

Minutes*

Senate Committee on Finance and Planning
Tuesday, March 17, 1998
3:15 - 5:00
Room 238 Morrill Hall

Present: Charles Speaks (chair pro tem), Jean Bauer, Cynthia Gillette, Stephen Gudeman, Gerald Klement, Leonard Kuhi, J. P. Maier, Jane Phillips, James VanAlstine, Susan Weinberg

Regrets: Fred Morrison, Catherine French, Terry Roe

Absent: Larry Fonder, K. Andrew Hall, Richard Pfitzenreuter, Peter Robinson, Joby Sebastian

Guests: Bob Baker (Parking and Transportation), Paul Tschida (Campus Health and Safety)

Others: Mike Berthelson (Office of Budget and Finance)

[In these minutes: Parking rates and capital plans; structure of Finance and Operations; 1997-98 budget ideas]

Professor Speaks convened the meeting at 3:15 and explained that Professor Morrison was testifying before the legislature and hoped to join the meeting later.

1. Parking Rates and Capital Plan

Professor Speaks welcomed Mr. Baker and Mr. Tschida to the meeting to present the capital plan and rates for parking on the Twin Cities campus. Mr. Tschida began by repeating what he had told the Committee at its previous meeting: The legislative auditor had concluded, in a study, that the Twin Cities was among the metropolitan areas most dependent on the automobile, and that situation was not likely to change in the next 15-20 years, so those responsible for parking and transportation at the University must deal with the reality, even while hoping that mass transit may some day become more widely used. The plans that are being presented to the Committee today, he reported, have been reviewed by the Executive Council, and President Yudof has approved taking them through the consultative process.

Mr. Baker then presented a series of slides to the Committee. First he outlined basic financial principles with which parking must work: it is self-supporting, with no legislative funding; all costs are spread against the entire parking system (except that the Gateway parking garage will be separate); if central funding is used to subsidize parking, less money will be available for academic purposes; as low-cost surface lots decrease in number and are replaced with higher-cost spaces (ramps and garages), additional revenues will be needed to keep the budget in balance; parking revenues are used to support transit and other transportation alternatives; and parking rates are based on facility type and their costs,

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with lot spaces least expensive and garage spaces most expensive.

Mr. Baker then presented data on the number and types of parking spaces available on the Twin Cities campus (student, faculty/staff, hourly; lots, ramps, garages); the total as of 12/1/97 was 20,961 spaces. Parking adheres to a self-imposed limit of 22,000 spaces, something in which the legislature has shown interest. The number of spaces available works out to about 1/2 space for faculty and students, which is close to the national average.

The budget for parking, after income and expenses are calculated, will have an annual surplus of \$3.365 million in recurring funds for debt service and other needs beginning with the 1998-98 fiscal year. Of that, \$375,000 is earmarked for additional costs and improvements to the inter-campus bus service. The budget includes \$1.9 million for non-parking recurring expenses, such as transit, police enforcement, athletic events, streets and sidewalks, and business services.

The preliminary parking replacement plan has six items on it. 1) Replacement of the East River Road ramp (going from 1684 ramp spaces to 1200 garage spaces). 2) The Gateway project (going from 886 lot spaces to 300 garage spaces). 3) Women's Hockey/Tennis project (loss of 600 lot spaces). 4) Transitway parking deck (going from 800 lot spaces to 1600 ramp spaces). 5) Addition of 100 ramp spaces for the West Bank Office Building. 6) St. Paul parking facility (going from 300 lot spaces to 600 ramp spaces). The net total is a loss of 470 spaces on the Twin Cities campus.

The existing lot, on the Gateway site, is used primarily by faculty, staff, and students, and for special events. The garage will provide 200 spaces for visitors and 100 spaces for faculty and staff, so the net loss at the Gateway site, for faculty, staff, and students, is actually about 786 spaces, rather than simply a loss of 586 spaces.

For 1998-99, the capital projects, and estimated costs, are as follows:

--	Replace East River Road ramp	\$29 million
--	Gateway Center garage	\$6.5 million
--	Transitway parking deck	\$13 million
--	Pedestrian connections to parking facilities	\$3 million
--	St. Paul Campus parking ramp	\$8.6 million
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	Total	\$60.1 million

The Gateway project will be financially separate from the rest of the system and will fund itself. As a result, the rates may be higher than elsewhere on campus, depending on the actual cost of the garage. There may also be a need for additional pedestrian links, because the President wants tunnels and skyways and wants them signed, publicized, and well-lit.

With the proposed capital projects, parking will require an additional \$2.010 million in recurring revenue for debt service (\$60.1 million at 5.25% for 20 years). They are recommending that the additional revenue requirements be built over a 3-year period, at about \$700,000 per year.

Mr. Baker then presented three different rate plan options for 1998-99.

#1 would increase ONLY hourly lots and ramps, daily public and carpool lots, and off-peak ramp and hourly lot rates by 7.7 to 25%, depending on the facility. There would be no increase in contract rates or special event rates. (An example would be an increase from \$1.00 to \$1.25 for carpool lots, and \$2.25 to \$2.50 for public lots.)

#2 would impose moderate rate increases in all categories of parking (from 3.6% to 25%).

#3 would increase ONLY contract rates, and leave all other categories and facilities unchanged. (An example from the third option is that garage contract rates would go from \$66.60 to \$85 per month, while ramp contracts would increase from \$50 to \$57.) Each of the three options would generate approximately the \$700,000 in additional revenues needed. There would be rate increases each of the following two years, of the same general magnitude, to reach the level of the \$2 million additional income needed.

Committee members discussed with Mr. Baker the rationale that might support each of the options. Some would argue, for example, that the increase in contract rates is justified because contract parking is a better value than the daily rate lots. By comparison, the average daily rate lot in Minneapolis is \$6 and lot contracts are about \$90 per month, ramp contracts are about \$150 per month, and garage contracts are about \$190-200 per month.

Mr. Tschida pointed out that the University has been criticized for not charging enough for parking, and told that it should charge market rates, but what is that, he asked? Operating costs? Operating costs plus enough to support transit? Charge what the market will bear, and use the dollars for other purposes? Mr. Baker noted that the Goodrich committee, in the early 1990s, recommended charging for operating costs plus enough to support transit, and the recent recommendations from the Facilities Management Subcommittee were the same. As for other urban universities, comparative data are difficult to obtain; there are few accurate comparisons available (e.g., Minnesota has much higher snow removal costs than other institutions, for which parking pays).

After discussion of other elements of the rates and plans, the Committee recommended to Mr. Baker that he develop a fourth option, which would include a combination of the proposed increases in option #1 (hourly lots and ramps, regular and off-peak times, and public and car pool lots) and an increase in contract rates half-way between options #2 and #3 (e.g., a garage would increase from \$66.60 to \$77.50, and a ramp contract would increase from \$50 to \$54.50).

Professor Speaks said the Committee would take action on these proposals at its meeting on March 31, and thanked Mr. Baker and Mr. Tschida for presenting the information.

2. Structure of Finance and Operations

Professor Speaks then noted that the agenda called for Committee discussion of the advice it would give to President Yudof about the long-term structure of Finance and Operations. Mr. O'Connor reported that the President has already spoken with the Board of Regents about temporarily dividing the responsibilities of the office between two positions.

The Committee reviewed the structure of Finance and Operations as it existed during the term of office of Senior Vice President Jackson. It was noted that two units have already been removed from Finance and Operations: Budget and Finance (Mr. Pfutzenreuter's office) now reports to Academic Affairs and to the President, and Human Resources will be headed by a vice president. Those units remaining in Finance and Operations include Facilities Management, the Treasurer (asset and debt management, risk management and real estate, the bursar, U card), Health and Safety (emergency management, police, environmental health and safety, parking services, transit services, and the building code official), University Services (bookstores, printing, addressing and mailing, bindery, office equipment services, campus mail, purchasing, U stores, and fleet), and the Controller (disbursement services, accounting, payroll, records management, and tax reporting and analysis).

Asked why the President had split the office, Mr. O'Connor explained that it appears that different sets of skills are required of individuals to effectively administer the two different categories of the office (finance, operations). It is a very large job, and if split, the University might better able to be recruit people with the right skills to administer the two different kinds of units. The question is what services need to come from Finance and Operations, and are they delivered to the satisfaction of the academic units, Mr. O'Connor concluded.

This is reminiscent of Academic Affairs, observed one Committee member: the job was too large, so it was split into provostries, and now has been put back together.

Committee members offered a number of viewpoints on a proposal to split Finance and Operations.

- Given the things that have gone wrong in Finance and Operations the last few years (e.g., biweekly payroll), how will reorganization get people into administrative positions who care about how changes affect employees? (It may be that with the change, people will be more focused on finance or operations, and thus more efficient as well as more customer-oriented.)
- There appear to be two reasons for the change: the job is too big, and different skills are required. If it is too big, it is too big, but the President has said he wishes to simplify the administration, and this appears to be going in the opposite direction; besides, the responsibilities have already been reduced by removal of two units from the office. Increasing the size of the administration would not be well received. It is doubtful that a person with the right skills cannot be found; previous vice presidents appear to have managed (a proposition that did not meet universal agreement).
- There were repeated exchanges between the administration and Senate committees on the biweekly payroll, to use one example, but the concerns expressed in the consultation were ignored. Rather than splitting the office, what is needed is a middle-management attitude that everyone is working for the same institution and people should try to help one another.

- If the office is split, what faculty have seen as the tension between the academic and financial sides of the house could be increased; instead of one academic affairs vice president and one finance vice president, there could be two finance/operations vice presidents.
- To what extent would the reorganization be financially neutral? (There would presumably be no increase in cost, and more staff should not be needed.)
- Would there be a duplication of effort across the two new units? (That would be unlikely, because they do different things.)
- A change such as this is usually part of a larger plan; what is the overall plan? What is the President trying to accomplish? This Committee really does not have the expertise to come up with the principles that might guide a reorganization.
- More important, in the big picture, is that services will be improved.

The Committee agreed that Professor Morrison should be asked to inquire of President Yudof what his larger plans for his administration are, and that if he wishes, perhaps he could discuss these plans in a joint meeting of Finance and Planning and the Senate Consultative Committee.

3. 1997-98 Budget Ideas

Professor Speaks next provided Committee members with information about budget ideas being considered by the administration. One element of a possible compensation plan included providing 6% for faculty salary increases to the units and requiring the colleges to fund an additional 1%, for a total average increase of 7%. The possibility of permitting colleges, if they could afford it from their own resources, to deliver increases up to 8%, or even more, was also discussed. Salary increases of 4% for P&A employees would be funded centrally, with the units allowed to add another 1% from their own resources for market or merit factors.

Committee members made several observations about this idea.

- A mandatory increase in salaries, to be funded (in part) by the units is another retrenchment, the same thing that has been going on for the last several years.
- It will mean cutting positions and increasing workload; the tradeoff is higher salaries for an increased workload. The Committee should resist such a tradeoff. The higher salaries and workload are achieved by redistribution of faculty work, away from research, and thus affects the balance between teaching and research.
- There is not enough money to deliver the 8.5% that had been proposed earlier, so the administration is trying to allow units to award such raises, although is not requiring them.
- Every 1% raise, for the average faculty member in CLA, is \$409 per year, after taxes. That same 1% would provide funding for salaries and fringe benefits for 7 new assistant professors. Most

faculty would probably prefer that the college have the new positions.

- For small departments, there is no flexibility; the only discretionary funds are for graduate assistants and supplies, not from available faculty positions.

Following brief additional discussion, the Committee voted (8 in favor, none opposed, 2 abstaining) in favor of the following motion: There shall be no unfunded mandated salary increases imposed by the central administration on the colleges.

The Committee decided it did not have enough information to take any position with respect to P&A staff who have faculty-like responsibilities, and it was unclear whether those P&A staff would be covered by the faculty salary increase or the increase proposed for P&A staff. The civil service (non-bargaining unit) employees are currently discussing salaries with the administration, and there are at least two categories of civil service staff (scientific and information technology) where University salaries are below market. It is to be hoped that the additional 1% allowance for merit and market for P&A employees will also be provided to civil service employees.

Professor Speaks adjourned the meeting at 5:00.

-- Gary Engstrand

University of Minnesota