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Operating Cost Projections for Lower Sproul Renovation Show Deficit

By Kelsey Clark

Projections for the operating costs of the redesigned Lower Sproul Plaza show a negative cash flow associated with the operation costs of the future facilities, according to a presentation from a consultant to the plaza's renovation project.

A deficit as high as \$800,000 may occur between 2019 and 2022, after an expected bump in revenue due to increased student fees in 2018, according to the presentation. The consultant discussed several revenue generating factors, including the placement of high revenue vendors in ideal locations in the new facilities and increased seating capacities — strategies that may help offset this projected deficit.

"The point that they were making in the analysis showing deficits in Fiscal Years 2019-2022 was to point out the current rate of revenues and expenses that appear to be scheduled during those years so that the University can address the issues causing the deficits in advance, and therefore avoid them," said LeNorman Strong, associate vice chancellor for residential and student service programs, in an email.

The renovation project for the plaza has completed its schematic design phase, and plans for the design have been given to stakeholders of the project for review, according to ASUC President Vishalli Loomba. She added that comments are being submitted to the architects — Moore Ruble Yudell Architects & Planners — who will then make changes if necessary before the project moves into its development phase before the end of August.

This third presentation from the Washington, D.C.-based Brailsford & Dunlavey consultant to the ASUC Store Operations Board at its July 7 meeting included a 30-year model on the operating and maintenance costs of the entire student union complex. The consultant has been working with the board since April and serves to advise the board on the new business plan for the plaza.

"It is a bit of a bumpy ride in terms of our expectations and assumptions for staffing and operating facilities," said Jim Carruthers, senior project manager at Brailsford & Dunlavey, at the meeting. "We are still at a very broad level perspective. We've tried to give you an understanding of the bumps in the road, where there are possibilities and where there are constraints."

The assumptions for the projections are made as the consultant shadows ASUC Auxiliary members, sitting in on meetings and looking at finances in order to see how the ASUC functions first-hand, Loomba said.

A spreadsheet presented at the board meeting calculated costs of operation by square foot for the new facility. Emily Marthinsen, assistant vice chancellor for physical and environmental planning capital projects and a member of the board, stated in the meeting the importance of understanding how the new building upkeep will compare to the rest of campus.

"If the students are footing the bill for things that are not only the students' responsibility, then those things have to be very defensible," Marthinsen said.

According to the spreadsheet, maintenance of the new facilities will exceed the costs of upkeep for other campus facilities. Carruthers said while costs may be higher, the new buildings need to be unique and must operate differently than other campus buildings.

A finalized spreadsheet is expected to be shared with the board after more adjustments are made to the included assumptions, Carruthers said. Current assumptions do not take into account a possible increase in number of students admitted to the campus.

"I don't think we've built enough capacity for revenue," said Jonathan Poullard, assistant vice chancellor for student affairs and dean of students, during the meeting. "I don't want students in 2021 with a debt of \$800,000 that we can't support."

Increased traffic flow and seating capacity are being pursued as a way to generate revenue to offset operation costs of the new facility. According to the presentation, the goal for traffic flow through the new buildings is to have 50 percent of the campus interacting with one of more of the facilities on any given academic day.

Todd La Porte, professor of political science and another member of the board, voiced concern during the meeting that ambiance of the area might be ruined with too much traffic flow.

"Is there a sociological upper limit to how much traffic and the character of traffic before it ruins what you hope for?" La Porte said.

He added that the board should be wary of the negative effects of increasing traffic and seating in the new facilities in an effort to avoid debt.

"At this point, it is too early to determine if there is a real problem," Strong said in the email. "What we know is that the assumptions that we've laid out need to be reviewed and validated; then action needs to be taken to ensure that there will not be a deficit."

The presentation was made in order for the current board to begin making changes that will help to move away from negative cash flow in the future.

"This is a cautionary tale," said ASUC Auxiliary Director Nadesan Permaul at the meeting. "We've got to plan."

In May 2009, the board forgave The Daily Californian a portion of its rent for the office it leases. As a result of that agreement, a nonpolitical student member of the board, currently Hedy Chen, sits on the Daily Cal's Board of Operations, which has no control over the paper's editorial content.