

University Senate
Emergency Meeting
Meeting Minutes
September 23, 2020

Senators Present: Minerva Ahumada, Suzanne Bost, Anthony Deldin, William Duffy, Eilene Edejer, Sarita Herr, Lee Hood, Ashley Howdeshell, Diane Jokinen, Dan Killelea, Kristin Krueger, Patricia Lee, Susan Uprichard, Maria Wathen, Bill Adams, Anne Divita Kopacz, Tobyn Friar, Kevin Newman, Teresa Fister, Martin Flores, Selam Kahsay, Krislyn Zhorne, Thomas Kelly, Michael Kaufman, Norberto Grywacz (*ex. officio*), Tavis Jules (*ex. officio*)

Absent: Francis Alonzo, Laura Brentner, Jenna Drenten, Steven Todd, Ella Doyle, Jacob Palmer, Kathleen Steinfels, Nancy Tuchman

Guest: Wayne Magdziarz (Senior Vice President, Chief Financial Officer and Chief Business Officer)

Quorum (21/32): Voting members present at start of meeting; quorum is **satisfied**.

Chairperson Susan Uprichard called emergency public meeting to order at 9:30 AM.

I. Information/Discussion Item: Financial Impact: Phase III

(Invited guest: Wayne Magdziarz Senior Vice President, Chief Financial Officer and Chief Business Officer)

Chair Uprichard introduced the topic and gave Wayne Magdziarz the floor.

Magdziarz: The pandemic has had a significant impact on the operations and finances of Loyola. We have over 650 less undergraduate students than last year, including 419 less freshman. In-person learning has almost completely migrated online and but for a few students, the resident halls are closed. Most campus buildings are closed, as are the abroad campuses. There are no study abroad programs this semester and likely for the rest of the academic year. Some services, due to the lack of students and smaller numbers of employees on campus, like conference services and campus transportation are not operating. Plans for the spring semester are still uncertain.

The result is an operating deficit of \$87M, which is 15% of our operating revenues. This number is based on tenth-of-term data.

The budget decisions made were guided by our principles. The safety, health, and well-being of the Loyola community being paramount, and students and their needs are priority. Our mission remains to expand knowledge/service



through learning, justice, and faith. We will do whatever we can to support our employees even though it may not be possible to do so at the same level in the coming months.

Our financial objectives are to balance the '21 budget, take out expenses that can most easily return, do no or minimal long-term harm to Loyola, and recognize that some areas will need additional resources such as COVID-19 safety preparedness, ITS, and racial justice institute. There will need to be compromises and acknowledgement that there is no one-size fits all solution.

Financial decisions made were to reflect that the health and safety of the Loyola community is top of mind. Any reduction moves were held off until the start of the FY'21 and those reductions were based on solid data. The university community was surveyed in May, all faculty and staff, and there was strong sentiment across the board to preserve people and their jobs if possible and to prioritize reinstatement of any necessary furloughs or reductions in force. The university implemented COVID days throughout the summer to keep staff on payroll resulting in 72 staff members receiving 10,000 hours.

The three-phase approach to the reductions was based on the facts of Loyola's key revenue and expense categories—enrollment, retention, and financial aid. Health data from national, state, and local sources was also a driver of decisions. One example being the Chicago Emergency Travel order that mandated people from certain areas must quarantine for fourteen days when coming to Chicago. For Loyola that would mean nearly 800 students would need to be housed separately with food and other services planned. This was part of the reason why Loyola decided against residence halls this semester. The university also monitored situation reports from other universities and plans made by institutions across the country.

A communication process was implemented to keep the Loyola community informed all budget realignment decisions, started with the Phase I announcement on May 7th.

A Strategic Financial Planning Team was formed and received input from the Faculty Advisory Group, Faculty/Staff Survey, President's Cabinet, and the Budget Realignment Committee.

To date over \$63M in reductions have been made, with the total revenue shortfall for FY'21 being \$87M.

- Major reductions areas in Phase I and II:
 - Vacant faculty/staff positions - \$12M
 - Retirement contributions - \$15.2M
 - Discretionary budget/reserves - \$21.5M
 - 2021 salary increases - \$4.4M
 - Completed staff furloughs/RIFs - \$1.6M



- Senior leadership salary reductions – \$1.2M
- New initiative deferrals – \$1.2M
 - Total: \$57.1M

Remaining reductions include:

- Forgo 2021 debt/pension payments – \$12.5M
- SSOM year-end draw - \$5M
- Depreciation decrease \$5M

Leaving \$1.5M needed in reductions.

Due to the altered fall semester operating budgets have been reduced. The top departments with large percentages of operating budget reductions due to the online semester are Residence Life 75%, Campus Safety 29%, Human Resources 22%, and Student Development 21%.

Staff furloughs and reductions in force to are

- 52 furloughs [43 non-exempt/9 exempt]
- 44 reductions in force [19 non-exempt/25 exempt]

These furloughs and reductions in force are located mainly in our remote campuses which are closed for the fall, residence life, conference services, parking, auxiliary services, and campus safety as most of our buildings are closed.

Additional staff furloughs are recommended and are expected to be completed by the end of September. The main factors in determining those furloughs will be ability to work remotely and no work/job due to campus operations. While this is not easy, we are not alone. Several of our peer and/or neighbor universities have also had to furlough positions and make reductions in force.

Questions submitted to Wayne Magdziarz from Senators

Q: Can you provide the consolidated financial information for FY'20?

A: Fiscal year ended June 30, 2020

- Operating revenues - \$611,449
- Operating expenses - \$583,729
- Results in operations - \$27,720
- Non-operating activities – (\$4,344)
- Change in net assets - \$23,376
- Debt service requirements - \$29,374
- Capital expenditures: \$70,721

Q: How is the endowment portfolio doing and how do we expect it to compare to past returns?

A: FY'21 YTD investment return 7.5%. We are bullish on future returns.



Q: Why not use the endowment to help balance the budget?

A: Most of our endowment (88%) is restricted and prevents us from taking those funds for general operations use. Our endowment is undersized relative to the size of the university. Also, the long-term impact of spending the endowment is a lesson learned from the early 2000s. Loyola spent \$100M of the endowment in FY01 and FY02, this resulted in a major impact to the endowment which would now be about \$1B but is instead \$754M.

Q: Under the university's current policy, the university limits its spending of endowment to 5% annually. How much did we use in FY'20? Consistent with previous years?

A: Our actual spending rate is approximately 3.5% annually. We spent \$20.4M in FY'20 and \$16.5M FY'19. Anticipated spending for FY'21 is \$22M. This variance is due to donor restrictions, vacant faculty/chairs, or professorships.

Q: Why can't we just not fund depreciation this year?

A: The Board did approve \$5M depreciation relief this year, but the Board mandated practice of funding depreciation must continue. This is also a lesson learned for the late 1990s and early 2000s when Loyola had no capital for repair and replace and also had no borrowing capacity. The result was significant deferred maintenance and facility deterioration.

Q: Can the internal bank (our payments for debt and pension obligations) help us balance this year's budget?

A: Yes. We have suspended this year's deposit of \$12.5M debt and pension payments for this current fiscal year.

Q: What is the big deal about having an A+ credit profile? Wouldn't an A be sufficient? Why does this matter now?

A: Our bond rating improves borrowing costs, lowers interest rates, and means fewer covenants that restrict use of proceeds. Also, it takes many years of proven budgeting, fiscal management, and debt management to earn any upgrade in rating.

Q: How much is in the university's short-term operating reserves?

A: \$280M in operational reserves. This number moves daily and keep in mind that our monthly payroll obligation is \$22M. Tuition dollars are coming in, but that number is down from last year. We have secured a \$100M line of credit, but we hope to not use that option if at all avoidable.

Q: Did we get our annual academic support payment from Trinity in 2020? Do we think we will be getting the '21 payment?

A: Yes and yes.



Q: How long will the university's retirement contributions be suspended? Will administration also lose 100% of their university contributions to retirement?

A: We want to reinstate this benefit as soon as possible, but no concrete date set. Yes, all faculty and staff – including administrators and the president – have 100% of the university retirement contributions temporarily suspended.

Q: Do higher income earners at LUC have a higher yielding retirement investment option than the rest of us?

A: No, all university retirement benefits and contributions are identical for all faculty, staff, and administrators.

Q: What has been the total cost of the 7 new positions added in the Provost's office? What further cuts, if any, will high ranking administrators be taking?

A: All current positions in the Provost's office were previously funded prior to FY'21. No new salary dollars were added for these positions. There is no plan for additional salary reductions for senior administrators. Salary reductions for university officers and the president were implemented in July and range from 10-15%.

Q: If faculty pay cuts are being considered, under what legal constraints does the university understand itself to be operating?

A: Faculty pay cuts are not being considered and the university will honor all faculty contracts. Part-time faculty budgets are being considered, but not faculty pay cuts.

Q: Were pay cuts to faculty considered, especially those making over \$200K? We understand it would need to be voluntary, but does that does not explain why it is not possible? It was possible for administration, how is faculty different?

A: Faculty receive appointment letters and/or contracts which includes their compensation for the academic year. Typically administrator and staff do not. There is also not a viable way to do this that is fair, easy to track, and we are not sure the voluntary cuts would move the needle to the needed reduction amount.

Q: Has the university paid out all the financial obligations of the Tenured Faculty Voluntary Transition Incentive Program?

A: Yes, all of these obligations have been paid out and those still here until December have had their payouts set aside in reserves to honor these obligations.

Q: What are the prospects for future cuts beyond Phase III? How are they being prioritized? Has the university assumed the "worse case" scenario so that no other cuts will be needed?



A: We believe we have planned for all significant revenue hits for this current fiscal year. Unless there is some completely unforeseen change, we do not believe there will be cut needed beyond Phase III.

We hope the spring semester will allow us to bring some students back to the residence halls. For single occupancy, we could bring back 1800 students, but that is dependent on health and safety factors. The university has also planned for the spring to be just like the fall semester, so if students could return it would mean reinstatement of cuts taken earlier.

Q: Is increasing teaching loads of some faculty being considered? What is the basis? Impact of different loads on gender/equity imbalances? Impact on R1 status?

A: There is no university-wide plan to increase teaching loads. Some individual deans may be in conversation with the Provost on opportunities in specific schools in order to minimize our reliance on part-time faculty in the spring.

Q: When do you anticipate that these decisions will be finalized and how will they be announced?

A: Decisions on Phase III reductions have already been announced. Any further staff RIF or furlough will be announced by the end of September. Any furloughed employee will be invited back to Loyola as soon as campus operations require. Furloughed employees will be eligible for unemployment and Loyola will continue to pay their benefits.

Q: What sources of new revenue is the university attempting to develop? What structures do individual schools have to allow faculty to propose sources of new revenue?

A: Three significant revenue opportunities for this fiscal year:

- Continued positive growth in graduate enrollment, especially masters programs (\$3.5M in graduate enrollment planned but \$4.5M was actually recorded)
- Summer I term, especially if on-campus living becomes an option
- A return to on-campus living for students in the spring

Faculty can propose new revenue options to the academic innovation fund in the Provost's office and send university leadership any new ideas

Q: How much autonomy do Deans and individual departments have in reducing expenses?

A: Some reductions were administered across the university, like the pausing of retirement contributions. Any decision on staff furloughs/layoffs, any teaching load agreements, and some operating budget reductions were decided by the appropriate Dean with the Provost.

Q: Will cuts from this year be reinstated next year?

A: FY'22 budget planning is underway.



Assumption is that our revenues/expense levels will return to pre-COVID conditions once in-person teaching returns to all campuses, residence hall and campus dining reopen, and reopening Rome Center

Chair Uprichard: Thank you, Wayne for that presentation. I want to open the floor for Senators to ask Wayne additional questions.

Chair Uprichard: Asking for some clarity on the issues of faculty pay cuts. Many see that as a more equitable way forward if it were voluntary. Is this option completely off the table and is it off the table because it is difficult?

Magdziarz: The reason for it being off the table is legality and the complexity. We would need to amend contracts, it would be uneven across the university, and would cause issues when those cuts are reinstated. We are also not certain this complex process would bring in enough money to meet the need for reductions.

Chair Uprichard: How long do you anticipate the retirement contributions pause? The savings number posted is based on what date?

Magdziarz: The savings based on pausing the retirement contributions is based on the fiscal year. So to get that amount of savings we are planning a pause until June 30, 2021. If the spring allows us to bring back students then it is possible the pause would end, but no guarantees.

Chair Uprichard: People are more important than buildings. Can you explain how much money is being put away for capital projects? Can those funds be directed to save jobs instead?

Magdziarz: Depreciation is \$42M a year and is a Board mandated savings. Capital projects for this year that were not already underway have been postponed. The Board did approve \$5M less this year for depreciation to help with the budget shortfall, but any more than that would be a detriment to future maintenance and projects.

Chair Uprichard: Can we take a loan from our internal bank, especially since there will not be salary increases? That means there will be a savings every year when it comes to salaries as it will always be a year behind.

Magdziarz: The internal bank is not like a rainy day fund. It is meant to retire debt when it comes due to prevent interest payments on depreciated buildings. We need to manage our debt and while the goal is not to get to 0 it is to show that we as an institution can manage debt effectively.

Sen. Bost: How do these cuts reflect our Jesuit values and our commitment to diversity, inclusion, and transformative education?

Magdziarz: There is no question that we struggled long and hard to make these decisions. We did our best to keep staff on the payroll over the summer, but now there is just no work for some employees because there are no students on campus. It might not be the best stewardship of resources to fund



employees with no work, it would not be equitable. This was not an easy call, but we have to recognize the reality of the budget and consider the health of the institution after the pandemic is over.

Sen. Ahumada: What happens if students cannot return in the spring? Is there a worse case scenario plan? Will it mean more furloughs/RIFs?

Magdziarz: I think I was unclear about the spring. We have already planned for the students to not return so we do not anticipate any further furloughs/RIFs. Students returning the spring would be a best case scenario, but we have planned for the worse case scenario.

Sen. Heer: How do we anticipate all this effecting our new initiatives on diversity, equity, and inclusion? There are concerns that these cuts will affect people of color disproportionately. Is the issue of diversity still in the forefront for Loyola?

Magdziarz: Diversity, inclusion, and equity are still a top priority for Loyola. It was a priority to make sure that the furloughs/RIFs didn't just impact our most vulnerable staff members. Our plan is to welcome furloughed employees back as soon as possible, to pay for the benefits for the duration of their furlough and they will also be eligible for unemployment, and to have some employees redeployed to other departments to prevent further furloughs.

Sen. Jokinen: I was surprised to see Advancement was one off the units taking cuts. Shouldn't we be maintaining their budgets as they are seeking to find revenue beyond tuition?

Magdziarz: Advancement was on that list as purely returning operating funds that cannot be spent during the pandemic. Budgets for events and travel were returned, but no staff reductions took place. We want to make sure Advancement stays strong and is able to mount a capital campaign as soon as economically possible.

Chair Uprichard: Has Sponsored Programs Accounting or Offices of Research seen cuts?

Magdziarz: No employee cuts, just operating cuts and no plans for furloughs/RIFs.

Sen. Adams: Is there an appeals process for those furloughed/RIF? And when does a furlough become active?

Magdziarz: No there is not an appeals process, but we have been very cautious with RIFs. Furloughs are generally in batches of 60 or 90 days and start as soon as the employee is notified. But will check with HR to confirm that active notice time.

Sen. Flores: I'm curious about the status of student workers for this fall. When will they be notified of their status?



Magdziarz: We are trying to keep as many student positions as possible and at the moment we have almost 1,000 student workers on the campus payroll. But due to the nature of this semester there are not as many opportunities for student as work as before.

Sen. Lee: To clarify, \$1.5M is the number we are trying to hit with this round of furloughs/RIFS, correct? And faculty pay cuts have been ruled out, even if voluntary?

Magdziarz: Yes, \$1.5M is the number and yes, faculty pay cuts are off the table due to legal and complexity issues. We still do not think we could reach \$1.5M with faculty pay cuts either.

Chair Uprichard: Thank you to Wayne for that presentation and taking our questions. Wayne, we are glad you here and we know this is not easy.

Provost Norberto: I think these are important questions and it is good to have a discussion about this process. It is good to question the process and how it reflects our mission. A Jesuit value guiding us is the value of the health of the institution as well as the health and well-being of our employees. Running a university is hard and it demand agility. That is one reason why we have the Faculty Advisory Committee, to quickly get feedback and input from various parts of the university when it comes to quick budgetary decisions. Please reach out to Susan and/or Wayne with any questions or ideas and know that we are taking this very seriously.

Chair Uprichard: Now that Senate is back in session, I will be reporting regularly on the activities and decisions of the Faculty Advisory Committee. Are there any further questions for Wayne?

Sen. Wathen: Is there a way to create a hardship fund that faculty or any other employee could contribute to so that furloughed employees could take advantage of those funds?

Sen. Kelly: There already exists the LEEF program that anyone can make a contribution to or a payroll reduction. I can send the link to the program.

Chair Uprichard: Senators, how should we proceed? Should we have a meeting later this week to draft a resolution with options we see that could help make the \$1.5M shortfall instead of furloughs/RIFs?

Sen. Hood: I make a motion for another meeting this week to create this resolution.

Sen. Lee seconds.

Vote to have a meeting this week to draft a resolution with ideas on how to meet the \$1.5M shortfall other than just furloughs/RIFs.

Yes:17



No: 2

Motion passes. Chair Uprichard will schedule the meeting.

Motion to close the meeting, Sen. Killelea. Seconded by Sen. Kelly.

Meeting adjourned at 11:30 AM.

Respectfully Submitted AEH 9/24/20

Senate Meeting Schedule for Academic Year 2020-2021

• **University Senate Schedule:**

- ~~September 18~~ ~~3:00-5:30pm~~ ~~Zoom~~
- ~~September 23 (Emergency Ad-Hoc)~~ ~~9:30-11:30am~~ ~~Zoom~~
- October 16 3:00-5:00pm Zoom
- November 20 3:00-5:00pm Zoom
- January 15 3:00-5:00pm TBD
- February 12 3:00-5:00pm TBD
- March 19 3:00-5:00pm TBD
- April 23 3:00-5:00pm TBD

• **Executive Committee Schedule:**

- ~~September 8~~ ~~3:00-5:00pm~~ ~~Zoom~~
- October 5 3:00-5:00pm Zoom
- November 6 3:00-5:00pm Zoom
- January 4 3:00-5:00pm TBD
- January 29 3:00-5:00pm TBD
- March 5 3:00-5:00pm TBD
- April 9 3:00-5:00pm TBD