

Minutes*

**Senate Committee on Finance and Planning
Tuesday, September 2, 1997
3:15 - 5:00
Room 300 Morrill Hall**

Present: Fred Morrison (chair), Jean Bauer, Catherine French, Cynthia Gillette, JoAnne Jackson, Gerald Klement, Robert Kvavik, Richard Pfutzenreuter, Jane Phillips, Charles Speaks, Craig Swan

Absent: None for a summer meeting

Guests: Michael Berthelson (Budget and Finance), President Mark Yudof

[In these minutes: the 1998 and 2000 capital requests; a possible supplemental legislative request; "Beautiful U"]

1. The Capital Request

Professor Morrison convened the meeting at 3:15 and welcomed President Yudof to lead the discussion of the capital request.

President Yudof discussed the request by leading the Committee through a series of slides. He explained that he believed the strategy of going to the legislature every two years with a \$1 billion deferred maintenance bill would not work. He said he had also discovered, as he traveled around the state, that there was considerable interest in historical preservation on the campus. Finally, it was also clear that the University could not persuade the legislature to support a large capital bonding budget without tying the proposed expenditures to academic initiatives; as a result, he has been talking with deans and department chairs about such initiatives.

His view of the capital request is that the Twin Cities campus should be improved by zone, so that one could later say that one area was finished. The Governor has said he will support a large capital request if he thought the University had a long-range plan. Also important items in the request are incorporation of existing faculty, historical preservation, and life/safety priorities; he reported that he had asked Finance and Operations to develop a plan that reflected them.

The capital budget plan will be presented to the Regents in September; the President said that up to now, he has been talking to deans and to legislative and business leaders to try out some ideas. This meeting is an opportunity for the Committee to express its views.

The "Capital Plan for the Support of Academic Programs in the Twenty-First Century" includes several elements. First, it includes designation of the Mall district as historic and extending the Mall to

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the Mississippi. Second, it includes support for facilities for academic programs: molecular and cellular biology, the science and technology library, arts on the river, design, digital technology, a new medial initiative, and agricultural research. Third, it proposes creating a friendlier University by adding residence halls and parking, improving classrooms, addressing health and safety concerns, improvement of the tunnel system, compliance with the Americans for Disabilities Act, and renovation of Coffman Union. The President described the process that led to identification of each item in this list, and faculty involvement in that process. Fourth, the request prepares for the Sesquicentennial Celebration in 2001. Last, the request proposes addressing deferred maintenance by phased programs by district.

The President assured the Committee that in addition to the Mall district, the request includes funding for items on all campuses.

For the North and South Mall plan, the request proposes to invest \$354 million for facility improvements for IT, the Medical School, and CBS (which conduct 68% of the University's sponsored research). The funds would also support high priority academic programs for the future, address fire and life/safety and ADA deficiencies, rejuvenates the South Mall with housing, parking, and student space, and renovates 114 classrooms used for 121,000 student contact hours per week. The last item will be part of the University's supplemental request, rather than the capital request.

The President then described the buildings included in the North and South Malls (essentially from Northrop to Coffman and all the buildings on the Mall between them, and for capital improvements, the buildings adjacent to those that line the Mall); he also identified the nature of improvements (fire & life/safety, ADA, classrooms, etc.) that would be made in each building, and which colleges are the primary users of each. He also described which buildings would undergo complete renovation (Northrop, Johnston, Walter, Science Classroom Building, Kolthoff, Coffman, Ford, Vincent, Murphy, Physics, Morrill, Mechanical/Old Electrical Engineering, Aeronautical Engineering, Lind) which would see renovation and addition (Architecture), and which would be a new or replacement facility (dorms on the river behind Coffman, a new molecular and cell biology facility east of the Basic Sciences building).

The estimated cost of this four-year plan is \$732.8 million. The University would contribute \$351.8 million; the state would be requested to provide \$381 million. Of the \$351.8 from the University, the President explained, \$243.3 million would be through income streams to be generated from parking, the residence halls, and so on, and would include no additional expense to the University. \$55.1 million would be debt service, the University's one-third required by the state for new construction; the annual cost would be about \$4 - 5 million annually. The remaining \$53.4 million would come from fund-raising, and some of the money has already been raised, such as for Mechanical Engineering and the Gateway center.

This would be the largest capital plan in the University's history, the President said, and would be divided between the 1998 and 2000 sessions of the legislature. He identified those items that are proposed for each of the requests. This is the time to make such a request, he reflected, with a new president and Board of Regents and support from the Governor.

In response to a question about the challenges posed by Coffman Union, the President the administration is obtaining cost estimates for various alternatives. The building would probably not be razed, but its wings might be clipped or a through-way to the river considered. With respect to Washington Avenue, he added, proposals range from \$500,000 to \$7 million, from re-landscaping to a

tunnel; all are up in the air at present. The President said the alternatives being considered would be brought back to the Committee.

It was suggested to the President that the legislature might raise questions about spending money on Walter Library; a number of legislators believe one could tear libraries down and replace everything with the web (a belief that is invalid, it was said). The President said that case will be made; the plans for Walter will show that about half of it will be devoted to information technology and the other half to library use.

Another question likely to be raised, it was said, is with respect to the molecular and cell biology facility: the University just erected an \$80 million building for the basic sciences and renovated a CBS building, and legislators are likely to ask why that is not enough. The President accepted the suggestion, and responded that there is a revolution in the biological sciences occurring. The University is good, he said, but not where it should be, and that it will be up to the colleges to define what is needed in programs. He added that if he thought current buildings would be sufficient to strengthen the biological sciences fields, he would not ask for a new one.

Asked if this plan means buildings will not be demolished, President Yudof said they would be preserved and used. As for the other zones, he said that the knoll area would be dealt with in the 2000 biennium; it, along with the Mall, has the most buildings of historic value. There are plans for all the zones; it must be decided, for each zone, what is historic and what uses can be found for the buildings, and then they must be brought up to current standards, even if preservation costs a little more. The principal argument about the Mall area is over Westbrook, which he described as a bad building in the wrong place. The President said there would be much discussion, and that while the University must go the extra mile to restore buildings appropriately, that does not mean every building will be preserved. There is, he noted, no one demanding that the Jackson-Owre-Millard-Lyon complex be preserved; one can tear down ugly and dysfunctional structures.

Asked if he would proceed even if he did not obtain all the funding, the President said he was unsure, but was inclined to proceed with the Mall improvements. Two major colleges (IT and CLA) use the facilities, and Walter Library must be improved. His fear, he said, is that the project will be "cherry-picked," and the legislature might prefer technological advancements. He said it will be important to build support for improvements to facilities that are used heavily by units that have not always been as well supported as science and technology.

Asked where the University contributions would come from, the President reiterated that the annual cost to the University would be about \$5 million; if the University can obtain \$730 million in capital improvements for \$5 million per year (for the life of the bonds, perhaps 15 or 20 years), it should take advantage of the opportunity.

One Committee member raised the issue of operating costs for new and renovated facilities. The President noted that there is little new construction involved, and that in the case of renovation, with greater efficiencies in heating and lighting, the costs should be about the same or perhaps even less. The key will be to make sure there is no structural deficit built into the projects and that the charges against the buildings fully cover both maintenance and bond retirement costs. In terms of the buildings that must generate revenue (e.g., dorms), the President emphasized that unless conservative estimates predict the needed revenues, he will not recommend they be constructed.

The President also said he would ask for information on present operating costs and projections for the future.

The President and Ms. Jackson also said they wished to see more accountability and responsibility for facilities, by zones, given to deans and departments, and reduction in the need to go through central administration to make decisions.

The President asked the Committee to consider what might have been left out and what should be high priority. He noted that the College of Education and Human Development "is not a big winner" in this plan, and that Law and the Carlson School are already well-provided for.

A number of points were made in the discussion:

- There has been no mention of technology infrastructure improvements as the zones are dealt with; the appropriate fiber optic cables and other items must be included in the plans, both within buildings as well as across the campus. The President agreed.
- The Washington Avenue bridge is not addressed. The top should NOT come off, but it needs attention. Ms. Jackson noted that the bridge is a financial and political problem--and that while it is technically not the University's problem, the University must push the city to spend money if it wants the bridge improved.
- Some faculty believe this attention to the physical plant will come at the expense of academic programs. The President said the message must be delivered accurately: there will be no bonds for dorms and parking unless there is revenue to pay them off, and that for the academic buildings, a \$5 million annual investment for improvements of this magnitude will be well worth the money. One Committee member pointed out that faculty cynicism on this point arises from the fact that for the last 3 - 4 biennia, there have been substantial retrenchments of departments driven by increased debt service and building operating costs. The President cautioned that University action will depend on how the legislature treats it; for example, if the legislature imposes a 1/3 debt service retirement requirement for renovation of existing buildings, then the plan will have to be rethought.
- Deferred maintenance would still be a problem if the University, after renovating a building, did not keep up maintenance. Avoiding deferred maintenance requires a constant flow of dollars into a building. But everyone will be better off after the \$732 million investment, the President said; the University loses good faculty and students with substandard facilities. A "crummy campus" also serves to deter those who might otherwise be willing to donate funds.

2. Supplemental Request

At Professor Morrison's invitation, the President next quickly reviewed the elements of a possible supplemental request to the legislature:

1. The first priority will be full funding for the 8.5% faculty raises. The University has a structural deficit in the second year of this biennium, and cannot deliver the salary increases without additional retrenchment (or financial sleight-of-hand). The University will seek additional funds.

2. The second priority will be obtaining \$10 million in recurring funds for new faculty lines in "blue chip" fields.
3. The third priority will be \$4.5 million for classroom renovation.

The University will seek an additional \$25 - 30 million in total, and devote the money to students and faculty. The President asked for additional suggestions.

President Yudof told the Committee that the legislature is very supportive of technology; he intends to work on a plan for the humanities. The decline in the University's rankings has been attributable most to declines in the physical sciences and the humanities; he believes that the humanities should be his burden. The legislature has been unwilling to support them (and he must educate them about that), but the University cannot be among the top five without strong humanities programs.

The President said he was undecided about whether he accepted the proposition that there is a correlation between NRC rankings and the size of the faculty; he has heard that argument repeatedly from chairs. Even if the proposition is correct, since the University will not obtain the funding required to increase the size of the faculty by 30%, what other steps can be taken? And what models are there, where departments of modest size are nonetheless highly rated? In some fields, it was noted, the best-ranked departments in a field are among the smallest. The President said he could not believe that the only route to improvement was increasing the faculty by 30% and shrinking class sizes; he believes in expanding the faculty and shrinking classes, but that is not a solution that will be available immediately.

It was agreed that the Graduate School study about quality and size would be provided to the Committee.

The President thanked the Committee for the time, and told it that this was a good time for it to affect the deliberations about the requests. Professor Morrison thanked President Yudof for joining the meeting.

3. "Beautiful U"

The Committee then spent time discussing the "Beautiful U" campaign with Senior Vice President Jackson, who distributed a set of slides outlining information about it. She described the various elements of the effort, including flower planting, equipment removal, and improving the Washington Avenue bridge. Committee members made suggestions for keeping the bridge attractive. She noted the appointment of "building captains" for the effort, someone at a reasonably high level who would be responsible, and agreed that the building occupants needed to be consulted about the measures to be taken.

Professor Morrison reminded Committee members of the retreat, on September 16th, and then adjourned the meeting at 4:50.

-- Gary Engstrand