
OFFICE OF THE CHANCELLOR



April 20, 2020

Dear Washington University Faculty and Staff:

We would like to begin by saying we hope this finds you and your families as well as any of us can be during this incredibly challenging time. We know the past several weeks have been stressful and uncertain on a number of levels. Please know that we are concerned about your well-being, and that we remain exceptionally grateful to all of you for the sacrifices you are making for the greater good.

The changes to all of our lives in the past month due to the COVID-19 pandemic have been dramatic and unsettling. Your response to these unexpected challenges has been nothing short of remarkable. Our university community has stepped up in big ways to address this evolving situation, and it hasn't been easy. You've continued to show up on the front lines – as health care providers, first responders, or in other essential roles. You've transformed university properties into housing for medical workers. You've transitioned to an entirely different way of teaching in a very short time. You've found ways to pivot or pause your research and scholarship under enormously challenging conditions. You've solved problems through innovative solutions. You've reached out to support the St. Louis community in new and critical ways. Because of you, the university has continued to function under extremely difficult circumstances. We are thankful for all of you who have given so generously of yourselves during this time.

Unfortunately, we must now face painful realities as we continue to navigate this evolving situation. Even for an institution like ours, with a strong financial foundation, this crisis is taking a huge toll, primarily due to sweeping changes on the Medical Campus, which has completely shifted its operations to respond to COVID-19 patient care. Elective procedures and any activities that are not absolutely necessary or related to COVID-19 have been

halted or scaled back. The academic hospitals have hundreds of empty beds. Our clinics are seeing 60% fewer patients. Only critical and emergent care is being provided. The financial impact of higher expenses unique to the pandemic and lower revenues from lost volume are creating operating losses with revenues off by \$60 million in just the first month. That loss is projected to continue for some time, until we can see a return to normal operations. In total, our medical school is projecting a revenue loss of \$150 million through the end of the fiscal year. In addition, the Danforth Campus will need to absorb an estimated one-time fourth quarter cost of approximately \$25 million, which includes refunds to our students for unused housing and dining plans and other fees, as well as the cost of packing and shipping essential items to students. We also have incurred additional costs for increased technology needs across the university and to provide housing for medical personnel who cannot go home during this time.

We do not know what recovery will look like, or when it might happen. It is unlikely that we will see great improvement during the summer, particularly since we have already made the difficult decision to suspend all in-person programming and events until at least August 1. While it is our hope that we will be able to resume normal operations at the start of the fall semester, we stand ready to make adjustments as necessary. The very nature of our university, particularly with our residential student population from across the United States and around the world, inherently represents a density of contact among students, faculty, and staff. This is our greatest challenge as we consider a return to our normal activities – how we will be able to function while incorporating social distancing and other precautions that will be necessary to protect our community against the spread of COVID-19.

As many of you know, we have already put a number of changes into effect to begin to address our financial losses:

- Implemented a hiring freeze on the Danforth Campus and in the central fiscal unit;
- Froze non-clinical positions on the Medical Campus;
- Made significant reductions in spending for the fourth quarter of the 2019-20 fiscal year;
- Reopened the budgeting process for the 2020-21 fiscal year, asking all departments to identify areas to cut costs;
- Delayed or eliminated non-essential capital projects;

- Started work on exploring cost recovery through the Federal Emergency Management Agency and the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act. To date the university has already been allocated \$16 million from the CARES Act for the Medical Campus, and has been allotted another \$6.4 million that would primarily benefit the Danforth Campus. While certainly significant, much of this funding is restricted for conditional use and in no way makes up for our losses.

Unfortunately, these changes will not be enough to ensure that the university is able to capably fulfill its mission in support of education, research, and patient care into the future. There are a number of additional steps that we must take now to preserve our financial resources and keep the negative impact on our employees to the lowest levels possible. These are extremely difficult decisions, and we are aware that they will be painful for many in our community. Regrettably, beginning today, we will implement the following measures:

- The hiring freeze on the Danforth Campus and in the central fiscal unit will continue indefinitely, and the hiring freeze at the School of Medicine will last until we can restore normal operations.
- There will be no merit salary increases for employees on July 1, 2020.
- The three administrators who have signed this letter – the chancellor, executive vice chancellor and chief administrative officer, and the executive vice chancellor for medical affairs and dean of the School of Medicine – will take voluntary pay cuts between 15% and 20% for the 2020-21 fiscal year. Other leaders on the Danforth and Medical Campuses will be taking voluntary pay cuts as well.
- Chancellor Martin is establishing a university-wide group to closely review opportunities for cost savings, in areas such as travel expenses, memberships and sponsorships, the use of outside consultants, and other significant budget expenditures.
- We will implement a workforce reduction policy to include reduced schedules, furloughs and layoffs.

It is our strong desire to preserve as many jobs as we can. You, our employees, are what make the university great. We do expect, however, that there will be a significant number of furloughs, particularly on the Medical Campus, at least through the months of May, June, and July. Our current estimate is that next week approximately 1,300 employees will be furloughed, meaning that they will have a period of up to 90 days of unpaid

time off from work. Some furloughs will be voluntary. Please know that we will offer support to everyone affected by these policies to help them navigate the process of applying for assistance. Please also know that we will do everything we can to limit the length of this disruption, and to call back our furloughed employees as quickly as we can.

Employees on the Medical Campus who will be affected by the workforce reduction policy will be notified beginning today. On the Danforth Campus, the need for implementing this policy will be determined as part of the budget review process and the first employees who will be affected will be informed by the end of April. The university will continue to provide full benefits to furloughed employees, and we will also provide information about state unemployment benefits, as well as the CARES Act, which offers additional financial relief through July 25. For many affected employees, the total income from these two sources will be roughly the same as their usual pay.

Some of you may wonder why we can't cover our financial losses by taking money from the endowment. It may seem hard to believe that an institution like ours could face a serious financial challenge like this. But the scale and scope of this pandemic are unique. We do have a significant endowment, and we will distribute as much as is deemed prudent from this fund to address the current need. However, the reality is that the endowment is also highly restricted, with guidelines in place to ensure our long-term stability in order to provide a secure future for the university for generations to come. In addition, the endowment has already seen a negative impact due to this global crisis, and it is highly likely that it will be affected further. It would not be prudent – or even possible – for us to use a significant amount of our endowment funds for this purpose. This is the reality of our situation.

We deeply regret that these steps are necessary, particularly given the incredible efforts you all have made in response to the current crisis. There is nothing more important to us than the people in our community, and we will do all that we can to bring back furloughed employees as quickly and fully as possible, and to keep the number of people affected by these changes to an absolute minimum. We are humbled by your dedication to the university, and your many outstanding contributions. Thank you for your continued support and for being an important part of our community.

Sincerely,

Andrew D. Martin, PhD
Chancellor

David H. Perlmutter, MD
Executive Vice Chancellor for Medical Affairs and Dean, School of Medicine

Henry S. Webber
Executive Vice Chancellor and Chief Administrative Officer

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