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PROFESSORS

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From: The Financial Analysis Subcommittee, AAUP-UD

To: The Members of the Steering Committee, AAUP-UD

The conclusion of the review conducted by the members of the Financial Analysis Subcommittee (FAS) in conjunction with our accountants Belfint, Lyons, & Shuman (BLS) is that: ***The University has the liquidity to honor the recently amended collective bargaining agreement (CBA) through its expiration without requiring the University or its faculty and staff to endure substantial financial hardships.*** The following explains this conclusion.

The University administration has requested that given the unforeseen financial stress brought on by the current pandemic, the AAUP-UD return to negotiations and find a way to "*share in the sacrifice*." This request was made shortly after the bargaining unit faculty, specifically the current dues-paying members of AAUP-UD, voted in July 2020 to relinquish a 2% merit raise plus a 1% structural adjustment for AY20-21. It should be noted that, as of the time of writing, the University administration has not presented the details of the requested additional "sacrifice" for the current academic year.

As the official representatives of the faculty for contractual matters, the AAUP-UD, has a responsibility to evaluate the request from University administration for further faculty sacrifice. In order to do so, the AAUP-UD Executive Committee requested information from the University administration regarding its finances. After considerable delays, the University administration provided some of the requested financial information. The AAUP-UD Steering Committee formed a Financial Analysis Subcommittee to analyze the available data and make a recommendation to the Steering Committee regarding the request from University administration to return to the bargaining table. After extensive analysis by members of this FAS and a detailed review by our accountants, we conclude that:

Finding 1: Despite the challenges presented by COVID, the University has considerable means to support itself without requiring further sacrifice from faculty and/or staff.

- As of June 30, 2020, the University had more than $300M in cash, cash-equivalents, and operating investments. This total does not include the $1.3B the University also has in its endowment, of which $350M is unencumbered.
- The University has other sources of funding available for its use. For example, between 2017 and 2020, the state appropriated more than $30M to fund capital improvements at

UD. More than $29M of that money remains unspent. It appears that the money is being saved to fund future capital projects.
- University policy allows up to 5% of the value of the endowment to be spent each year. For this year, the board only approved a draw of slightly under 4%, which is the lowest expenditure rate in a decade. If the draw were increased to 5%, approximately another $15 million could be made available for current needs.
- Additionally, President Assanis told the University Faculty Senate on February 8, 2021 that the University would be receiving $32.5 million from the State of Delaware to offset Covid-related costs, and another $12 million from the federal government for the same purpose.

Finding 2: Although the pandemic has contributed to the University's restricted cash flows, the University has had a liquidity issue for some time. The University's cash flows are constrained as a result of funding capital projects from operations (e.g., tuition revenue) and operating investments.

- The financial difficulty the University faces is primarily the result of directing funds from the operating budget to capital projects. From fiscal year 2017 to 2020, the University spent $526M in capital expenditures, but it received only $241M from state appropriations and donors. The remaining $285M was funded from the University's operating reserves and/or surplus.
- The Subcommittee believes the decisions to continue to aggressively invest in capital projects is the primary contributing factor to the University's short-term cash flow concerns.
- While the pandemic may have exacerbated the financial stress that the University is currently experiencing, the facts bear out that the pandemic is not the singular cause of the current financial situation that has resulted in the University administration's decision to furlough and/or downsize staff.

Finding 3: Despite repeated requests, the University of Delaware administration has not been forthcoming with information on bonuses paid to upper-level administrators, despite the fact that the University already has the information, and that it is public information that is being withheld until the deadline for IRS reporting.

- The AAUP-UD must also point out that this refusal to confirm or deny the disbursement of performance bonuses for senior administration occurred in the wake of the staff furloughs and layoffs.
- Such behavior undermines confidence in the administration, especially when it publicly requests that the faculty make further sacrifices.

In sum, we believe that the University administration has prioritized capital spending over the well-being of the faculty and staff. If the University were faced with a financial position of limited liquid resources that placed a significant stress on its financial sustainability, then we would recommend our membership make further sacrifices. **However, for reasons outlined earlier in this letter, we do NOT recommend renegotiating our faculty contract at this time.**