

Tell It Like It Is

PARS Director Responds to Your Questions & Comments

Spring Term 2007

Welcome Back to Spring Term 2006 – 2007. I trust everyone had a relaxing Spring Break and you are ready for one more push to summer.

This past term you no doubt read and heard a great deal about the difficulties we have encountered in fulfilling SRC operating budget obligations given the limitations to incidental fee growth imposed by ASUO Senate. On top of that challenge, Oregon University System has mandated we establish and maintain equipment and building reserves for the SRC that we have been unable to accomplish.

Disappointing conclusions about SRC fiscal responsibility have been voiced by some individuals based on partial information and sometimes inaccurate information and so, toward the end of Winter Term, I wrote an article entitled: [UO Student Recreation Center...A Success Story](#). You will find that story following this introductory page (and the one question that I answer below).

Check out the PARS Website for comprehensive information on all PARS facilities, programs, and classes <http://pars.uoregon.edu>

Dennis Munroe

When will the new building expansion start? How close are you to getting enough funding to start?

I have been asked this question many times recently. What we call [SRC Expansion Phase 3](#) will eliminate crowded conditions by doubling the fitness space (no more closed weight rooms and waiting for cardio machines), provide a new swimming pool—with hot tubs, and add gymnasiums, racquetball courts, and a great social space. You can view a display of the features of this terrific conceptual design across from the Rock Wall.

It would be irresponsible, however, to proceed to construction of this final completion of the SRC Master Plan until we are able to adequately fund and sustain the operating costs of our current facility. The story that follows explains the history and reality of SRC operating budget challenges.

Unfortunately, the short answer to your original question is we have no funding for this expansion of the Rec and no timeline established. Building out the ultimate master plan for your SRC will require sufficient student interest that students are willing to take a referendum vote to the student body. That vote, if successful, would establish additional student fees to retire construction bonds and to pay additional operational costs and reserves. Each year we delay this project, inflation increases construction cost by over a million dollars. If we were moving forward today, a general estimation of what it would take to make this final expansion of the Rec a reality is \$55-65 per student per term.

UO Student Recreation Center
A Success Story
(following pages)

UO Student Recreation Center

A Success Story

By Dennis Munroe, Director

In the mid 1990's UO students had a vision of a new recreation facility on campus, replacing "Old Esslinger" (a 58-year old physical education building with two dimly lit gymnasiums, a dozen well-worn Stairmasters and the perpetual smell of sweat) as the University's student recreation space. In the spring of 1995, students passed a ballot measure enabling them make this vision a reality. Construction began in 1998 and in the fall of 1999, the 90,000 square foot Student Recreation Center (SRC) addition opened. In 1999-2000, much of Old Esslinger got a facelift, giving UO students almost 170,000 square feet of new or renovated space.

We had no doubts that UO students valued recreation and fitness activities, but in our wildest dreams, we could not have predicted just how popular the new facility would be. The Field of Dreams quote "if you build it they will come" certainly has been the UO experience! Students were supportive beyond our expectations in 1999 and their support (SRC turnstiles hum to the tune of 3,300 to 4,000 entries each day) for the facility remains strong today. At last count, 65% of all undergraduate (including 80% of freshmen) and 50% of all graduate students use the SRC or its programs each year.

The SRC did not come without a price. The 1995 ballot measure that students approved authorized a new, \$23 per term 'Rec Center' fee, with \$15.25 dedicated to paying the debt service on 30-year construction bonds, and \$7.75 going towards operating costs. Typical operating costs include student wages, staff salaries and benefits, equipment maintenance, and costs to deliver programs and services. The \$23 fee represented a compromise between students who hoped to pay less, and some administrators who cautioned that the fee should be more. (Some suggested as high as \$35 per term.)

Despite knowing the SRC would not open for several years, the students agreed to start paying the original \$7.75 per term operations fee at the time of groundbreaking (fall of 1997). This operations fee collected during construction was used to continue delivering recreational services during construction, equip the building once construction was completed, and create a contingency fund that would, among other things, cover unexpected financial emergencies and help replace worn out exercise equipment. At the time of the SRC's opening, after fully equipping the new facility, the contingency fund had a balance of \$663,000. Little did we know how important this money would turn out to be.

From the beginning, we were a victim of our own success. Despite the best efforts of planners to predict utilization rates and operating costs, estimates turned out to be low, given the higher-than-expected utilization by students. It quickly became clear that the cost to deliver the programs and activities students wanted in a quality, clean, properly maintained facility would exceed the revenue generated by the \$7.75 per term operating fee.

Even now, students continue to use our facilities and participation in our programs is growing, which, in turn, increases our budget needs. This term (winter 2007) we have 146 basketball teams participating in the Intramural Sports Program. It takes administrative time and money to organize leagues, and train officials. More teams also mean more referees, which increase the overall budget. It's great to be popular, but it costs money to meet the increasing demand.

We also encountered challenges nobody expected. The SRC's parent department, Physical Activity and Recreation Services (PARS), is part academic department (Physical Education classes) and part auxiliary enterprise (the Student Recreation Center). While auxiliary enterprises must be completely self-supporting, academic departments receive central support for expenses such as utilities, custodial services and maintenance. Because Physical Education courses were always an academic, credit-generating activity held in Old Esslinger, the original SRC budget planners believed that expenses such as utilities and building maintenance would continue to be fully covered. Unfortunately, that proved not to be the case. After it opened in 2000, the SRC was deemed to be a 'mixed-use' building, acknowledging both its academic and auxiliary missions. As a result, a shared cost formula was implemented to calculate the portion of the building that was auxiliary and, subsequently, the amount of expense the SRC would be responsible for. While we agreed that both the mixed-use designation and shared cost formula was appropriate, this designation and its financial impact were not known early enough to be factored into the anticipated operating costs and the original \$7.75 operating fee did not take into account these expenses. The cost of utilities alone for the recreation and tennis center amounted annually to \$72,000 in the first year.

So, when I was hired as SRC director in 2000, we were faced with the decision of how to balance the budget. Should we reduce services/hours/programs or should we use the contingency fund? We decided to begin using the contingency fund to offset the budget shortfall. Imagine student response to having their services cut while knowing the SRC was sitting on a very large contingency fund of their money.

In 2002-03, our funding environment changed. The SRC operations budget was transferred to the student incidental fee. (The \$15.25 bond debt repayment portion of the Rec Center fee remained unchanged.) The \$7.75 operations fee was folded into the Incidental Fee. We were grateful for this change because, for the first time, we had a formal and annual opportunity to present our funding needs to students. Fortunately, as we had hoped, the ASUO/Program Finance Committee (PFC) responded positively to our needs and we received additional funding. Unfortunately, however, these budget increases still did not cover our total operational costs. Budget limits imposed by the ASUO Executive/PFC have forced us to continue to find alternative ways to cover the gap between our Incidental Fee budget and our operating expenses to sustain the facilities, services and programs students expected and utilized. While the difference between our budget request and our final Incidental Fee allocation might seem small in terms of total percentage, with the size of the SRC budget, even small percentage reductions translate to significant dollars.

There is no doubt that the largest portion of the SRC budget is labor costs. Our incidental fee allocation includes pay and benefits for unclassified and classified employees. In recent years, benefits costs have skyrocketed. The yearly cost of employee health insurance (per employee) has increased from \$7,300 in 02-03 to more than \$11,000 in 06-07. And, we are actually understaffed (non-student employees) for a facility of our size. For example, industry standards for cleaning and sanitizing a facility of this kind call for one custodial employee for every 30,000 square feet. We currently clean the SRC with a staff of four custodians, which translates to one employee cleaning 42,000 square feet each night. And, on nights when a custodian may be sick or on vacation, the amount to clean is even higher.

The SRC is pleased to be able to provide part-time jobs for more than 250 students. Even if the number of students we employ stays the same, the cost goes up. Since 2002, Oregon's minimum wage law mandates an adjustment each year, based on increases to the Consumer Price Index. Since 2002, Oregon's minimum wage has gone from \$6.50 per hour to \$7.80 per hour. While the increase is good for students, (provides about \$350,000 per year in financial support to students) the impact of this annual increase on our budget is obvious.

Reducing the number of student positions has often been suggested as an option to offset budget shortfalls. Unfortunately, reducing student positions not only impacts overall customer service, but it takes money from students in the form of lost wages. Still, the SRC staff is currently evaluating the number of student employees we have, to identify if there are areas where we might be able to reduce the number while maintaining safety and reasonable levels of service.

The SRC budget stabilized somewhat during 2003-04 and 2004-05, when a statewide salary freeze was in effect for faculty and staff (benefits costs still continued to increase.) Unfortunately, these savings were only temporary. The freeze was lifted and the following year's budgets once again required mandated salary increases.

Now, the SRC has a new challenge. In 2002-03, the Oregon University System (OUS) Mandated fully funded equipment and building reserves. To date, we are only partially in compliance. The OUS mandated building and equipment reserves is a formal obligation that requires the SRC to (1) set aside funds to establish a specified threshold amount in each reserve and (2) to budget sufficiently through the annual operating budget to replace expenditures from each reserve to sustain that threshold over time.

The Senate's February 7th vote to fully fund the equipment reserve was a much-appreciated step in the right direction. In order to stay in compliance, however, we need to include in our annual operating budget enough money to replenish yearly expenditures from this reserve as worn out exercise equipment is replaced. We've solved part of the problem, but have no ongoing funds to sustain it. So, although we have made some progress on the equipment part of our reserves requirement, much remains to be done.

Unfortunately, understanding how we got here doesn't solve our budget problems from this point forward. Some have commented that we should be using the contingency fund to offset budget problems, consistent with its original intent. Continuing to use this fund to offset budget shortfalls is only a temporary fix. There is a finite amount of money and once it's gone, it's gone. We still need to look for a long term solution that provides for a realistic operating budget.

Finally, I have been asked recently what it would take to make the final expansion plans a reality. What we call SRC Expansion Phase 3 will eliminate crowded conditions by doubling the fitness space (no more closed weight rooms and waiting for cardio machines), provide a new swimming pool—with hot tubs, and add gymnasiums, racquetball courts, and a great social space. You can view a display of the features of this terrific conceptual design across from the Rock Wall. It would be irresponsible, however, to proceed to construction of this final completion of the SRC Master Plan until we are able to adequately fund and sustain the operating costs of our current facility.