Minutes*

Senate Committee on Finance and Planning
Tuesday, October 19, 1999
3:15 – 5:00
Room 238 Morrill Hall

Present: Stephen Gudeman (chair), Charles Campbell, Dan Feeney, Cynthia Gillett, Wendell Johnson, Gerald Klement, Richard Pfutzenreuter, Jane Phillips, Terry Roe, Shana Saeger, Rose Samuel, Charles Speaks, Susan Carlson Weinberg

Regrets: Jean Bauer, Catherine French, Michael Korth, James Perry

Absent: Eric Kruse, Terrence O'Connor, J. Peter Zetterberg

Guests: Bob Baker (Parking and Transportation)

[In these minutes: capital planning process and budgets; parking update]

1. Capital Improvement Plan

Professor Gudeman convened the meeting at 3:15 and began by welcoming Shana Saeger, a new student member of the Committee. He then turned to Mr. Pfutzenreuter for a discussion of the capital improvement plan. Mr. Pfutzenreuter handed out copies of a set of slides, and walked the Committee through them.

A question that arose in recent years has been how a capital project becomes a reality. The Master Plan operates at 60,000 feet; the capital development process is at sea level. There was a missing link. That has now been put in place: precinct planning, which is capital planning at the level of smaller parts of the campus--the Mall, the Knoll, etc. There is, however, still need for a six-year capital plan.

The Board of Regents has directed the administration to develop a capital budget with a s-year horizon, to be updated annually. The six-year capital plan has two major pieces. The first is the capital improvement BUDGET, which is year one of the plan (1999-2000, at present). The second piece is the capital improvement PLAN, which covers years 2 - 6.

The state provides the vast majority of capital funds for the University. The 2000 request has already been forwarded to the (state) Department of Finance; the 2002 and 2004 requests have been prepared with additional projects. There are in addition other University projects (in housing, parking, etc.), but the biggest factor will be the state request.

The institutional themes for the requests will essentially continue the themes that President Yudof began: academic priorities will be in biology (life science initiatives), undergraduate education, and the

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humanities; preserving campus heritage (finish the Mall, begin renovating the Knoll); strengthening community; the infrastructure (sewer, water, electricity--support for buildings).

There are a variety of considerations and constraints that affect the preparation of a capital request. One item, the state requirement that the institution match 1/3 of the cost of facilities, was the subject of discussion by the Committee. It appears that requirement will continue.

With a large number of proposed projects, it was necessary to place them in an approval stage. The PROPOSAL stage includes items that have not been approved for the six-year capital plan; the proposals total $756 million. The RESOURCE ACQUISITION stage, which includes items that total $231 million, are in the 2000 capital request to the legislature. The PLANNING AND FEASIBILITY stage means that projects are approved to begin pre-design; the total number of projects in this category total $371 million.

Pre-design is a key element of the process, and is an elaborate process outlining what the facility will be if approved, where (if a new building), and impact on the infrastructure. Moving through the stages is linked to pre-design, and no item gets on to the state capital request (the RESOURCE ACQUISITION stage) without an approved pre-design. The $371 million approved for pre-design is a middle stage between proposal and resource acquisition; the University could not afford the entire $1.2 billion in proposals, but has authorized $371 million to go to the pre-design process. The six-year capital plan, thus, is the 2000 capital request plus those projects authorized for pre-design for the 2002 and 2004 legislative requests.

In the private sector, one Committee member observed, organizations depreciate facilities and equipment; has there been any calculation of the average rates of depreciation of plant and equipment by the University (so, for example, that windows can be replaced when needed)? Mr. Pfutzenreuter said the University makes these calculations each year, but public institutions generally do not fund depreciation internally; they obtain the funds through the capital request and with whatever other funds they can find. External auditors suggest the University should have a policy to fund depreciation. Mr. Pfutzenreuter cautioned that funding depreciation would be EXPENSIVE: there is debt on the building; to pay both debt and depreciation would mean essentially paying twice. When does one start? Traditionally, public institutions pay as they go and then issue bonds again for new construction or renovation. But it is a problem, he agreed, scrambling to cover the cost of roofs and windows because of neglect. The University will consider depreciating PARTS of buildings, or if it pays cash for a building, to start depreciating it. There is a financial management group looking at depreciation, and any policy they recommend will be brought to the Committee. There are no funds for depreciation right now.

The capital plan development process is built around two factors, Mr. Pfutzenreuter continued: the pre-design process and the limit on what can be in each category or "funding lane." The University has had six-year capital plans in the past, but there were no restrictions on it. Now the list is too long for pre-design to be approved for all of the items on it. The "funding lanes" are categories of funding for new or renovated facilities (state general obligation debt, U of M obligation, U of M obligation [debt from auxiliaries or local units, or fund-raising], current local unit resources, and public-private partnerships.

In terms of how much to seek in future capital appropriations, one guide is the percent of the total state bond sale the University receives; for the 1990s, the amount has fluctuated between 11.7% and 19.1% and averages about 15%. The Governor has announced he intends to propose a capital budget of about $400 million, which would mean approximately $60 million for the University. Mr. Pfutzenreuter said the University is more optimistic than that, because state bonding capacity is much higher than $400 million (by the state's own standards, the capacity is about $1.2 billion). The University may also be able to obtain somewhat more than 15%. As a result, the University is preparing capital requests that call for about $128 million in state funding in each of the next two capital sessions (2002 and 2004).

Mr. Pfutzenreuter reviewed a graph of the University's bonded indebtedness in the 1990s. From 1990 to 1998, the level fluctuated around $300 million; in 1999, it went to about $600 million. The University was quite conservative in issuing debt for this decade. The plans for new debt were taken to the New York rating agencies, and the result was actually an improvement in the University's bond ratings. Most of the University's debt is fixed rate.

The Committee then considered the factors that go into bond ratings and debt ratios/benchmarks, including comparisons with a few peer institutions. The most recent expenditures have brought the University closer to the mean in these kinds of debt ratios and benchmarks. One Committee member pointed out that these ratios are important to rating agencies, but they do not reflect what the University could actually do with the cash in its reserves (which is one of the debt ratios: cash to debt). The reserves that exist do not reflect encumbrances; these are not free balances. If worse came to worst, observed another, the University would go into receivership.

Mr. Pfutzenreuter then reviewed recent capital expenditures/debt acquisition to support the capital plan from 1998. He also noted the preliminary capital request lists for 2002 and 2004, as well as the approved capital request for 2000. He pointed out, apropos the two requests, that debt is a smaller part, and that the University's obligation to pay 1/3 of the debt service is being shifted in part to fund-raising.

What if the unit does not raise the funds promised, asked one Committee member? That is a concern, Mr. Pfutzenreuter said. The legislature shared it, and wrote in a deadline in the 1998 appropriation: if the funds were not raised, the University would pay the 1/3 on all projects authorized. The University WILL meet the deadline, he told the Committee, and it is in fact ahead of schedule. Before the 2002 and 2004 requests are actually prepared, there will have to be a decision about how much money needs to be "in the bank" before a request goes to the legislature. The University will not make the request unless there is already a significant portion of the funds raised; policy now is that 80% must be in hand.

One Committee member expressed concern about a possible lack of fairness in this approach. A judgment is made about whether a building can be funded completely, or in some part, through fund-raising. This fund-raising leverages the ability of the University to build other buildings. (That is, the University's obligation to fund 1/3 of the cost of all of its state-funded capital projects is fulfilled in part by the fund-raising required of only some of the capital projects.) For example, in the case of the Art Building, CLA must raise a certain amount of money. This means that the University can direct some state funds to other buildings, which perhaps do not have fund-raising appeal. Which other buildings are being leveraged on that money? Do they have any responsibility to aid, in this example, in CLA's fund-raising? Should the beneficiaries of fund-raising by another unit have an obligation, within their ability, to raise funds toward the University's general capital obligation? What about the case when a high-priority building with a large fund-raising component is delayed because of an inability to raise the required funds? In the case of two units, unit X must raise $10 million for a building and unit Y need not raise money--but unit Y benefits from the efforts of unit X; should Y help X? Mr. Pfutzenreuter acknowledged that he had not thought about the question.

Another Committee member expressed reservations about requiring such a link. Some units can raise money in the community while others cannot, it was said. But, it was rejoined, the legislature is willing to support some buildings but not others, so there is a trade-off. The strategy is not a bad one, it was said, but there is reason to be concerned about the onus placed on the community. Have any buildings failed because the unit could not raise the money? Mr. Pfutzenreuter said that in some cases, it takes a very long time. Mr. Pfutzenreuter noted that in the 2004 request, EVERY project budget includes at least 15% from fund-raising/local unit resources.

Mr. Pfutzenreuter then reviewed briefly the list of projects that will not be part of the capital requests between now and 2005. They include $17.7 million in projects supported by fund-raising or unit revenues (e.g., microbial and plant genomics business incubator, UMD plant services building, Northrop garage/plaza) and $46.5 million supported by other University debt (AHC labs, Church Street, minor work on Morrill Hall, Bierman renovation/addition, Northrop garage/plaza, Twin Cities student housing, UMD housing or parking).

One Committee member noted that some projects are on the 2002 list that the Committee has not seen before; some on the 2004 list have been bumped. How does an item get on the list? One factor is the President's plan: he wants to continue work on the Mall, so that in 2004 there will have to be a decision about Physics or Earth Sciences.

It was agreed that the next six-year capital plan should be brought to the Committee, most likely in the spring.

Professor Gudeman thanked Mr. Pfutzenreuter for his presentation.

2. Parking

Professor Gudeman next welcomed Bob Baker, Director of Parking and Transportation, to provide an update on parking issues. Mr. Baker distributed copies of the Fall Semester, 1999 Parking and Transportation Plan, and reviewed it for the Committee. (A copy is appended to these minutes.)

He commented that they were anticipating a disaster Fall Semester, but it did not materialize to the extent they worried, even though there are 3,000 fewer spaces than last year. Bus ridership is up, which has helped. Mr. Baker reviewed on a campus map the various parking projects that are under way.

Asked how the student contracts had addressed congestion, Mr. Baker said that they had moved some cars to the Fairgrounds lot, so removed it from the campus. The contracts did NOT address the general issue of metropolitan traffic congestion.

Will the transition be completed by December, 2000? If they are lucky, Mr. Baker commented. The net result, after all the construction, will be that parking will be about where it was before the projects began. This will be an $85-million program to replace surface lots with structural parking spaces, which cost a lot more. Unless everyone gets rid of their car, however, it will be necessary to continue to build structures, which must be paid for.

Is it possible to have student contract parking closer to the Minneapolis campus than the Fairgrounds? Many students work, and driving to St. Paul to park and ride on a bus is not convenient. There are some contracts available on the East Bank, and a few on the West Bank, Mr. Baker responded; they are offered wherever space permits. Student contracts must be balanced with the need for visitor parking and faculty/staff contracts and also with the need for parking revenue: contract parking provides only a fraction of the revenue provided by the daily rate customer.

Perhaps faculty should bid for parking, like students, said one (faculty) member of the Committee. A number of years ago there were far fewer parking spaces, and the main customers are students, to whom access must be provided. They should not be expected to leave work early, drive around looking for parking, and end up with tickets. The cost to them could be 2-3 times what a contract costs.

Asked what the best option is for a student who comes to campus for a class for one hour, Mr. Baker said it is daily rate parking, especially later in the day. There is no deal available for them to pay 75 cents, but if they carpool, the rate is $1.25. That, another Committee member pointed out, is difficult when students have part-time jobs all over the metropolitan area. Mr. Baker agreed, and said he also must respond to faculty who say they are the University and who want contract parking. He observed that he tries to attend to all constituents, and manages to offend all of them. They cannot meet all demand for parking, and he said he was not sure that the University SHOULD build to meet 100% of demand.

Why not build ramps higher, asked one Committee member? Is there a limit? Is the marginal cost higher? It is, Mr. Baker said, and there is also a service component: the length of time it takes to get to the top of the ramp. Downtown has many tall ramps on small pieces of land; it does, however, save money to build them lower and spread them out.

One Committee member asked why not build a taller ramp and charge what the traffic will bear? In that way, some parking could be subsidized, some could be free market. He urged that this option be considered more seriously.

Another Committee member reflected that some institutions rent land to private developers to provide parking; has that been considered here? Mr. Baker said it has been carefully considered, but 90% of colleges and universities run their own parking services because there is money in parking. Parking finances its own projects, puts $3 million per year into bus service, and receives no operations and maintenance money. Sometimes funds are put into other campus projects. Most institutions do not want to give away the revenues that come with parking.

The Committee discussed with Mr. Baker the possibilities for underground parking in the sandstone along the river, and whether a grant-funded demonstration project might be supported. He noted that the price increases because of the excavation costs, and the need for an airplane-like engine to exhaust such a facility.

Mr. Baker provided a list of units with faculty and staff who have been relocated, about 1650 people. As a result of the construction, some parking facility waiting lists have been frozen while these moves are occurring.

As far as the UPass program is concerned, an application has been submitted (with the Metropolitan Transit as a silent partner) for federal funding under a program to improve air quality and reduce traffic congestion by giving unlimited rides on a UPass. The request is for $5.8 million for a two-year demonstration project. The major problem in the future, if the grant is received and the project is successful, will be that there will not be funds available to continue the project. Mr. Baker said he would return to the Committee on this matter after he had spoken with the President and Executive Council about how to deal with this possibility. He agreed that consultation with students is necessary, and suggested that a fee, parallel to computer fees, might generate the income and simultaneously provide students with an extremely good transportation bargain for anyplace served by the Metropolitan Council Transit Operations.

One Committee member inquired about parking contracts for graduate assistants with 50-74% time. Mr. Baker recalled that the Council of Graduate Students had recommended such a plan, and the Subcommittee on Twin Cities Facilities and Support Services had endorsed it, but the Faculty Consultative Committee asked that it be tabled until the impact of taking 3,000 parking spaces off-line had been determined.

Mr. Baker reported that a task force on parking is being appointed by Vice President Kruse's office to review all policies concerning parking on the Twin Cities campus. Professor Gudeman said this task force should review the priority people receive for parking spaces. Mr. Baker said he assumed the report would be brought back for review by the governance committees.

In response to a question about hearing horror stories about painting the Washington Avenue bridge, Mr. Baker reported that the county had delayed the project but he promised that there would be horror stories once the painting starts. There will be one-lane traffic in each direction.

Professor Gudeman thanked Mr. Baker for joining the meeting, and adjourned it at 4:50.

-- Gary Engstrand

University of Minnesota

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Fall Semester, 1999 Parking and Transportation Plan

The University welcomes nearly 80,000 students, staff and faculty to its campus during the day. Due to various construction projects on campus, approximately 3,000 fewer parking spaces, or 15% of our total inventory, are available for at least the next year. Due to this limitation, following are some recommendations for ***students as they head back to campus:***

PLAN

- Students commuting to campus are strongly encouraged to **leave their car at home** and take the bus. (Note: This has been a consistent message by our department to students for the past several years.)

- University of Minnesota students (and staff and faculty) are eligible for **specially discounted bus passes** (5-10%) when purchased at any student union or the Williamson Hall Bookstore.

- **Carpooling**. The University has two carpool lots on the East Bank, one on the West Bank, and one in St. Paul for a total of 806 spaces. Arrive before noon with two or more people in your vehicle and pay only $1.25.

- Students living within a mile or two of campus are encouraged to **ride their bike or walk**.

- For those who must drive alone, **arrive on campus early** (before 8:00 am), **park in the Fairgrounds Lot** on the St. Paul campus, and **take the Campus Connector** bus to Minneapolis (leaving every 5 minutes). Or, park in the **Huron Boulevard Parking Complex** on the East Bank. Both lots offer a daily rate of $2.50.

- **Student commuter parking contracts** offer a guaranteed parking spot at all times for the semester. Spaces are still available in the Fairgrounds Lot SC108 for $125.63 per semester, and in Lot C66 at Como and 29th Avenue SE for $73.89 per semester. Lot C66 parking contracts come with a FREE bus pass for unlimited rides on any metropolitan area bus at any time of the day.

COMMUNICATION

- Communications concerning travel alternatives include the following:
  - a letter sent to all University students
  - an e-mail message sent to all University students, staff and faculty
  - advertisements in the *Minnesota Daily* (8 ads and 2 stories in the Orientation issue, 23 ads scheduled for the first week of fall semester, 16 ads scheduled for the second week)
  - presentations at 22 New Student Orientation sessions
  - Parking and Transportation Services' web site at http://www.umn.edu/parking/
  - information sent to the *Brief*
  - information sent to Institutional Relations News Service
  - the 5th Annual Transportation Fair on Wednesday, September 8th at the St. Paul Student Center from 10:00 a.m. - 2:00 p.m. and Thursday, September 9th on Coffman Memorial Union Plaza from 10:00a.m. - 2:00 p.m.

UPDATES

- Pending start of construction of the **hockey/tennis facility,** student/carpool/daily rate parking in **Lot 33** is anticipated to be retained until the end of spring semester, 2000.

- **Coffman Union Garage** will be decommissioned at the end of fall semester, 1999. Contracts will be temporarily relocated to Lot 28 at the corner of Oak Street and Washington Avenue SE. Upon completion, contract spaces will be reassigned to East River Road Garage.

- **Lot 82** behind the Radisson Hotel is being realigned to make room for a temporary lot, C12, on the south side of the Aquatic Center. This new lot will provide temporary parking accommodations for some of the Gateway Building's staff and faculty displaced due to construction of the new University Ramp.

- The 500-car **University Avenue Ramp** is expected to be under construction starting in March with completion in the fall of 2000.

- **East River Road Garage** with 1700 spaces is on schedule for completion by late fall semester, 2000.

- The 160-car expansion at **West Bank Office Building Ramp** is expected to be completed December, 1999.

- Construction of the **Gortner Avenue Ramp - St. Paul**, with 750 parking spaces, is in progress with completion scheduled for August, 2000, prior to the start of the State Fair.

- Special arrangements were made with the State Fair to temporarily use a **parking lot with shuttle bus service free of charge** during the first two days of classes while the regular Fairgrounds lots were closed for security and cleanup following the great Minnesota Get Together. This was done to facilitate the earlier semester start. Approximately 1,000 people took advantage of this option.

The **free night and Sunday parking program** was launched on July 1, 1999 and is going strong. Enter after 8:00 pm and exit before 8:00 am at Fourth Street Ramp, Oak Street Ramp, Washington Avenue Ramp, Nineteenth Avenue Ramp, Twenty-First Avenue Ramp, and Gortner Avenue Ramp (when completed in fall, 2000) and park for FREE. Park FREE in these same facilities, except Washington Avenue Ramp, all day on Sundays as well. The program is not in effect during special events.