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Cavanaugh, Patrick Oral History Interview

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Cavanaugh, Patrick (1997-2014)
Vice-President for Business and Finance

March 18, 2015

By David Fletcher

Transcription by Jade Vo, University of the Pacific,
Department of Special Collections, Library

Subjects: Business at Pacific, President DeRosa’s administration, Beginning of President Eibeck’s administration (first five years), Endowment growth, Facility planning and development: 1997 – 2014
David Fletcher: This is David Fletcher, interviewing Pat Cavanaugh for the Emeriti project. It’s March 18th 2015, and we are conducting the interview at Pat’s home in Solvang.

Pat Cavanaugh: Ok!

FLETCHER: So. I guess let’s start with what years you served the University and your official title while you were here.

CAVANAUGH: Ok, I started with the University in June of 1997 as Vice President for Business and Finance and continued to serve in that role through May of 2014.

FLETCHER: What were circumstances that brought you to Pacific?

CAVANAUGH: Before I came here, I had the same position, the Vice President of Business and Finance at Drake University for seven years, starting there in 1990. In 1995, Drake’s President Dr. Michael Ferrari introduced me to a friend of his who was heading to Stockton, California, to be installed as the new President of the University of the Pacific. Dr. DeRosa was at Drake for two or three days spending time with several of the Vice Presidents to get a short course of issues of higher education, with which he may not have been familiar. During those sessions, I recognized that Dr. DeRosa was a good guy, anxious to be well prepared for the Pacific presidency, and easy to get along with. A couple years later, Dr. Ferrari was getting ready to move on (in 1998, he became Chancellor at Texas Christian University), and I was going to turn fifty, so I was starting to consider about alternatives.

In November of 1996, I first learned of the position opening at Pacific and remembered my positive experience with Dr. DeRosa, but I didn’t do anything about it immediately. Then, in mid-January, 1997, after returning from a Colorado ski trip to a particularly harsh Iowa winter, I decided that I would rather live some place where it doesn’t snow except on nearby mountains. It wasn’t quite that simple but the Pacific position was a good opportunity for me to move to California. I spoke with Dr. Ferrari about pursuing that opportunity and applied for the job at that time. Although I didn’t know a lot about Pacific, what I knew about Pacific was positive. I thought there was a lot of upside potential under the newly inaugurated President DeRosa. After going through a standard interview process. I met with the selection committee (chaired
by Law Dean Caplan) on my first trip. After a couple more trips to meet the University leadership on all three campuses, I was offered the position by President DeRosa and accepted it with pleasure.

FLETCHER: Great. So had you been to Stockton previously?

CAVANAUGH: No, I never had. I had been out to Northern California though. My sister has lived in the Napa area since the late seventies and still lives there, so I had come to Northern California fairly often to visit her. We liked the area generally, San Francisco and so forth, but I had not been to Stockton.

FLETCHER: Okay, so when you first came, what were your first impressions of Stockton and the people that lived here?

CAVANAUGH: I had an impression that Stockton, like the University, had lots of upside potential, but, like the University, that it had been through some challenging times. There were many opportunities for Stockton to improve, and I think things were happening at that time in the city that indicated that it was on a positive slope and had some good leadership at the city level. I think the economy was gaining strength here. There were obviously some things that needed to be done in the city and the Stockton campus was sort of the same world, where there was a lot of upside potential, with several things that needed to be addressed, but if addressed correctly, the University and the City could be significantly better.

FLETCHER: Now, what about the people at the University, what was your first impression of the University staff?

CAVANAUGH: My first impression was that the University staff was hard working, dedicated and frustrated. That was true not only in the Division of Business and Finance but also in many other units of the University. The Cabinet was somewhat of a mixed bag, but President DeRosa and Provost Gilbertson were new to the University and full of enthusiasm and optimism. When I joined President DeRosa’s Cabinet, I had already served another private comprehensive University for seven years as vice-president and chief financial officer. That prior experience helped me hit the ground running, and I inevitably made lots of comparisons to how things are done and the skills of the people in different positions. Overall, I thought the University had a lot of solid people in key spots. Based on the WASC criticism of Pacific from its review in the early 1990s, President DeRosa made it clear that a key priority was to address the critical financial issues. I think there were many hard working, well-intentioned people in the division, but I think that it was under-resourced after a series of budget reductions. There probably had been a leadership shortfall to some extent in that area. But I had a lot of good colleagues on the Cabinet: Phil Gilbertson had been there only a few months when I joined. Don DeRosa had been there just two years, and most of the Cabinet (except for Vice-president Judy Chambers), were
brand new to Pacific and their position. Judy Chambers had been at the University for a long time, and I understood was very well regarded in student life circles nationally. Her counterpart at Drake University, Don Adams, had been at Drake along time, and, like Judy, had also been very active in the national association of student life professionals. Don knew Judy and was very positive about her. The overall team at the cabinet level was good.

FLETCHER: What about the students and faculty? I know that you were not in a position that interacts directly with students at most institutions. I thought you were different than others we’ve had in that position, since you spent more time working with students and faculty. What about that?

CAVANAUGH: Before coming to Pacific, I had extensive experience working with students and faculty. I came to Pacific with an understanding and a respect for shared governance -- the roles the faculty have to play in not just curricular matters but other issues related to the governance of the University. I was very impressed with Pacific’s highly capable faculty. The University relies a great deal on multiple committees to develop and review policies, budgets, tenure and other issues. This means that committees are composed of members representing different groups of constituents across the University. The IPC was a leading example of that but there were many other groups. I think sometimes it can be frustrating for administrators to work through that, but I benefited from experiences that led me to understand that, in the long run, by working through that process, I was better off. I thought it was better to ask students and faculty explicitly through their government structures for their recommendations relating to the budget and resources and what their issues were and make sure they participated in the process of governance. That enabled the entire university community to have a better understanding of what their needs were competing against, at that level. Dave, you are in a better position than I to know what it was like beforehand, but I think that there wasn’t as much of that communication as there should have been. As a result, there was a lot of suspicion and ignorance about what was in the budget. We tried to improve the transparency of our decision-making processes early on.

FLETCHER: So when you first arrived was there somebody who you felt was particularly helpful to you?

CAVANAUGH: At the division level Larry Brehm was terrific. He had been slogging away there for, I suppose at that time, almost thirty years. At that point he’d started with the university at about 1970 or so. He was kind of quiet, didn’t assert in meetings so much, but it was clear that he was the go-to guy in the division, and, in the finance center, he had a terrific amount of respect from those people who were responsible for getting the work done. And one of my early decisions was to make him my number two. I guess part of it was from experience as an
officer in the Army Reserve: I always wanted a clear chain of command where there was no question who would serve on my behalf if I were unavailable. Other than Larry, the leadership team in the division was relatively weak at that point, and we needed some changes in some other areas. I was fortunate President DeRosa gave me the latitude to make the changes I thought was necessary. Phil Gilbertson was a good partner, particularly during the first ten years or so, when we worked very closely together, but through the entire time we worked together it was always an important relationship.

FLETCHER: When you think about the changes that took place during your tenure at Pacific, what are the things that stand out in your mind as important changes?

CAVANAUGH: The University’s financial situation was greatly stressed in the early 1990s, and part of it had to do with budget issues and the way the budget had been put together and managed, particularly on the Stockton campus, but also on the other two campuses. I also thought there wasn’t as much coordination of budget development and control. The other two campuses operated fairly independently of central financial controls and processes. They had to provide the main campus an “administrative fee” based on their annual revenue, and then, for the most part, were left to their own devices. There were good things and bad things about that, however, from the point of view of the San Francisco and Sacramento campuses, the central office in Stockton had not been able to provide adequate help and support so they developed the necessary capacity they needed internally. Gradually, we improved coordination among several administrative functions, not just the business financial functions on the other two campuses. However, progress was slow and there was resistance, especially at the law school. While we didn’t make as much progress as I’d like, but we all developed a greater understanding the others’ position, and, as a result, improved coordination.

In 1997, the endowment was relatively small, and the board had an investment subcommittee of the finance committee rather than a separate investment committee. That approach meant that the board didn’t spend the time needed to manage its endowment strategically and in accord with best practices. Using some of my experience from government and from Drake University, I was able to provide leadership in professionalizing endowment management process. Related to the tax-exempt financing of capital improvements and other needs, the University had limited experience. A few years before I arrived, Pacific participated with three or four other smaller institutions in a small borrowing to help lower the risk overall and lower the cost. I provided guidance to the President and to the Board a sensible debt policy, so people would understand the important role of debt on our balance sheet and how it was important for us have acceptable debt levels improve the University. This debt policy provided us an advantage, particularly as a nonprofit organization, to make sure we did it in a sensible way within the limits of our resources, looking at key measures in our balance sheets and income
statements and so forth. Part of that was instructing not just a few members of the Board, but really the entire board as well as the IPC about what an endowment was, and what some of the considerations are, and what its objectives are. It was important that they understood the importance of ensuring the purchasing power of the money from the endowment be no less in the future than it is today. It was important they understood why it was important to have a balanced portfolio, and had a rigorous process for identifying prospective managers and a rigorous way to evaluate those, and enforce our policies of endowment management on them.

Soon after arriving at Pacific I worked with President DeRosa on selecting professional consultants to work with me on the development of the campus master plan, and determining what the most critical facility needs were in terms of renovations of existing facilities or replacement of existing facilities or the additions of new facilities. Proposals were developed after extensive campus discussions and vetted with the board members. We ended up with a set of priorities, near term, midterm, long term, had estimates with what the costs were and then we started to work the program. In 1997, the University had relatively low debt, but they also facilities that were in poor shape and were a competitive disadvantage to the University, or there were a number of facilities that really weren’t competitive at all. The progress on the campus master plan began producing good results early with the new facility for physical plant, the renovation of the physical plant complex on south campus for the Departments of Art and Geosciences, and then the elimination of the Quonset Huts in central campus.

President DeRosa provided leadership for the development a policy for tuition discount, which would keep us price competitive but generate more net tuition revenue. One of the things we were able to do early on was the need to strategically lever our financial aid and reduce our comparatively high discount rate. For the eight or nine years ending in 2007 Pacific had low tuition increases, while we reduced our tuition discount and increased enrollment and we saw large increases in our net revenue and increases in our opportunities for investment in programs, facilities, and compensation.

When President DeRosa came to Pacific in 1995, there was a fair amount of dissatisfaction over the faculty and staff compensation. Faculty compensation didn’t compare favorably to so-called “peer institutions”. We identified which institutions were our “peers”, that is, who we are like, and which were our “aspirants”, that is who we want to be more like. It was important the amount of salary increase be developed with an understanding of Pacific’s total compensation package in comparison to others. We designed and implemented a series of those faculty and staff pay plans – multiyear pay plans – and a series of increases in the University’s TIAA/CREF match – so that Pacific was successful in making its total compensation more competitive among its group of “peer institutions”. In the last few years, there have been a few other challenges on the horizon for the University, so the pace of progress in
compensation hasn’t been what it should have been. Candidly, we’ve probably given up some ground on it a little bit. But I think overall we’re still much better off.

FLETCHER: Okay, so now in terms of the mission of the University, when you came, what did you think about the way in which the University mission had been articulated, and if you thought it was appropriate or not?

CAVANAUGH: Well, when I got here in 1997 they were just beginning the process of developing the mission. I think the mission itself was one I could embrace and I think it was good. For an institution like Pacific, it is important to value the whole student and academic rigor. It is important to have a good linkage between the liberal arts and the professional schools – that’s all part of it. Of course, part of being in higher education isn’t just to prepare students for their chosen profession, but to make them better participant in democracy and be informed citizens. I think that’s all represented in the mission that the University settled upon. I do think some of it was easily addressed and we could get our arms around it, but I think there were other aspects that were more difficult. I think that it is a tough connection between the liberal arts and some of the professions especially – where several of the professional schools have on a prescribed track and so forth. And you see some students, I’ll say the pharmacy for instance, they have a very tough rigorous undergraduate program and that’s a challenge. I think the University’s PAC seminars were good – to have a common experience in the academic experience in humanity and history and issues that they should grapple with was good.

FLETCHER: In terms of the changes that you proposed, what was your impression about the acceptance from the various parts of the University community?

CAVANAUGH: In general, I thought it was good. Those areas where I thought were important to advance, such as a more open budget process or the endowment process or the faculty and staff pay plans, were well accepted. Overall, I’m proud of that and part of that was sort of assuming the role as a teacher to explain to the university’s various constituent groups about how this all works. In all of these areas – master planning, debt policies – you just shouldn’t expect people to trust you. You have to respect their role as decision makers and know that it’s important for them not just to accept the proposal but confident vote for or otherwise express support for the position. For that to happen, you have to educate them and you have to advance it at a proper pace that can’t be too fast, but it also can’t be too slow. You really have to take time and the effort to train the various audiences with which you’re seeking consensus to have all their questions answered.

FLETCHER: Let’s switch gears a bit and talk about the hierarchy in business and finance and how it was structured and how you changed the structure and who were the key players for you.
CAVANAUGH: Again, Larry Brehm was a critically important part of my initial team; the other one was Jerry Zedlitz who was the budget manager at that time, and had been from the mid to early 80s or so. It had been clear to me that Larry was the guy who really was responsible for most of the functions in the Finance Center and had a depth of knowledge. I found him very capable, hardworking, kind of a meat and potatoes guy – nothing fancy, but he was always a good solid performer.

Soon after I arrived in 1997, the director of HR and the physical plant director were assigned to my scope of responsibility. With Larry and Jerry, that was really the core leadership group in the division when I began. Within the first six months, I recommended to the Board that we re-establish the position of Internal Auditor that had been eliminated a year earlier in a budget reduction. I really thought it was important that we have an internal auditor and an internal way to provide, that had the ability to come in anywhere throughout the organization and on behalf of the board to secure and provide information regarding the efficacy and accuracy and legitimacy of various programs and operations and so forth. After a national search, I hired Deb Kallman, a CPA with audit experience with KPMG in Sacramento, to be the Internal Auditor. Six months later, I split Larry’s job responsibilities and added a position of Controller to handle payroll, accounting and financial reports. Larry focused on bank relations, short-term investments and endowment management. Again, after a national search, I promoted Deb Kallman into the Controller position. Along with Larry Brehm, she was an important reason for the successes we had in strengthening the University’s financial operations.

Over the years I added a couple others staff in treasury management, so Larry’s role evolved into a chief investment officer with a lot of responsibility in not just the endowment, but other investments as well as bond compliance and banking relation issues. That was important as we realized more and more success in our endowment management and also in some endowment gifts. That became an area of strength and I think it was important for us to be able to tell prospective donors that we were professionally managing it and we were able to, I think, prove our record of management stacked up favorably against other similar institutions.

FLETCHER: Tell us a little about how you measured that.

CAVANAUGH: Well a number of ways. There is NACUBO, the National Association of College and University Business Officers, which does an endowment study every year. It publishes its endowment performance of the top 800 institutions of higher education based primarily self reported data, but then they show how your endowments done in term of percentage increase, of ending balance, in percent of endowment growth. They’d also report information so you could get a sense of how common your practices were. For instance, we were able to see how our spending rates stacked up. 5.5% was on the higher side, for instance. But we knew if we were on the top 10%, the top 20%, and the bottom – we knew how our results stacked up to
other institutions. The other thing we were able to do using that information, and I was able to demonstrate to the audiences, including certainly the investment committee and the board, how our endowment was doing against the number of similar institutions, particularly on the west coast. Several of them were truly similar, such as the West Coast Conference schools now, but we also had the performance numbers of some of the big endowments, like Stanford or Pomona. Those who saw that information understood not only how we were doing, but also how our endowment performance compared to others. We were proud of our endowment and how it was growing. You realize that that’s great that we have a $100 million endowment or whatever it was at that time, but one of the key measures that they have in that NACUBO report is endowment assets per student and how that ranks up. They realized that we may have been maybe 130th out of 500 endowments in terms of overall size, but we might have been 200 and something in terms of assets per student. That’s really where it really is important. Everybody thinks, “Well Harvard’s got the biggest endowment,” – yes; but Princeton has the largest amount of endowment per student. They have like 2 or 3 million dollars a student. If they use a 4% spending rate, they’d be able to underwrite $120,000 of the cost of every kid’s education every year! That’s pretty powerful. While I was at Pacific, its endowment per student went from something like $11,000 per student up to nearly $80,000 per student.

FLETCHER: In terms of communication and accessibility, I think it’s certainly fair to say that you are really successful in communicating with all areas of the institution. Is that a philosophy of yours that you’ve brought with you? Is it something that grew at Pacific?

CAVANAUGH: I think communication is an important part of any manager. I think you shouldn’t be threatened with sharing information. We tend to overestimate the downside of sharing information. I think again we’re still in a community in which consensus is sometimes explicitly and sometimes implicitly formed, and I think it’s important for people to understand why we agree or disagree. Part of that approach is from my experience in government where there is a bias — in fact, a legal requirement — for openness and disclosure of materials and of most meetings’ proceedings. Before I was in higher education, I was in a much more politically charged environment in some ways as the chief finance and budget officer for the State of Iowa where you had to work with political opponents — I think that was part of it. But I think a lot of it, frankly, I wish it was more complicated, but it really isn’t. It’s sort of the golden rule and that is just, if you were in their shoes, how would you like to be treated? Sounds kind of hokey, but frankly that’s a pretty good test, I think, of behavior. It’s not being saintly or anything; it’s just understanding that some of the suspicions or concerns or questions will be eliminated if you establish those lines of communication.

I had lunch fairly often with the Cynics’ Table. I didn’t do it to get the lowdown from faculty. It was a group of tremendously talented faculty members of diverse disciplines and it’s enjoyable.
That’s one of the great things about being at a university - you’re able to meet that kind of diversity of people that know more about their area than anybody on the planet. And it’s fun and it’s useful, but also there were a number of times when I got an early warning on lots of issues that were developing among faculty and staff. I think the same thing with anybody else – anybody in other administrative positions, whether they’re in athletics or student life or development or whatever, we’re not always going to agree with them, and they have to understand that too, but that’s sort of what to apply. Again, I’ve been in situations where, particularly in state government, where you have issues about which people feel very strongly, but you still have to work with them, and after that job is done there’s going to be more issues. No issue like that is ever worth burning bridges for future issues, so you have to understand that and stay accessible. It’s not to say I agree with everybody or everybody agrees with me, but you have to continue to be accessible.

FLETCHER: So if you were to look back at the tremendous range of activities you've had, what were the things that were the most enjoyable while you were at Pacific?

CAVANAUGH: I think there were a number of times where exceeded expectations. That’s always fun. I think that sort of the capstone of my career at Pacific was the renovation of the building at 155 5th in San Francisco for a new San Francisco campus and new home for the Dugoni dental school building. Ten years earlier, no one ever thought about moving the dental school to a 400,000 square foot building in the financial district of San Francisco and making that work. That provided a great deal of satisfaction. I think frankly all the building stuff and part of that is just because it’s so tangible and, although not permanent, but these facilities will greatly contribute to the quality of our students’ education for decades. Planning facilities from strategic priorities and seeing them being used to improve the quality of teaching and learning on the campus and make Pacific a more competitive place. I think that’s a terrific amount of satisfaction, those things.

Then there are other things like the faculty and staff pay plans. It’s very satisfying if I see there’s improvement and satisfaction among our most talented faculty and staff. That’s mostly measured by the reduction in complaints (rather than increases in compliments). One of my biggest thrills I had was in my first year when I called Don DeRosa to inform him that our first bond issue had received a stand-alone A3 rating from Moody’s, up from Baa2. Doing the sorts of thing to improve the bond rating, and then planning and presenting the meetings with the rating agencies to explain those accomplishments was very satisfying. I think a lot of people may not fully understand why you have to go through a bond rating process and what difference it really makes. Obviously in the short term it makes some difference on the cost of your money, and that adds up to millions and millions of dollars over multiple years, but it also
puts the University on the map among its competition—because it's all publically reviewed and reported.

Just before I retired, I was hoping for an A1 rating upgrade, because we'd had the huge infusion of money from the Powell gift and gains from the sale of dental school facilities that showed up on our 2014 balance sheet. Upgrades enhance the reputation of the institution by a lot of people who really do matter. People like Bob and Jeannette Powell didn’t invest in losers. They invested in winners, and donors make investments by giving donations of their money. So it’s really satisfying when you see the recognition by Moody’s, for example, recognizing and labeling our financial strength and stability. A wide variety of university stakeholders have more confidence in its success and are willing to contribute to that success in various ways. I always viewed my job as developing confidence in the institution. My job was to build up confidence. When the board members were asked in April of 1998 to vote for the first bond issue in many years, the vote was unanimous. Fifteen years later, the Board voted for significant bond issues as part of the financing of a very complicated project for San Francisco. Again, they don’t do that unless they have confidence. If you don’t have confidence, no matter how strong the numbers might seem in some ways, it will paralyze the organization. I think Pacific was at that point in ’95.

FLETCHER: What things could you point to that were the most frustrating?

CAVANAUGH: I didn’t have a lot of frustrations frankly. I felt pretty good and, for the most part, stayed optimistic. I wish there was more responsibility taken by some people for some of their positions’ responsibilities. I think there are lots of good people at the University, but I think there’s several people don’t take the responsibilities as seriously as they should. One area that had become an area of frustration was our inability to assert adequate oversight over some of the colleges and school – in particular, the law school. The prior dean wanted to be independent of the main campus oversight and control and complained about the cost of the administrative fee. Of course, they have come to realize the importance of being affiliated with the university the past few years when its operating costs are significantly subvented.

I think we’ve had good success with fundraising, but I think it’s not been as strong and rich as we could have been. Obviously it’s a very tough job and there’s been comparatively high turnover in that position, and I’m just surprised that we haven’t been more truly significant gifts. Of course, the Powell gift was sensational and will make a lasting impact on the University, but I’m disappointed that there aren’t more significant examples of that. If you look at the University Center, absolutely a needed building, wonderfully designed. We were able to get really one of the top architecture firms in the world – the largest architecture firm in the world – to help design that space for us, – it has a lot of great issues and they put together,
among the responsibilities to put together, a fundraising team for that building. It was a significant building. It was in the 40 million dollar range I think.

FLETCHER: Yes.

CAVANAUGH: You were the project manager on it. There was only one million gift explicitly designated by the donor for that facility. That was disappointing. Although we have a great building and its been covered, but it is also difficult to recognize that it’s difficult to raise money for a building that is already complete. I think they’re seeing that at San Francisco campus. To buy the building, we sold the dental residential building and the former dental building at Sacramento and Webster, but it took additional resources to complete massive renovation. But overall, I think after my time at the University - not that this was problem free, it certainly wasn’t – I felt lucky and satisfied with the people I worked with and the things that we got done.

FLETCHER: Let’s move on and talk about the people that you’ve worked with while you were here and interacted with. Who were some of the really memorable people that you would point to?

CAVANAUGH: Going down the list from the standpoint of board members, the number one person is Bob Monagan. He really began the renaissance of the university when he became the Chairman of the Board back in ’93 or ’94, whatever it was exactly, and did what was necessary to effect a change in leadership at in the was really remarkable. Even though his business experience was primary a small insurance agency, he had a lot of experience in California statehouse politics providing leadership to groups and securing a consensus in that environment – it was terrific. Kathy Jansen has always been terrific Board member for Pacific and was a great mentor for me. She became chairwoman of the finance committee soon after I started. She was terrific and served a number of years. She and her husband had been generous with the university with their resources; she was just a very solid leader. She was on the search committee when I was hired. I recall she very inscrutable, very difficult to figure out what she was thinking. I had an opportunity to work with her in many ways over the years. She was the Chairman of the Board when I retired. She’s just a very solid leader. Kirk Bowman chaired the Board’s investment committee during 8 or 9 of the years was a very solid board member and a person I appreciated working with very much. Doug Eberhardt was another exemplary member of the Board who provided great leadership in a quiet, sustained way.

On the Cabinet, Don DeRosa made a huge difference to me. He not only offered me the job, but I think I liked the way he managed the provost and I at the same time. He’d let us develop our agenda with only general oversight, and I think that he trusted us to work together to make right decisions. In general, I think we did.
Phil Gilbertson was Provost during 13 of the 17 years I was at Pacific and we worked together well. While we didn’t agree on everything, we worked well together, and President DeRosa kept us focused on our goals. More recently, Maria Pallavicini was an outstanding Provost and valued colleague. Although we worked a relatively limited period of time together – less than four years --, she always worked hard, was smart and always operated with the institution’s academic mission foremost. Pacific is very fortunate to have her as Provost.

There were a lot of other good people that I had the pleasure of working with. When Ted Leland came back to the University in 2006 as the athletic director, he was a major presence in college athletics nationally. Ted was regarded as a legend in what he had done, especially at Stanford, and very bright. He was a pleasure to work with. On the staff side, Larry Brehm, again, leads that list for me. There was no question that any success I may have enjoyed would have been significantly less were it not for Larry. He’s an important part of this time at the University, but also was a important factor in getting the University through a very rough patch, let’s say in the late ‘80s, early ‘90s. I think he’s underappreciated. I think people that really know about the operations do appreciate what he’s done. Deb Kallman, who worked as Controller for nearly ten years was a great colleague Scott Heaton has been a very good manager of the physical plant operations for several years - and still is. I think then there’s a number of key faculty members that I worked with. You are on top of that list – working not only in faculty role in the classroom and governance, but also working for two years on the University Center and Biology building projects. There were other terrific faculty members on all three campuses that were great leaders of the faculty that were wonderful representatives of the academic mission of the University. Of course, I also enjoyed my time with the faculty at the “Cynic’s Table”. Not only were they smart, experts in their fields of study, funny, and a great source of which issues were emerging among the faculty.

FLETCHER: When you came to the university, I think it's fair to say that the relationship between the administration and faculty and staff was kind of contentious - that obviously changed. What was your role in that process, do you think?

CAVANAUGH: Based in part on my experience in state government before getting into higher education, I came into the position at Pacific with a bias for disclosure. While there are areas that should generally remain confidential, for the most part, it is important to be as open as possible with the faculty, students, and even staff about the institution’s budget and operations. If everyone appreciates the sources and uses of our resources, they appreciate the complexities of the institution. I have a sense that summarizing and laying out the budget and sources and uses is something that hadn’t been made widely available earlier. I think some of that has to do, probably, with my first career, which was almost 19 years in the public side. Starting as a regulatory lawyer, but then serving as a public administrator in a number of state
agencies in Iowa, I worked in an environment in which there is a presumption of openness. That’s an environment in which good things can occur – when you know that there’ll be decisions made that will be made when the key stakeholders understand what the facts are.

Finally, I think another thing that helps is to have a sense of humor. It keeps the world light and entertaining – so I appreciate people who have a good sense of humor.

FLETCHER: During this time, were there any individuals that you felt were working at cross-purposes with what you were trying to do?

CAVANAUGH: Yes, probably (laughs).

FLETCHER: Okay.

CAVANAUGH: I think there were times where there’s going to be some of that, but those are relatively few and far between, so it’s not worth mentioning.

FLETCHER: Okay.

Now, in part of this interview guide, there is mention of programs, and I think that since this whole interview guide was set up for faculty, we probably need to treat that a little bit differently, but I do know you had some involvement in several different programs. Tell us a little bit about some of the ones you thought were the most satisfying.

CAVANAUGH: From the standpoint of the Chief Business Officer, I did have a positive impact on the management of the university’s were financial assets, including the endowment. The endowment went from $70 million in 1997 to nearly $400 million at the end of FY 2014. Our net assets grew to over $700 million at the end of FY 2014 when I retired. Another key “program” on which I had a positive impact was the campus planning and facility development program. We made significant facility improvement across all three campuses, with the creation of a new home for the dental school and a new San Francisco campus for the University being my last and most significant project. That project has enabled President Eibeck to advance one of her key initial objectives: to create a “three-city” campus where opportunities for the delivery of our program are available. Pacific’s strengthening of its presence in San Francisco creates opportunities to enrich our students’ experiences and make Pacific more competitive.

FLETCHER: Well, that brings up some interesting questions about relationship with deans. Usually, I think it’s probably the case that your relationship would be through the Provost to the Deans. I sense that you also had a lot of direct interaction with deans as well.
CAVANAUGH: Yes, I had the privilege of working closely with most of the deans. Some, like Dean Dugoni, Dean Ferrillo or Dean Oppenheimer, I worked with more than some of the others. Obviously the two of the deans, the law school dean and the dental school dean, really were presidents of small colleges. They had security and custodial and budget officers and human resource officers that didn’t report to the budget officers and human resources officers at the main campus, but reported through the dean. So, with the deans of those distant campuses I often worked directly on issues that were not part of the portfolio of other deans based in Stockton. The pharmacy dean also had his own campus. The pharmacy school have long been a major underwriter of the other Stockton campus operations – that’s just how that always worked. Regardless, however, if a dean had buildings or space or financial issues, I’d be involved.

FLETCHER: Sure.

CAVANAUGH: That’s just how... I had a much closer relationship with Art Dugoni and Pat Ferrillo than with some of the deans on the Stockton campus and that’s just because of how it worked.

FLETCHER: So if you think back to your tenure, were there some controversial issues that came up that you’d like to talk about? Anything that comes to mind?

CAVANAUGH: No. There’s obviously always some rough patches and there’s some things we should have done somewhat different probably, but overall I don’t really have a lot of real complaints. Do you have anything specific?

FLETCHER: No, not really. For example, it wasn’t long before you came that Don had made the decision to drop football and there were repercussions from that.

CAVANAUGH: I came in after that, and I think Don was exactly correct. The president at Drake University for whom I worked suspended football there for essentially the same reason a few years before it happened at Pacific. I think President DeRosa’s was a gutty decision particularly in your first six months at an institution with such a deeply seated football tradition. I do think the institution’s serious financial issues at that time helped motivate it. I think it also helped with faculty relations. Again, it absolutely was the right thing to do. In 1998, I was on a committee of faculty, board members, and students that evaluated the possible reinstatement of football. Mike McNeely was the athletic director then and vigorously supported reinstatement. In the final analysis was clear to everybody on the committee, including three of the board members that were on this committee, how financially difficult it was going to be to reinstate without jeopardizing other programs at Pacific. Having said that, I do think football was NOT the only contributor to the financial challenges that the University had at that time, but it was one of the factors.
I think there were people who thought once we get rid of football everything will prosper. That just wasn’t the case. There were other factors as well. For example, we made significant improvements in the financial strengths of the university by getting rid of some financial “black holes”. One of them was the KUOP. Pacific’s on-campus radio station had a staff of 10 to 15 employees but doing connected to the academic program of the University.

Frankly, the bookstore, then operated directly by the University was another net consumer of resources. The bookstore had many good, well-intentioned people, but it was a self-operated bookstore, and we didn’t have the capacity of the expertise to really run a bookstore. We outsourced to Barnes and Noble after a competitive selection process, and services improved and revenue was generated. Another issue that was in my division, another area was Central Receiving was fraught with all kinds of problems. I understand there’d been some real serious problems in the late ‘80s. We made some significant changes there to professionalize it. The on-campus print shop on campus had 10 or 12 university employees occupying the ten thousand square foot building on south campus now occupied by engineering and computer sciences. We outsourced it.

As a final example of a program that consumed more resources than it justified was the Feather River Inn. As you know this was a mini-resort north of Truckee that the University inherited nearly 25 years ago. It was easy to fall in love with. It was a beautiful place, but it was a significant consumer of assets that wasn’t giving the University back. In addition, it became the center of attention to the alumni association who sponsored a summer camp and other activities in the spring and summer. This dedicated group of alums wanted to do something for the University and all their efforts were caught in maintaining the Feather River Inn and the University underwrote their efforts. Ultimately, we sold the facility and the alumni association redirected its efforts in ways that have greatly strengthened it and resulted in the construction of the alumni house on campus, and funded in part with the net proceeds from the sale of Feather River Inn.

Those and a lot of other smaller things enabled us to generate a positive impact on the University's income statement and balance sheet.

FLETCHER: One of the things that had been a problem for a long time was the information technology and the development of that resource on campus.

CAVANAUGH: Yes.

FLETCHER: I know that that was something that you were involved in. Can you tell us a little bit about that?
CAVANAUGH: Soon after I arrived in 1997, Pacific received a grant from the Long Foundation for IT improvements. Dave, I think you had chaired a university IT committee, basically identifying the shortcomings of the IT operations and the urgency to improve the network. I was stunned about the state of the IT infrastructure, even compared to the relatively modest IT operation Drake had in 1997. Pacific outsourced its IT operations to an external vendor located on campus, but all the vendor would do was basically maintain the operation primarily for administrative functions. The vendor really wasn’t involved in the development of a university IT strategy. They were basically just supporting the administrative functions. Those were in the days before Wi-Fi, but our residence halls didn’t have hard wired connectivity and that a major growing competitive disadvantage. Then we moved to extend connectivity and, in the residence halls have “a port per pillow” so everybody had a place to plug in with a fiber optic network.

The decision was made to drop the IT vendor and establish an in-house IT operation. I argued, unsuccessfully, that we should have a vice president for information technology to run the unit. - That was back in 1999 or something like that - with the assumption that technology was going to be so important that we ought to have somebody at the vice presidential level. President DeRosa finally concluded that the unit should report to the Provost rather than the President, and I understood the good reasons for this. Like everything he did, the Provost worked very hard to work through that.

But the area was always an area of difficulty, because it is so complex and so rapidly changing. It’s a tough, thankless job that I’m just relieved I didn’t have much direct responsibility for. But I also knew from visiting other institutions that we could do better than we were doing.

FLETCHER: I always describe it as a train on which you buy ticket, but you can’t get off.

CAVANAUGH: Yes, that’s right. That’s right, like the Hotel California.

FLETCHER: Yes (laughs). Let’s talk a little bit about interactions with students. I know it’s not something that one usually thinks of as a common activity of the Financial Vice-President.

CAVANAUGH: I had a lot of connection with student government leaders particularly during my first ten years at the University. Student government used to have a finance committee and worked with me to develop a budget proposal that reflected their needs. There have always been students representatives on a number of committees and boards of which I was a member. We always would have student interns in the finance center. A few of them actually worked in my office, but I didn’t teach as some of my counterparts on the cabinets have.

I had a lot of special work with Powell scholars. I think it’s important to work with students. I did have a sense that the student governance was well connected to the overall university policy development and structure. Frankly, I didn’t have a sense that the student governance
the last several years were as strong and as connected to as I’d seen earlier years here at Pacific.

FLETCHER: What was your impression of the effectiveness of the committee structure at the University?

CAVANAUGH: The effectiveness of committee structure has changed over time. When I first arrived at Pacific, I thought the IPC process actually was really pretty effective in terms of giving representatives of the various stakeholders across the University a sense of what the choices were and how the budget was prepared. It also generated a greater sense of ownership in making decisions or recommendations. I think that tended to wane as the University had more financial challenges or became tighter in the last 3 or 4 years. It was particularly tough because instead of two and half million dollars in from the law school it was two and half million out to the law school. That greatly reduces the opportunities for investment. Overall, I think there are too many committees, however, committees are important, obviously important in a university governance process. I think there has to be greater understanding about responsibilities and numbers and clear objectives.

FLETCHER: Let’s talk about community relations with the University. That was something that you were obviously involved in. You knew a lot of the movers and shakers in the community. How did that develop over the time you were here?

CAVANAUGH: Stockton is a community that is attractive in a lot of ways, but it’s also a community with lots of challenges. When I came in there was some relatively new energy at the city level. Gary Modesto was on the University’s board and also mayor of the town. He was very interested in making things happen here and making Pacific part of it. During that time, Stockton was named an All-American city, twice.

I became involved in Rotary to meet business and civic leaders from the community and served on a number of not-for-profit boards. One of the areas where I worked particularly there with the city was in working with the powers of the city on the University’s master planning processes – to ensure the city’s leaders and officials understood what we wanted to do on campus. We sought to actively engage the City so we knew what was important to them. For the first ten or twelve years, we had great success. However, after the economic downturn in 2008, it became more difficult. While we were able to make significant improvements on the campus with the City’s support, it was more difficult and more frustrating during my last three or four years.

Part of that dynamic was the sagging economy and part was changes in City leadership and the challenges the City was facing with its financial challenges that culminated in the bankruptcy a few years ago. We saw a change in how some of the city leaders regarded and reacted to the
University. Instead of having a mutual and positive relationship, sometimes some governmental or business developers viewed as elitist which had lots of money.

I think it was something that’s been hard to maintain momentum on the Beyond Our Gates initiative that President Eibeck started in 2010. I hope things improve, but it’s been tough recently. Stockton is going to continue to be an important part of Pacific’s future success.

FLETCHER: Let’s take some time and look back over the time you were here, the University made tremendous strides both in financial stability and in academic reputation. Can you summarize what you think led to that?

CAVANAUGH: There’s a combination of things, but obviously it’s an issue of leadership. I think Don DeRosa was president during much of that time and he created an environment — and hired people who were able to successfully build confidence. With greater confidence in the University, people and organizations were willing to invest not only their money, but also their time on our behalf. I think we had a strong board and continued to have a strong board and that’s been extraordinarily helpful. You were here longer, but you compare the prevailing attitude in 1995 when DeRosa arrived to today, I think it’s day and night different. Lots of accomplishments were unthinkable ten years ago. There’s really a sense of people recalibrating their expectations of the University of the Pacific when they see some of the things that we’ve been able to accomplish. The new San Francisco campus is one of those transformative projects that really identify Pacific as an institution of consequence. We’re right there on Fifth Street in the San Francisco financial district. There’s no ambiguity about the presence of the University there. I think that there’s lots of opportunity to continue to show the state, the nation and the world that the University is important.

FLETCHER: Well, is there anything that we haven’t covered that you’d like to comment on?

CAVANAUGH: No, I don’t think so. I appreciate the opportunity to do this. I appreciate the Emeriti Society asking me to do it as an administrator. I also appreciate, Dave, your willingness to do this. We’ve had a good relationship over the years, right from the beginning at IPC — friends and colleagues - but also for two or three years, you were the fantastic project manager for the construction of the biology building and the DeRosa University Center. Those are two fantastic additions to the physical plant of Pacific’s Stockton campus. I appreciate the opportunity and I appreciate your guiding that today.