

Minutes*

Senate Committee on Finance and Planning
Tuesday, May 6, 2008
2:00 – 3:45
238A Morrill Hall

Present: Judith Martin (chair), Jon Binks, Rose Blixt, V. V. Chari, Adam Faitek, Thomas Klein, Joseph Konstan, Russell Luepker, Mikael Moseley, Kathleen O'Brien, Richard Pfitzenreuter, Terry Roe, Gwen Rudney, Warren Warwick

Absent: David Chapman, Ruonan Ding, Steve Fitzgerald, Lincoln Kallsen, Kathryn Olson, Justin Revenaugh, Michael Rollefson, Thomas Stinson, Michael Volna, George Wilcox, Aks Zaheer

Guests: Bob Baker (Parking and Transportation Services)

[In these minutes: (1) parking rates; (2) light-rail transit/the Central Corridor; (3) capitol update; (4) student-fee-funded facilities]

1. Parking Rates

Professor Martin convened the meeting at 2:00 and welcomed Mr. Baker for his annual report on parking.

Mr. Baker distributed copies of a handout and began by reviewing the vision and mission statements and goals for Parking and Transportation Services (PTS). He said that given the status of sustainability, it will probably be added to the vision statement in the future. He noted a number of steps the department has taken to meet sustainability objectives (including the purchase of hybrid buses; they have purchased one and hope to acquire one every two years with federal funds made available as a result of a complicated arrangement with Metro Transit). In terms of "quick facts" about PTS, not a lot has changed; the number of parking spaces has declined (mostly because of stadium construction), but demand has also declined. In general, he said, things are going in the right direction.

Mr. Baker reviewed the demographics of the users of PTS and pointed out that about 66% of those who travel to campus do so in ways other than in a single-occupancy vehicle. That is a tremendous accomplishment, he said; the corresponding figure for downtown Minneapolis is 50%. There are 20,186 parking spaces on campus; the highest number was about 22,000. For 2006-07 there were about 5,513,700 cars parked, a number they also expect to decline.

The Campus Shuttle service had about 3.8 million riders in 2006-07 at an annual total cost of \$3.367 million, or about \$0.91 per passenger. That compares with between \$3 and \$8 per passenger for Metro Transit, depending on the route. The U-Pass/Metropass is a deeply-discounted, unlimited-ride buss pass for students, faculty, and staff; there were 20,364 U-Passes sold in fall, 2007 and there has been about a 9% average annual increase in sales of the passes since the program began. After the collapse of the 35W bridge, they reduced the fee for the pass and there was a 25% increase in usage—which, Mr. Baker pointed out, may have been because of the bridge collapse, not because of the fee reduction. The growth in use more than offset the increased costs.

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

Mr. Baker reviewed the financial principles which govern PTS. They include provisions that the department is self-supporting (no legislative funding, but there is student-fee funding to support the campus transit system and the U-Pass program), additional revenues are required as low-cost surface lots are replaced with higher-cost parking structures, parking revenues are used to support transit, and parking rates are based on facility type and associated costs and public parking influenced by market factors (including facility type, location, and demand).

Their revenues go to capital projects and debt service (32%), bus/bike program (14.4%), U-Pass/Metropass (14.4%), maintenance and repair (10.1%), payroll and fringe (19%), and utilities and other expenses. Mr. Baker noted that PTS went through a period of building new parking structures, so there is debt service, which will increase as new structures are built in the East Gateway district (around the new football stadium and new biomedical facilities). The new structures will affect the rates.

Parking subsidizes Metro Transit passes, Professor Luepker asked? It does, Mr. Baker said, and one can choose that option or pay more for more parking structures. That practice goes to the mission of the department to have a balanced transportation program with options.

Mr. Baker affirmed that depreciation is part of the "other costs" of the department, but noted that it is not fully funded.

PTS income is from contract parking, event parking, and several other sources; the annual budget is about \$26.7 million. Mr. Baker reviewed the increased expenses PTS expects in 2008-09, including payroll and fringe benefits, operating costs in a number of categories, depreciation (for which they are trying to increase funding), and debt service. Professor Konstan inquired about the increase in debt service—the facilities will not come on line until the new stadium is built; should current users be paying now for an increase in capacity, rather than the users of the new facilities? Vice President O'Brien said the new facilities will be built first to service the bioscience facilities; the environmental impact statement for the stadium did not require a parking facility and the new ones in the area will be for the approximately 4500 bioscience researchers and staff. They work with Vice President Pfitzenreuter on paying for new parking facilities; some can be paid for out of balances and some are paid for with debt. If the latter, there must income to finance the debt. Mr. Baker said they plan to take on the debt next year in order to construct new parking facilities.

Professor Roe asked if building a new structure causes higher parking charges. It does not, Mr. Baker said. So new users are subsidized by current users, Professor Roe concluded. Mr. Baker agreed. He recalled that he told the Committee a number of years ago that there will always be winners and losers, and with the Committee's consent, PTS would charge the same for all lots, ramps, and garages. It would be more expensive, and they would need more staff, if there were different rates for each parking facility. A lot of people have benefitted in recent years from this pricing structure, as new facilities have gone up. He said he did not believe the system was unfair.

Mr. Klein inquired if, in their planning, PTS has looked what it would take to get more of the 32% who continue to use single-occupancy vehicles out of those vehicles? How would the cost of achieving a reduction in demand for parking compare with the capital cost of new ramps to keep up with parking demand? Would it be possible to free up space or funds? Mr. Baker said they are working with MNDOT to evaluate what kinds of programs would be needed. If they could reduce the number of people who want to drive, Mr. Klein commented, there could be interesting alternative uses for the space. Mr. Klein asked when information from the evaluation would be available and if the PTS would share that information with the committee? Mr. Baker said it would be about one year and PTS would share the information.

Mr. Baker then reviewed the rate increases for contract and public parking. Monthly contract rates will increase \$2.00 or 3.15% (lots), \$3.75 (4.01%) for ramps, and \$5.25 (4.3%) for garages. Hourly facilities will increase about 9%, event parking will go up a dollar. Daily lots (primarily students), carpool lots (which they want to encourage), and meters will be unchanged. Metropass will increase \$5.00 (11%) to \$50 (before the bridge collapse it was \$62); the U-Pass will increase \$2.00 (3.13%) to \$66.00. The student transportation fee will not increase. Most of the transit pass cost increases are due to increased fuel costs.

Professor Martin reported that a question has been posed about faculty who might want to have a half-time or one-third time contract and use a bike or use transit on other days. Mr. Baker said that they do have a contract that allows 22 days of parking per year, which turns out to be like a game of Russian roulette, because they did not reduce the number of regular contracts so they gamble there will be space if someone with one of these 22-day contracts shows up. Trying to go beyond that 22-day package makes him very nervous, Mr. Baker said. The 22-day option essentially gives a bus-rider two days per month to drive to accommodate appointments, etc.

Mr. Klein asked Professor Chari if this is not the kind of question that is often modeled in economics analyses; he said it is. Mr. Klein suggested the patterns of part-time contract users may be more predictable than appears. That kind of modeling has been done in other domains, Professor Konstan agreed. Someone with a part-time contract should be treated as having the right to park in daily/hourly lots, with the risk that the lots may be full. Professor Chari said it would be helpful to have data on the load factor for individual parking facilities and the occupancy at peak times and asked to have that information in the next PTS report to the committee.

Professor Konstan said there were two numbers important for the minutes. One, the budget increase is just over 4%. Two, the increase for contract parkers is just over 4%. As an employer, it is a problem for the University when the cost increases to employees exceeds their salary increases. Everything in the proposed PTS budget seems reasonable but this remains a problem. It is a problem of perception, Mr. Baker responded; the increase for contract parkers is \$2 - \$5 per month. But that comes on top of all kinds of other increases in the cost of living, Professor Martin pointed out.

Vice President O'Brien said they were very aware of Professor Konstan's point as they set the budget, especially in auxiliary units, and its effect on the cost of attendance for students and the effect on the workforce. The cost of operating a bus, however, has increased more than the cost of personnel increases. The University has made a decision it will subsidize transit, and it makes no charge to departments for sidewalks, etc., but the cost of asphalt, fuel, and so on is going up a lot more than the 3.25% budgeted for salary increases. Costs escalate differentially.

Professor Martin thanked Mr. Baker for his report.

2. Light-Rail Transit/the Central Corridor

Vice President O'Brien next distributed copies of a set of slides to review the light-rail transit situation. She began by noting the Regents' resolution in 2001, which identified the University's preference for a northern alignment and which has guided the University's transit discussions. The second preference was for a Washington Avenue alignment below grade (in a tunnel), and the third preference was for an at-grade Washington Avenue option, which would include closing it to automobile traffic.

This is important because the Central Corridor LRT will shape the regional transportation system, the campus, and the neighborhoods for a century. Transit is essential to the University—and the University will be the single largest user of the Central Corridor LRT. Placement of the line will affect activities critical to the mission, the future campus, academic programming, and the development of the community. It will also affect ease of access to the hospital and clinics. Vice President O'Brien noted that the University is a national leader in transit, the result of years of work and a strong partnership with Metro Transit. The University is committed to strengthening the regional transit system and to being a constructive partner. She outlined the University's guiding principles, including safety, development opportunities, and functionality and aesthetics. The University believes that a \$1 billion investment should increase transit use and improve the transportation system; this is a 100-year decision that everyone wants to get right.

The University is following a dual-track approach. It is working with the Central Corridor planning staff to consider the at-grade Washington Avenue option with a pedestrian mall, mitigation plans, research impact, and bus operations. It is also studying the northern alignment. The latter better supports the University's principles: using the railroad right-of-way minimizes disruptions to the transportation system in and around the campus, it does not remove one of the two main arteries serving the campus (the other is University Avenue), and it reduces the conflicts with pedestrians, autos, buses, and emergency vehicles. It also reduces the adverse environmental impact on air quality, recreational and cultural resources (the river parkway and the Northrop Mall). Studies over 20 years have shown problems with the at-grade option for Washington Avenue; the northern alignment avoids the negative aspects of the Washington Avenue plan. There is also risk of loss of up to 10% of the hospital and clinic revenue as well as vibration and effects on highly-sensitive research equipment in buildings along Washington Avenue. There would also be mitigation issues with the northern alignment, Vice President O'Brien said, but they would not rise to the level required by the Washington Avenue plan.

The preliminary findings of the engineering study of the northern alignment have confirmed its feasibility—and that it will likely cost \$14-16 million less than the at-grade Washington Avenue plan. It would avoid the considerable mitigation costs and reduces travel time (allows higher speeds and has fewer stoplights). The feasibility analysis is expected to be completed by mid-May and the University hopes to have the northern alignment included in the Metropolitan Council's environmental review process. The University also continues to work with Central Corridor partners on the at-grade Washington Avenue option and the mitigation that will be required.

The Committee reviewed briefly several slides indicating the route of the two alternatives and the location of various stops that would be planned.

Professor Martin reported that the Metropolitan Council website contains a clear demonstration of why it does not believe the northern alignment will work; the Council appears not to be open-minded about the options. Ms. O'Brien said they presented the northern alignment to the Central Corridor Management Committee (which includes the two mayors, Council chair Peter Bell, etc.), and the University agreed that there are risks to the northern alignment (the need to purchase railroad land, if the trench will work, etc.), but pointed out there are also risks on Washington Avenue. But it is early in the analysis for both alternatives and the risks remain largely hypothetical at this point. The Central Corridor staff report presents the mitigation issues with the northern alignment but not with the Washington Avenue option, Professor Martin noted. None of the northern alignment issues cannot be addressed, Mr. Baker said.

The University has been identified as the hurdle to the Central Corridor, Ms. O'Brien said, but it has favored the northern alignment since 2001, with the tunnel the second option. The University objectives are: to ensure people can drive to and from campus, to provide service within campus, and to protect the neighborhoods and business around campus. The University went back to do due diligence on the northern alignment, after the tunnel was rejected, to ensure that all options are considered and to try to obtain the best transit system for the area. The Metropolitan Council leadership said "no" to the northern alignment and "no" to a tunnel and "no" to the mitigation costs of the at-grade option on Washington Avenue, but the University staff are striving to represent the interest of the University and its community.

Professor Roe said the northern alignment seems to present new business opportunities. It does, Vice President O'Brien agreed. The northern area of the campus is an area of growth, not the area south of Washington Avenue. There will be housing in Dinkytown and the new biosciences corridor—the area is full of potential.

There needs to be a blunt message that it is not right to build a transit system through the densest-use path TODAY, Professor Konstan said. There may not be more people in the northern part of the campus today—but there will be. He said he is grateful the University is being perceived as an obstacle because it sounds like the plan is being railroaded by the Metropolitan Council and it was a bait-and-switch. The tunnel was a good option; putting the trains above ground is a miserable solution and the University should not support it.

Vice President O'Brien said it is important that faculty and staff send messages to the Metropolitan Council, their legislators, and the mayors now. The Board of Regents is resolute on the issue. The Board members are looking at themselves as representing regents past and future in not wanting to harm the University.

What is being said in response to the accusation that the University is trying to slow the project down, Professor Martin asked. There are rumors the University encouraged the Governor's veto of the Central Corridor item in the bonding bill, which is not true. The University has been doing due diligence on the schedule and retained a firm to represent it that includes the former Secretary of Transportation; they have been told that there is more flexibility in the schedule than the Metropolitan Council has been saying. Professor Martin said that was positive; final Metropolitan Council approval is not required until September, so the University will receive the northern alignment study in time to meet this deadline. It may be possible to conduct the environmental study of both options, Ms. O'Brien added, because the environmental clearance is not needed until time of design. Mr. Baker said that he reminds those involved that the product is more important than the schedule; even if there is a delay, the savings on the northern alignment will more than cover increased costs due to inflation.

Mr. Moseley said that as a student, he likes the benefits of the northern alignment both socially and for transit, since it goes by Dinkytown and the West Bank. Vice President O'Brien said Mr. Moseley's point raises the ridership modeling formula. The Federal Transit Administration has a model that was negotiated about three years ago that allocates the University population across the gross square footage of the campus equally—it applies the central-business-district model to the campus. But the University knows that 73% of classrooms are north of Washington Avenue and more than 80% of students who use the U-Pass head north of Washington Avenue; the model distorts the ridership and location, and it also does not include 600,000 riders to athletic events (even before the football stadium is constructed).

Is the Council open to change, Mr. Moseley asked? They are locked into the at-grade option on Washington Avenue unless there is a delay, at which point they could revisit the options, Ms. O'Brien said. So students should contact the Metropolitan Council, Professor Martin said. Does a decision (or not) affect the federal application, Mr. Faitek asked. Ms. O'Brien said the project is about \$900 million, one-half of which comes from federal funds and one-half from state and local sources. Right now the FTA says there must be a resolution between the two options before they proceed. The funds that have been authorized for the federal program, \$1.6 billion, are to cover 10 projects with a total cost of \$16 billion—and all are competing for the funds. When there is a new president, there will be a new pool of funds. The mayors are legitimately concerned about remaining on that list of 10 projects to be funded.

Can the project move forward without the University, Mr. Faitek asked. Ms. O'Brien said she is not an expert but the conventional wisdom is that the project will not move forward without University participation. There is also concern about the park by the river (if traffic is diverted from the Washington Avenue bridge to the river road) and the Northrop historic district. The President, were he at the meeting, would express frustration because the University supports the Central Corridor line but that it does not have a problem-solving partner. Professor Martin said that if one is building a 100-year project, delaying it for one year is not a big deal. The last time the Twin Cities had a rail a transit system, it lasted from the 1870s to the 1950s.

As she was leaving, Vice President O'Brien told the Committee that the new football stadium is ahead of schedule and on budget.

Professor Martin thanked Vice President O'Brien and Mr. Baker for the report.

3. Capitol Update

Professor Martin welcomed Vice President Pfutzenreuter to the meeting to discuss the situation at the capitol and the proposal for student-fee-funded recreational facilities.

Mr. Pfutzenreuter reported on the negotiations taking place between the Governor and the legislative leaders. If they do not reach agreement on a budget, the Governor will unallot; if he does so, to meet the approximately \$1 billion shortfall, he must first use \$650 million in the budget reserve. If the Governor is forced to unallot, that will be sad for the State and bad for the University.

He is going to the Board of Regents this week with the budget plan, based on current law (which provides for a \$16.6 million increase for 2008-09). They will also outline two contingency plans (a \$10-million cut and a \$27-million cut; the latter is what the Governor originally proposed and what he may unallot if there is no budget agreement). The University can only do three things: cut budgets, raise tuition, or delay investments. If there is a \$10-million cut or less, the University will not raise tuition beyond what has already been projected; if there is a \$27-million cut, the University will have to raise tuition further and back off investments.

4. Student-Fee-Funded Facilities

Included in the budget plan is a "capital enhancement fee for student life," creation of a reliable revenue stream to support capital financing for renewal or construction of facilities to enhance student life on campus. The funds would be used for such projects as expanding the Recreational Sports Center on the East Bank, improvement of the St. Paul Student Center, recreational sport fields, and a satellite recreational facility on the West Bank. The fee would be phased in, starting fall, 2008, so current students would not pay, similar to the fee for the stadium and Coffman Union.

The fee would be \$12.50 per semester to start and would rise to \$100 per semester in 2012-13, and would raise about \$7 million per year, which would support about \$100 million in debt service to improve facilities.

The plan would not go through the Student Services Fees Committee because once the debt is issued, the University can't change its mind. The fee would appear separately on the fee statement so students can see that it is being charged and provide assurance that the money is not being diverted to projects that do not directly benefit students. Vice Provost Rinehart has developed an advisory committee of students to be sure the money is spent as planned.

Professor Martin said there has been discussion of student study space and the possibility that this fee could be used for it. Mr. Pfutzenreuter said his worry is that if the income is used for study space and lounges, such spaces would not be included in the capital request (thus foregoing the two-thirds contribution from the state) and the money would be bled off before it could be used for recreational facilities.

Professor Konstan made two points. First, whether something is a fee or tuition makes a difference for financial aid, how it affects graduate students, and in other ways. Mr. Pfutzenreuter has said there is no University policy on whether graduate assistantships cover fees; there should be, he said. Second, there should be an identification of what students should pay for with a fee and what not. Given the goal of being a top-three public research university, if there is a link between improved recreational sports facilities and moving up in the rankings, central funds should be spent on the facilities; if they will not help the University move up, then this is primarily a student quality-of-life improvement, and it is appropriate to use student fees. Has that issue been brought up? It has not, Mr. Pfutzenreuter said. On the first point, there has been no decision on how to treat the fee. The proposal is in the budget recommendation to the Regents this week, but it may be withdrawn if tuition is to go up 9.5%. Would graduate and professional students pay the fee, Professor Konstan asked? They would, Mr. Pfutzenreuter said, in 2011-12. Professor Konstan pointed out that treatment of graduate students in that way seems odd. While Master's students next probably wouldn't benefit and therefore shouldn't be charged, first-year Ph.D. students arguably are more likely to benefit than next year's first-year undergraduates.

Mr. Moseley said his biggest concern was keeping the funding transparent so students understand the money is going to something that directly benefits them. That is essential to obtain student support. It is reassuring to see that 65% of students use recreational sport facilities and to learn that overcrowding is the reason that some do not use them. It would be nice if there were more dialog about a structure so that those using the facilities pay for them, Mr. Faitek said.

The Committee held a brief discussion with Mr. Pfutzenreuter about fees in general and how they seem to proliferate. Mr. Moseley asked if it is common for universities to have a lot of fees; Mr. Pfutzenreuter said he did not know, but the same thing happens in government: there is a proliferation of fees, then they are brought under control, and then they proliferate again. The University is probably not unusual.

Professor Martin thanked Mr. Pfutzenreuter for the information and adjourned the meeting at 3:40.

-- Gary Engstrand