

Minutes*

Senate Committee on Finance and Planning
Tuesday, September 11, 2001
2:15 – 4:00
238A Morrill Hall

Present: Charles Speaks (chair), Prince Amattoe, Jean Bauer, Stanley Bonnema, Charles Campbell, David Chapman, Daniel Feeney, Stephen Gudeman, Wendell Johnson, Michael Korth, Eric Kruse, Elo Charity Oju, Richard Pfutzenreuter, Terry Roe, Cory Stingl, Susan Carlson Weinberg

Regrets: none

Absent: Michael Volna, J. Peter Zetterberg

Guests: Professor Joseph Massey (Chair, Faculty Consultative Committee); Orlyn Miller, Planning and Programming

Other: none

[In these minutes: (1) 2002 capital request projects and costs and discussions of some of the items (Translational Research Facility, Northrop Auditorium; (2) work plan, Regents' Finance and Operations Committee; (3) resolution on referring Senate committee motions with financial implications to this committee; (4) St. Paul campus northeast district plan]

[Note: Professor Johnson, from the Crookston campus, planned on attending the meeting but was unable to do so when all commercial airline flights were grounded as a result of the events on the East Coast. He is thus counted as present. Professor Korth, from the Morris campus, learned the Twin Cities campus classes had been cancelled so did not come in for the meeting; he is also counted as present.]

1. 2002 Capital Request

Professor Speaks convened the meeting at 2:15, welcomed Mr. Amattoe as a new student member of the Committee, called for a round of introductions for Mr. Amattoe's benefit, and turned to Mr. Pfutzenreuter for a presentation on the 2002 capital request to the state.

The request totals \$239,800,000, of which the state would be requested to pay \$186.5 million and the University would pay about \$53.3 million. The request looks like this (dollars in millions; HEAPR is Higher Education Asset Preservation and Renewal; the first HEAPR item is for health and life safety improvements, the second is for building systems, and the third is for utilities):

* These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate or Twin Cities Campus Assembly; none of the comments, conclusions, or actions reported in these minutes represent the views of, nor are they binding on, the Senate or Assembly, the Administration, or the Board of Regents.

| Priority/ location | Item | State \$ | U 1/3 Debt | Unit \$ |
|-----------------------|---------------------------------|----------|------------|---------|
| 1/System | HEAPR | 10.0 | -0- | -0- |
| 1/System | HEAPR | 31.8 | -0- | -0- |
| 1/Mpls | Jones Hall | 8.2 | -0- | -0- |
| 1/System | HEAPR | 30.0 | -0- | -0- |
| 2/St. Paul | Plant Growth Phase II | 12.467 | 6.233 | -0- |
| 3/Duluth | Lab Science Building | 22.0 | 3.5 | 7.5 |
| 4/Mpls | Nicholson | 16.0 | 8.0 | -0- |
| 5/Mpls | MRRC | 12.267 | 4.133 | 2.0 |
| 6/System | Classroom Improvements | 2.667 | 1.333 | -0- |
| 7/Mpls | Translational Research Facil | 24.667 | -0- | 12.333 |
| 8/Crookston | Bede Hall replacement | 5.133 | 2.567 | -0- |
| 9/Morris | Social Sci/ sprinklers | 6.0 | 2.6 | .4 |
| 10/Mpls | IT Tchg (design) | 2.0 | 1.0 | -0- |
| 11/state | Res/Outreach Centers | 2.0 | 1.0 | -0- |
| 12/Mpls | Northrop Audit (design) | 1.333 | .667 | -0- |

For all of these facilities, there would be projected debt costs of \$3.259 million per year (at the peak year, in about 3-4 years), net new operating costs of \$3.647 million per year, and annual depreciation costs of \$6.574 million. Mr. Pfutzenreuter noted that the debt and operating costs could not be avoided; the depreciation costs, which are identified but not necessarily funded, could be delayed.

Professor Speaks wondered whatever happened to the proposed ad hoc committee to advise the President on the priorities of the capital request; Mr. Pfutzenreuter said he did not know. He said there was one meeting (which he was not at) in which Senior Vice President Cerra explained the Translational Research Building.

Mr. Pfutzenreuter then previewed for the Committee the capital request presentation he would be making to the Board of Regents later in the week. He reviewed each of the items on the list in more detail. In terms of the HEAPR requests, which total \$80 million, he pointed out that the most the University has asked for in HEAPR funds in earlier requests was \$20 million; this much larger request recognizes the need for infrastructure improvements. Will this same amount be requested in 2004 and 2006, Professor Speaks asked? It will be, Mr. Pfutzenreuter affirmed. There is a detailed list of what goes into the HEAPR requests; he said he would provide them to the Committee.

Professor Massey inquired if the University paid attention to issues of access when it renovated buildings. Mr. Pfutzenreuter said it does.

Some of the buildings are labelled "design-build," Mr. Bonnema noted. That is because the University must get permission from the state to use a design-build process; the request identifies which facilities would be candidates for that process.

With respect to the Translational Research Facility, an Academic Health Center building, Professor Roe noted that the project description includes an explanation that 33 new clinician scientists would be hired over the next four years. Would these be tenure-track faculty, he asked? Professor Feeney said he believed they would be, although he was not sure. Professor Roe said that if 33 tenure-track faculty are added but not part of the cost of the building, the University could receive funding for the building but then need to ask for more staff. Mr. Pfutzenreuter said that the President had asked Dr. Cerra the same question; Dr. Cerra said that funding for the faculty would not be required because they expect additional research funding to support them. This Committee talked last year about commitments made on soft funds, Professor Roe observed; it appears that all 33 tenure-track faculty and the associated staff will be funded from grants, Professor Speaks said.

Professor Campbell said that the Translational Research Facility had jumped up to the middle of the list, apparently without consultation. Mr. Pfutzenreuter said the building had been 11th on the preliminary request to the state, last spring, approved by the Board of Regents. When the President reviewed the proposals that had been submitted to the state, he decided he was not comfortable putting the Translational Research Facility lower on the list than the Research and Outreach Centers and other smaller projects; he concluded it should have a higher priority. The location of the building on the list reflects the President's views on how he felt about presenting the request to the Legislature and the Governor.

Professor Campbell commented that in the case of the IT proposal, the University has already decided to increase the size of the computer science faculty (that was a major priority in the biennial request), so the plan for the facility follows the academic plans in the biennial request. In the case of the Translational Research Facility--which is quite worthy of support--it is not so clear how the biennial request is linked to the capital request. Mr. Pfutzenreuter said that there is more work needed on the IT facility while the Translational Research Facility was more ready to go.

With respect to Northrop Auditorium, Mr. Pfutzenreuter said, the actual construction costs have not been nailed down; the projected range is anywhere from \$20 to \$80 million. Professor Campbell asked what consultation there has been with the local arts community about the renovation of Northrop; Mr. Pfutzenreuter said he did not know but observed that with all of the activity associated with the arts in the Twin Cities in the last few years, there is a lot of competition for donors. There are also a lot of performance spaces, Professor Campbell said; not with this many seats, Mr. Pfutzenreuter responded. There has been talk of expanding the backstage area to a size that would support major Broadway-type shows, e.g., "Miss Saigon," in Northrop, Professor Campbell said; such huge spaces would likely increase the cost of renovation to closer to \$80 million than \$20 million, he surmised.

Parking for Northrop is not particularly good now, Professor Gudeman said, compared with downtown facilities. Does the University really want to spend the money on this project or are there better auditoria already around the metropolitan area? The question is whether the building will stay

there, Mr. Pfutzenreuter said--and it will stay, so the University must put funds into it. Professor Gudeman said the University should not preserve Northrop simply because it is there but should instead think about how that central space on the campus should be used over the next 100 years. There is a huge arts community in the Twin Cities; where is this being discussed with them?

There is a design architect selected for the project, Mr. Pfutzenreuter reported. The architecture firm is a Cadillac firm, Professor Campbell said. This is not a creative approach to this space and building, Professor Gudeman cautioned again.

It was agreed that Vice President Kruse should be invited to make a presentation to the Committee about Northrop and that representatives from the Department of Theater Arts and the School of Music should also be invited.

Professor Speaks said he wished to make his annual disclaimer: for the last 2-3 years, the Capital Improvements Advisory Committee (on which he serves, as the only faculty member) has not been asked to make a recommendation on priorities or about what gets on to the list, so there has been no faculty participation in the decision except through whatever role this Committee plays.

Professor Speaks also commented wryly that he was glad to see that a stadium was not on the list.

2. Regents' Finance and Operations Committee Work Plan

Mr. Pfutzenreuter next reviewed the work plans of the Regents' Finance and Operations Committee for September, 2001, to December, 2002; the committee is chaired by Regent Michael O'Keefe. That committee has three primary responsibilities: oversight of the University's invested assets, oversight of capital financing and bonded indebtedness, and oversight of financial management and budget. Within each of those three areas there are a variety of reports and information provided to the Board.

Items that should probably come before this Committee, Mr. Pfutzenreuter suggested, are possible revisions to the policy on the Temporary Investment Pool, the updated Six-Year Capital Improvement Plan, system-wide financing of student housing, and financing of intercollegiate athletics on the Twin Cities campus (this last item has been scheduled for a November meeting of the Committee).

Professor Speaks inquired if food service issues ever go to the Regents. Mr. Pfutzenreuter said he did not remember that they had. Professor Speaks recalled that FCC has again expressed an interest in the matter.

Professor Speaks also reported to his colleagues that he attends the Regents' Finance and Operations Committee meetings as a (mostly silent) observer and reports back to this Committee and to FCC on issues. Professor Massey said that he will ask the Board to permit the full participation of the faculty members who attend Regents' committee meetings on behalf of FCC.

Mr. Pfutzenreuter then told the Committee about next year's operating budget. There will probably be a short legislative session, perhaps done in March. In the usual even-year sequence of events, the Regents see the operating budget in May and June. Depending on what the legislature does, it may be possible to bring it in April and May next year. Inasmuch as the President prefers the Board to have three

sessions with the budget, however, taking it to them in March may be premature. It was agreed that Professor Speaks and Mr. Pfutzenreuter would talk about when the operating budget proposals would be brought to the Committee in the spring.

Mr. Pfutzenreuter also suggested the Committee may wish to weigh in on the replacement of the bridges that go from Northrop Mall to Coffman; there are already models being considered.

3. Senate Committee Proposals with Financial Implications

Professor Speaks recalled Executive Vice President Bruininks' suggestion that all proposals from Senate committees that have financial implications should be brought to this Committee for review. The suggestion arose when the proposal for tuition reduction for University employees was raised; Dr. Bruininks had observed that no Senate committee looks at these kinds of proposals and balances them against other priorities that might be higher and that they should come to this Committee for "financial analysis."

Professor Speaks said he agreed that this Committee should review proposals from other committees but that the committee that prepares a proposal is the one that should do the "fiscal analysis" (or such analysis should be provided by the administration). There is another proposal on the Senate docket, to eliminate the two-year waiting period for the Faculty Retirement Plan for new assistant professors; that could also come to this Committee, he said. In the case of CLA, this year, approving the proposal would cost \$405,000--and it is not clear who would foot the bill.

There is no easy answer to whether other items are higher priority, Mr. Pfutzenreuter said--no one can see them all. It is appropriate to have items with financial implications come to this Committee, Professor Speaks said, but he fears that it could receive all the financial analysis it wants and it would still not know how to comment on the relationship between one proposal and other priorities. The Committee would not be able to see all the other proposals--and the list changes all the time, Mr. Pfutzenreuter pointed out. But this Committee could play a useful role in identifying the costs of various proposals, he added.

PROFESSOR FEENEY MOVED THAT THE COMMITTEE RECOMMEND TO THE SENATE THAT ANY PROPOSAL WITH FINANCIAL IMPLICATIONS THAT COMES FROM A COMMITTEE OF THE SENATE BE REFERRED TO THIS COMMITTEE. THE COMMITTEE APPROVED THE MOTION UNANIMOUSLY.

* * *

[The actual wording of the resolution and the Comment approved unanimously, by email following the meeting, for forwarding to the Senate, is as follows:

Whenever a committee of the Senate or the Twin Cities Campus Assembly approves or endorses a proposal that has financial implications, such proposals should be presented for review and comment to the Senate Committee on Finance and Planning before it is presented to the Senate for action.

COMMENT:

At its fall retreat this year, the Committee on Finance and Planning discussed with Executive Vice President Bruininks the proposal to provide tuition reduction or remission for children of University employees. Dr. Bruininks made the point that Senate committees generally forward proposals to the Senate or the administration without consideration of the competing demands on University resources; he suggested that the Committee on Finance and Planning could conduct a financial analysis.

The Committee on Finance and Planning does not believe it is in a position to conduct a financial analysis; such work should be done either by the committee making the proposal or by appropriate University offices at the request of the committee. Moreover, the Committee on Finance and Planning cannot in any realistic way judge the merits of a particular proposal against all the other priorities facing the University--because there is no way the Committee can know of all the priorities or what their cost implications might be.

What the Committee can do, however, is comment in a general way about how a proposal might stack up against other priorities and issues being discussed by committees of the Senate and how the members of the Committee view a particular proposal. The Committee can ensure that an appropriate financial analysis has been prepared, to include both the costs and benefits to the University of the proposal, and also help assure that the process by which financial obligations are incurred follow some standardized evaluation format for purposes of consistency.

In order not to slow down the flow of business, the Committee will always try to schedule a discussion of any proposal in a timely fashion so that its appearance on a Senate or Assembly docket will not be unduly delayed.]

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If this motion is approved, the Committee will ask that the Senate Consultative Committee, and its Committee on Business and Rules, play a role in referring matters to the Committee on Finance and Planning before they appear on a docket.

Mr. Amattoe then moved that SCFP adopt a resolution to have the full Senate not act on, but table for SCFP consideration, any agenda item (September 20th) that has financial implication(s) but has not had not prior SCFP consideration, and that after such consideration the items be brought back to the next Senate meeting for action. This motion provoked a rather heated discussion about whether the Committee should try to delay the recommendation from the Committee on Faculty Affairs to eliminate the two-year waiting period for the Faculty Retirement Plan for new junior faculty. Professor Speaks said he agreed with both positions--the Committee ought to review these proposals but he does not want to be seen as somehow rebuking the Committee on Faculty Affairs for bringing a proposal without checking first with this Committee (which no one has ever asked a committee to do before).

What about the tuition reduction proposal, Professor Campbell asked? That one has not gone to the Senate for action, Professor Speaks pointed out, so this Committee could reasonably ask to review it before anything final is taken to the Senate. Professor Feeney reported that Professor Goldstein's concern is that no one has ever really found fault with the model used to develop and defend the tuition remission/reduction proposal.

Mr. Amattoe's motion did not pass.

4. St. Paul Campus Northeast District Plan

Professor Speaks now welcomed Mr. Miller to the meeting to discuss the plans for the northeast district of the St. Paul campus.

Mr. Miller distributed copies of slides and began by telling the Committee that a private gift stimulating construction of the microbial and plant genetics facility is what stimulated the plan. Campus master plans do not provide specific direction about where buildings should go; when the genomics project became reality, it became necessary to decide where to build it. The President suggested that a site be sought which might accommodate 4-5 additional buildings of a similar scale, buildings that may be constructed as the revolution in the biological sciences increases demand for plant and animal biology and technology. It is this latter consideration that was the principal driver of the plan.

Mr. Miller reviewed maps and slides of the campus and where buildings might in the future be located. The area generally is capable of accommodating 350,000 to 400,000 square feet of new research space. The plan addresses the University's objectives to provide sites for future "multi-disciplinary research needs on the St. Paul Campus," facilitate an orderly, cost-effective transition from low-density agricultural uses to higher-density research facilities," and to "create a cohesive campus environment that enhances the existing campus" rather than simply allow a collection of buildings to develop.

Does this plan reflect an emerging University priority that favors high technology research in agriculture over low-density agricultural research, Professor Campbell asked? It does not, Mr. Miller said; just more intensive research in the area adjacent to the existing biological/agricultural research corridor on the Ridge. There is a recognition in the planning department that it makes no judgments regarding the importance of programs but it DOES make judgments about the facilities the programs will be in.

Will there be historical issues to contend with, Professor Feeney asked? Mr. Miller said they were discussed a great deal at the beginning but the concern may have weakened in the intervening period since some buildings were taken down. The historical value was in the COLLECTION of buildings that existed; since some have been demolished, there may be less interest in historical issues. They did hear, from across the campus, that the barn is an historical landmark and must stay, and it does in the plan.

Is this discussion about technology the same one the Committee held about the Translational Research Facility, Professor Speaks inquired? Mr. Miller said the Translational Research Facility preceded discussion about the research park but will be adjacent to where a research park would be. This is not the same issue.

Mr. Miller reviewed the new access point for the campus, along North Fairview Avenue, diverting traffic to the west side of the campus in order to pull some away from Cleveland Avenue. There could be about 1200 to 1500 new employees on the campus, with the new facilities, based on the intensity of use of the genomics building. This is all VERY long-term, Mr. Miller emphasized. Some of the elements of the plan, Phases 3 and 4, are not expected to be on the 2004 or 2006 capital request.

Professor Bauer noted that the new genomics building will be on the site of a newly-redone parking lot. Mr. Miller said the ramp had been expanded to accommodate the lost spaces, although the new spaces will not be in a surface lot. Professor Speaks said he had been on the Committee for a long time and there is a tradition that when a new facility is constructed that causes a loss in parking spaces, there is no consultation with the Committee: it is told there was no choice and rates are going up in the new facility.

Mr. Miller said that Parking often must deliver the message but does not make the final decision to take away parking spaces--and usually argues against losing spaces. The current administration takes the position that the existence of a surface parking lot should not drive University academic and research activities and that Parking must accommodate academic programs.

The problem with that argument is that the cost of a new level on the ramp is not included as part of--and charged to--the cost of the new building, Professor Campbell responded, so instead the increased cost is paid by parking patrons. That is a policy decision, Mr. Miller said; the replacement of parking spaces has consistently not been included in building costs for major capital projects in the recent past. Why not, Professor Speaks asked? Mr. Pfitzenreuter's table of costs for the capital request included building operating costs; why cannot lost parking be figured in as well? Mr. Miller agreed that if the facility costs were to be comprehensive, the cost of replacement parking should be included. As long as parking rates go up faster than inflation and salaries, it should be included, Professor Campbell declared.

IT WAS MOVED, SECONDED, AND UNANIMOUSLY VOTED THAT THE COMMITTEE REQUESTS THAT THE COST OF REPLACING PARKING SHOULD BE INCLUDED IN BUILDING COSTS.

One parking facility will be lost with each of Phase 1 and 2 of the district plan, Professor Speaks observed. Will other parking facilities need to be built to accommodate the increase in personnel? His answer is "no," Mr. Miller said, because the increased demand was supposed to be anticipated by expansion of the Gortner ramp. Mr. Baker, Director of Parking and Transportation, may have a different view, he said. There are locations for new parking on the district plan, he said.

Professor Speaks thanked Mr. Miller for his presentation and for forecasting Phases 3 and 4 of the plan. He then adjourned the meeting at 4:00.

-- Gary Engstrand