

Minutes*

Senate Committee on Finance and Planning
Tuesday, October 16, 2007
2:00 – 3:45
238A Morrill Hall

Present: Judith Martin (chair), Rose Blixt, Steve Fitzgerald, Thomas Klein, Joseph Konstan, Russell Luepker, Kathryn Olson, Terry Roe, Gwen Rudney, Warren Warwick

Absent: Jon Binks, David Chapman, V. V. Chari, Lincoln Kallsen, Mikael Moseley, Kathleen O'Brien, Richard Pfitzenreuter, Justin Revenaugh, Michael Rollefson, Thomas Stinson, Michael Volna, George Wilcox, Aks Zaheer

Guests: Carole Fleck, Julie Tonneson (Office of Budget and Finance)

[In these minutes: (1) classroom availability and the new science-teaching facility; (2) long-term debt; (3) supplemental legislative request]

1. Classroom Availability & the new Science-Teaching-and-Student-Services Building

Professor Martin convened the meeting at 2:00 and turned to Mr. Fitzgerald, Director of the Office of Classroom Management (OCM), to provide information on the question of auditorium classrooms and the new Science-Teaching-and-Student-Services building (STSS).

Mr. Fitzgerald distributed a handout and began by providing an overview of the STSS project, which will use flexible classroom construction. The plan for the building includes:

6 "Future Flexible" (active learning) classrooms seating 117

6 "Future Flexible" classrooms seating 90

7 seminar/breakout rooms seating 30.

Each of the larger rooms can be "flexed" on a semester basis into two smaller classrooms, each equipped with technology and, if needed, different furniture types.

The 117-seat classrooms can be broken into 2 classrooms with a capacity of 54 each.

The 90-seat classrooms can be broken into 2 classrooms with a capacity of 45 each.

During the construction period, the current Science Classroom Building classrooms will be removed from the inventory (997 seats). Macro level analysis of the ability to support classes during construction was conducted by OCM and previously confirmed by the Provisional Classroom Study Committee. This committee was chaired by Space Management and included representation from the colleges primarily impacted by the project. OCM recently re-confirmed the ability to schedule classes during construction by conducting a more fine grained analysis. This was done by using the scheduling software to model the campus schedule on a class-by-class level of detail. Modeling removed SCB classrooms along with 1701 University classrooms (which are likely being removed from inventory by

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action not related to this project). The modeling added the 9 new classrooms in Hanson Hall (West Bank) and 2 "extra" classrooms with 240-seat capacity.

One scenario, developed by Professor Pignolet in Chemistry and the Provisional Study Committee, calls for Physics classes to be taught in Tate (Physics), Chemistry courses to be taught in Smith (Chemistry) (and it would have exclusive use of Smith 100 with course meeting times adjusted), and the non-Chemistry, non-Physics courses shifted to other instructional space (Anderson, Bell Museum, Physics, Fraser, Nicholson, and "extra" – rooms for two classes selected from a list of additional candidate rooms). An alternative scenario, which would not require shifting Chemistry class times, would provide Anderson 210 to Chemistry as well. The classes currently scheduled in Anderson 210 can be accommodated in other classrooms. In the Provisional Classroom Committee, there was agreement among CLA and CEHD that displaced classes could use what is currently departmental space (e.g., Ted Mann, Rarig Center) if necessary.

Mr. Fitzgerald provided a representational schedule of alternative locations for classes displaced by STSS construction (noting that the actual future schedule would reflect the scheduling dynamics at that time). Professor Konstan asked how many students would be displaced to classes across the river, raising the question of whether they could make it to class on time. Mr. Fitzgerald said there are 13 general purpose auditoria that seat 200 or more students within walking distance during the 15-minute passing time. Holding Chemistry classes in Smith 100 and Anderson 210 would not create a time problem because they are on opposite ends of the bridge, 4-5 minutes apart.

Ms. Olson asked about the possibility of offering Chemistry classes on the St. Paul campus. Mr. Fitzgerald said he had been told by the departments involved that they wanted to keep Chemistry on the Minneapolis campus. His office advocates for teaching more in St. Paul, and there are opportunities for additional classes to be offered in St. Paul, but that is not what the departments want. It is a challenge to get faculty to be mobile, Professor Martin commented.

There are two post-construction scenarios. One is that Chemistry and Physics change their courses to an active learning format, which is what the classrooms in STSS are planned for. The non-Chemistry and non-Physics courses would be displaced to other instructional space. Another scenario is that Physics and Chemistry remain in their current large lecture format, in which case STSS classrooms would be used for the large number of undergraduate courses currently in substandard space; Physics would remain in Tate and Chemistry would remain in Smith/Anderson (essentially the same as the spaces outlined in the alternatives that would be in place during construction).

Mr. Fitzgerald reviewed the number of auditoria with a capacity of 200 or more that are currently available on the Minneapolis campus, without counting the Science Classroom Building: there are 13 general purpose classroom auditoria, plus 6 departmental classroom auditoria in the Academic Health Center, plus 7 other 200+ capacity departmental spaces that could be used. The total on the Minneapolis campus without SCB is 26 auditoria.

There was agreement that everyone would need to make accommodations when nearly 1000 seats are taken offline during the construction period, Mr. Fitzgerald said. That includes adhering more closely to the regularly-scheduled class periods and spreading classes over the day. If there is to be a more concentrated period of classes (e.g., 9:00 – 2:00), then there will be unused space at both ends of the day and the University will need to invest more in classrooms. The message to his office since the change to semesters, however, has been to maximize the use of existing space. There are more departments complying with the rule that no more than 60% of classes can be offered between 9:00 and 2:00, but that creates another peak time right after 2:00, when more classes are offered. Mr. Fitzgerald said he will be bringing this issue back to the governance system and provide information on what peer institutions do.

Professor Konstan suggested that differential pricing be used. Mr. Fitzgerald agreed: departments would get a "good deal" for offering courses at 8:00 or later in the day and pay a prime price for offering classes between 9:00 and 2:00. Professor Martin observed that unless the department head is a dictator, faculty schedule classes whenever they want to. Professor Roe suggested adjusting the percentage of tuition a unit receives depending on when they offer a class. Another problem is that students have trouble taking the courses they need if they are all offered in a short period of time during the day, Mr. Fitzgerald observed.

Ms. Blixt asked about the timeline for STSS; Mr. Fitzgerald said that if the legislature approves the project, the Science Classroom Building would be vacated in January, 2009.

Professor Martin recalled that there had been FCC discussion about the possibility that some auditoria in the Academic Health Center might come into the general classroom inventory. None of the faculty who teach in those rooms thought this was a good idea. Mr. Fitzgerald said it was his understanding that for accreditation purposes some AHC units were contemplating moving away from the large lecture hall format, and that this may have been the context of the comments in FCC.

Professor Konstan agreed that it appears there are enough large lecture auditoria available but pointed out that the financial model encourages larger enrollment classes and student satisfaction may not be as important as generating tuition revenue. People will not move into 70-seat classrooms without an incentive. The new classrooms are not an educational fad, he agreed, but with the direction in state funding, the University will want to be sure it has sufficient auditoria if it decides that the only way it can survive financially is with large classes. Even at 30 years out, Mr. Fitzgerald said, there will be a mix of classrooms, including auditoria in sufficient number. The University will also need departments to make better use of departmental space to support the educational mission. The pressure is on small classrooms, not auditoria.

Professor Roe asked about the difference between general purpose classrooms and departmental classrooms. Mr. Fitzgerald said the former are designed to meet a broad variety of instructional needs of the entire university community while the latter tend to be narrower in focus, supporting a more restricted range of pedagogy (e.g., labs, studios). The trend is toward more central classrooms and fewer departmental classrooms (in part because of advances in the quality of the central classroom inventory, and because departments are focusing on departmental classroom utilization due to the new budget model). Mr. Fitzgerald said there are roughly 340,000 assignable square feet in general purpose classrooms and about 190,000 in departmental classrooms.

Professor Martin thanked Mr. Fitzgerald for his presentation.

2. Long-Term Debt

Professor Martin next welcomed Ms. Fleck to discuss University debt.

Ms. Fleck distributed handouts, one a chart of the University's total long-term debt. The total was \$633 million on 6/30/06 and \$796 million on 6/30/07. The additions are from the stadium bonds (which are paid off by annual state appropriations) and for \$61 million in commercial paper which was issued for specified projects.

The Board of Regents last week approved a resolution authorizing the issuance of additional commercial paper (CP) of up to \$135 million for specified projects (e.g., land purchases, Hanson Hall,

UMD School of Business, Medical Biosciences Building, Equine Facility, Moos dentistry labs, Department of Health building renovation, etc.) In addition, they approved an expansion of the commercial paper facility to accommodate the \$135 million issuance, plus the continuation of Merrill Lynch as the University's CP dealer. It is expected that approximately \$70 million of this CP will be issued in November 2007. The University currently has \$205.1 million in CP outstanding, issued through Merrill Lynch, which carries a lower interest rate than fixed rate bonds and a maturity date not exceeding 270 days. At present the University's debt is heavily fixed (92%), primarily in bonds; the recommendation to expand the commercial paper portion of the debt would cause the variable portion of the overall debt portfolio to be about 22%. While short-term, it can be continuously rolled over and can be easily refinanced into fixed securities if that appears prudent.

Professor Konstan inquired about the risk to the University if it relies more heavily on commercial paper, with variable interest rates, than bonds. Could the University end up paying more? Ms. Fleck said they look at historical rates and can use the market to decide if it is advantageous to switch to long-term bonds. But as long as they maintain some debt in commercial paper, the rates are lower. It is like a variable-rate mortgage, she agreed, but the University is invested heavily in fixed-rate obligations; over time, the variable rates are lower and commercial paper does not carry a long-term commitment. Ms. Tonneson agreed that there is a judgment on risk but it is not extreme.

Professor Martin said one thing she has learned, from listening to discussion at the Board of Regents, is that the University is well-served by having a chief financial officer who is ferocious about lessening the University's interest rate payments. She thanked Ms. Fleck for the information.

3. Supplemental Request

Professor Martin turned to Ms. Tonneson to discuss a supplemental budget request.

Ms. Tonneson reported that the University had received instructions from the state about supplemental budget requests: "seek funding for unusual or unexpected emergency items that cannot be met through reprioritizing existing funding." If the University does put in a request, it is due to the state by November 20, and there has been no decision about whether to make a request.

Mr. Klein asked what the process would be to decide whether the University will submit a request. Ms. Tonneson said it is her sense the process would start with the President and Senior Vice Presidents and government relations; they would weigh the benefits and costs. If they decide to make a request, it would usually be targeted, major, and something people would be aware of. She said she does not know if there is anything in the works. Colleges would not be asked to make submissions; anything requested would be focused, high-level, and not part of the capital request.

Professor Konstan said there is the question of the labs that have been closed down as a result of the 35W bridge collapse. Ms. Tonneson said they have been talked about.

They are also considering the biennial appropriation. There was a set-aside of 1% of the University's appropriation, contingent on meeting goals. They are working with the state to rewrite the language of the goals because as written, the University could not possibly meet them and there is no agreement on what they mean). The University may submit language change as part of the supplemental appropriations process.

Professor Martin asked if there has been any additional discussion of common-goods funding, any sense that there is a shift in the way they are funded. Ms. Tonneson said that since the new budget model has come into effect, she has not heard a lot of concern about common goods so has had no sense the model needed to be tweaked in that respect. Some cost-pool owners have had more advisory meetings with constituents, Mr. Klein observed, although they are at different places in terms of how well they do so. Ms. Tonneson agreed.

Professor Martin thanked Ms. Tonneson and adjourned the meeting at 3:05.

-- Gary Engstrand

University of Minnesota