Minutes*

Senate Committee on Finance and Planning
Tuesday, September 25, 2001
2:15 – 4:00
238A Morrill Hall

Present: Charles Speaks (chair), Prince Amattoe, Brittny McCarthy Barnes, Jean Bauer, Charles Campbell, Daniel Feeney, Wendell Johnson, Michael Korth, Elo Charity Oju, Richard Pfutzenreuter, Rose Samuel

Regrets: Stanley Bonnema, David Chapman, Stephen Gudeman

Absent: Eric Kruse, Terry Roe, Michael Volna, Susan Carlson Weinberg, J. Peter Zetterberg

Guests: Regents' Professor Richard Goldstein (Senate Committee on Faculty Affairs); Harvey Turner, Larry Anderson (Planning and Programming)

Other: none

[In these minutes: (1) financing student housing; (2) tuition reduction for children of University employees; (3) effect of September 11 on international students; (4) capital improvements and the six-year capital plan; (5) new pedestrian bridges over Washington Avenue]

1. Financing System-Wide Student Housing

Professor Speaks convened the meeting at 2:15 and turned to Mr. Pfutzenreuter to provide information on system-wide student housing. Mr. Pfutzenreuter distributed copies of a set of slides used for a presentation to the Board of Regents earlier in September; he narrated them for the Committee.

-- The University has about $78 million in debt for housing, $55 million of which is on the Twin Cities campus; Duluth has a small part and Crookston and Morris have tiny pieces. Most of the debt will be paid over 35 years.

-- Since 1999, there have been 1327 new beds opened on the Twin Cities campus, 252 next year at UMD, and 124 opened at Crookston since 1997. There have been no new beds at Morris in recent years.

-- There have also been 785 new beds added by private developers in the Twin Cities campus area since 1999: University Village (Stadium Village), Mueller Property (Dinkytown), and Grandmarc (Seven Corners).

-- There is additional private developer new construction approved or underway around the Twin Cities that will add another 1069 new beds in the next year or so. There are also projects being proposed

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that would add another 1050-1100 beds around the Twin Cities campus. There is a lot of construction around the periphery of the campus, Mr. Pfutzenreuter concluded.

Knowing what is being constructed and being planned, the University has not planned for any new housing beyond what is already being built. Some of the risk is thus being shared with the private sector, instead of the University trying to meet the entire current demand for housing. When on-campus housing is not as popular as it is now--and its popularity seems to go in cycles--if the University can be the low-cost provider, it will still be able to fill all its beds and the private sector will face the risk. Mr. Pfutzenreuter said he believed the University could maintain its position as the low-cost provider.

Do the private developments include parking? Professor Campbell said he believed that such projects are required to have a certain amount of parking by the City of Minneapolis. Mr. Pfutzenreuter said he believed that all of them do so. How far away from the campus does he count private sector residential housing, Ms. Barnes asked? Within walking distance, Mr. Pfutzenreuter said. Ms. Samuel asked if off-campus housing is more expensive than residential housing. Mr. Pfutzenreuter said it is difficult to compare the prices exactly because the University includes many things that the private residences do not (e.g., laundry). Ms. Samuel commented that for her, living off campus is cheaper than a residence hall.

Asked if private developers might have an interest in building housing at Morris, Mr. Pfutzenreuter said he did not believe so. Professor Korth observed that with 2000 students and a local population of 3000, providing rental housing is a big business, and things seem to work out.

Mr. Pfutzenreuter reviewed the status of housing issues such as the factors affecting demand (the economy, size of the freshman class, retention in the residence hall system, shortage of quality housing in the Twin Cities), ability to meet demand (size of freshman class, retention), and housing capacity (6800); this fall, 454 students were assigned to "expanded housing locations"--off campus sites rented by the University.

Challenges for student housing include keeping reasonable rate increases while financing utility increases, debt, fire safety improvements, new technology, and deferred maintenance. Competition with the off-campus market is also a factor at Morris and Crookston. Mr. Pfutzenreuter reviewed rate increases over the last several years and identified the portions attributable to operating costs and to increased debt service.

Professor Campbell asked if the University has projected the residential population in 10 years, when the current school-age children come to the University; with schools being closed, will the University have excess housing capacity? That is why he believes the private sector should build some of the housing, Mr. Pfutzenreuter responded. By the same token, he explained in response to a question from Ms. Barnes, the University can deal with the possibility of surplus housing in the future by leasing, not building, which it has done with University Village: it has a 7-year lease; if demand goes down, the University has a safety valve.

When the Committee returned to this topic, after taking up tuition reduction, Professor Feeney asked about what one hears on the news that the University is leasing housing; is this a recurring problem and is it an expensive way to address it? Mr. Pfutzenreuter said the people at Housing say it is not a problem. Once the Riverbend Commons is completed, the number of students in "expanded housing" and for how long will have to be looked at.

Is there an increase in demand for housing because there are more applications and admissions to the University, Ms. Samuel asked? The University creates its own shortage, to be sure, Mr. Pfutzenreuter said. Is there any plan to cut admissions, she then asked? Professor Speaks noted that the incoming class totals 5200, up from 4000 perhaps 10 years ago--and above the target of 5000 for this year. There are now 62,000 students, system-wide. Retention rates are also higher, Mr. Pfutzenreuter pointed out. Is there any coordination between Housing and Admissions, Professor Feeney asked? There is a constant dialogue, Mr. Pfutzenreuter assured the Committee.

Another part of the problem is that the University guarantees housing to freshmen if they apply by a certain date, which helps with graduation rates. At the same time, Professor Speaks, would not an improved graduation rate decrease the demand for housing? Not much, because part-time students and seniors typically do not live in University housing.

Mr. Amattoe asked if there had been any upgrades to the housing at Morris, since it had received no new housing. Mr. Pfutzenreuter said there had not been. Nor is there any plan to do so; right now the University is struggling with installation of a sprinkler system in the housing at Morris (which must be funded from other than student charges because the cost per student would be much too high) and the situation in Morris in housing is very competitive so there are not as many students to spread the cost over.

2. Tuition Reductions for Children of University Employees

Professor Speaks welcomed Professor Goldstein to the meeting to discuss the proposal from the Committee on Faculty Affairs to grant tuition reductions to the children of University employees who attend the University.

Professor Goldstein said the idea has been discussed over a long period of time, and in great depth by the Committee on Faculty Affairs in the last two years. He made several points:

-- A significant number of the Big Ten schools provide tuition reduction/remission for employees.

-- There are several reasons to seek it. One can think of it as a fringe benefit (which it is), one can think of it as a perk (which it is), one can think of it as a recruiting tool (which it is), and one can think of it as a retention tool (which it is). It is all of them. He views it, however, as a proposal with educational value as well: the Committee should push to have children of employees attend the University because employees will have a different attitude about teaching (not that children would necessarily take classes in a department where a parent works; children at the University would heighten awareness of instruction across the institution).

-- Professor John Fossum did a detailed analysis that looked at the cost of replacing employees.

The administration has discussed the proposal; it does not apparently view retention as a serious matter and does not see the savings to be obtained. Professor Fossum said that even if one disregards possible savings, there is still a positive gain in retention costs. Implementing the proposal would require an increase of about .32 in the fringe benefit pool if there are no savings to be achieved.

One administrative concern, Professor Speaks said, is that there is a real loss of tuition dollars, with a 50% discount for children of employees. But has there been any projection of the number of children who would come here if there were a discount but who would go elsewhere if there were not? Professor Goldstein said there has been; 146 children of University employees now attend (and pay full tuition) and it is projected that 584 would attend if there were a reduction in cost. So the University would lose the 146 full tuitions but gain 584 half tuitions. The fringe pool would make up the difference, Mr. Pfutzenreuter pointed out, so the University would not actually lose the money; it would be like the tuition remission plan offered to employees now, which "costs" millions of dollars per year.

Professor Goldstein said he could understand the administrative concerns about the cost. The administration questions the benefit analysis and he would like to see a serious study of the analysis.

A second concern of the administration, Professor Speaks recalled, was that there are a lot of other unfunded needs that have a higher priority. He said he did not know how to deal with that because the Committee does not know what else might be on "the list" and what the relative cost of other items might be.

A third concern of the administration is that this is a good idea the University should not adopt because it would be politically unwise to raise tuition by 13% and then offer a reduction for the children of employees. Professor Goldstein pointed out that MnSCU has a tuition reduction plan for employees but it also raised tuition by a significant amount. The University would not be pioneers in this; it would be a follower. One does not follow if one believes the path is wrong, he said, but he does not believe that is the case with this issue. He said tuition reduction would have important benefits for the University in recruitment, retention, and education.

In response to a question from Mr. Pfutzenreuter, Professor Goldstein confirmed that the benefit would be available only if the student attended the University and were regularly admitted to an undergraduate program. The benefit would NOT extend to attendance at other institutions. Mr. Pfutzenreuter said he believed the analysis was thorough; the question goes to choices among programs and politics.

Ms. Oju asked how the increase in the fringe benefit charge would work. Mr. Pfutzenreuter explained that "all money is green": the increased cost could not be attributed to tuition or any other source. Departments all pay into the fringe pool and would have to get the money from somewhere or they would have to increase revenue. It is simple to calculate the cost, Professor Goldstein observed: the estimated number of students times the tuition revenue. Professor Fossum put a lot of work into calculating the benefit: one does not know who will receive it, it is spread out and episodic, and the institution has a difficult time dealing with that kind of benefit. People have left for another university that does offer a tuition benefit; while one cannot say the tuition benefit alone led to the decision, it certainly played a role, Professor Goldstein said.

Professor Speaks said that his department had lost a faculty member because of the lack of a tuition benefit. Professor Feeney recalled that two faculty his college was recruiting specifically asked about a tuition benefit. Most candidates for faculty positions will be between 28 and 40--the years that most people will be parents, if they are parents), and anything will help in recruiting; all KNOW that salaries will not remain competitive, so they need something to build allegiance to the institution. Professor Speaks added that in hires he has been involved in over 25 years, the University can often win on the comparative cost of living of cities but there have always been two stumbling blocks in recruiting: the two-year waiting period for the Faculty Retirement Plan [which the Senate has now recommended to the administration be eliminated] and the lack of a tuition benefit. These become more important as the competition for faculty is getting more and more fierce.

Young faculty are much more sophisticated than they used to be, Professor Goldstein said. People are now asking about these benefits, unlike in the past. When schools go after the best people, the University must be able to respond, especially with things that do not cost a lot of money.

Are the schools not now offering a benefit considering it, Professor Speaks asked? (Iowa, Michigan, Wisconsin, in addition to Minnesota, are the other Big Ten schools that do not have it.) No one knew.

Mr. Pfutzenreuter commented that he could not disagree that if an employee with children is being recruited, and a competitor dangles a tuition benefit, the employee might well think about it as a factor in the decision. Ms. Barnes added if this is the age of the "hybrid university," with a larger percentage of funding from tuition and a smaller percentage from the state, it would be useful to look at this benefit.

Mr. Amattoe asked if there would be legal issues in deciding who is a dependent and who is a University employee? And he asked about a different percentage reduction for each year of the student's attendance, such as requiring paying 100% tuition the first year, 75% the second, 50% the third, and so on. Professor Goldstein said the Committee had decided to frame the policy for CHILDREN of employees, so one could not temporarily have, for example, a niece or nephew as a dependent for this purpose. As for a graduated reduction benefit, he said that was more complicated than the Committee was willing to review at the time.

Professor Speaks said that it would be premature for the Committee to take action on this item without seeing the more detailed analysis that was conducted. It was agreed that information would be provided to the Committee and that a discussion with the Provost would be scheduled. The first question is whether the University administration is willing to move on the issue; then there would be time to consider modifications.

Professor Speaks concluded that the political argument is probably not as inflammatory as the Provost may have thought. Any furor over the tuition increases has died down; nothing will happen on this proposal next month or even perhaps next year. But it may in another year, when tuition increases maybe lower.

What about the issue of weighing the tuition benefit against other priorities, Ms. Oju asked? Professor Speaks said the Committee does not have the information and did not know if it could compare costs and benefits of this kind of a proposal with other items.

Professor Goldstein said, as he left for another meeting, that the Committee was looking at a slippery slope if it intends to look at every Senate committee proposal that involves money. The

Committee on Faculty Affairs is recommending an increase in the faculty development funds (for leaves/sabbaticals); this Committee does not want to look at that as well, does it, he asked? Professor Speaks said this Committee would not get into the business of establishing priority rankings--and thanked Professor Goldstein for joining the meeting.

3. Effects of the Events of September 11

Professor Speaks inquired if there were any information available about international student applications or the number of international students who have dropped out as a result of the terrorist attacks on September 11. Professor Feeney said he had heard that the University has lost only one student thus far while other institutions are seeing numbers leave.

Mr. Pfutzenreuter suggested the Committee inquire of the Admissions Office about the effects of September 11.

4. The Six-Year Capital Improvement Plan

Professor Speaks turned again to Mr. Pfutzenreuter to lead a discussion of the six-year capital improvement plan. Mr. Pfutzenreuter distributed two sets of handouts (and got part-way through the first set before the Committee moved to the next agenda item).

For the period 1998-2002, the institutional capital improvement accomplishments are these:

-- over 1000 projects
-- total $1.02 billion completed or in design/construction
-- $218 million in state financing
-- $797 million in University financing
-- 1.9 million square feet in new construction
-- 1.6 million square feet in major renewals
-- 2232 windows replaced
-- $19 million in roof repair (Twin Cities)
-- 1623 new beds completed or in construction

Of the capital projects, about half was for new construction and half for renewal. The state paid for about 27%, the University took on debt for 37%, and other University resources or fund-raising paid for the remaining 36% of the costs.

Mr. Pfutzenreuter then reviewed the capital process. In the April to June period, the Regents approve a capital improvement BUDGET; in September/October they approve a PLAN (for years 2-6). Over the last few years the precinct planning process has been added (in between the campus master plan and individual project plans) because there was a sense of a disconnect between the latter two.

After reviewing the process through which an idea evolves from a "wish list" to a funded project, Mr. Pfutzenreuter said that ultimately the President decides which projects will be supported. Committee members inquired about the faculty role in getting a project on to a "wish list." Any project has to come through channels, Professor Korth observed: the college has to endorse it. Mr. Pfutzenreuter agreed, saying the central administration will not bypass the deans and go to departments.

It was agreed that discussion of the six-year capital plan would be continued at the next meeting.

5. Pedestrian Bridges Over Washington Avenue

Professor Speaks now welcomed Messrs. Anderson and Turner from the Planning Office to talk about the replacement of the pedestrian bridges over Washington Avenue.

Mr. Turner told the Committee that the bridges, built in 1941, have had regular inspections and have been taken care of, but they reached the point where the engineers could no longer guarantee their structural integrity without spending a considerable sum of money. So they were asked to design new bridges.

This is not a simple project. The current bridges do not meet clearance requirements and do not meet accessibility requirements (the goal would be to have full access to both bridges without mechanical conveyance). After many iterations, they developed two concepts. Using a model, Mr. Turner demonstrated what the new bridges would look like.

In one model the bridges were suspension arches; in the other they were bowed out. Mr. Turner said that Washington Avenue is a very divisive element of the campus; the University has tried since early in the 20th Century to have something done. It is noisy, dirty, and congested.

The Committee and Mr. Turner reviewed the advantages and drawbacks to the two different models. In neither case would the east bridge be accessible for those with physical handicaps given the 15-foot clearance requirement; there is no way to make it accessible without running the access ramps in front of Ford and Kolthoff Halls. They also do not believe that a mechanical conveyance (e.g., elevator) would work outdoors in Minnesota.

The suspension bridges were seen as too large, distracting from the Mall, becoming iconoclastic elements themselves.

The "outbound" bridges (the west bridge bowed west, the east bridge bowed east) would have no or little impact on entrances to Ford and Kolthoff. They were seen to better fit into the Mall, Coffman Plaza, and Washington Avenue.

In either case, the new bridges would cost about $5 million (the original bridges cost $25,000--and the architect is still alive).

How do the bridges dovetail with light rail transit plans, Professor Feeney asked? The University must have a strong voice in LRT, Mr. Turner said. He is convinced that LRT cannot run along Washington Avenue without reducing access. The strong preference of the University is that LRT be below grade. The consultants and the counties want the lowest cost possible, but Mr. Turner said he is very concerned about a plan to have two LRT lanes coming across the bridge and into a tunnel. The University wants the LRT to go underground much farther west (at Cedar) and run on a lower level of the bridge, beneath the existing traffic level. The idea is to tunnel through the sandstone, Mr. Anderson said, rather than cut and cover Washington Avenue. The new pedestrian bridges would be taken down for the period it would take to construct the LRT.

Professor Campbell asked about the possibility of a green cover over Washington Avenue in the next 10 years or so, which would mean the bridges would not be needed. Mr. Turner said that would cost $14 million, money the University decided not to spend. Unless the street can be lowered a great deal, any green cover would create such a hump that it would ruin the view from the Union to Northrop Auditorium. These bridges could forestall a decision to lower the street and cover it by a number of years, Professor Campbell pointed out. Mr. Turner said there is very little hope that Washington Avenue would ever be lowered.

The other LRT option is the railroad bridge slightly north of the campus. The University is encouraging consideration of both options. All of this, Mr. Turner speculated, is probably 30 years in the future.

Asked about the schedule for the bridges, Mr. Turner reported that they will go the Regents this fall, complete design this winter, and have the bridges open for use by the start of Fall Semester, 2002.

Are these bridges cosmetic or necessary, Professor Speaks asked? They are necessary, Mr. Turner said; even with a non-functioning Coffman Union they carry 16,000 pedestrians a day. That number can be expected to increase to 20,000 with the Union open. Even if they were cosmetic, Ms. Samuel said, because they are on the "only part of the campus that is campusey." There are also safety questions, Mr. Turner said: Senior Vice President Cerra told him he has personally seen four students hit by vehicles at the intersection of Washington and Union Streets.

Funding for the bridges will come from other campus projects because this is an emergency, Mr. Turner said. They did not know they could no longer make marginal repairs and extend the life of the bridges by another several years; the cost of the necessary repairs made it more sensible to build new bridges. The sources that will be used to pay the debt are not yet identified, Mr. Pfutzenreuter told the Committee.

Mr. Pfutzenreuter commented that the bridges are an instance of the difficulty of comparing priorities (as against, for example, the cost of a tuition reduction benefit). Decisions are not made at the same time and the list changes constantly.

The Committee voted unanimously to express its support for the "outbound" bridge model; Professor Speaks promised the resolution would be sent to the President.

Professor Speaks adjourned the meeting at 4:05.

-- Gary Engstrand

University of Minnesota