

Minutes*

Senate Committee on Finance and Planning
Tuesday, December 5, 2000
2:15 – 4:00
238A Morrill Hall

Present: Charles Speaks (chair), Jean Bauer, Leanne Baylor, Stanley Bonnema, Charles Campbell, David Chapman, Daniel Feeny, Stephen Gudeman, Wendell Johnson, Eric Kruse, Elo Charity Oju, Richard Pfutzenreuter, Jane Phillips, Terry Roe, Cory Stingl, Susan Carlson Weinberg

Regrets: Joseph Konstan, Michael Korth, Rose Samuel, Michael Volna

Absent: J. Peter Zetterberg

Guests: Bob Baker, Dennis Miller (Director of Parking and Transportation), Associate Vice President Theresa Robinson (Auxiliary Services); Mark Cox (Campus Health and Safety), Jan Morlock (Institutional Relations)

[In these minutes: (1) alternative models for funding transit, funding of parking and use of parking funds; (2) faculty salaries, football stadium, department deficits; (3) update on transit corridors; (4) more on parking, mass transit, and cross-subsidies]

1. Parking and Transit

Professor Speaks convened the meeting at 2:15 and began by thanking Mr. Baker for providing information to the Committee in advance of the meeting. He reported that he and Gary Engstrand met earlier with Mr. Baker, Ms. Robinson, and Mr. Miller to review the materials and had asked for a few clarifications. He also recalled that the Committee had met with Mr. Baker and Ms. Robinson in August, to follow up on concerns expressed last year, especially about cross-subsidies and especially about the subsidy for transit. At the August meeting the committee asked Mr. Baker to consider four different scenarios for transit funding: fees, Parking revenues, O&M money, and fares. Professor Speaks said he knows President Yudof does not favor the use of O&M money for transit but the Committee did not wish to be constrained in its deliberations and wanted ideas for funding models for transit. He turned to Mr. Baker to present the materials.

Mr. Baker referred to the materials that had been provided and noted three general points:

- 1) Parking and Transportation Services is required to be self-funded; it receives no O&M money.
- 2) Parking and Transportation did in the past receive O&M funding for transit but that money was slowly eliminated during the 1990s and completely eliminated in 2000. Mr. Baker recalled telling the Committee in August that it is a growing trend across the country for universities to combine parking and transportation and to take an integrated approach to access to campus. Transit is increasingly

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expensive, as is parking with new structures required, and all institutions are grappling with how to pay for transit. Many universities are using parking funds to support transit.

3) Parking and Transportation Services has argued against using parking revenues for non-parking expenses (including transit) and that O&M funding should be provided for transit and suggested that transit should be viewed as an infrastructure cost; the arguments have not been successful. They will, however, continue to make the arguments "as good stewards for our customers."

Mr. Baker then reviewed a number of funding options for paying the approximately \$3.8 million expense of the transit system (which is both the on-campus circulator/inter-campus buses as well as a few metropolitan bus routes; the former accounts for about 90% of transit expenses). The possibilities range from paying all transit costs from O&M money to paying half from O&M and half from Parking to sharing funding among fees, fares, Parking, and O&M funds. Mr. Baker explained how to use the revenue table he provided so that the Committee could devise any combination of funding it wished.

Mr. Baker also reviewed related matters.

"1) A student transportation fee was started in fall 2000 to aid in funding the U-Pass program and other transportation needs. We are not clear about how the Finance and Planning Committee is proposing to assess a fee to faculty/staff. Would this be a payroll withholding? We suspect that this would need to be negotiated as part of the many labor agreements.

"2) Fares to ride is not a popular concept with Parking and Transportation Services since additional administration costs are required to account for and control the revenue. According to our review of the Twin Cities campus parking inventory, 23% of that inventory is remote daily rate parking (Huron Boulevard and Fairground parking region). These facilities function as park and ride lots. Bus stops at or near remote parking lots account for 39% of all Campus Connector bus service. If we want more revenue from riders, it is easier to collect once (at the point of parking) rather than three times (park and two rides). [Mr. Baker said there was a 10-cent fee imposed for the buses to and from the West Bank--and there was "a near riot" in reaction. Their concern with a fare for on-campus transportation is that they want to encourage people to take the bus and not drive on campus.]

- "3) Parking revenue consists of fees for leased space under three different lease structures.
- a. Hourly parking rates are based on time in and time out. No distinction is made between student, staff, or faculty at these facilities.
 - b. Daily parking rates are based on a flat rate regardless of length of stay up to 24 hours. No distinction is made between student, staff, or faculty at these facilities.
 - c. Contract parking rates are based on multiple days sold on a monthly basis. In general, student space is limited to more remote contract facilities. Student rates are the same as staff and faculty except students are not eligible for pre-tax benefits.

"4) Central funds used for transit would be at the expense of other university funding needs. It makes sense to Parking and Transportation Services that, based on the geographic size of the Twin Cities campus, some level of funding be O&M. Transportation is a necessary service for all members of the university community: students, staff and faculty."

Professor Speaks expressed skepticism on the last point. The argument that using O&M funds used for one purpose will come "at the expense of other University funding needs" is one used whenever the administration does not want to do something. It is an empty sentence until one can see the options available for the use of O&M funds. Mr. Baker responded that he was only paraphrasing the President's statement when he--Mr. Baker--appeared before the Executive Committee to ask for O&M funds for transit.

Mr. Baker pointed out also that the hourly and contract rates are close to market. Professor Campbell said he frequently hears this reference to downtown rates but that many employers subsidize parking for employees so the comparison is really for downtown shoppers, not employees. The comparison to rates paid by shoppers is not appropriate, he said. Mr. Baker said he has heard the same thing--that employers subsidize employee parking--but has yet to see any study that confirms it. He has not seen any study that denies it, he agreed, but he has also heard downtown employees who say they do NOT receive a subsidy.

If one operates a public utility, should it make a profit, Professor Roe inquired? The answer is "no, it should cover its costs." Why do downtown rates matter, he asked? Because one hears the comparison all the time, Mr. Baker responded. It is also related to costs: it costs the University more than commercial operators to run a ramp because the University's ramps are built better, are more secure, and have more attractive facades. The University's operating costs are the same except that it does not have to pay taxes.

Ms. Phillips said that if the conversation is going as it is because the Committee accepts the principle that support for mass transit is not acceptable, then she would like to revisit that matter. The bigger issue, Professor Campbell said, is funding of University facilities with Parking dollars, such as sinking Washington Avenue, renovation of Northrop Plaza, and renovation of Church Street. The concern is with the use of revenues that come from a captive audience without any process to decide if those uses are fair.

Professor Speaks recalled, too, that in his review of ten years of minutes excerpts, the Committee has not been consistent: sometimes it has supported cross-subsidies, sometimes not. The question raised, he agreed with Professor Campbell, is if revenues from a captive audience should be tapped for other purposes (such as transit).

Professor Feeney inquired if there are other cross-subsidies from Parking revenues. Mr. Baker said that they are used all for parking or transit and a very small amount for bike lanes/signs. His office also receives about \$571,000 in O&M money for streets and sidewalks expenses (such as painting, pothole repair, and signs). Historically, parking revenues have been tapped for somewhat related or non-related costs. The administration has determined, for instance, that tunnels and skyways to parking facilities are part of access to the campus so should be paid for by Parking and Transportation Services. The decisions to use parking revenue for non-parking costs have been central administrative decisions, not ones made by his office, he pointed out.

The question is whether the administration sees parking as a "cash cow" for recurring funds for academic programs or other expenditures. Ms. Robinson said it does not. There have been individual items paid for with parking revenues but even that has not occurred for a number of years. She added that she suspects it will not happen in the near future because so much parking is required and the costs of parking are increasing.

Professor Campbell rejoined, however, that parking revenues are used frequently: whenever a new building is built on a parking lot, parking revenues must be generated to pay for a new ramp. Professor Roe agreed and pointed out that the Committee wanted to see the Gateway center pay for the parking it displaced but was turned down by the President. The next time parking is lost to a new building there will be no reimbursement to Parking unless there is a policy change. Mr. Baker recalled that he had brought to the Committee the policies, that the Committee had voiced its concern, but that the President and Executive Committee had a different view. His orders come from the administration, he noted.

Ms. Phillips inquired about the subsidy for transit. Most transit dollars are for on-campus transit, Mr. Baker noted again, but there are four Metropolitan Transit (MCTO) lines subsidized by Parking, Mr. Baker said, but they would like to transfer those lines back to MCTO with the new UPass program. The ridership on those four lines is below MCTO standards for keeping a line in operation but there are enough people (somewhere between 70 and 90) who use them that there would be an outcry if the lines were discontinued. The cost of the four lines is between \$200,000 and \$300,000 per year. That is a very high subsidy for those riders, Professor Roe observed. Faculty are largely ignorant about parking subsidies; why not send a short letter to all faculty about the cost of subsidies to everyone and the implications for everyone, he asked?

Professor Speaks asked about the implications of one of the plans for funding transit, the one that calls for all of the \$3.8 million in transit costs to come from O&M funds: what would happen to contract, daily, and hourly parking rates--how would the change translate to tangible reductions in parking costs for individuals? The cost reduction could be allocated a number of ways, Mr. Miller said; at present, Mr. Baker pointed out, the subsidy can be construed as costing contract parkers \$10 per month, daily-rate parkers \$0.75 per day, and hourly-rate parkers \$0.70 per hour. Those could in theory be reductions in charges, but there will be increased operating costs in the future plus the beginning of a significant debt service payment for various new parking ramps that have been constructed.

Professor Bauer asked if they have projected parking rates two or three years into the future, when the debt service charges must be paid. Mr. Baker said they have not and that he is also worried about a double-digit annual increase in the use of the campus transit system. He said he does not know why usage is increasing so much. One possible explanation is that bus ridership TO the campus is up 32%, with the UPass program, so there may as a consequence be more people using the ON-campus transit system. In any event, Mr. Baker said, the increased use translates to overcrowded buses and, therefore, the need for more buses. They have not made projections about the increased cost. He said, apropos costs, that he also worries about fuel prices and labor costs, both of which are going up a great deal.

The transit cost (subsidy) is \$3.8 million this year, Professor Speaks observed; what OTHER non-parking items are being paid for with parking revenues? Except for the small amount for bike-related expenses, almost nothing, Mr. Miller reported. Ms. Robinson said the cost of the skyway from the Radisson to the Washington Avenue ramp and the tunnel from the Gateway center to the parking ramp will come out of parking revenues. Mr. Stingl asked if the hotel is owned by the University (it is not); then why is the cost of the skyway not being shared? The hotel is paying for the interior cost of accommodating the skyway, Mr. Kruse said. The University leases the land and the skyway is a service to University people as well.

What is the total Parking and Transportation budget, Ms. Phillips asked? About \$15 million, including debt service (the debt service is not yet substantial but will be after February, 2002; it will increase from zero to \$4.5 million per year).

What does the Committee want to see, Professor Speaks asked? The faculty will want to know projected parking rates for the next 3-4 years, broken down by bond payments/debt service, maintenance, and other expenses, Professor Roe said. Mr. Baker said those data are available and he would gladly provide them to the Committee, but cautioned that he was just at the start of the budget-setting process and did not have data on fuel and labor costs or on the potential cost of the \$12-per-hour minimum wage the President has proposed. It was agreed that Mr. Baker would bring estimates to the Committee in February or March.

What impact would the \$12-per-hour rate have, Professor Speaks asked? It would cost Parking and Transportation about \$337,000 per year, Ms. Robinson said, about \$940,000 for the rest of Auxiliary Services, and about \$1.5 million for housing and dining services. They have a large number of employees who do not make \$12 per hour, because that is not what the market pays, and the change would have an enormous impact on the units. The projected costs also include "salary creep," where a supervisor would need to have a slight salary increase in order that there is a difference between employees and supervisors.

What is the number of student parking contracts, Ms. Phillips asked? There are about 1200; they could sell more because they have the capacity.

Professor Roe said it is not clear why the burden of paying for transit should fall on contract parkers. It does not, Mr. Miller said; all parkers pay for transit (including, for example, those who attend basketball games).

Professor Speaks said he was disturbed to learn that parking revenues are again paying for new projects such as skyways and tunnels. The Committee looks at facilities lists and the capital budgets; are these on it? They are listed as pedestrian connections in the capital budget. The Committee should be made aware of specific projects, Professor Campbell maintained. Mr. Baker said the projects are submitted to the Capital Improvements Advisory Committee and to other groups; they are not trying to hide anything.

Professor Feeney expressed surprise that the University would hire new faculty and not provide them parking spots. Mr. Baker noted that he had spent 45 minutes at the Committee on Faculty Affairs and explained that they do not track who is faculty and who is staff; the policy is very egalitarian. If one is employed 75% time or more, one can get on the list for a parking facility; when one's name gets to the top of the list, one gets a spot. This policy has gone through two faculty committees in the last ten years, it was brought to this Committee, and went to the Executive Committee and a Board of Regents' committee. It was a big topic of conversation at the policy committee, Ms. Robinson said, and it was very clear that they wanted the existing egalitarian policy to continue. Is it a deliberate policy not to have parking for all new faculty? It is no such thing, Mr. Baker replied; he repeated that there is not enough parking on the Twin Cities campus to meet demand and the committee did not believe any group would be favored in access to parking.

With 60,000 to 80,000 people coming to campus each day it is impossible to satisfy all, Ms. Robinson said. For purposes of the environment and relieving congestion, Mr. Baker said, the University is a political partner in the Twin Cities and cannot build enough parking to satisfy all the demand. There

are about 2200 spots under construction; the question is what the magic number is that is needed to meet demand, Mr. Miller said; there is plenty of parking in the summer, over breaks, and after 7:00 at night.

Professor Speaks thanked Messrs. Baker and Miller and Ms. Robinson for joining the meeting.

2. Committee Business

Professor Speaks made several announcements.

-- The December 19 meeting will consist of a joint meeting with the Committee on Faculty Affairs in order to hear about plans for dealing with the increased health care costs and, most important, a report from the two-person joint subcommittee on faculty salaries. He said he and Professor Goldstein hope that the two committees will be able to formulate a recommendation to the Faculty Consultative Committee.

-- The discussion of graduate assistant funding issues will be held over because Vice President Maziar has promised to provide data.

-- The memo to Vice President Brown that all Committee members received by email was precipitated by the article in the newspaper over the weekend. At FCC the President talked about stadium funding issues and said this Committee should be a part of the discussions at the earliest possible time. When he asked Vice President Brown about this, she said that it was premature to talk about the matter. When he read the Saturday article about the University's activities with respect to a stadium he was not happy. He said he has not heard back from Vice President Brown.

-- He received information on year-end deficits at the Provost's Budget Advisory Committee. The deficits totalled \$33.5 million across all unit; does the Committee wish to examine them? Where they are and the plans for dealing with them? Or does the Committee have enough before it?

Mr. Pfutzenreuter provided contextual comment. The University has accounts that are in deficit and with positive balances; when those balances are added up the total is positive. Inside the institution, however, there are administrative and academic units with deficits (and most of them are academic departments). His office monitors deficits and asks deans and administrators for plans to retire a deficit. University policy does not allow deficits but there are 107 of them nonetheless, offset by positive balances in other departments in a college. No matter what he says, however, the problem is not getting fixed; he said he has been on a crusade for eight years to clean up these deficits and while the situation has improved, pockets of deficits still exist.

Of the 107 deficits, 63 range from \$15,000 to \$99,999, 28 range from \$100,000 to \$499,000, and 16 are \$500,000 or greater; the last 16 account for \$25 million of the total \$33 million. Many of them, Mr. Pfutzenreuter observed, can readily be fixed. He said there is a process in place to deal with the large deficits; it is the small ones he worries about because they can become big ones.

Professor Gudeman observed that the deficits themselves may be a symptom that there is no budget management system in place in departments. A focus on eliminating deficits in departments may not get to the underlying problem, and there is no mechanism for eliminating deficits except cajoling departments because the University could well use a complete budget management system.

Professor Speaks said he did not propose to bring this topic to the Committee because it could identify a quick fix; rather, the Committee might understand the policies that got the University into the situation in the first place. Professor Gudeman noted that there is an interest charge on the deficits (while there is no interest paid on surpluses); Professor Speaks said that in the case of the 16 large deficits, the 5.5% charges had been waived on 10 of them; that is \$750,000 in excused charges. It may have been a good idea to waive the charges; there is probably no point in worrying about the 5.5% when the University wants the deficit itself paid.

It was agreed the Committee would look at this topic in the future.

3. Update on Transit Corridors

Professor Speaks next welcomed Ms. Jan Morlock (from Institutional Relations) and Mr. Mark Cox (Campus Health and Safety) to provide reports on the transit corridors.

Ms. Morlock reminded the Committee that she is the University's representative on the Central Corridor transit study; the central corridor study is looking at three transportation modes: commuter rail, dedicated busway, and light rail, any of which would go through the University area (from St. Paul to Minneapolis); a narrowing process is going on and the University has weighed in with its views. Ms. Morlock used a map of the University area to point out the various routes and station locations that are being considered for the various forms of transit being studied.

In general, a northern alignment would be through Dinkytown; the University prefers any transit on Washington Avenue on the East Bank to be below grade because that would be least disruptive. There are advantages and disadvantages to each. If it would be possible to have light-rail transit through the center of campus (Washington Avenue) and not disrupt the campus, that would be best; if that cannot be accomplished without disrupting the entire transportation system, then the University would probably prefer a northern route through Dinkytown. The underground Washington Avenue route would be very expensive.

The University's principles are these:

- The system should provide the best service to transit users and make transit more attractive
- Fares should be affordable to students
- Transit should serve the East Bank and West Bank campuses
- The system should increase the capacity and quality of service to the campus, and at the least lead to no net loss of transit users
- Stations should be convenient to users
- Any new transit system selected should have the least negative impact on the campus

Professor Roe asked if the studies include capital costs and a potential University share in the cost and commented that LRT requires a large operating subsidy; are the numbers available? The costs will be analyzed as part of the study, Ms. Morlock said, and will be available as the study progresses; no comparative figures are available at this time. Will the University be expected to contribute to costs, Professor Campbell asked? On the Hiawatha corridor there have been conversations about contributions from the Mall of America and the Metropolitan Airports Commission, Ms. Morlock said; if the University asks for something it will probably be expected to pay for it.

Mr. Cox then reported briefly on the Hiawatha corridor. Contracts have been issued to purchase the LRT cars. The location of the Cedar-Riverside station is probably "a done deal" and will be on the original site (near the Brian Coyle Center on the West Bank). There are security concerns with the station location and the pathway to campus for University and for Augsburg students. Mr. Cox said the University is assuming most students would get off LRT at the Metrodome station and take a 16 bus to campus. The West Bank LRT station will serve primarily the high-rises, Cedar-Riverside pedestrians, and some West Bank students.

Professor Speaks thanked Ms. Morlock and Mr. Cox for joining the Committee and told them they should feel free to ask for time on the agenda whenever they have something to report.

4. Cross-Subsidies and Charges

Professor Speaks now picked up again on the discussion about cross-subsidies and Parking.

Professor Gudeman returned to the topic of cross-subsidies and said that a subsidy of \$200,000 - \$300,000 for four bus routes is a substantial part of the transit budget. Part of the difficulty is deciding how to conceptualize budgetary items; for example, one can call something a common good or one can call it a subsidized good. Transit itself might be considered a common good and the plaza and tunnels and skyways may also be common goods. There has been much discussion at the University about common goods; the question is who pays for them. He said he was concerned that the skyways and tunnels--connecting Gateway--are charged to Parking. Common goods must be defined and parking should not pick up the cost, as a subsidy, because there is no adequate conceptualization.

Right now it appears Parking is paying little for non-parking expenses (except for bike-related expenses and the tunnels/skyways). There will likely be more it will pay when LRT is in place, Mr. Stingl suggested. That, Professor Roe agreed, is why there needs to be a policy on common goods. Professor Gudeman said the Committee needs the numbers from parking early so it can consider options; "we don't know what expenses will be" is not budget planning; it is possible to plug in numbers.

It is difficult for the Committee to take a position on numbers, Professor Speaks agreed, and recalled that the Committee also wanted to consider the sorry state of funding for IT libraries. The problem is the size of the pie and what the funds go for versus what priorities should be. The Committee has already asked for data on the allocation of ICR funds. Before it knows what places are being robbed from it is hard to talk about reallocating funds. And the Committee does not want to off-load common goods on Parking, Professor Gudeman added; if the University thinks those 3-4 bus routes are important, it should match those against the needs of the IT libraries. Nor is it clear that making 80 people upset is a good reason to provide such a significant subsidy, Professor Speaks added; it is not clear that fares for transit would be a problem if the faculty understood the situation.

The subsidy of mass transit is an issue larger than the University, Ms. Phillips observed; mass transit is subsidized everywhere because it cannot support itself through fares. The primary users of mass transit come from the lower end of the economic scale so they cannot pay high fares. The same is true for transit supported by the University. Before the Committee argues about the amounts, it should decide what it believes about the subsidy.

Professor Speaks agreed; he said the Committee should have a voice in decisions about what will be charged against parking revenues. Every spring the administration comes to the Committee after the

fact with recommendations to raise rates and there is nothing the Committee can do. It never has the opportunity to take a position on what Parking should pay for. There is need for a rational approach on who should pay for what.

Professor Campbell agreed it would be foolish to take action that would hamper mass transit access to campus. But the more he learns about involuntary contributions to activities which he supports the less inclined he is to give money to the University's capital campaign. This is not a matter of big money, he said, it is a matter of trust and common sense. There should not be a pot of money into which the administration can dip for something like the tunnel to the Gateway center--especially since there is already dismay about the extent of University support for the Gateway center. The question is whether something is a wise investment; these commitments affect everyone and if there were fewer of them there would be more money for transit.

Is there any "parking and transportation board" composed of users, Ms. Phillips asked? (There is not.) Would it be appropriate to establish a subcommittee, Professor Speaks asked? The general consensus subsequently appeared to be that it would not; the subject needs to remain at the level of the Committee, even though it is cumbersome and tiresome, the complexity of the issues requires it.

At some point the faculty should weigh in on this, Professor Feeney said. One hears that there is equal inconvenience for all groups that need parking at the University. There should be a warning to prospective faculty members that the University does not have enough parking and that they will be on a waiting list and will in the meantime be parking far away. If the faculty decided to do that, he predicted, there would suddenly be parking available for the faculty. He said he is sympathetic to the needs of the staff as well, but it is not reasonable to tell a 28-year-old new faculty woman she has to walk blocks in the dark to get to her office.

Ms. Phillips reported that Mr. Baker had said at another time that if a dean says that someone needs a spot, according to Mr. Baker, that person will get it. That may be true, Professor Speaks said, but it is a fundamentally wrong way to allocate parking.

What does the Committee wish to do, Professor Speaks inquired? Wait on budget projections? Seek data from Mr. Pfitzenreuter? Obtain ICR information? How, Professor Roe asked, will the Committee incorporate the point raised by Professor Gudeman about deciding on what common goods are? The Committee (in a letter sent by Professors Ahern and Speaks and Ms. Phillips) asked for a report on the Budget Management Task Force and the funding of common goods; Professor Speaks said he did not believe the administration would likely respond soon.

Professor Speaks adjourned the meeting at 4:20.

-- Gary Engstrand