Minutes[*]

Senate Committee on Finance and Planning
Tuesday, April 7, 1998
3:15 – 5:00
Room 238 Morrill Hall

Present: Fred Morrison (chair), Cynthia Gillett, Gerald Klement, Terrence O'Connor, Peter Robinson, Terry Roe, Charles Speaks, James Van Alstine, Susan Carlson Weinberg

Regrets: Jean Bauer, Catherine French, Stephen Gudeman, Leonard Kuhi, J. P. Maier, Richard Pfutzenreuter, Jane Phillips

Absent: K. Andrew Hall, Eric Kruse, Robert Kvavik, Larry Fonder

Guests: Assistant Vice President Paul Tschida, Mr. Bob Baker (Parking and Transportation); Georgina Stephens (Treasurer)

[In these minutes: Legislative report; parking rates and parking capital plan; structure of Finance and Operations; distributions from endowments]

1. Legislative Report

Professor Morrison convened the meeting at 3:15 and reported that Mr. Pfutzenreuter was unable to attend because he had to go to the Capitol for a discussion of the University's capital request. He did, however, leave a brief report on legislative action. The conference committee has agreed on $36 million for the University (out of $41.5 million requested); the reduction was in support for faculty and staff, with the rest of the request approximately the same. Classroom improvements have been moved to the capital request.

Professor Morrison said that this was very good news, and would permit the faculty to continue to make the case for faculty salary increases.

There is no news on the capital request.

2. Parking Rates and Capital Plan for Parking

Professor Morrison next welcomed Messrs. Baker and Tschida to the meeting to revisit the parking rate proposal that the Committee had considered in March.

Mr. Baker reported that they had met with a number of groups on campus about the proposals for parking rate increases. The civil service and academic staff had both favored the alternative providing for modest across-the-board increases for all groups; the students wished for no increase; the unions wished for no increase but if there were to be one, the modest across-the-board increases were to be preferred (and with the caveat that the matter should be subject to bargaining).

[*] 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.

Mr. Baker distributed copies of the alternatives that the Committee had requested at its last meeting (providing for larger increases for daily and hourly parking but also modest increases for contract parking). He urged, however, that the modest across-the-board increases be approved. Parking needs to have an increase in revenues of about $2 million per year, but achieving the increase over the next three years is sufficient, because new buildings will not be built and debt service incurred for some while. (The total debt service for the new projects will be about $5 million per year for 20 years, but the department projects recurring annual revenues of $3 million that can be devoted to the debt service, so only needs to raise an additional $2 million.) Mr. Baker cautioned that there are uncertainties in the process of planning capital projects and projective revenues, but said he believed these were reasonable estimates.

One Committee member pointed out, vis-à-vis the relative rates of garages, ramps, and lots, that the highest rates are for garages, which are considered the premium parking spaces. At the same time, however, one must be on a waiting list for years before getting into a garage, and thus the people who get into the garages are the ones who have been at the University the longest—and are the ones lowest paid. As a result, the largest increase in rates will fall on those with the lowest salaries. Parking has often been told it should charge market rates; that would be sensible if the salaries were also at market. Mr. Baker pointed out that rates are based on costs, not salaries, but agreed that theoretically Parking could gear rates to salaries. Even the Committee member who made this point, however, agreed that this would not necessarily be a good idea.

There was brief additional discussion on how rates should be set (i.e., based on cost), about the separation of the Gateway parking facility from the funding of other facilities, and what the arrangements were with Fairview vis-à-vis the spots they were provided in University facilities as part of the sale of the hospital.

The Committee then voted unanimously in favor of the option calling for modest across-the-board increases in all parking facilities. Professor Morrison said he would communicate the action of the Committee to Messrs. Baker and Tschida in writing.

3. Structure of Finance and Operations

Professor Morrison now distributed a draft letter to President Yudof concerning the structure of the office of the Senior Vice President for Finance and Operations.

Professor Speaks, who chaired the meeting at which this subject had been discussed, said he drew three conclusions from the discussion: one, that this was essentially a matter for the President to decide; two, that the Committee had little information upon which to make a recommendation; and three, there was little enthusiasm among Committee members for making a strong recommendation.

The Committee reviewed briefly the issues that had arisen previously, and then agreed on the text of the letter that should be sent to the President.

Discussion then turned to the location of the budget office. It was pointed out that there had previously been concern that the finance vice president was not only responsible for the budget, but also for a large number of operating units, and that budgetary decision-making was not arm's length. Now the budget office is in Academic Affairs, which also has responsibility for large operating units; is budget-making arm's length? Professor Morrison maintained that this is an academic institution, and human resources, financial operations, and other activities should be geared to supporting the academic mission. Planning is what shapes the academic mission; planning and budgeting is what Dr. Bruininks' office is to do. The President and the Executive Vice President and Provost, Academic Affairs should decide on priorities and make allocations, but need not necessarily administer budgets. One might prefer that the budget office function be in the President's office, but since the Executive Vice President is also an institution-wide office, with at least theoretical responsibility for the other vice presidential offices as well as for the academic units, the institution-wide perspective is achieved when the budget office is in Academic Affairs.

In response to the question of whether allocation is part of planning, and whether both allocation and planning should be in Dr. Bruininks' office (or separated), it was said that establishing priorities is the question. In the past, there has been concern that priorities were not set by the academic side of the house. Moreover, in the past, planning efforts have usually produced paper, while the real direction for the University came in the setting of the biennial request and the annual budget. One might wish that were not true, but as long as it is, the decisions of the budget office should be made on the academic side, not the finance side. Administration of the budget is one thing; allocation decisions are quite another—they are policy. One Committee member exclaimed that he could not understand how the arrangements could be DIFFERENT; planning without money is not useful; the planning function must have the resources as well, in order that they can be allocated according to the planning priorities.

Professor Morrison also emphasized again that the Executive Vice President is a central office, with oversight of the entire institution; that is not true of the finance offices, especially if the former Finance and Operations is divided. He also said that the Committee should return to this subject, because policy (planning) should not be made without control of the resources as well.

4. Allocations from Endowments

The Committee next turned to a Regents' docket item concerning a change in the distributions from endowment accounts; it appeared that the distributions would be reduced from 5.5% to 5% in certain circumstances. The Committee had an extended discussion of the technical points of endowments, quasi-endowments, and "on demand" accounts held by departments. Ms. Stephens explained that the Regents' docket item was only intended to consolidate existing policy, and that it provided for a reduction in distributions only if returns on investments dipped below a certain expected level over a period of years; there would be no change in current distributions for quite some time, even if the market returns were to begin to drop precipitously in the near future. The intent of the policy is only to install a safety mechanism, to ensure the continued financial health of endowment accounts.

It was agreed that the Committee should, in the near future, have a discussion of University investment policy. Professor Morrison said that when changes such as these are being made in policy, where academic departments can be significantly affected, they should be brought to the Committee before action is taken.

Professor Morrison adjourned the meeting at 4:30.

-- Gary Engstrand

University of Minnesota