

EXHIBIT 18

Dr. Rudy Fichtenbaum's Rebuttal, Point-by- Point



August 3, 2020

On July 28th, we sent the bargaining unit faculty a communication regarding the University's finances with the subject **UA's Budget Presentation: Dr. Rudy Fichtenbaum Responds**. A number of chairs and deans forwarded a response from the Administration to the faculty, and we asked Dr. Rudy Fichtenbaum if he would like to comment on their assertions. We received the following point-by-point rebuttal, and are forwarding for your information.

UA: The Akron-AAUP has issued what they term a "financial analysis" of the University's finances. It was prepared by their consultant, Dr. Rudy Fichtenbaum, a Wright State University retiree. It also should be noted that Dr. Fichtenbaum recently completed his eight-year term as national president of the AAUP.

RF: I did not have an 8-year term. I was elected 4 times, each time for a two-year term, so I served as president for 8 years but did not have an 8-year term. This, of course, is irrelevant but as long as the administration is being picky, I thought I would set the record straight.

*UA: The report incorrectly claims that the University's Expendable Net Assets total \$158,784,000 (p.29). It should be noted that amount is comprised of **restricted net assets of \$76,075,000**, which can only be used for their restricted purpose and are not available to the University to pay operating expenditures such as payroll and other expenses. The University of Akron's expendable, unrestricted net assets as of June 30, 2019, were approximately \$83 million. **These net assets are not all held in cash. As such, the University estimated that approximately \$65 million of the expendable, unrestricted net assets (or "reserves") are sufficiently liquid to be utilized as working capital to pay operating expenditures, including payroll. Notably, Dr. Fichtenbaum's analysis is off by \$93 million.***

RF: Look on page 2 of [this table](#). ODHE as part of the calculation of the SB-6 scores shows that in 2019 the University of Akron had \$158.8 million in expendable net assets. I did not make this term up, it is a term used by ODHE and recognized by bond rating agencies like Moody's Investors service. I never said the \$158.8 million was unrestricted, and in fact, my report also shows the unrestricted net assets corrected for GASB 68/75 – the identical number on the ODHE website. So, I am not off by \$93 million. Restricted expendable net assets can potentially cover debt and interest payments, scholarships, and other expenses associated with restricted funds. They are absolutely taken into consideration by Moody's which has given the University an A1 credit rating. Finally, I never claimed that the University's unrestricted net assets were held in cash. However, it is good to know that \$65 million are sufficiently liquid that they can be used for operating expenses, including payroll. That means there is no need to lay off 97 faculty members to save \$16 million, especially as the administration continues to flush money down the drain by subsidizing intercollegiate athletics.

UA: In a video featuring Dr. Fichtenbaum that the Akron-AAUP now has distributed, he makes the following – and completely incorrect – statement: “There is no evidence of a \$65 million shortfall.” As has been exhaustively detailed and discussed for months now, the Administration projected the deficit – and documented the reasons for it – earlier this year.

RF: To say it has been exhaustively detailed is not a response. In the detailed presentation given by the CFO there was no backup evidence provided for any of the assumptions. The presentation asserted that there was a \$14 million “structural deficit” but provided no evidence. I took my numbers from the general funds budget from the website at the University of Akron. <https://www.uakron.edu/rab/docs/GeneralFundMarch2020.pdf> The only thing that has been done exhaustively is to make a series of the most pessimistic assumptions with no evidence presented to warrant making such pessimistic assumptions.

*UA: The report states that the University “almost certainly” has financial data for the fiscal year that concluded June 30, 2020, and should have provided that information to the Akron-AAUP. This is incorrect. As occurs every year, several year-end adjustments need to be recorded and the Controller’s Office will be preparing and processing those entries for several more weeks. **The Akron-AAUP has been provided with the same financial information provided to the Board of Trustees, covering the year through the end of March 2020.** Statements for the period ending May 31, 2020, will be finalized and provided to the Board of Trustees and made public at the August 12th Board meeting. Following normal practice, the draft audited financial statements will likely not be submitted to the Auditor of State for review until mid-October, with the final statements released from the Auditor of State’s Office around January 2021.*

RF: So, then the administration is admitting that it has no idea how the University performed in FY20 but yet it is willing to fire 97 faculty. Does this mean that the administration and the Board have no idea how the University performed in FY20? This is gross mismanagement if that is the case. In effect, they are making decisions about FY21 based only on unsubstantiated assumptions since there is no hard data. If what they

say is true, they have no financial information for FY20 and won't have any until August 12th then they should all be fired and the Board should resign because they are making decisions without any real information which is an abdication of their fiduciary responsibilities.

UA: The report incorrectly claims UA had a \$24.9 million surplus in 2019 (p. 62). In reality, the University had to use \$3,795,965 in reserves to balance the budget.

RF: First, the \$24.9 million is an operating cash surplus, the same surplus that Moody's Investors Service talks about in their credit rating. Here is the direct quote from Moody's: "Based on draft fiscal 2019 financials, the university's operating cash flow margin will exceed its already strong 21.6% margin in fiscal 2018."

*UA: The report claims that fall enrollment is likely to be better than the planning estimates that were used earlier in the year to begin to develop the budget. While current enrollment data are better than our initial 20% enrollment decline estimate, the most recent data continue to show a large decrease in enrollment as compared to last year at this time, especially for the incoming freshmen class. COVID-related developments during the next month could depress those numbers even more. **Hoping that there will be substantial improvement, particularly during a global pandemic and all its associated uncertainties, is not a prudent strategy.***

RF: Here is an open admission that enrollment is better than the enrollment decline used to explain a \$31 million decline in tuition and fee revenue by the interim CFO in his presentation when he claimed the University had a \$65 million shortfall. So, this is an admission that my claim that they were being too pessimistic is true.

UA: The report also claims the amount of the State Share of Instruction (SSI) is likely to be higher than was projected at the time the budgets were being prepared. At that time, the state was advising

that universities should plan on a 20% reduction during FY21. That was subsequently revised, as the University has acknowledged. The report fails to note that Chancellor Randy Gardner made clear to our University on July 6, 2020:

“Please note that, as with all line items in this challenging budget environment, I must place a “warning label” on this positive news. This new FY21 SSI amount is subject to change if the overall budget and supporting state revenue sources were to significantly worsen during the fiscal year compared to current projections.”

So, SSI is expected to be further reduced during the year should state tax revenues decline due to the pandemic – yet another basis for conservative budgeting.

RF: Not only is the administration incapable of counting but, apparently, they cannot read plain English.

Nowhere in the quote from Chancellor Gardener does it say SSI is expected to be further reduced during the year. Chancellor Gardner says that if things were to significantly worsen there could be a change in SSI.

But there are also reasons why it might not be reduced, for example if the Federal government provides substantial aid to state and local governments or if the economy in Ohio performs as it is currently performing and does not get worse.

Akron-AAUP appreciates Dr. Fichtenbaum's willingness to address the administration's response to his financial report. We call for the Administration to be transparent in regard to its finances and to release the specific criteria used to select 97 faculty for termination. Only transparency can allow us all to repair the damage being done by the Administration and Board of Trustees to our programs, students, and community. Honest, transparent leadership is needed in order for us to begin to “move on.”