

## Strategic Planning and Budget Advisory Committee

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### Minutes

Wednesday, September 16, 2020  
8:15-9:50am *via Zoom*<sup>1</sup>

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

Absent: M. Abecassis, E. Cantwell, E. Cheu, J. Jones, S. Keim, A. Miller, I. Moore, J. P. Roczniack, S. Troutman

Guests/Observers: R. Chadha, C. Henderson, S. Kelly, J. O'Neil, A. Romero

Presenters: Jessica Summers, Brian Berrellez, Scott Cederburg, Ravi Goyal, Ron Hammer, Mona Hymel, Marcia Klotz, Guada Lozano, Farid Matuk, Ruth Oropeza, Christina Rocha, Russ Toomey, Mayela Trevino

### **Call to Order**

Co-Chair Helm called the meeting to order at 8:15am

### **Approval of the Minutes of September 2, 2020**

The minutes of September 2, 2020 were approved.

### **Survey Update**

Co-Chair Helm informed the committee that only 8 out of the voting members of SPBAC participated in a recent survey regarding uses for certain shares of the revenue from the Ashford acquisition. Helm added the survey would be open for another week and reiterated the importance of members weighing in on the issue. Co-Chair Brummund suggested to committee members in chat that time could be set aside, and members could take surveys during meetings.

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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.

## **Discussion: GFFAC Recommendations**

**Jessica Summers, Brian Berrellez, Scott Cederburg, Ravi Goyal, Ron Hammer, Mona Hymel, Marcia Klotz, Guada Lozano, Farid Matuk, Ruth Oropeza, Christina Rocha, Russ Toomey, Mayela Trevino**

Co-Chair Helm shared via chat key points GFFAC would like SPBAC to cover, including:

- How much will be saved at UArizona with the refinancing plan? Is it still \$60M? If so, how will this offset the current furlough model?
- What amount of credit will be pursued on behalf of UArizona? How much credit will be drawn down in order to have access to cash? How will this offset the current furlough model?
- What monies will be used to pay back the line of credit? Has the Capital Projects team pursued potential contracts with firms that run/manage auxiliaries? If not, are they working on an RFP?

Cederburg updated SPBAC members and said that, as a committee, GFFAC was holding the stance that the University's furlough program was too large and out of step with other institutions. He expressed the importance of looking at other options.

NTR: Rulney updated SPBAC members on net tuition revenue (NTR) and revenue in general. Rulney said the census was conducted earlier in the week and further information would be gathered by UAIR. She said NTR was looking better than the moderate case scenario but was still cautious. She said this was still a significant loss to the institution, but was pleased by the work of the enrollment, recruitment, global, and online teams. Rulney said NTR was looking better and would be closer to a \$55m loss than a \$96m loss. She added that when modeling of the impacts of the coronavirus on the institution were started, it was noted projections would not be perfect. She said the impact on auxiliaries was catastrophic and there was no revenue from athletics and the student union had only collected 11% of revenue compared to last year.

Debt and Lines of Credit: Rulney informed the committee that on August 3 all three Arizona Universities were approved to refinance and she was pursuing restructuring of December debt payments. She added the December payment was much smaller than the June debt payment and amounted to \$17m. 48% of the \$17m was institutional debt. She expected savings of about \$8.5m because of better than expected NTR, but noted the impact of increased pandemic-related expenses. Rulney said \$21m was expected to be spent on coronavirus expenses from March 2020 to June 2020 including spending on isolation dorms and testing. She reaffirmed that NTR was the driver of the budgets for colleges and support units.

Rulney also said that, at the August 20 meeting, ABOR recognized the Arizona Legislature was not in session and they did not make a decision about adding bonding for operating expenses to the agenda. She said her office will continue to work with Regents and staff to have this item added to the agenda, but thought it was unlikely the University would be able to use this tool this fiscal year because of the legislature cycle.

In regard to a line of credit, Rulney stated the University's stance was to evaluate the entire picture and the Capital Projects, Debt, & Investments workgroup recommended a line of credit only if the cash position drops to a range of \$300m-400m. Assistant Vice President, Treasury, Steve Kelly added that he was watching the situation closely and would make recommendations when a line of credit may be needed. He added he was uncertain what would happen with spring enrollment. Typically, the University collects 48% of the revenue in spring.

Auxiliaries: When asked if the Capital Projects, Debt, & Investments workgroup was issuing an RFP, Kelly said that the workgroup had contracted with PFM to evaluate the optimal mix for the

University. He added there was an upcoming mid project meeting and they were in the data gathering process. He said they were working with the bookstore and facilities management as the first two units to take on an evaluation to determine what might be outsourced.

Summers elaborated on a conversation between CFO Rulney, Provost Folks, and members of GFFAC. She asked how much money could be borrowed in a line of credit and how it would be used to draw down the furlough. Rulney responded there were no plans to get a line of credit. Summers stated GFFAC wanted to encourage leadership to reconsider this position as the negative effects of the furlough were felt. Rulney stated the reason a line of credit was not being pursued was because the University's cash position had not dipped to a level where it was felt it was needed. She added \$300m-400m was the point where a line of credit would be pursued, and it would continue to be evaluated as an option.

Summers asked if the executive leadership team may shorten the furlough but not use credit to do so. Rulney responded that was correct. Rulney added the stance from leadership was to preserve as many jobs as possible through strategies such as postponing merit programs, construction projects, and the furlough. Because of the furlough program, UA did not have to impose institutional layoffs.

Committee member Liverman expressed confusion regarding the statement from Rulney that a line of credit was not pursued because it was not desperately needed. She said from the faculty and staff perspective many were seeking their own lines of credit because of the pay cut. She said listening to the ABOR presentation made it seem like UA was doing a good job of getting back in order, but pain felt by many people at the University was not coming through. Liverman added that as a faculty member and department head, she was just beginning to see how employees now realize pain from reductions in their pay. Rulney recognized Liverman's comment and stated the need to acknowledge this was a shared sacrifice.

Cederburg expressed disappointment that a line of credit was only going to be used as an option if the cash situation dropped below \$300m-400m. In a follow-up email, he clarified the furloughs were keeping cash balances higher; without the furloughs, the cash situation would be worse and a line of credit might be considered.

President Robbins responded to this comment and asked if Cederburg was suggesting using cash on hand to pay down the furlough. He also stated cash reserves come from colleges and asked how much would be borrowed and how it would be repaid. Cederburg responded that he was not looking at the day to day budget and did not have access to accounts to know how much was needed. Robbins said the furlough savings were \$70m and asked if Cederburg meant the University should borrow \$70m. He also asked Cederburg who would pay back that amount. Cederburg responded there were other ways to roll items into long term debt and that gains one year may offset losses during another.

Committee member Liverman asked how other universities were paying for lines of credit and loans. Summers responded that they were looking at this situation in the long term. She added if there was a 20-year bond, that time would be used to figure out repayment. She added if there was a 1-year line of credit, the University could look at outsourcing auxiliaries. She said the purpose was not to get out of the furlough and this was not an issue of equity or sharing. Summers said people were still willing to take a furlough, but not at more than 10%. She said that was the highest furlough rate for a peer institution, and that rate was taken by the highest paid, executive staff at that institution. Summers asked where SPBAC stood on the issue and if GFFAC should continue working or possibly disband.

Klotz stated that the notion that suffering is being inflicted on those at the University who are earning the least went hand in hand with being the only institution among peers asking for this type of sacrifice.

She added that as long as the University continued to ask for the furlough, the best and brightest would continue to leave. Robbins responded that if money were borrowed in the short term to buy out the furlough it would basically lead to layoffs of the lowest paid employees. He said that had the furlough plan not been implemented, the lowest paid and most vulnerable employees would have been laid off and money would have to be swept from colleges to pay off the furlough plan. He also said he agreed with the idea of debt with a longer-term payment plan and said outsourcing facilities was not a feasible way to pay back debt quickly. Summers added this was a simplistic way to look at the program and that GFFAC had provided other tools while sweeping funds from colleges was not something in the GFFAC report. Committee member Liverman stated the budget reallocation plan from the Provost already wiped out reserves.

Rulney said, due to NTR, it was likely the furlough would be shortened. She asked members of SPBAC and GFFAC if it would be better to keep the furlough for the same length of time but cut the percentages or shorten the furlough at the same percentages. Liverman suggested providing furlough relief starting with the lowest paid. Klotz added the decision regarding percentages and length of furlough should be taken to faculty and staff who were affected by the program.

Co-Chair Brummund suggested surveying SPBAC members to get information on support for a line of credit or debt and also if the committee recommended shortening the furlough or reducing it while keeping the same duration.

In chat, committee member Liverman asked about FY22 and suggested SPBAC and GFFAC start looking at the enrollment cliff, potential cuts, and potential layoffs. She added the biggest savings may come from retirements in FY22 and suggested looking for a retirement incentive plan that does not cost significant amounts of cash. Robbins said it was his sense that the University will be in a blended mode of delivery through this year, into next year, and possibly through all of next year. Rulney said she predicted NTR would be down for several years and added that when a cohort is admitted, discounts roll with them through the UA system. She said the Operational Efficiencies workgroup was looking at the optimal mix for insourcing/outsourcing. She added the University was not using debt right away because there may be need for bonds to support operating expenses in the future. Summers said that GFFAC was formed to deal with the COVID crisis and suggested SPBAC should work on the FY22 budget issues.

Co-Chair Brummund asked if leadership had contact with counterparts at other universities and if they saw effects of COVID as permanent or temporary. Robbins responded that he saw the current situation as temporary but added this may be a 5 to 10-year challenge for higher education. He thought that most people are thinking the paradigm of delivery for higher education will change for at least a decade. Rulney added that institutions that have bonded to deal with the crisis were in different states that have different statutes that allowed them to do so.

Committee member Rankin said the draconian cuts to low-paid employees would indicate that working for the University was no longer a viable career. Rulney responded that the furlough was not thought of as lasting longer than this year and was meant as a bridge to allow units to prepare for changes to business models.

In chat, GFFAC member Matuk asked about an emergency funding request from the Arizona Legislature. He asked for the potential amount that could come to the University and what the priorities for the funds were. Rulney responded Regents were supportive of asking the Legislature for supplemental funding for FY21. She added ASU requested to be removed from the request so they can focus on FY22 resulting in a larger ask for UA and NAU. Rulney said the request for UA was \$100m.

Committee member Colina asked for clarification regarding what made the situation at the University so much worse than peer institutions. She added that many employees do not understand why the furlough at the University needed to be more severe than other institutions and added this may be a good time for make the case that dependence on tuition revenue does not work. Provost Folks expressed struggles regarding communicating the University's circumstances. She added Arizona was the lowest funded state for education and that meant the University would have to solve problems because of the political landscape. She expressed that the University had thrived despite declining funding.

Liverman expressed that many people have accepted the post-pandemic university will be different, possibly smaller and more efficient. She suggested finding ways to talk about retirement that would make faculty comfortable. She said she would rather see the University humanely shrink through retirement than through attrition due to layoffs and furloughs.

Co-Chair Helm requested a clear statement come out of the meeting regarding the furlough and the next steps in reviewing the furlough. She asked what the criteria will be in determining if it will be shortened or decreased. Rulney responded she was waiting to review census data, data on NTR and revenue shortfalls in other areas, and expenses related to COVID. Rulney added the furlough impacted the entire institution and she was looking holistically at the situation.

Summers referred to a previous comment by Rulney that stated the furlough was driven by NTR and another committee member's comment that if only driven by NTR, the furlough could be reduced. She added that a 1-year line of credit was only one type of credit and other options were available. Rulney responded that the furlough was driven by NTR and savings stayed with colleges, support units, and auxiliaries. She added that she anticipated being able to shorten based on NTR but there was no set date. She said she expected the furlough program to end early.

### **Presentation: Profiles Dashboards**

Co-Chair Brummund announced this item would be postponed to a future SPBAC meeting.

### **Updates**

#### **President Robbins**

Robbins announced the appointment of N. Levi Esquerra as the Senior Vice President for Native American Advancement & Tribal Engagement who started on August 8, 2020. Robbins reiterated the importance of flattening the curve of COVID infections and said most new cases came from large gatherings off campus.

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

Rodrigues suggested giving a presentation to SPBAC at a future meeting about changes to benefits plans. She said she was notified there would be changes but did not know the extent of changes. She added the changes will be more extensive than anticipated and all employees on University benefits plans will experience a change. She said all employees will have to take action during the open enrollment period to continue to be on benefits for the calendar year.

Rodrigues said open enrollment would start October 17 and last for a 3-week period until Mid-November and changes to plans will take effect January 1, 2021. She said deductibles will change and will give presentations to executive leadership, SPBAC, and heads.

Committee member Berrellez recommended working with APAC and CSC to communicate changes.

**Liesl Folks, Senior Vice President for Academic Affairs and Provost**

Folks updated the committee on planning for spring semester including efforts to structure the semester to reduce travel. She said options were still open for a medical miracle but wanted the ability to pivot quickly. Folks said it seemed wise not to have a spring break because of travel. She asked for input on sustaining students through a 15-week semester without a break and if it would be better to start one week later or have a full reading week before exams. She added proposals could be brought to Greg Heileman, who would pass them to ELT for review.

Committee member Singleton suggested a reading week at the end of the semester could simply turn into a spring break.

**Adjournment**

The meeting was adjourned at 9:51am.