Minutes*

Senate Committee on Finance and Planning
Tuesday, March 12, 2002
2:15 – 4:00
238A Morrill Hall

Present: Charles Speaks (chair), Prince Amattoe, Brittny McCarthy Barnes, Jean Bauer, Stanley Bonnema, Charles Campbell, Robert Cudeck, Cynthia Jara, Elo Charity Oju, Terry Roe, Michael Volna, Susan Carlson Weinberg

Absent: David Chapman, Daniel Feeney, Greg Fox, Gary Jahn, Wendell Johnson, Michael Korth, Richard Pfutzenreuter, J. Peter Zetterberg

Guests: Laurie Scheich, Lester Trapp (Auxiliary Services); Dennis Miller (Parking and Transportation), Professor Steve Campbell, Dr. Dale Swanson (Electrical and Computer Engineering),

Other: none

[In these minutes: (1) capital projects subcommittee; (2) parking, transit, parking rates, and subsidies; (3) budget issues (closed)]

1. Committee Business

Professor Speaks convened the meeting at 2:15 and welcomed Professor Robert Cudeck to the Committee.

He then reported that the roster of the Subcommittee on Capital Projects is nearly filled; it lacks only representative from the Academic Health Center. It otherwise has representation from across the campuses and includes faculty and students. The subcommittee will advise this Committee, the Consultative Committee, and the President on capital priorities and the six-year capital plan. The chair will be Professor Marvin Marshak.

2. Parking and Transportation

Professor Speaks then turned to Ms. Scheich to begin a discussion of parking. Ms. Scheich explained that Mr. Baker, the Director of Parking and Transportation, was unable to join the meeting because he was ill; inasmuch as she has had administrative responsibility for parking for only six days before this meeting, she said she would rely on Messrs. Miller and Trapp to lead the discussion. If there are questions that they cannot answer, they will note them and get back to the Committee, she said.

Mr. Miller distributed a multi-page handout on the parking rate plan for 2002-03. He began by noting the "Basic Financial Principles" that govern parking: (1) it is self-supporting, with no legislative

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funds; (2) all costs are spread over the entire system; (3) if central funds are used to subsidize parking, less money will be available for academic purposes; (4) as low-cost surface lots are replaced with higher-cost parking structures, additional revenues will be needed to balance the parking budget; (5) parking revenues are used to support transit and other transportation alternatives; and (6) parking rates are based on facility type and costs, with lots least expensive and garage spaces most expensive.

Who approves these principles in the aggregate, Professor Speaks asked? Are they a policy of the Board of Regents? Mr. Trapp said they are more historical than policy-based statements. Nor is it like housing, Ms. Scheich said; all the costs of a new facility cannot be put on those who use that facility, or it would be prohibitively expensive. To whom would they articulate concerns about these principles, Professor Speaks asked? To Parking and Transportation, Ms. Scheich said.

Professor Speaks then observed that with respect to principle #3, one could substitute "other activities" for "parking," and the statement would be equally true (such as for intercollegiate athletics). He also recalled that Mr. Baker told the Regents that faculty and staff are more likely to use the more expensive facilities--ramps and garages--so that students may be subsidizing the expensive facilities used by faculty and staff? Mr. Miller said that may be true, but specific people are not subsidizing specific facilities. Most contract spaces are in more expensive facilities and students generally park in cheaper facilities; lots that have been paid for do subsidize new facilities.

The capital plan includes $6.4 million in debt service; the debt is from the newer facilities built as structures have replaced surface lots.

Mr. Miller explained that as rates are set, they try to make them logical. They also try to set them so people will not want to move from one facility to another. The other factors they have to consider are that the budget must balance and market rates. Do the principles say that revenues should only cover costs or that they should generate a surplus, Professor Roe asked? That changes from year to year, Mr. Miller replied. Parking revenues have been used for other purposes in previous years. They have never been subsidized but at certain times Parking has been assigned other costs. Professor Roe said he understood that no central funds go into parking but wondered if parking revenues could be used to fund a chaired professor, for example. Parking revenues have been used for other purposes, such as transit, the UPass and Metro Pass programs, bike paths, a loading dock, the child care center.

Ms. Weinberg asked if there was a policy that parking revenues support skyways and tunnels, which are not transportation. Parking is in line to pay for them, Mr. Miller said, but on a project-by-project basis. The majority of the skyways and tunnels for which parking has paid have been to or from a ramp, Ms. Scheich pointed out.

Professor Speaks said that the Committee could later consider other principles it might suggest to the administration, if it wishes to fend off pressures on the parking budget. The Committee is well aware that the more peripheral costs there are in parking, the higher the rates people pay. That may not be a problem in the future, Mr. Miller commented; with the increases in costs because of new facilities, there will be no money available for other uses even with significant rate increases.

Mr. Amattoe asked how parking reconciles principles #2--all costs are spread over the entire system--and #6--parking rates are based on facility type and costs, with lots least expensive and garage spaces most expensive. Ms. Scheich said that #2 simply provides that parking costs are spread across the system while #6 provides the grain of charges because there are different levels of parking. Mr. Miller explained that because it costs more to operate ramps and garages, the rates are higher.

Professor Speaks said he had been told that all garages lose money. Mr. Miller said this not necessarily true; it depends on the size of the garage and how its spaces are sold. The Church Street garage is small and has a high cost per space, but it also has high revenues per space. It could not be increased ten times in size and still make the same revenue per space.

This issue came up in relation to a possible parking ramp adjoining a new football stadium, Professor Speaks recalled; the Committee was told that it would operate at a deficit and the costs would passed along to all parking users. The defense of this proposition was that all garages lose money. This seems a strange way to operate, he commented. Cost structures can be strange, Mr. Miller agreed, and they depend on demand. The peak demand for University parking facilities is for eight months a year, during the academic year, while downtown facilities operate on a level of demand that exists for the entire year. University parking revenues drop in the summer.

Mr. Miller noted, in response to a question, that the capital debt service of $6.4 million will peak at $8.5 million in 2004 (but that two years ago there was NO debt service). The time of the debt is 20 years, so there are 18 years left. Professor Speaks said he assumed the debt balance would never approach zero because it would be replaced with new debt. Mr. Miller said there is currently no plan, in their six-year plan, to take on more debt.

Ms. Weinberg asked about the $1 million for the Washington Avenue bus shelters at Coffman Union. There are two of them, at $500,000 each, Ms. Scheich said; they are VERY expensive. They are also the busiest bus stops in the Twin Cities, Mr. Trapp reported. They are large shelters, Ms. Scheich agreed, but they do seem to be very costly. Do Pillsbury and 3M build bus shelters, Professor Campbell asked? Mr. Miller said he doubted they do; they could not justify doing so. In the case of the University, however, the inter-campus bus system also uses them.

Will parking pay for the two new pedestrian bridges across Washington Avenue, Professor Speaks asked? It will, Mr. Miller affirmed. The old bridges were not safe and had to be replaced as soon as possible; the question was "who has the money?" The thought was to do the bus stops at the same time. He said he was less concerned about the one-time $1 million for bus shelters than the long-term capital debt.

Mr. Miller next reviewed the number of parking spaces on the Twin Cities campus, which have grown from about 13,000 in 1982 to about 20,500 in 2002. They have gone from having 60% of the spaces in surface lots (which cost about $1000-$1200 per space) to 60% in structures (which cost anywhere from $15,000-$35,000 per space; the latter is the cost per space in the new East River Road facility). Is the number of spaces adequate, Professor Cudeck asked? And how would one determine if the number is adequate? Mr. Miller said he thought the number was sufficient; they are seeing a drop in demand. Historically, they have talked about a need for 20,000 spaces; they do not want to build more than they need because parking structures are too expensive. There are a few peak days--such as the first day of classes--but there is substantial excess parking when it comes to summer demand or parking needed during breaks. There are also ramps and garages without waiting lists, Ms. Scheich pointed out.

The Committee then looked at the 2002-03 budget summary for parking. The total revenues are $29 million; projected expenses (parking, transit, debt and capital expenses) total about $28.1 million.

The proposed rate increases average about 9%. The 02-03 revenues include a balance forward of about \$3.4 million; the project balance at the end of the 02-03 year is about \$1 million. Do they need a \$3.3 million balance to stabilize their budget; is less than a \$1 million balance likely to raise red flags, Professor Bauer asked? Mr. Miller said he did not like the trend but they do not need a balance in the millions, because they only need to balance their budget. At the same time, they need to plan for the future.

How long has parking been responsible for covering the cost of buses, Professor Roe asked? Only for the last two or three years has it covered 100% of the costs, Mr. Miller said. Prior to that, there were O&M funds, but that support was phased out. The total cost of the inter-campus bus is about \$4 million per year.

Ms. Oju asked if students who pay for parking are subsidizing students who use the transit system. Mr. Miller said one could make that argument. But students also use the inter-campus bus, he observed. The inter-campus bus is treated as a common good, Ms. Scheich said.

The Committee discussed the cost of bus passes and the possible elimination of the federal subsidy that exists (as a demonstration project). Mr. Miller said they are negotiating with Metro Transit about the cost of passes; they are also seeking alternative sources of revenue to help pay for the bus passes.

With the expected increase in the cost of bus passes, Ms. Barnes said, what is it that Parking and Transportation wishes people to do? Drive? Take the bus? Bike? If they are building more high-cost parking, with more debt, increasing the use of car pools, and increasing bus pass prices, it is confusing for people to figure out what to do. It seems as though it would be possible to elicit change through differential pricing.

Mr. Miller cautioned against looking too much at the percentages. The increase in the car pool charge is 25 cents, from \$1.50 to \$1.75. They do encourage alternative modes of transportation and discourage parking. The Metro Pass costs the University \$63 per month; staff and faculty pay \$40 per month for it and students pay \$50 per semester. The Metro Pass program covers the entire metropolitan area; MCTO charges an organization \$63 times the number of people who use it; it is up to the organization to decide what to charge its employees. Some do not subsidize it at all, and the percentage of employees who use it is as high at those places as it is at organizations that subsidize it. It seems that people will use the bus if the service is close and frequent; there does not seem to be a lot of elasticity in price for the passes, Mr. Miler said. The University could charge more and the pass would still be a good deal for faculty and staff. There are about 1500 faculty/staff and about 11,000 students who use the passes.

The culture of the Midwest is for people to have their own car, Ms. Barnes said and people will determine that it is not that expensive to park at the University. To encourage good public policy, she said, the price of the Metro Pass should not be raised. Ms. Scheich agreed that there is a dilemma: they need people to park on campus, in order to pay the debt service, but good public policy would lead to fewer cars on campus (and less exhaust).

What is the timeline for adoption of the 02-03 parking rates, Professor Speaks asked? Mr. Miller said they did not know if the rates were approved; they never know for sure from year to year. Ms.

Scheich explained that the rates are part of the budget plans submitted to central administration and approved by the Board of Regents; there is no explicit approval of parking rates.

Professor Speaks noted again that the average rate increase, across all categories of parking, appeared to be about 9%. What have been the increases the last few years, he asked? About 8.5 to 10%, Mr. Miller said. It was 10% last year and will be about 10% the next two years, Ms. Scheich said.

Professor Campbell said he could understand the pressure on parking revenues to pay for other projects but these rate increases far exceed salary increases to faculty and staff, and there are lower-paid staff who are hurting because of these increases. On whom does there need to be pressure to keep these rate increases down, he asked? Internally they try to keep the rate increases down, Ms. Scheich said, but the capital budget is affecting their ability to do so.

Almost annually the Committee comments unfavorably on rate increases and how they occur, Professor Speaks said, and it rarely has much impact on the outcome. With respect to salary increases, there have been discussions about items that MUST be funded plus about the $23 million that must be cut--and it is always easiest to cut compensation increases for employees. There is no mechanism to curtail parking rate increases because they are easy to increase.

Mr. Miller agreed that salaries have increased only an average of 3% in recent years, but construction costs have increased about 50% in the last few years, which has been a big problem. Debt service consumes about 30% of their revenue stream.

Professor Speaks said the Committee might think about whether there should be a principle concerning parking revenues subsidizing other functions. One big expense, it was said, is for transit; did Parking and Transportation receive a mandate to subsidize it or decide to do so on its own? O&M funds were gradually reduced, by central administrative decision, Mr. Trapp said, and parking was directed to operate a transit system within the resources provided, so it had to underwrite the cost with other revenues. Parking and Transportation cannot say it will not operate a transit system, Ms. Scheich confirmed; the University expects it to be funded. Mr. Miller noted again that the inter-campus bus system costs about $4 million per year (from which Parking and Transportation receives no revenue) and the Metro Pass and UPass system costs about $4 million per year as well, which includes accounting for the revenue from students, faculty, and staff.

Professor Speaks suggested that if there are concerns about rates, the Committee should take them up with Parking and Transportation; if there are concerns about the principles, those should be taken up with the administration. Spreading the cost of the system across all facilities is a Parking and Transportation principle, Ms. Scheich commented, but agreed that it is a central decision about what it is that Parking and Transportation must fund. Those boundaries need to be clarified, Professor Roe said. This is also important, Professor Speaks said; for those at the low end of the salary scale, a 25-cents-per-day increase makes a difference.

Mr. Miller then quickly reviewed the option of paying parking costs with a pre-tax deduction and also the different costs of transportation (UPass versus Metro Pass versus contract lot versus ramp contract, etc.). There are cheaper ways to get to the University, he pointed out, but not all of them work for everyone.

Professor Speaks asked about the view of Parking and Transportation on the proposal to use the land northeast of the Minneapolis campus for a new football stadium and a new parking ramp. The new ramp, with 4000 spaces, would replace the existing 2000 surface lot spaces, at a time when demand is declining. Does this new facility make sense? Professor Speaks said he was NOT asking whether there should be a stadium, but there was a sense of discomfort at the last Committee discussion about the subsidy that would be required for the proposed ramp. It may be that the administration thinks the new ramp is a good idea. The Committee needs to understand if it is a good idea to build a facility that will lose money and that will have to be subsidized by faculty, staff, and students. If a stadium were not to be built on campus, would the University build a new 4000-car ramp? Not unless a building were built with it, Ms. Scheich said. Mr. Miller said he did not believe there was adequate demand for 4000 spaces, but there are also lots along Fourth Street that may be lost in the future as well. Professor Roe observed that the 4000 spots would be needed for games, so there would be excess capacity the rest of the time; the rate charged at peak use would not cover the cost of the ramp the rest of the time, he asked? Mr. Miller said he had only limited knowledge about the stadium and parking but said that someone will have to make tough decisions.

What is the philosophy behind holding the event parking constant for the next two years (at $8 for major events and $6 for minor events), as the schedule proposes to do, Professor Speaks asked? A sense of where the market it, Mr. Miller said. Could they not sell spaces if the price were increased, Professor Roe asked? They probably could, Mr. Miller said, but they try not to be too much above the market. What are they competing with, Professor Speaks asked? He said he did not believe event parking should be immune from increases while faculty/staff/student parking increases. If Parking and Transportation will not address this issue, the Committee should make a statement about it. Ms. Scheich said she would ask Mr. Baker about the proposal for event parking.

Would they have more revenue in the summer if they cut the rates during that period, Mr. Amattoe asked? Mr. Miller said he did not believe the price of parking was as elastic as it might be described in an economics class. People do not park someplace because it is cheaper; they park somewhere because they have a purpose in going there. He said he doubted there would be increased demand if summer prices were lowered.

Professor Roe urged the Committee to argue for increasing the event rates.

3. Budget Issues

Professor Speaks accepted a motion to close the meeting, which received a unanimous vote. The Committee discussed budget priorities, intercollegiate athletics, and other matters.

It was also announced that Professor Speaks has been asked to serve as chair of the Committee again next year; Committee members congratulated him on the appointment.

Professor Speaks adjourned the meeting at 4:00.

-- Gary Engstrand

University of Minnesota