

DU ORAL HISTORY 1984-2014

Interviewee: Craig Woody

Interviewer: James R. Griesemer

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Transcriber: Terry L. Zdrale

James Griesemer: [00:21](#)

Welcome to the University of Denver's oral history. Our series begins in the mid 1980's. When DU was on the brink of bankruptcy and continues to 2014 with the University, a regional academic leader poised for national prominence. The interviews in this series present a panorama of progress against steep odds stories told by men and women who were personally involved in saving the University and undertaking an extraordinary process of renewal. Their narratives are a true renaissance tale. Today I'm joined by Craig Woody, who is DU's vice chancellor of business and financial affairs and chief financial officer, a position he's held since 1994. In the interest of full disclosure as controller, Craig was a senior person on our staff when I was DU's CFO and I can say from experience, he's a highly capable financial professional. Craig Woody, welcome to DU's oral history. Craig, you were in public accounting earlier in your career. What led you to DU in the first place? How'd you get connected to the University?

Craig Woody: [01:33](#)

Well, it goes back to 1975 when I graduated from college and I actually had a couple of assignments and I was on college and University audits including Grinnell College, which today has a AAA bond rating and I didn't know what a big deal that was, but I started in the Denver office in 1983 as a result of a transfer and I was following, if you will, the news in the Denver Post about the University of Denver and didn't have any idea at the time that I would ultimately be working here.

James Griesemer: [02:04](#)

I get so, when you, how, how did you actually then get connected here?

- Craig Woody: [02:12](#) Well, I was in the office one day and a partner who had transferred to the Denver office from Austin, Texas. He had actually just come back from a cold call to the University of Denver for audit services. And Liz Williams, who was the chief financial officer at the time, told him I'm not going to change auditors, but we are in the process of hiring a controller.
- Craig Woody: [02:37](#) So, Tom came back thought that it would be an interesting position for me and uh, I applied for it and got the job and work for Liz for five years. Then I began working for you.
- James Griesemer: [02:49](#) Now early during those first five years, you were in an excellent position to see the emerging financial problems that the University was facing. What was your, what was your perspective at the time and what do you think were the key elements that we were creating these difficulties for the University?
- Craig Woody: [03:09](#) Well, there's a couple of things. When I came here in 1984 as the controller, the thing that I found is that in the controller's office, every critical accounting form that was necessary to run the University was in the controller's office and you would expect it to be in the accounting department. And as a result, the chief financial officer was actually maintaining schedules relating to the University's liquidity. And so, while all of that is important. I believe that things were happening at one level too high and people were forced, if you will, to do transactional processing or transactional processing that required an element of judgment, but they were spending time and effort on focusing on what happened as opposed to then researching and, and answering the question why did it happen and what are the implications to the University
- James Griesemer: [04:01](#) so it so these changes which were obviously significant in the aggregate. We're not necessarily as visible as they might have been to the right people

- Craig Woody: [04:11](#) and that's exactly right. If you think, for instance, that the auditor's closed the University's books and we recorded dozens of correcting journal entries. The following year after I'd been here, 10 months, we had zero and so only people, if you will, that had an appreciation for the accounting function, would have appreciated the fact that the auditors were closing our books. A year later the University, the was closing its own books.
- James Griesemer: [04:37](#) Now we've heard from, from Dwight Smith and others about the environment, the environmental changes going on, declining enrollments and so on. What, as you, as you were watching this, what, what do you think were some of the key elements that were affecting the situation?
- Craig Woody: [04:56](#) Well, the oil and gas industry itself was on a decline in Denver and in the region, the western region of the United States for that matter, and the University's enrollments were not immune from that. The University declined in terms of overall enrollment by 22 percent in a four year period,
- James Griesemer: [05:21](#) almost a quarter decline in enrollment in four years?
- Craig Woody: [05:26](#) in four years. And I think, and I'll make reference to this in the future when we talk about Dan Richie, but the thing is he had a 43 percent increase in enrollment, but over 16 years.
- James Griesemer: [05:38](#) So this is a plummeting a picture?
- Craig Woody: [05:41](#) I, yes, you would definitely have picked it up of in the Denver Post
- James Griesemer: [05:45](#) and, and then what were, what were the effects of that on, on the University's operating margin? Obviously that was not a good situation. What, how did it play out in that dimension?
- Craig Woody: [05:57](#) Well, in 1984 and 85, the University had rather substantial operating deficits, I think in the neighborhood of four and a half and seven and a

half million dollars. And that's on top of total revenues of only \$70 million. So those are big numbers,

James Griesemer: [06:14](#)

like a 10 percent deficit in an 85.

Craig Woody: [06:19](#)

That's exactly right.

James Griesemer: [06:20](#)

Well, and, and uh, so then what happened in the, in the next few years?

Craig Woody: [06:27](#)

Well then I think that there were, what I characterize as rather heroic actions on the part of Dwight Smith and other members of the senior staff and the board, uh, to operate at a break even essentially, and they had operating surpluses between 100 and \$200,000 in 86, 87 and 88.

James Griesemer: [06:53](#)

So very, very thin surpluses but surpluses

Craig Woody: [06:57](#)

but surpluses

James Griesemer: [06:58](#)

and to achieve that, that was being achieved in the face of declining enrollment. So what kinds of things did they have to do to offset those declining enrollments and, and allow the University to break even?

Craig Woody: [07:14](#)

Well, there were, relative to the faculty base, substantial reductions in faculty to align with the declining enrollments and then there were also some, uh, less profitable operating units or degree offerings that were discontinued.

James Griesemer: [07:30](#)

So pretty difficult decisions.

Craig Woody: [07:32](#)

Yes, indeed.

James Griesemer: [07:33](#)

To say the least. So that takes us up through FY88. What happened in 89 then?

Craig Woody: [07:39](#)

Well, there was a deficit and it was \$975,000 and it was a bit of a surprise and it may not have been a surprise to everyone, but at least the magnitude

was an incredible surprise. And \$975,000 is still a lot of money.

James Griesemer: [07:55](#)

It's a lot of money today. It was a huge amount of money on that revenue base.

Craig Woody: [07:59](#)

Yeah.

James Griesemer: [07:59](#)

And, so that takes us to 89. So. So let's, let's move forward. It's about the time that Dan Ritchie came on board. Tell us what happened then.

Craig Woody: [08:14](#)

Well, Dan came on board in 1989, as you've mentioned. And one of the things that he did is it directly affected me was he hired you. And Dan began a number of things and he began to focus, if you will, on quality, and he was, if you will, he was a quality disciple. And we began to focus not only on the business systems which you would expect from somebody with Dan Ritchie's background, but he focused on the quality of the student experience. And that was significant and things began to change. Enrollments began to increase. There were other people at the University of Denver and there were people who contributed to the University who, if you will, we're willing to invest their time, their attention and their money in Dan Ritchie. And as a result, he has the incredible reputation for not only being a successful fundraiser, but he built a number of new buildings.

James Griesemer: [09:09](#)

We certainly did. And we've talked to Dan about, about that. So Bob then Bob Coombe, following Dan, and we've gone through 16 years very quickly here, but, and during which the University went through this really amazing transformation physically and programmatically and other dimensions, but just looking at the financial dimension for a moment. So then Dan is followed by Bob Coombe in 2005, as I recall. What was, what was going on at that point? And you're, you're the CFO at that point. What was, what was happening? What was notable from your perspective?

- Craig Woody: [09:53](#) Well, enrollments continued to increase and in fact, there was not an operating deficit. I'll say it the other way. There was positive operating margins during the entire period that Dan Richie was the chancellor during the entire period that Bob Coombe was the chancellor and it has continued to the present.
- James Griesemer: [10:11](#) So without regard to, to a specific chancellor for a moment, what, what were the policy based or administrative based actions that you think may have contributed to this remarkable turnaround? I mean, here the University goes from huge deficits relative to its, its revenue base to a stabilization and then another surprise deficit and then begins have positive operating margins and which became very significantly positive during that time. So we had great leadership, but from a systems point of view and from a financial point of view, what was going on that supported this change? Because this is a dramatic change.
- Craig Woody: [11:05](#) Well, there were a couple of things I think, and it goes then back, if you will, to the time-frame of when Dan Ritchie came on board and when you were the chief financial officer, but it has continued and is still durable today and that is the University began and you were the architect of this. You designed a system where the accounting and the budgeting system was coterminous with the University system of decision making and authority. And we, uh, and I was working for you at the time. That's why I say we, we also developed and implemented the gainsharing policy which aligned, if you will, the financial incentives of the University with enrollment growth. And so all of those things combined together gave us the ability, if you will, to strengthen the balance sheet. We were able to partially fund new building construction and major renovations. And we grew the endowment along with philanthropic support as well.
- James Griesemer: [12:03](#) Craig, during that same period of time, actually when Bob Coombe was the chancellor, the nation,

and indeed the world went through the great recession and obviously DU is, is strong and getting stronger, but that was a very significant event. What kinds of things did you do as CFO or to the board do from a policy perspective to try and deal with that?

Craig Woody: [12:32](#)

Well, there were two things that stick in my mind. Uh, one was, uh, we had a lot of our liquidity invested in a particular money market fund and the money market fund had exposure to real estate and these real estate pools were subject, if you will, to poor underwriting standards. So upon investigation and due diligence, we withdrew that and we were the second firm in the United States to withdraw that and it was well over a hundred million dollars and we avoided a liquidity problem as well as any potential losses. That's number one. Wow. And our board, by the way, midway through the presentation at a board meeting then said, is that a recommendation? And I said, yes it is. And they said so moved. So it was a, it was a positive outcome for the University, no doubt about it. And the other thing that was happening, and it probably happened about, oh, three, four, five months after that, the presidential race was suspended as you recall.

Craig Woody: [13:34](#)

Yes. And nobody knew how far this recession was going to go. And so we had three members of the board and you had Tryg Myhren, who was the chair of the board, Don Sturm, who was the chair of the finance and Budget Committee, and Ralph Nagel, who was a member of the finance and Budget Committee. They met with the chancellor who was Bob Coombe at the time, Greg, Kvistad who was the provost and myself and on any number of occasions and we met, uh, the six of us and we began to take a look at strategies that would bolster the University's balance sheet. And we did. And we also took a look at it and we wanted to make sure that not only enrollments were maintained from fall to winter, but that students

indeed returned. And in fact, they did. And enrollments increased 2007, 2008 and 2009.

James Griesemer: [14:27](#)

So during the depth of the great recession, DU had taken steps to first of all, secure its financial position and then continue, building enrollment, which was fortunate, but the result of a lot of hard work on a lot of people's parts, I'm sure. The other thing, and one of the things that I don't think is as well-known is, is your work in terms of the University's bond rating. You alluded in your early comments to discovering as a young auditor how important bond ratings were. When, when I joined the University, we were barely investment grade and that was, that was being kind. We had to pay for letters of credit to secure everything we did, which of course added to our expense platform. That has changed dramatically. And you, and you had a great deal to do with that. Can you kind of walk us through that whole process?

Craig Woody: [15:36](#)

Yeah, I'd be happy to. This was a very enlightening experience for me because about a year and a half after you joined the University, we went to New York City and we talked with three of the major bond insurers and we were rated as you just referenced a BBB and that was our credit rating and that's one notch above investment grade, the lowest investment grade rating. And we did not obtain a bond insurance. So we had to trade on our own credit of BBB. One year later with increasing enrollments. And another year of operating surplus we were able to get bond insurance and our debt because it was insured traded AAA. And what I thought was interesting in the bond issue when we were unable to get insurance, all we were doing was attempting, if you will, to re-fund existing indebtedness because we wanted to take advantage of lower prevailing rates.

Craig Woody: [16:38](#)

We weren't increasing the University's leverage and we were still unable to get bond insurance. But then over this 25 year period, we have had declining interest rates. We've had increasing enrollments, we've had strong operating margins.

So we not only have taken advantage of re-funding of various bond issues, but we have issued some new money bonds to build new projects, particularly in the residence hall area and the one thing that I would say is, is that finances, bond ratings for that matter, they follow strong programs and strong leadership. So all I had to do was essentially assemble the team and tell the story. But the work, as you clearly alluded to, took a lot of people but they contributed to these very substantial positive results.

James Griesemer: [17:31](#)

Well but, but truth to be told, you really led that effort and it has made an enormous impact on the University. What is not always understood is that as you improve your bond rating, you can do, as you just described, refinancing's which lower your cost of carrying the debt. And so the University was leveraging strength as it got stronger, it leveraged the strength which made it yet stronger because our costs, were going, we're going down, or we could assume new debt.

Craig Woody: [18:08](#)

That's right. And then you're able, if you will, to take those savings and program it into, reprogram it, re-purpose it. If you will, into things that add value and student success is probably what we would recognize as the number one goal of the University.

James Griesemer: [18:23](#)

Absolutely. Craig, I'd like to turn our focus inside your organization. As the chief financial officer and vice chancellor for business and financial affairs. You have a wide range of activities reporting to you. So to begin this discussion, could you just identify the, the, the areas of the University that report up to your position?

Craig Woody: [18:48](#)

Well, in the physical environment, you have the architect's office, the facilities planning and management department, which works on the construction and the operation and maintenance, if you will, of the grounds as well as all of the buildings and the environmental health and safety office and campus safety.

- Craig Woody: [19:06](#) In the financial environment. You have the controller's office who is responsible for all of the managerial and external financial reporting as well as all of the tax filings and, and the issuance of long-term debt. They participate in all of that process, as well as the risk management department and the student financial services.
- James Griesemer: [19:28](#) So you've got to, it's a very large operation reporting up to you. One of the things that, that you have undertaken, and I think with great success is, is to do a multiple bottom line kind of analysis, and to bring your people into the planning, the execution, and then the assessment of their own work. In a way. Could you discuss, I think it's been wonderfully successful. Can you describe that?
- Craig Woody: [19:58](#) Yeah, I'd be happy to because it is something that I think is, I hope durable, upon my leaving the University because people are focused on quality outcomes, but they didn't get there if you will entirely by me.
- Craig Woody: [20:13](#) They got there because they're doing good work and they have a direct line of sight to the chancellor. Three chancellors in a row. We've had the opportunity, if you will, to have these annual quality meetings where Dan Richie, Bob Coombe, and now Rebecca Chopp, we have the opportunity to talk about the individual metrics that individual departments are focusing on as well as then creating a dialogue around that with the chancellor and the provost. So you have people every day thinking about what does it, what do their contributions make to student success, and other things that are elements of the strategic plan.
- James Griesemer: [20:52](#) Well, you, your, your leadership over these many years in the financial area and as we just described well beyond the financial area, a has just been, in my view, extraordinary. As you've, as you dealt, with the challenges and the opportunities and you've seen so much change at the University. What, what values have guided you? What's, what

do you think from an ethical and a moral perspective are the guiding principles that have, have shaped your decisions in your leadership?

Craig Woody: [21:31](#)

Well, it doesn't make any difference what functional area we're talking about. If we take a look at who we're here to serve and we elevate everything to that level, it's about students and student success and I believe that you can ward off a lot of arguments and, uh, differences of opinion if you focus, if you will, on who we're here to serve.

James Griesemer: [21:55](#)

Well, Craig, woody, thank you so much for sharing your contributions through our DU oral history program. I hope you'll join us in the future as we continue the story of the University of Denver's remarkable renaissance. I'm Jim Griesemer. Thank you for watching.