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President’s Report to the Board

21 February 2013

As in the past, this Report is written for the Trustees as an overview of the current work of the University and, I hope, serves as an introduction to the work of the materials in the Board book.

1. Academic and Student Affairs

I have asked Marc Manganaro to work with Cissy Petty and Sal Liberto to develop strategies that focus on student success. They will bring in other members of the faculty and staff as needed. They are focusing on how we support our students, including academic aspects/programs such as First Year Experience and the Academic Resource Center, as well as other areas such as the residence policy and tuition pricing.

Enrollment

Undergraduate admissions activity continues to be strong for us, with applications up about 4% over last year at this time. Recall that we have had significant gains in applications over the last four years, setting new records each time and growing our application numbers. Overall we have seen a growth of more than 120% over that period. Also, the last two years, our new enrolling classes are the two largest in Loyola’s history, and we believe we can keep this momentum going. Right now, we stand at 6,050 applications versus 5,807 at this time last year. We are working hard to yield our accepted students through our President’s Open House on April 6, via many communications to them about the value of this education, and faculty, student, and staff outreach. We feel good about our plan and remain on course to enroll 875 new first year and 130 transfer students; and readmit 20 previously enrolled students.

In all of our programs, we will be looking at pricing and our position in the marketplace. This will be of great benefit to us in both the short and the long term. Our mechanism for this review will be through our student retention and success summit, which is being led by Marc Manganaro and his office with university-wide membership. As you know, higher education costs have been in the news, and we compete in a marketplace where price and value are key considerations in students’ enrollment choices. We want to make sure our planning and pricing continues to allow us to be competitive in all of the markets in which we vie for students.

We have been addressing the issue of discount rate at a university-wide level. Sal Liberto has been leading the campus-wide collaboration, and we are working with a national consultant, Stephen H. Brooks, to design and execute plans that will allow us to reduce the discount to manageable and sustainable rates. This, along with our efforts and investments to continue to increase demand, should serve us well. Our fall 2013 initial scholarship offers reflect the start of this plan. We will be updating you on this important work as we move forward.
Fall to spring undergraduate retention was better than last year, with 92% of our first year students returning for the spring. We have many initiatives going at once, including directly working with students who are on academic probation to grow their chances of success; our First in the Pack, first generation student mentoring initiative; a strong focus on upper class retention; and our ongoing communication plan to increase a sense of value among undergraduates to retain them. Our retention and student success summit, which you will be hearing more about, will also enrich our work and opportunities for student and university success. We feel good about our plan and the odds of retaining our classes to meet our budget goals for fall 2013.

*Financial Aid*

We are searching for a Director of Financial Aid. As you know, this is a very crucial area for both the University budget and student success. Sal Liberto and Marc Manganaro are leading the search, and we are using the search firm of Spellman and Johnson.

We have been working with everyone on the discount rate issue and are making progress on what merit awards to trim and how to modify the award process to be more efficient and grow net tuition revenue. We should have more on this when the awards for new students are made.

*Humanities and Natural Sciences Dean*

Loyola University New Orleans announced Maria Calzada, Ph.D., as the new dean for the College of Humanities and Natural Sciences. A committed mathematics professor and scholar, Calzada joined Loyola’s faculty in 1991 and has served as the interim dean for the College of Humanities and Natural Sciences since fall 2012. She will officially begin her new post in July.

2. Finance

As reported to the Board of Trustees in December, 2012, the university’s operations for the fiscal year 2012-13 are still projected at this time to result in a Net Surplus of $100 thousand.

Although there have been swings in both Revenues and Expenditures since December, the university is taking steps to maintain or enhance the projected surplus. Through the cooperation of all of the Vice Presidents, adjustments are being made within their respective budgets to expend no more than previously projected, less if possible, and using restricted funds to offset expenses where possible.

We have conservatively estimated Summer School revenue and expenditures which will come to fruition after the May Board meeting.

In summary, as stated in October and December, 2012, the university is projected to end the fiscal year with a surplus of $100 thousand. We will maintain a 5.99% draw on Endowment.
**Endowment**

Despite several macro headwinds, the global Equities markets performed quite well in 2012, surprising many economists and investors alike. Slowing economic growth in the U.S. and China, austerity in Europe and fears of going over the “fiscal cliff” in the United States were trumped by an improving unemployment picture in the U.S., a rebound in domestic housing and unprecedented monetary stimulus measures enacted by central banks around the world. For the year, U.S. stocks and Developed International stocks increased by 16.0% and 17.3% respectively, while U.S. Core Bonds increased 4.2%.

Overall, 2012 was a good year for Loyola’s Endowment. The Unrestricted and Restricted Pools returned 12.5% and 18.3% respectively, surpassing all of our benchmarks. The market value for the Unrestricted Pool was $168.3 million as of December 31, 2012, whereas the value of the Restricted Pool stood at $84.7 million at year-end.

As of December 2012, the Loyola Unrestricted Pool was invested as follows: 64% in Equities, 28% in Fixed Income and 8% in Alternatives. The Restricted Pool is currently invested in a balanced mutual fund which maintains a blend of approximately 73% Equities and 27% Bonds. During the year, the Committee spent considerable time working with our new consultant to develop the most appropriate asset allocation for Loyola’s Endowment. Going forward, we expect to make allocations to a few new asset classes (i.e. Hedged Equity, Real Estate and Special Situations) while also enacting some investment manager changes where warranted.

Most recently, the Committee has elected to restructure Loyola’s International Equity and Fixed Income portfolios. In light of today’s low yield environment and the potential for rising interest rates in coming years, we believe that Fixed Income will be a very challenging asset class going forward. The Committee has elected to reduce Loyola’s allocation to Bonds within the Unrestricted Pool and allocate capital to managers that we believe can successfully navigate through a challenging Fixed Income environment. Other notable changes made this year include the replacement of two managers within the Domestic Equity and International Equity portfolios of the Unrestricted Pool. With our long-term horizon, we will continue to rely on the experience and expertise of the Finance Committee/Endowment Sub-Committee and our consultant. Manager performance and asset allocation will be regularly monitored and managed with prudence as market conditions evolve.

**Capital Projects Update**
All of our current projects are on time and on budget. You can find a more detailed report in the Finance and Administration report found under Tab 15 of the March 2013 Board Book.

3. Mission and Ministry

The Ignatian Faculty Fellows (IFF) program has begun, directed by Dr. John Sebastian. The mission-driven, faculty-development program is intended to align teaching with the distinctive Ignatian and Jesuit character of the university. Nine faculty members from three different colleges are participating in the semester-long program.

The Ignatian Staff Fellows (ISF) program, directed by Assistant Vice-President for Student Development, Robbie Reed, will begin its recruitment for fall 2013. This is similar to the IFF but aimed at staff—allowing staff to become acquainted with the distinctive Ignatian and Jesuit character of the university.

The M&M staff facilitated a staff development day for the Office of Human Resources, with the theme "Builders of the Ignatian Vision: Gifted, Called & Missioned" This half-day workshop was presented in early December and will be held again in March. It was led by Kurt Bindewald and Dr. Ricardo Marquez.

The Lenten series, sponsored by M&M/Alumni Association will again be held starting in February. The theme this year is: “Church in the Desert, Church in the World / Reflections on the 50th Anniversary of Vatican II.”

Archbishop Gregory Aymond invited Loyola law students to his residence in January for an Open House and dialogue with him. Over 50 of our Loyola law students, faculty and staff attended.

Loyola will be hosting the Heartland Delta Faculty Conversations national conference on February 22-24, with over 50 faculty members from 12 different AJCU Jesuit universities in attendance. The theme of the conference is ‘Eloquentia Perfecta.’

4. Institutional Advancement

Faith in the Future Campaign Update

As of January 31, 2013, gifts and outstanding pledges committed to the campaign’s $100M goal total more than $32M. Final distributions from two estate gifts bring the total toward the campaign’s $100M goal to approximately $34M.

Included in this total are a recent $5M commitment for scholarship support from the Gayle and Tom Benson Charitable Foundation, and a $1.26M commitment for scholarship support from the Patrick F. Taylor Foundation, as well as two estate gifts totaling approximately $4.5M –
for scholarship support and support for a previously established endowed professorship. New gifts and pledges are up (almost double) over where we were at a similar point last year.

The Office of Institutional Advancement is working closely with trustees from the Institutional Advancement Committee to initiate trustee volunteer solicitations of annual gifts from a variety of selected alumni.

Alumni Relations, Marketing, and Annual Giving staff members are engaging in several new initiatives to meet OIA’s ambitious goal of garnering a 20% increase in undergraduate donors over last year. These include dozens of volunteer-hosted “Loyola Loyal” dinners around the country, the “Tipoff Challenge” alumni donor competition with Spring Hill College, and major mailings in February and March.

Loyola University’s Alumni Association has accepted the campaign’s goal of raising $10M in unrestricted funds and increasing alumni participation to 20% by 2017 – the 20/10/2017 Campaign. Elly Hanks, ’99, our Las Vegas Chapter President, will lead this effort.

Centennial Update

We have had successful Centennial on the Road events in Washington, D.C., Chicago, New York, and Houston. We will have similar events this spring in Los Angeles and Miami.

We also celebrated the Centennial in true Mardi Gras fashion with a float in the 2013 Tucks Parade on February 9th. Participating as “honorary” members of the Krewe were 28 members of the Alumni Association; the Loyola Dance Team and Cheerleading Squad also participated in the parade.

In celebration of the Centennial, Wolf Pack Athletics and the Alumni Association will be holding an All Athletic Alumni Reunion on Thursday, April 11, 2013.

Marketing and promotion of the remaining Presidential Centennial Guest Lecture Series: Cokie Roberts, political commentator, and Nicholas Carr, *NY Times* bestselling author, are underway. The Fr. Heft lecture in January was well attended.

Two video shorts about the history of Roussel and Monroe Halls featuring Dr. Bernard Cook, author of *Founded on Faith, A History of Loyola University New Orleans*, were produced.

Alumni Relations

The Alumni Association launched a new website at the end of January in conjunction with a new Giving Website. The new websites offer more functional design with simpler navigation and career resources.
As noted in my discussion of the campaign, the Alumni Association is taking the leadership in raising $10 million towards the campaign with a goal of increasing the level of alumni participation.

The Second Annual Alumni College is scheduled for June 7-9, 2013. The tracks are Global Issues, Louisiana, Spirituality, and 101 Refresher Courses.

5. Trusteeship

The Trusteeship Committee is continuing its work on reviewing and updating the university’s by-laws.

The March Board meeting will be a retreat to examine the fundamentals of trusteeship as appropriate to Loyola. Ted Long, from AGB will facilitate the meeting. Archbishop Gregory Aymond will join us on Thursday afternoon for a general discussion about mission and identity.

6. Government Relations

Federal Action

Fiscal Cliff Resolution – Higher Education Impact

While there were many important provisions related to personal income tax rates and other important issues, below are a number of provisions included in the American Taxpayer Relief Act passed by Congress on January 1 of particular importance to Loyola:

- Financial Aid Programs Protected Temporarily - sequestration cuts were postponed two months and the size of the cuts was reduced from 8.2% to 5.2%. The deadline for Congress to make a deal to avoid across the board spending cuts is March 1st. This protects several financial aid programs, including SEOG and Federal Work Study, from cuts that were scheduled to take effect if no deal was reached.

- Tax Credits & Deductions Extended
  - Student Loan Interest Deduction – made permanent
  - Coverdell Education Savings Accounts – tax exempt savings accounts used to pay education expenses of designated beneficiary - made permanent
  - American Opportunity Tax Credit – partially refundable $2,500 tax credit for college tuition and related expenses renewed for 5 years
  - Employer Provided Educational Assistance – An employee may exclude from gross income up to $5,250 for income and employment tax purposes per year of employer-provided education assistance – made permanent. This is different than the tax advantages Loyola employees receive for their tuition remission.
  - Charitable IRA Rollover – extended for 2 years through the end of 2013
While there was certainly some good news regarding important tax provisions related to higher education in the legislation passed on the 1st, there are a number of other fights in the coming months, such as the debt ceiling, sequestration and annual appropriations battles, that will determine federal financial aid funding levels for the coming fiscal years that are still vitally important to Loyola, our students and higher education in general. That is to say the fight to protect higher education funding will continue well into 2013.

State Action
Governor Bobby Jindal’s recent announcement that he will push to eliminate Louisiana’s state income tax and revamp Louisiana’s entire tax structure is of particular interest to numerous interest groups across the state, including private higher education.

While the direct impact of the Governor’s proposal is not yet fully known, it is possible that a couple of different tax provisions Loyola currently benefits from, such as a sales tax exclusion for goods/services that further the mission of the university, may very well be on the negotiating table during the upcoming legislative session. However, no one knows for certain that this is the case because the administration has yet to release the full details of their proposal.

7. Planning

We are in the fourth year of implementing our current strategic plan Loyola 2012. The plan was designed as a five year plan, and we are well underway in implementing this plan. As you know, one of my goals for this year, as well as past years, has been the oversight of the implementation of the plan. At the end of next year, we will evaluate what has been accomplished and begin the process of creating a new plan which will involve every segment of the University as we did in creating Loyola 2012.

While we remain focused on implementing our current plan, I have begun conversations with the Strategic Planning Team of the University to begin thinking about evaluating the current plan as a stepping stone to developing the next plan. Of course, the development of the next plan will involve Board participation.

8. Professional Development

You may recall this is another of my goals for this year. I have looked at a couple of different programs which were recommended to me. The one that I think will be most helpful is a seminar, held each fall at the Harvard Graduate School of Education. I intend to apply to this program. If accepted, I will do the program next fall.

9. Civic

I remain a member of the New Orleans Business Council and the Board of GNO, Inc. I also continue as Chair of the Civil Service Commission of New Orleans.