a large deal, Mr. Rotenberg concluded; the legislation is only one of perhaps 50 or more documents that the University would execute if a stadium were to be built.

Professor Campbell returned to the issue of the parking ramp. He said he had expected the President [who had left the meeting at this point] to say that it would be a deal-breaker if the costs of the parking ramp were shifted to the University's O&M budget. He said he believed the President should also take the position that it is a deal-breaker if any parking costs are shifted to the University. The campus would be upset if the cost of the ramp were put on faculty and staff, Professor Campbell said, and it would be VERY upset if money were diverted from the O&M budget to the parking ramp.

Professor Speaks said that the Committee should revisit this topic at its meeting on March 12, especially parking. This is not a non-trivial matter, he said, and there could be a hidden subsidy from faculty, staff, and students for the parking ramp. The Committee can decide on March 12 if it wishes to issue a statement.

Why is the stadium on the table when the state budget is in bad shape, Ms. Barnes asked? She said she needs to know how to explain this; is it because the stadium is moving forward and the University will be in an awkward position if it is not involved? The Committee discussed with Ms. Peterson the current situation.

2. Committee Business

The Committee approved unanimously the establishment of a subcommittee on capital projects and appointment of the subcommittee chair as an ex officio member of the Committee.

The Committee also approved unanimously a bylaw amendment enlarging the faculty component of the Committee, because if legislation is approved by the Senate creating seats for P&A staff, the faculty members will constitute only one-half the Committee.

Professor Speaks thanked everyone for coming on short notice and adjourned the meeting at 11:50.

-- Gary Engstrand

University of Minnesota