

Minutes*

Senate Committee on Finance and Planning

Tuesday, April 8, 2003

2:15 - 4:00

238A Morrill Hall

Present: Charles Speaks (chair), Jean Bauer, Stanley Bonnema, Charles Campbell, David Chapman, Thomas Klein, Brittny McCarthy Barnes, Kathleen O'Brien, Warren Warwick, Susan Carlson Weinberg

Absent: Prince Amattoe, Bruce Brorson, Tim Church, Robert Cudeck, Tom Gilson, Gary Jahn, Abu Jalal, Joseph Konstan, Michael Korth, Tim Nantell, Daniel O'Connor, Richard Pfitzenreuter, Thomas Stinson, Terry Roe, Sue Van Voorhis, Michael Volna

Guests: Mr. Bob Baker (Director, Parking and Transportation), Associate Vice President Laurie Scheich, Mr. Dennis Miller (Assistant Director for Finance, Parking and Transportation); Professor E. Calvin Alexander, Associate Vice President Steven Spehn

[In these minutes: (1) announcements; (2) proposed parking rates for 03-04; (3) University policies on construction projects]

1. Announcements

Professor Speaks convened the meeting at 2:15 and began with announcements.

-- He congratulated Professor Bauer on being elected to the Faculty Consultative Committee.

-- He congratulated Professor Campbell, who has agreed to serve as chair of this Committee next year.

-- It is a virtual certainty there will be no salary increase next year, and increases in health care premium costs will be passed to employees, so Mr. Baker has joined the Committee to explain how Parking will help offset these increases by reducing parking rates.

2. Parking

Mr. Baker said he wished he could be so helpful, although what he has proposed should not be unduly upsetting, he said. He distributed copies of information about the parking rate plan for 2003-04.

Mr. Baker began by noting that parking demand has declined, leaving 2000-3000 spaces open daily. This is the result of completion of a major building program, several thousand new student housing units added on or near campus, a doubling of the use of transit riders using U-Pass/Metropass (beyond their wildest expectations), and prices are at market in some categories. The result of these changes is that there has been a decrease in revenues.

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Costs continue to increase. Parking debt service reaches its peak in 2004, repairs and maintenance are increasing as the parking inventory shifts from lots to structures, technology investments are being made (e.g., all U-Pass purchases will be on line, as will parking reservations), and transit costs (fuel and insurance) continue to rise. How many reservations do they make, Professor Campbell asked? They can do as many as 100,000 per year, Mr. Baker said. Will the increased costs of technology now save money in the future, Professor Campbell asked? Mr. Baker said they would but he noted that most technology has a high up-front cost before there is any payoff. Professor Speaks asked if the department had projected the rate of decline in debt service as a percent of total expenditures (28% in 2003-04) over the next 4-5 years (it has not). He said it would be helpful for the Committee to know the rate of decline in debt service in actual dollars for the next 5-10 years as well as--a "softer" figure--the projection of debt service as a percentage of expenses over the same period. Mr. Miller said that once the debt has been fixed, he will be able to tell the exact dollar figures for the next 17 years. They do not, however, make budget projections for the future.

The previous Parking plan called for rate increases of 10%. In the current budget situation, Parking has plans to cut costs, enhance revenue, and reduce staff, and with a \$1.6 million in savings on the East River Road ramp (money that the department is getting back), is proposing only a "modest rate adjustment." Mr. Baker outlined the cuts and revenue enhancements being proposed, totalling \$1.25 million. They include reductions in the shuttle bus service and staffing reductions as well as rate changes and "assigned stall" contracts. The shuttle bus cost reduction should have no impact on service, Mr. Baker said; with the articulated buses, they have enough capacity to address problematic overload periods, thus reducing the need for a large contingency fund. The "assigned stall" will be entirely optional; it will cost an additional \$10 per month and will consist of the most desirable spots in the ramp or garage--but anyone opting for it would have a specific guaranteed parking spot available to no one else. Mr. Baker agreed that assigned stalls would reduce capacity slightly, but they expect to sell only 5-10% of the spots in a facility so he thought it would have little impact on revenue.

Ms. McCarthy Barnes noted that the MSA president campaigned on getting late-night bus routes and capping rates for students. Mr. Baker pointed out that no MSA candidate consulted with his office; they will, however, make anyone who called for capping student rates look like a hero because that is what they propose to do for this year. His office has been talking with MSA for the last couple of years about late-night bus service. He said he would not oppose MSA pursuing its plans, but there could be an ethical issue for the University supporting students going to bars. Liability for such transit would be greater; it would be cheaper for students to lease a van and hire a student driver than pay for late-night fixed-route bus service.

Mr. Baker reviewed briefly the capital plans for the year (largely debt service, structural repairs, and a few other small projects) and then reviewed the budget. The budget includes a proposal to create two reserves, one for transportation and one for operations, of \$2.4 and \$2.7 million. The projected ending balance for the department would be \$280,585 on a budget of about \$28 million (excluding the proposed reserves).

Professor Speaks said the ending balance is positive because there will be an infusion of one-time money from the East River Road garage. Without that money, the department would be worse off; can one anticipate there will be a problem the following year? Mr. Baker said there would be and that rate increases would be necessary. Professor Campbell noted that there had been a \$7.2 million balance forward from 2001-02; was there such a balance in the past? (There was not.) Does that mean there could have been a smaller increase in rates last year, he asked? There was a planned reserve, Mr. Baker explained, but the department scaled back capital projects; if one looks at all parking assets, they total \$200 million, so a reserve of \$2.7 million is only slightly over 1%. How large do they plan to make the

reserves and over what period of time, Professor Warwick asked? They have no target, Mr. Baker said; they would be more comfortable with reserves of about 5% but given the current budget situation they are prepared to be flexible. A wise policy, however, would have it greater than 1.3%.

Is there a depreciation reserve, Mr. Klein asked? They would like to get to that point, Mr. Baker said, but depreciation is currently not funded. Associate Vice President Pfitzenreuter would like to see the University move to funding depreciation but it has not had the wherewithal to do so.

They opened the Washington Avenue pedestrian bridges this year, Ms. Weinberg noted; what is in the 2003-04 budget in the way of new facilities or obligations for the department to take on? There are none, Mr. Baker said.

Mr. Baker then reviewed the rate increases. There are no proposed increases in public rates except for major and minor events, for which the rates will increase from \$8 to \$9 and \$6 to \$7. In contract parking, there will be a rate increase of \$1.25 per month for surface lots (currently \$55) and \$2.00 for ramps (currently \$82.50) and no increase for garages (currently at \$110 per month). The garage rate is not increased because there are a large number of empty garage spaces available. For transit, there will be no increase in the U-Pass or the Transportation Fee but there will be an increase of \$5 per month for the Metropass. These changes are projected to provide increased revenue of \$448,000.

Professor Speaks posed a question for the Committee. It is nice to see rate increases smaller than originally projected, and any organization needs reserves. Given the projected balance of \$280,000, a rate increase producing \$448,000, and the establishment of about \$5 million in the two reserves, in the context of a year with zero salary increases and increased cost of health care for employees, would it be better to have the increased revenues come from the proposed reserves rather than rate increases? Ms. Weinberg said that lower-paid employees--those most likely to use surface lots or the Metropass--are the ones who are being asked to bear the rate increases. Mr. Baker said he did not agree with Ms. Weinberg's premise about who uses surface lots and Metropasses, but agreed that those two categories would see rate increases. Ms. Weinberg said if an employee is making \$12 per hour, they are in a surface lot, not a ramp. Mr. Baker responded that there are students in residence halls who have ramp and garage contracts; he said he did not agree to speculate on what group can afford what facility. He said he is trying to run a business and does not want to increase a price on a product he has more of than he can sell. Ms. Weinberg said she wanted it on the record that she believes these increases will fall disproportionately on lower-paid employees.

Ms. McCarthy Barnes noted that Parking has a philosophy about the ways it expects people to get to campus; she asked Mr. Baker if they could consider a percentage increase in rates based on what they know about how people get to campus? Students with garage spaces, she surmised, have parental money to help them. Mr. Baker said while it was a good idea, he did not believe that Parking could do what Ms. McCarthy Barnes suggested.

Mr. Klein suggested that Parking could raise the garage contract rate with only a minor effect on volume; those who can afford it would continue to use the garages and other rates could be held constant.

Mr. Miller reported, apropos the transportation reserve, that it is not really Parking funds but rather money from the federal transportation grant that will continue to be used to support mass transit.

Professor Speaks recalled that when the President met with the Faculty Consultative Committee, he strongly and sternly said that every budget of the University must help face the budget problems. Professor Speaks suggested again that if there were no rate increase, a projected balance of zero, and use

of \$250,000 from the projected reserves, the budget would be balanced. In a year that will see wage freezes, significant tuition increases, health care cost increases for employees, a rate increase is not a good idea. The President, moreover, agreed to try to implement the health care cost increases in a way that will protect low-income employees; if that is not accomplished, there will be a lot of pain for a lot of people. He acknowledged that a few dollars here and there for parking are not a great hardship but the increases send a signal.

Professor Chapman agreed. He said he was distressed at the regressive taxation and would rather see cost shifts not imposed where they are proposed.

Have the decisions already been made, Professor Speaks asked? They have not, Mr. Baker and Ms. Scheich assured the Committee. Vice President O'Brien said she understood the Committee perspective and was pleased that Parking has cut costs and used one-time money to keep rates down; she said she assumed the Committee shared that view. Professor Speaks said it did absolutely and said he regretted not congratulating Mr. Baker on what he has accomplished.

Vice President O'Brien recalled that there had been a structural failure in one garage (Mayo) that had resulted, as Mr. Baker had told the Committee, in closing it rather than paying the very high cost of repairing it. That closure inconvenienced about 200 faculty and staff in the Academic Health Center. The Oak Street ramp was built 30 years ago and needs attention; it is prudent to build up reserves to take care of parking assets. If there is no increase in rates this year, future increases may need to be greater in order to cover debt service and asset preservation. That is why the proposal is to keep the increases low but to start dealing with problems.

Professor Speaks did not disagree with the objective; he said it was more a matter of symbolism than real money.

2. University Policies on Design, Supervision, and Acceptance of Construction Projects

Professor Speaks welcomed back Professor Alexander and Associate Vice President Spehn to take up the discussion of University building contracts and related issues.

Professor Alexander reviewed the presentation he had made at the March 4 meeting and then focused on the four challenges he had identified. He said he had spoken only about the problems of which he was aware, in a limited number of buildings, and he assumed there were similar problems elsewhere. The four challenges [from the March 4 minutes]:

There are four challenges to be met, Professor Alexander said. First, "the maintenance of individual memory and expertise for events whose recurrence interval is decades or [for buildings] which were constructed decades ago." Second, "no one appears to be responsible for trending the environmental data in the University buildings. No one is extracting from those data streams useful management information on the buildings' performance. It is too difficult to obtain information that is--or should be--routinely generated." Third, "no one appears to be responsible for inspecting some subcontractors' work during the construction of University of Minnesota buildings. Completion reports are incomplete." Finally, "no one appears to be looking at the cumulative impact of new construction on the existing campus infrastructure or at issues resulting from climate change, etc."

Professor Alexander then distributed copies of data he was receiving about the Andersen Library. In some cases, there were no data on the graphs or charts; in other cases the abscissa scale was not

identified. Why were graphs with no data sent, he asked? On the graphs that did contain data, they demonstrated that while temperatures were held reasonably steady and within the required limits, the humidity in different areas of the building "wandered around" and was often outside the limits required for long-term document preservation. There were no explanations offered for the lack of data; it appears this relates to his second point, that "no one appears to be responsible for trending the environmental data in the University buildings. No one is extracting from those data streams useful management information on the buildings' performance. It is too difficult to obtain information that is--or should be--routinely generated."

The fourth challenge is the most important, Professor Alexander said; no one is examining cumulative impact. The University should get faculty, staff, and students involved in doing so; there is a reservoir of talent that could be used to the University's advantage.

Vice President O'Brien said she would like to deal with each of the four challenges. She recalled that she and Mr. Spehn and Ms. Lougee had been present for the earlier presentation; she said learned a number of things and said there had been good suggestions for remedies that go beyond individual projects on how to use spaces and sites. She said she was glad she met Professor Alexander. Professor Speaks agreed that the focus should not be on Andersen Library.

With respect to the first challenge, Ms. O'Brien agreed that there was a period when the history was retained by individuals responsible for the University's physical plant; the University lost that history when individuals retired. The University has records but it is not clear to what extent they have been referred to. What is to be done so that the concerns of the first challenge will be addressed, Professor Speak asked? A big part is in the system used, in a positive sense, Professor Alexander said. There are drawings and sets of figures; they are extremely important. There are "as built" drawings, which are more useful because many buildings are not built as drawn, for various reasons, and it is a lot of work to write down what really happened. The "complete report" on Andersen Library contains missing sections. Traditionally a lot of this knowledge was held by people who were at the University for 30 years and who passed the knowledge along to apprentices. That system is breaking down with more turnover so things have to be written down. Did the people who worked with the flood waters write things down, he asked? It would be very helpful if they had.

Ms. O'Brien agreed that there had been a system failure. When the University relied on human memory, there was a system; now pieces of the process exist but there is no system. When the President asked her to restore trust in the capital project system, her reorganization is moving to establish a system, a team-based process, that should include the documentation the Professor Alexander has called for. If things are done right, the issues will be addressed. The University is not there yet and it will take a couple of years to get there, she said.

Mr. Klein commended Vice President O'Brien for the changes she is proposing. He said he would like to hear about any change in the project wrap-up practices and if anyone is responsible for them and whether the process will be institutionalized. Ms. O'Brien said she would be receiving the names of finalists for the associate vice president for capital projects; in the meantime, she and the interim appointee have been identifying elements of the system that need improvement; the new associate vice president will develop the new system. She said she would be glad to return to the Committee with a work plan and milestones and report from time to time on progress. Professor Warwick noted that the U.S. Army has for 200 years had after-action reports, investigations of incidents; perhaps that process could aid in establishing a protocol here.

There is a lot of institutional memory in the faculty, Professor Campbell observed; the average faculty member is here longer than others at the University. There is a lot of expertise in the faculty and staff; there is no better example than Professor Alexander. He said he could not understand why, when Professor Alexander asks questions, the expertise is not acknowledged. A more global question is why not harness the expertise on campus and devise procedures so there is more institutional memory? He and Professor Speaks have been on this Committee over a number of years and have a long memory on financial issues; this is not the first time Professor Alexander has called the University's attention to construction problems. But he has not even been consulted or received the courtesy of a response to his questions. Professor Campbell said he was tempted to suggest establishing a task force, including faculty, staff, and students, and while he was not sure that was the best way to proceed, it might help instill confidence in the process. He encouraged Vice President O'Brien, as someone new to her position, to do something different and not repeat the mistakes of the past.

Ms. O'Brien said there would be many task forces and they will pull in campus expertise for different elements of the work plan. She said she spent the first six months on the job talking with deans and others, looking at problems, so she now "owns" the issues and problems. The search committee for the capital projects associate vice president was chaired by the dean of the College of Architecture and included Professor Erdman from Mechanical Engineering, along with the president of Wells Fargo Properties. To build a solid system will require opening it up to inside and outside expertise, and will keep her busy for the next three to five years; although she will not create the system herself, she will persevere on seeing that it gets done.

Professor Alexander said he is a strong believer in partnerships and would be happy to work with the new person hired as associate vice president for capital projects. The goal is to incorporate information into the system.

With respect to the second challenge, Mr. Klein asked if the information--or lack of it--Professor Alexander presented is simply one incident or if it reflects systemic problems. This could be a communications issue. Ms. O'Brien said there is a team of people working on issues associated with Andersen Library. Mr. Spehn said he would look into the missing data; he said he knew that new equipment was being installed, which might explain the gaps.

These missing data are trivial in comparison with the larger issues, Professor Speaks said, but whoever is disseminating the information is not paying attention, and raises the issue of whether those responsible for dealing with the problems in the building are getting data of the same quality. It is trivial unless it is systematic, Mr. Klein agreed. If it was something as elementary as equipment replacement, someone could simply have noted that event on the graphs.

When the temperature and humidity fluctuations are unacceptable, what happens, Professor Speaks asked? There is a team in Facilities Management developing a "critical path" to solve the problem, Ms. O'Brien said. In the long term, the facility cannot operate this way because it will cause problems with archival materials. No one appears to be responsible for trend environmental data, she said, but there are people watching it closely and working on the problems. When Professor Alexander receives these kinds of data, and receives no response to questions, that leads to his challenge, Professor Speaks commented. Ms. O'Brien agreed.

Mr. Spehn agreed there is a question about who is watching the trends. There is a Building System Response Team to monitor building points that has a procedure to follow. Professor Alexander said he had visited the control room; there are two people in a room with real-time data coming from all over the campus whose responsibility is to call the Fire Department. There is no chance they will see

trend data on increasing temperatures in the chemistry building, for example. The data must be stored and examined and then used to prevent a problem before it blows up.

Did the University bring these problems on itself, Mr. Bonnema asked? Up until about 15 years ago it had a fine architectural/engineering department that reviewed plans and monitored the progress of projects and held contractors responsible. That department was cut so the University must now depend on outside architects and engineers to handle projects, a system that has not worked nearly as well. Perhaps Vice President O'Brien should consider returning to at least part of that system.

That relates to the third challenge, Ms. O'Brien responded. Mr. Bonnema is correct, she said; there was a dramatic change in the way the University handled project development. She agreed that there is a need for balance between the current practice and the old one; the University needs to be sure it can get some jobs done inside as well as be sure of quality assurance on the outside.

The third challenge is partly luck of the draw, Professor Speaks said. He had a very attentive project manager for a project he was involved in; the person was constantly looking in on the construction to see that it was being done right. If it IS luck of the draw, in terms of what University project manager one gets, it should not be. Everyone should supervise projects as well as the person who worked with him. Ms. O'Brien commented that throughout the University there are people who do their jobs well, who are excellent at building management; the question, she agreed, is how to avoid variance across the institution. There is knowledge garnered in the construction process that is lost when the University relies on an outside owner's representative, Ms. Weinberg said, and it is difficult to transfer that knowledge back to the University. Ms. O'Brien responded that she was not talking about the owner's representative being from outside; she was referring to architects and engineers.

These problems have grown over a number of years, Professor Speaks said, and he was grateful to Professor Alexander and the Subcommittee on Twin Cities Facilities and Support Services for the enormous amount of work they did to pull the information together in a positive way. He expressed confidence that Vice President O'Brien and the people who work with her would pull these issues together. He said it would be helpful for the Committee to have an occasional progress report.

Professor Bauer said she was interested in the research that could be done by faculty, staff, and students. Is there a large cadre of people who could do it? Or does the University need more than they could handle? Professor Alexander said that he and a lot of his colleagues are in the business of training people to deal with society's problems. He teaches a course in groundwater hydrology; in a couple of years, those people will be working on groundwater pollution problems. He said he approached Environmental Health and Safety a few years ago about using University wells as a lab session; the project worked very well and the students loved it. It was a remarkable teaching experience and it generated a lot of new information about the St. Paul campus that will be useful. There are many such examples. A significant fraction of the faculty deal with real-world problems and issues the University is interested in. Untapped faculty expertise goes WAY beyond this issue, Professor Speaks commented; faculty are not used anywhere near as much as they might be.

Professor Speaks thanked everyone for coming and adjourned the meeting at 4:00.

-- Gary Engstrand