

## Strategic Planning and Budget Advisory Committee

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### Minutes

Wednesday, September 2, 2020  
8:15-9:50am *via Zoom*<sup>1</sup>

Present: B. Brummund (**Co-Chair**), S. Helm (**Co-Chair**), D. Ayoun, B. Berrellez, S. Colina, P. Dourlein, J. Duran, J. Florian, J. Hunter, J. Jones, D. Liverman, M. Miller, S. Moore, C. Ramirez, L. Rankin, H. Rodrigues, A. Schulz, S. Sen, T. Singleton, R. Stephan, J. Summers, M. Taylor, B. White

Absent: E. Cantwell, L. Folks, G. Heileman, S. Keim, I. Kron, J. P. Roczniak, L. Rulney, S. Troutman, K. Washington White,

Guests/Observers: J. Dudas, C. Henderson, R. Miller, J. O'Neil, G. Perry, A. Romero

Presenters: Nicole Salazar, Vice President for Financial Services

### **Call to Order**

Co-Chair Helm called the meeting to order at 8:18am

### **Approval of the Minutes of July 1, 2020 and August 19, 2020**

The minutes of July 1, 2020 and August 19, 2020 were approved.

### **Discussion: Allocation of revenues resulting from Ashford acquisition**

Co-Chair Helm spoke about the survey circulated to members of SPBAC regarding the allocation of revenues from the acquisition of Ashford University. She said UA Global Campus will receive \$37.5m plus an additional \$16.5m at closing and these funds would not flow to the University but would be paid in portion to UA via an affiliation agreement. Helm indicated a potential task for the committee could be generating additional ideas about how funds could be spent.

President Robbins asked for clarification regarding the purpose of the survey and indicated there were no funds from the acquisition available at this time. Helm responded the survey focused on money that would potentially flow once the Ashford deal closes and SPBAC could be involved with determining how the money will flow or be used. She added SPBAC initial recommendations on using the funds were also mentioned in a previous report; the current survey included open-ended questions to generate additional ideas which could be ranked in a next step.

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<sup>1</sup> Questions asked on chat that remained unanswered during the regular meeting were forwarded to the relevant presenters for follow-up reports and answers. Presenters' resulting answers are marked as "follow-up" in the minutes.

## **Presentation: Comprehensive Annual Financial Report (CAFR) FY2019 and current status for FY2020**

### **Guest: Nicole Salazar, Vice President for Financial Services**

Salazar presented information to the committee regarding the FY19 Comprehensive Annual Financial Report (CAFR) and provided information about the FY20 report status. She said the majority of work for the FY20 CAFR will be wrapped up September 19<sup>th</sup>, 2020 and issued with a target date of October 16<sup>th</sup>, 2020. Salazar added the CAFR will be published after the annual audit is complete. She gave an overview of the multi-step calendar starting in April with a target completion date in October and a presentation to ABOR in November.

### **Inputs and Processes**

Salazar provided information on the inputs and processes involved in preparing the CAFR. She said the process utilized the entire accounting structure including all accounts, project codes, subaccounts, which are batched on a nightly basis. She added this information is then checked, processed, and then UAIR creates reports which go into Analytics.

### **Comprehensive Annual Financial Report (CAFR) Breakdown**

Salazar informed the committee the University of Arizona is included as an enterprise fund of the state of Arizona. She said the CAFR was presented as a high-level report and individual colleges and departments would not be specifically referenced. Salazar explained the CAFR followed governmental accounting standards to ensure consistency of reporting for the public, creditors, and other parties. She explained the Letter of Transmittal in the report has required elements including history, population, enrollment statistics, current financial position, financial planning, policies, and overall economic position. Salazar highlighted the certificate of achievement for excellence in financial reporting, which has been granted to the University since 2013. Salazar indicated input on the draft report could be sent to Financial Services.

**Independent Auditor's Report:** Salazar shared with the committee the University holds a "clean" or unqualified opinion.

**Management Discussion and Analysis:** Salazar explained the multipage narrative and analysis that presented summaries of information on finances. She said it offered a year to year comparison and provided discussion of significant changes.

**Statement of Net Position:** Salazar explained the University is a not for profit entity and an enterprise fund with statements that more closely resembled a for-profit organization than a government entity.

**Statement of Revenues, Expenses, and Changes in Net Position:** Salazar stated this explained if the University was profitable over a fiscal year.

**Statement of Cashflows:** Salazar indicated this section summarized what is included in operating, capital financing, and other categorizations.

**Notes to Financial Statements:** Salazar indicated this provided significant detail to allow for understanding of information in statements. She added notes gave insight into how information is reported, major accounting policies, how cash is handled, how investments are handled, and rules on capital assets.

Co-Chair Brummund asked Salazar to explain component units, which component units belong to the University, and what makes an entity a component unit. Salazar responded that component units are legally separate entities with separate tax ID numbers and boards. She said there was some financial accountability between component units and the University. She said component units are listed in statements and included the alumni association, law college association, Eller executive, the University Foundation. Salazar added changes to board compositions at component units may lead to an entity no longer being considered a component unit.

Co-Chair Helm asked if Ashford will be considered a component unit. Salazar responded the University has received Ashford's bylaws and other documents and it will depend on the structure of the acquired unit to determine if it will be a component unit. She added this was under review and will be addressed after the audit in October.

Salazar drew attention to several notes:

**Note 7 Accrued Compensated Absences:** Salazar indicated this included all hours of outstanding vacation time. Salazar said the ending balance was \$69m. She added this amount was not seen in department reviews because it was considered at the University-level and was a long-term liability that would not be paid out at once.

**Note 10 Pension Plans:** Salazar said recent GASB rules required booking pension plans different and should be going onto financial statements. She said GASB also introduced deferred inflows and outflows. She added over \$600m had to be added in 1 year.

**Expense Classification:** Salazar gave an overview of expense classification categories including instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plants, scholarships, auxiliary enterprises, and depreciation. She added that she expected GASB to request a subsequent event note regarding COVID, but no note was required.

**Statistical Section:** Salazar stated this section of the report was used to identify trends and present overall information. She added it included financial trends, revenue capacity, debt capacity, demographic information, economic information, and operating information. Salazar added expenses by natural classification, tuition and required fees, revenue sources, long-term debt, principle employers, and capital assets were part of this section.

Salazar concluded the presentation by stating all CAFRs are publicly available via the Financial Services website.

### **Presentation Discussion and Questions:**

Committee member Liverman asked for clarification regarding reserves to make it clear funds were not available to departments and also asked if a summary could be prepared for SPBAC and for Faculty Senate. Salazar responded she was happy to create a 2-4 page report that answered the committee members' questions. She added questions may arise from information that only applies at the University-wide level. Additional committee members agreed a supplemental report on reserves would be beneficial.

President Robbins asked for further information about the \$800m that was held in reserves. Salazar stated that information was from 2019 and we were already halfway through 2020 when the topic was brought up. She added that financial statements always look 1 year behind and budgets always guess

what might be coming. Additionally, she stated RCUs have cash and cash is disbursed as an actual line item.

Co-Chair Brummund asked why numbers pulled from Analytics are different from the report. Salazar responded that every transaction that falls in a fiscal year was in the report. She added there was additional information such as, during the year the University runs almost on a cash basis. At the end of the year another period is opened and it is determined what is to be paid in a certain time frame that may belong in a different period. Items are then accrued into the correct year. She added this takes place on the institution level and not the department level. Committee members discussed cash on hand requirements created by ABOR.

Committee members asked about distilling and communicating information in the fall after financial reports were made available. Salazar expressed she wanted to return to look at statements with the committee. She said in the past she reached out to Eller to see if anyone with government accounting experience could help to build a public-facing report.

Co-Chair Brummund asked when FY20 information would be available, including impacts from COVID and the FY20 cash situation. Salazar said she thought the report would be available in October and would have to look for FY20 cash information. President Robbins added there may be large swings in cash on hand based on what is involved with funds, and the collection of tuition in spring and fall were main drivers of cash flowing in. Salazar said that cash on hand was a look at one day in time and budgeting/planning needed to occur because of times when cash comes in all at once.

Co-Chair Brummund stated the financial sustainability working group looked into changes in cash on hand. Committee member James Florian said the working group looked at capital and cash and made recommendations that were accepted by the senior leadership. Recommendations included preserving cash by pausing construction that had not yet started. He added they looked at not making debt service payments on principle. He said increased payments over the next 10 years and a smaller payment in December (with a larger payment in May), were related to restructuring so that large amounts of cash do not have to flow out.

Chair of the Faculty Summers asked about debt and lines of credit. Florian responded lines of credit were very short term and used during periods without funds on hand. He added lines of credit were expensive to setup/establish, even if they were not used. He added a line of credit would be used if going into a period of cash deficit. President Robbins added the problem with getting a line of credit was the requirement of paying it back within 1 year. He expressed willingness to get a short-term line of credit for less than the amount Summers suggested and go to the Legislature to ask for bonding authority for a long-term bond.

Summers suggested selling off/monetizing auxiliaries. Salazar responded the operational efficiencies working group had looked into outsourcing. In chat, committee members asked what would happen to employees of auxiliaries if areas were outsourced. President Robbins said employees of these areas would no longer be employees of the University. He expressed concern over those employees, particularly those who are students. Robbins added that, in good times, auxiliaries subsidize the University and during bad times they become liabilities. He said he was pushing for monetizing facilities, maintenance, and the bookstore.

## **Updates**

### **President Robbins**

Robbins updated the committee on current COVID cases on campus. He said there were 62 positive cases in dorms and 4 dorms had wastewater test positive for the virus. He added that

students in dorms were tested. Robbins said the advice of the public health advisory taskforce was being reviewed regarding how instruction will move forward and if the University will stay in stage one. He outlined the various stages going forward, stating the next stage would be small groups, followed by 50% capacity, and a final stage resembling last year's operations. He added, based on input from the taskforce, the University would stay at stage one because of recent outbreaks. Robbins also said the University was working with the city and county to mitigate off campus activities and parties.

#### **Jane Hunter, Vice President, Strategic Initiatives**

Hunter added the most concerning positive COVID cases on campus were in the Arizona and Sonora dorms. She outlined procedures for testing on campus and wastewater would continue to be tested for clusters of positive cases. She said once digital signage was in use to indicate where testing would take place. Hunter said Campus Health was reaching out to anyone who tests positive and those in dorms were immediately notified by residential life to make arrangements for isolation.

#### **Helena Rodrigues, Vice President, Chief Human Resources Officer**

Rodrigues informed the committee about the impacts from the closure of day care facilities at the University. She updated the committee about the Childcare Choice Program, which is a subsidy offered to eligible UA employees to assist with up to \$2,000 of care. She said she was asking for expansion of the subsidy and used in-home care as an example. She added legal and risk management were being examined. Rodrigues also said changes to flexible spending accounts for healthcare and dependents were being considered. However, she added changes to flexible spending accounts involved 3 Arizona universities and ABOR approval. She expressed optimism that the approval to change flexible spending accounts will be secured.

Rodrigues also responded to questions from committee members regarding contract language and the furlough program. She stated contract language applied to faculty and staff and was unchanged from past years. She said she had met with Chair of the Faculty Summers and had upcoming meetings with the Office of General Counsel regarding issuing additional contract language. Rodrigues explained that if pay was reduced due to the furlough, it was reflected in UAccess. She said UAccess does not have the capability to display the previous pay rate and acknowledged additional language may not alleviate mistrust.

Rodrigues responded to questions about career-track faculty working less than 1.0 FTE and their participation in the furlough program. She said the decision was made in May that participation in the furlough would be based on annualized salary at 1.0 FTE. She added there have been requests to repeal this particular aspect of the furlough but there was not enough of a case to make changes. She said support for putting into effect the furlough in this manner came from college business managers and she encouraged concerns to be addressed to HR.

#### **Adjournment**

The meeting was adjourned at 9:51am.