

Strategic Planning and Budget Advisory Committee

Faculty Center
1216 E Mabel PO Box 210456
621-1342 (Fax: 621-8844)

facultycenter@email.arizona.edu

Minutes

Wednesday, November 17, 2021
8:15-9:50am **via Zoom**

Present: B. Brummund (**Co-Chair**), S. Helm (**Co-Chair**), M. Abecassis, L. Benson, B. Berrellez, C. Bourget, E. Cantwell, E. Cheu, S. Colina, J. Duran, J. Florian, L. Folks, D. Hahn, G. Heileman, L. Hudson, J. Hunter, J. Jones, I. Moore, S. Moore, G. Perry, C. Ramirez, L. Rankin, R. Robbins, H. Rodrigues, L. Rulney, S. Sen, R. Stephan, J. Summers, M. Taylor, S. Troutman, K. Van Renterghem, N. Vega,

Absent: A. Miller, J.P. Rocznik, B. White

Guests/Observers: S. Batsheva, K. Bonine, J. Dudas, C. Henderson, S. Pawar, A. Romero, P. Scott, K. Urquidez

Presenters: Nicole Salazar, Vice President, Financial Services
Shilpita Sen, GPSC President, Sedona Heidinger, Erick St. Mark, Melina Islas
Lisa Rulney, Senior Vice President and Chief Financial Officer

Call to Order

Co-Chair Helm called the meeting to order at 8:17 a.m.

Approval of the Minutes of November 3, 2021

The minutes of November 3, 2021 were approved with no amendments.

SBA Survey

Co-Chair Helm asked the committee to take a survey on strategic budget allocations. The link was inputted in the chat, for voting and non-voting members. It will be open until end of day 11/17/2021.

Presentation and Discussion: ACFR – Overview of FY 2021

(Presenter: Nicole Salazar, Vice President, Financial Services)

The report, originally named “Comprehensive Annual Financial Report”, was changed to “Annual Comprehensive Financial Report”. Salazar explained that these reports are online and can be accessed from the link (<https://www.fso.arizona.edu/sites/default/files/2021-11/acfr2021.pdf>). The report dates from April, but the reporting effort started earlier due to the logistics it takes to create the report. Salazar went over the structure of the report document. The “Introductory Section” included: a message from the president, the letter of transmittal, ABOR and the Executive Administration, and the organizational chart for UArizona’s Upper Administration. Salazar presented the “Financial Section” next which is broken up into three

main parts: Basic Financial Statements, Required Supplementary Information and Supplementary Information.

The “Basic Financial Statement” section includes five parts: Statement of Net Position, Statement of Financial Position-Component Units (these components follow GASB rules, not government rules), Statement of Revenues, Expenses and Changes in Net Position, Statement of Activities- Component Units, Statement of Cash Flows, and Notes to Financial Statements. In the section “Notes to Financial Statements”, note 1 was stated as the main note to read. The notes are labeled as followed: 1) Basis of Presentation and Summary of Significant Accounting Policies, 2) Component Units, 3) Deposits and Investments, 4) Joint Venture & Jointly Governed Organization, 5) Capital Assets, 6) Unearned Revenue and Deposits, 7) Accrued Compensated Absences, 8) Long-Term Debt and Lease Obligations, 9) Self-Insurance Plan, 10) Pension Plans, 11) Other Postemployment Benefits, 12) Operating Expenses by Classification, 13) Discreetly Presented Component Unit Disclosures. Looking at the notes and sub-sections on these pages is key to finding more detailed information.

The “Required Supplementary Information” section on page 71 includes three tables labeled: Schedule of University’s Proportionate Share of the Net Pension Liability- Arizona State Retirement System, Schedule of University Pension Contributions- Arizona State Retirement System, and Schedule of University’s Proportionate Share of Total OPEB Liability- Arizona Department of Administration. Each of these is required by GASB, even though they are not part of the basic financial statements.

The “Supplementary Information” section includes two tables: Combining Statement of Financial Position- Other Component Units on page 72 and Combining Statement of Activities- Other Component Units on page 73. This side supplementary information is not required per GASB rules.

Guest Salazar presented the “Statistical Section” next which has five main subjects: Financial Trends, Revenue Capacity, Debt Capacity, Demographic and Economic Information, and Operating Information. These sections are composed of tables for further clarification. The “Financial Trends” section contains information that explains how UArizona’s financial performance has changed over time. The tables included are: Net Position by Component, Change in Net Position, and Operating Expenses by Natural Classification. The “Revenue Capacity” section contains information about UArizona’s revenue sources. The tables included are: Academic Year Tuition and Required Fees, and Principal Revenue Sources.

The “Debt Capacity” section gives information about UArizona’s current level of outstanding debt. The tables included are: Long-Term Debt, Summary of Ratios, Debt Service Coverage for Senior Lien System and Subordinate Lien System, and Revenue Bonds.

The “Demographic and Economic Information” section offers demographic and economic indicators to help explain the environment where UArizona’s financial activities take place. The tables included are: Admissions, Enrollment and Degrees Earned, Demographic Data, and Principal Employers.

The “Operating Information” section contains service and infrastructure data to help explain how UArizona’s financial information relates to the activities in which it performs. The tables included are: Faculty and Staff, and Capital Assets.

Finally, the last page listed credits for the content creators from each department. Co-Chair Brummund expressed that benchmarking information compiled by the University Planning Office and others relies on the annual financial statement information, highlighting the importance of these data. Salazar stated the ACFR is used as a jumping off point for many financial data such as IPEDS. A committee member asked what the major changes are in UArizona's financial positions from last year to this year. Salazar responded that it depends on the numbers you are looking at, this comparative information can be found on page 25. She went over information by year over year percentage change column. There was a decrease in the savings accounts as it was withdrawn and a large increase in contracts were put in. President Robbins stated the ACFR was incredibly helpful and used constantly. President Robbins suggested that SPBAC should have more meetings where a dive deep in these topics can be achieved. A committee member asked why the furlough money was not covered with a bank loan. Co-Chairs Brummund and Helm noted that this was part of a separate discussion on furlough savings to be continued later.

Presentation and Discussion: Graduate Financial Stress Report and GA stipends (Presenter: Shilpita Sen, GPSC President)

Addressing financial issues and graduate student contributions, the first slide presented Graduate Student contributions breakdown and its current impact on Graduate professional students. Sen stated that there were 10,943 graduate and professional students currently at the University of Arizona, bringing over \$114,312,400 in net tuition revenue. Additionally, graduate students bring in a steady source of overhead payments by external organizations and government funding to cover the cost of the research infrastructure and the general operating cost. They also provided value in research by increasing innovative research and scholarly enterprise. In terms they also brought a contribution for education for undergraduate students by aiding in hands-on on lab activities. In addition to that, there was a point that many research plans would be difficult to execute without the aid of graduate students. Furthermore, the slide presented the points that the graduate professional students are key to a highly skilled workforce competitive in today's knowledge, and society has benefited from the work of scholars and teacher in STEM and humanities.

Sedona Heidinger presented on the financial stress report, as of September 13th, based on a survey from August. In the report, only 55% of graduate students said they would be able to come up with \$1,000 in event of emergency; minorities and women had even greater difficulties. The slides also stated that 82% are stressed about financial situations; 66% worry about being able to pay monthly expenses. Heidinger stated that 52% had to forgo medical care. The key points were that the stipends are too low, Tucson housing cost has skyrocketed, future of students' post-graduation is bleak, and some students regret their decision of going to graduate school. Sonia Kaufman gave an example of the hardships of living costs in Tucson. On a \$20,000 salary, a mandatory fee for graduate students equates to \$1,483.42, \$1,200 for books, \$850 for the average monthly rent (increasing by 17%), \$194.48 for utilities, \$60 for internet, \$315 for grocery costs, and \$1,247 for car insurance; dental and vision is not provided so that is also included in total costs for graduate students. Kaufman expressed that after taxes, the graduate student would be left \$3,000 in debt after all these expenses are accounted for. Melina Islas shared information on the impact on mental health, as many students reported mental struggles. The most related factors are financial and work-life balance. It was also stated that 1/5 of students have considered suicide and 41% of graduate students scored as having moderate anxiety. The high prevalence affects students personally and academically with 40%-50% not completing their degrees. On average there is a longer time for degree completion; median time to PhD completion is 7.5 years. It was stated that lack of financial and secondary support is impacting graduate students and in turn their commitment to academics. Erick St Mark talked about the institutional effects of inefficient graduate support. This was seen in the

graduate protests in the recent week ranging from Harvard (October 2021), Columbia (Spring 2021), etc., which in turned saw the firing of 88, and the arrest of 17. Mark talked about insufficient support for graduate students and the lack of experienced, quality GTAs. The instructional faculty suffer (which pulls down undergraduate retention and enrollment), research faculty retention and recruitment suffer, tuition and fee revenues fall, and endowments also fall, which in turn means rankings fall. Mark explained that the next steps pertain to considering the increase of 41% health and rec fees. The presenters suggested that SPBAC focus on these topics among their key issues. Provost Folks thanked the team for the presentation and supports addressing the raised issues. She suggested that the team should extend an invite to present to deans, as it was best to get this message to them. A member stated that assistants are essential to help fulfill UArizona's mission and expressed that the way to solve this is to have a conversation on setting priorities with UArizona's limited budget. Another member stated there is no time to wait, there is a blueprint to start off with and there should be a subgroup put together in SPBAC to take this up. President Robbins stated that the administration knows how important graduate students are to the institution from instruction to research. He is looking forward to having discussions in how to support programs like this. There is a finite number of financial resources, tough decisions will be made, but the importance was understood.

Discussion: CALS Furlough Memo

(Presenter: Lisa Rulney, Senior Vice President and Chief Financial Officer)

CFO Rulney presented the recap of the furlough and furlough-based salaries programs. Rulney presented the timeline and summary of the budget impacts. The presentation started with a timeline. With the initial impacts of Covid-19, colleges and many businesses were looking into closures and layoffs. On March 6th, 2020, the University sent a brief message to be safe for spring break; March 13th, UArizona stated that students should not return to campus. As of March 23, 2020, the announcement of emergency response asked for and President and SVPs began pay cuts. On March 30, 2020, the announcement of financial sustainability imposed a pause on hiring of employees and DCC's. On April 1st, the first SPBAC meeting pertaining to Covid was held. On April 17, 2020, there was \$66M projected loss and \$250M total projected loss by FY21. In response to this, the Furlough Program 1.0 was implemented. On April 28, 2020, UArizona announced a loss of \$58M, and a \$97 projected loss by FY20 end date. On May 1, 2020, furlough program 2.0 was implemented. In response to feedback, additional brackets and online tools were introduced. On May 11, 2020, the furlough and furlough-based salary program 3.0 delayed implementation to July 1, 2020. On June 30th, 2020, the implementation was delayed further, until August 10th. On August 7, 2020 stimulus funding information came out. On September 17, 2020, furlough program 5.0, was implemented. Original budget projections were not as bad as expected, as they were still in the red, but UArizona was able to end the program sooner than expected. On October 29, 2020, the furlough ended early. On December 30, 2020, furlough version 6 was implemented, based on Covid relief, which was the early end to employee contributions. With the Federal Government COVID relief bill, Governor Ducey announced CARES act funds to flow to UArizona. Rulney discussed the Financial Sustainability Taskforce which brought about these strategic plans of the furlough and policy changes. She discussed the evaluation resources – internal and external and detailed the process for each financial furlough policy. The university did not stop spending money on benefits and retirement. Rulney presented the allocation budget sheet and even with reduction in expenses, most colleges were in the negative pre-Fall semester FY21. The fall semester FY21 update showed a decrease in programs. In Spring FY21 there were improvements, and smaller reductions but 50% of colleges were in net negative results. The support units were in the same position, as they do not receive the same benefits of being able to receive online revenue. Rulney stated that it was important to remember that the substantial revenue loss necessitates mitigation strategies beyond reducing operation (non-personnel)

expenses. The guiding principle was to preserve as many positions as possible. Co-Chair Brummund stated there were questions on the furlough and asked where the furlough savings went to. Rulney stated that the colleges that did not have the large fund balances had to use the reduction and expenses that created salary savings. This was the same case in departments, colleges, and support units to help plan for longer term adjustments that would help with ongoing or permanent expenses. Co-Chair Helm asked if it is possible to use this for pre-information for Senators. Rulney stated that the presentation will be shared. Provost Folks reiterated that no repayments to any individuals of any college is to occur because that will cause an equity issue. A member noted that by the time this topic makes it to senate, any misunderstandings regarding the basics of the furlough program can be addressed. The member reiterated that there was no central pot of money- units recaptured any funds to abate cuts and there were no funds left over unless they were in the black. A member suggested that a few slides be added to ensure understanding before presenting to the faculty Senate.

Updates

Leadership updates will be saved for next meeting.

Adjournment

With nothing further, the meeting was adjourned at 9:53 a.m.