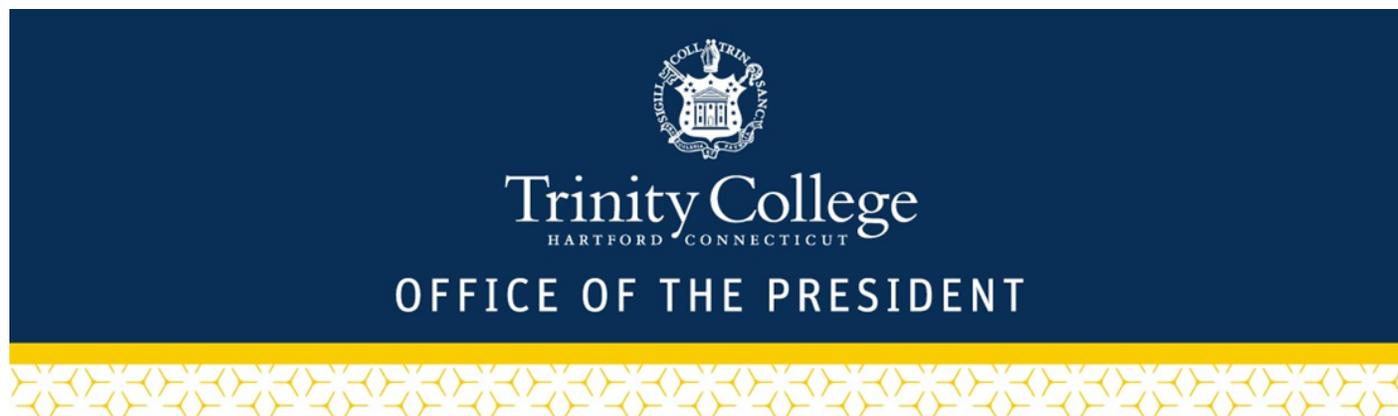


Letter to the Community about the Economic Impact of the COVID-19 Pandemic

President Joanne Berger-Sweeney <President@trincoll.edu>

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To: President Joanne Berger-Sweeney <President@trincoll.edu>



April 15, 2020

Dear Members of the Trinity College Community,

In the past several weeks, I have written to you many times to share our immediate plans in the midst of the global COVID-19 pandemic. The focus of those early letters, rightfully, was on the public health crisis and keeping our community safe and continuing our academic mission. I write you now to share information about the financial crisis that this pandemic has created for our institution.

The extent of the larger economic crisis that has been brought about by COVID-19 is broad and deep and unlikely to ease in the short-term. You need only pick up a newspaper, follow social media, or turn on the television to recognize that predictions of a profound slowing of world economies abound. For those of us in higher education, it is clear that *all of our traditional revenue sources are likely to be significantly and negatively impacted* by this pandemic—net tuition revenues (*fewer* students who will need *more* financial aid), endowment income, and gifts to the college. The impact of these combined factors is real and serious, and it will last long after the pandemic abates. These are challenging times.

Given these challenges, we have been encouraged by members of the Board of Trustees and our Planning and Budget Council (PBC) to consider our losses over a 15-month period rather than our usual 12-month fiscal year, and that is exactly what we are doing.

Forefront in our minds is maintaining our college's mission—to educate bold, independent thinkers who lead transformative lives—and making sure that we emerge strong after this crisis. We will be guided by our strategic plan. We also are committed to preserving our resources—people, cash reserves, and facilities—to the greatest extent possible.

As we continue to work toward a budget for the next 15 months, there are things we know

now or can predict. There also is much that we don't know about the path of the pandemic or how people will respond in its wake. Here are some of the things we do know:

1. Trinity College will have losses this fiscal year, FY20, currently estimated at more than \$7 million. We expect to mitigate some of these losses by a combination of things, including the federal stimulus (the CARES Act), reduced spending, and other savings. Even with mitigation, like most of our peers, we estimate significant financial losses in FY20.
2. We are likely to have substantial losses next year, FY21. We do not yet have an accurate estimate of those losses; there are too many variables that we cannot predict at the moment. Our losses next year will exceed those from this year.
3. This pandemic will significantly affect our financial resources for many years to come, not simply FY20 and 21.
4. We must continue to support our mission, guided by our strategic plan.
5. We value our most precious resource—our people—and want to do the least harm to people and make decisions that are fairest to the largest numbers that we can, given our financial constraints.

Because of the things that we know now, I, along with my senior leadership team, have made some significant decisions that I want to share with you today. These decisions are difficult, but they must be made now to preserve, to the best of our ability, our Trinity College workforce through June 30, 2020.

Each one of us will need to share some of the burden of ensuring our financial stability in the future. We have shared these decisions with our governance groups, in particular the PBC and faculty leadership, and, of course, the Board of Trustees.

Therefore:

- Effective immediately, the college is suspending all employer contributions to the retirement plan for three months, for the period beginning April 1, 2020, and ending June 30, 2020. Employees will be able to continue to make (or increase as allowed by law) contributions to the plan.
- If we must make changes to salaries in the future, they will be progressive, in other words, affecting the highest paid employees the most. To signify this commitment, I commit personally to a 5 percent salary reduction, effective now through June 30. If we recommend salary reductions in the future, my contribution, stated here, will be on top of any sacrifice that I ask from others.
- Effective immediately, we will pause new hires. This decision will continue at least through June 30, 2020. If you believe that exceptions need to be made, please contact your divisional vice president or the interim assistant vice president of human resources.
- Effective immediately, we will pause all capital projects that are not related to immediate, life-safety matters through June 30, 2021.

Some may ask, how can you consider any decrease in compensation when many of us are working harder than ever? While reducing benefits is never an easy decision to make, it

seemed a better option, at this time, than reducing salaries or instituting layoffs or furloughs. We have made this decision with a couple of points in mind. First, by not reducing salaries at this time, we are able to allow employees to preserve their own cash and maximize their personal financial flexibility in these very uncertain times. Our employees may have current financial needs or want to preserve cash now, knowing that harder times are coming. Second, our retirement contributions made by the college are a percentage of an individual's income (the total for Trinity is about \$1 million each quarter). With this three-month suspension of retirement benefits, the most highly compensated individuals will lose the largest contributions from the college. Third, retirement contributions are guided by federal laws, and changes to contributions must be applied fairly across all Trinity employees.

Some may ask why we don't simply withdraw funds from our endowment to cover anticipated shortfalls. As a reminder, our endowment is a strategic asset, growing over time, to provide a steady, reliable income stream to support specific activities and to provide sustainable financial support of operations that serve Trinity's mission in perpetuity. Its purpose is not to serve as a reserve or rainy day fund. While the trustees may choose to draw some additional funds from the endowment in the future to help alleviate the extraordinary challenges created by the pandemic, an institution that runs a deficit should not take money from its endowment at the bottom of the financial market and certainly not without limitation. Spending decisions today must be balanced against the needs of tomorrow. Intergenerational equity is a core principle that we must follow as stewards of the endowment.

Even with these aforementioned actions, we are likely to end FY20 with a significant (multimillion dollar) deficit. We will use our limited cash reserves to fill that gap. At the same time, we must preserve some of those reserves for the future because this economic crisis is likely to be long-lasting.

I know that these measures will create challenges for many people across our institution, and we ask for your patience and understanding as we work through difficult decisions.

Also, I appreciate that many of you will have questions and are anxious about possible additional steps, including changes to employment that could mean temporary furloughs or permanent layoffs. I don't have all the answers about the future, but I know that our next fiscal year will be more challenging than our current fiscal year. What I can assure you is that we remain committed to sustaining employment of our college workforce through June 30, 2020.

These are difficult times for all of us, and although I cannot promise always to deliver good news with every letter, we will stay in touch on issues about budgets and employment that will affect the community. We know that you have questions and are anxious about the longer-term effects of the pandemic on you, your work, and the college more broadly. We will remain transparent about actions that may become necessary as we learn more about next year. We remain committed to shared governance even when we disagree. And we will need to make difficult decisions as we move forward into next year.

We are living in extraordinary times, the likes of which we have never experienced. Trinity,

as an almost 200-year old institution, has weathered many storms by coming together as a compassionate community. We will weather this storm, too.

There is little doubt in my mind that higher education, and Trinity College, will look different after this pandemic. A crisis of this magnitude will change our lives forever and change the way that we think about higher education. As we navigate these challenging times together, I recognize that Trinity is a community of individuals. Creating a future that we can be proud of will require that we be our best selves today. We are all Trinity, and we will create our bright future together with compassion and care.

Sincerely,

Joanne Berger-Sweeney
President and Trinity Professor of Neuroscience