REPORT OF THE FINANCE COMMITTEE

2013-2014 Projected Revenues and Expenditures

As reported to the Board of Trustees in December, 2013, the university’s operations for the fiscal year 2013-14 are still projected at this time to result in a Deficit of $4.3 million.

Although there have been swings in both Revenues and Expenditures since December, the university is taking steps to continue to minimize the deficit. 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.

Both the Voluntary Severance Plan (VSP) and the Reduction in Force (RIF) were successful in reducing both the Salary Budget ($6,250,000) and Fringe Benefits Budget ($1,250,000) on an annual basis by the 2013-14 shortfall of $7,500,000.

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

In summary, the university is projected to end the fiscal year with a deficit of $4.3 million. We will maintain a 5.0% draw on Endowment.
FINANCE COMMITTEE
REPORT OF THE ENDOWMENT SUB COMMITTEE

Endowment Update

On the heels of better-than-expected GDP growth, a declining unemployment rate and an improving housing market, 2013 turned out to be a spectacular year for U.S. stocks, which returned 32.4%. However Internationally, the picture was more of a mixed bag. On the one hand, Developed International markets increased 22.8% as economic conditions in the Eurozone were perceived as “less bad,” and the Bank of Japan launched an unprecedented monetary stimulus plan in an effort to finally rid the country of a decades long battle with deflation. In contrast, Emerging Markets, which have served as the engine for global growth for several years, declined 2.3% as signs of a slowing economic growth in many developing nations became apparent. The Fixed Income markets proved to be another difficult area for investors in 2013, as Ben Bernanke’s “tapering” speech in May set off a rise in interest rates, resulting in -2.0% return for U.S. Bonds.

Overall, 2013 was a very good year for Loyola’s Endowment, which in aggregate returned 19.3% net-of-fees and ended the year with a market value of $286.6M. The underlying Unrestricted and Restricted Pools returned 14.5% and 28.3% respectively, handily surpassing our benchmarks. The market value for the Unrestricted Pool was $177.5 million as of December 31, 2013, whereas the value of the Restricted Pool stood at $109.1 million at year-end.

As of December 2013, the Loyola Unrestricted Pool was invested as follows: 75% in Equities, 24% in Cash/Fixed Income and 1% in Real Estate. At year-end, the Restricted Pool was invested in a balanced mutual fund that consisted of 66% Equities and 34% Cash/Bonds.

During the year, the Committee spent considerable time working with Loyola’s investment consultant to select several new investment managers. In light of today’s low yield environment and the heightened potential for rising interest rates in the years ahead, the Committee funded three new Fixed Income managers to reduce U.S. interest rate risk within Loyola’s portfolio. Two new International Equity managers were funded to both replace an underperforming incumbent manager and gain selective exposure to Emerging Markets. Finally, the Committee approved and funded several new managers to fill out the Endowment’s Hedged Equity and Real Estate targets, which represent relatively new asset classes for Loyola. Finally, Loyola staff worked diligently with our custodian and investment consultant to create a “commingled” structure in which the Restricted Pool can invest alongside the Unrestricted Pool, yet maintain its own asset allocation that complies with its unique guidelines. These efforts are expected to improve diversification within the Restricted Pool and result in significant cost savings for the university while still maintaining compliance with the requirements set forth by the Louisiana Board of Regents. We are happy to report that this transition was implemented in January, 2014 without any issues.

With our long-term horizon, the Finance Committee will continue to make financial decisions that we believe will benefit Loyola for years to come. Manager performance and asset allocation will be regularly monitored and evaluated with prudence as Loyola’s needs and market conditions evolve.
FINANCE COMMITTEE
REPORT OF THE FACILITIES SUB COMMITTEE

Construction Project Updates

(This report covers progress through January 31, 2014)

Monroe Hall:

- The 700 Level has been inspected by the State Fire Marshal's office and approved for occupancy.
- Construction of the new Greenhouse is substantially complete.
- Occupancy and use of the new Greenhouse, Headhouse and Growth Chamber Room by Loyola is scheduled for Wednesday, February 12th.
- The tower crane has been dismantled and removed from the project.
- Working scaffolding has been removed. Protective pedestrian covers remain in place at the building entrances.
- The roof system has been inspected and approved by the roofing manufacturer.
- Construction of the 600 Level (Phase IA) is progressing and is scheduled for turnover around mid-April 2014.
- Phase II demolition and construction are well underway.
- Flooring has been installed in passenger elevator
- Passenger and freight elevators are now fully in service.

Cabra Hall

- We have received a clean lien certificate, and are in the process of closing out final documents.

Buddig Hall:

- Final document closeout in progress.