

Finance

Town Hall

OCTOBER 21, 2020



Welcome

J. Michael Gower

Executive Vice President and Chief Financial Officer

University Treasurer



Housekeeping

Everyone has been placed on mute by the host.



If you have questions for the presenters, use the Q&A function.



We will address questions at the end of each presentation.



If you want to talk with other participants, please use the chat.



Today's Agenda

MAIN TOPICS

Welcome

FY21 Revised Budget and Implications

Discretionary Spending

Cornerstone Portfolio Update

Close



FY 2021

BUDGET OVERVIEW

David Moore

Assistant Vice President and Chief Budget Officer

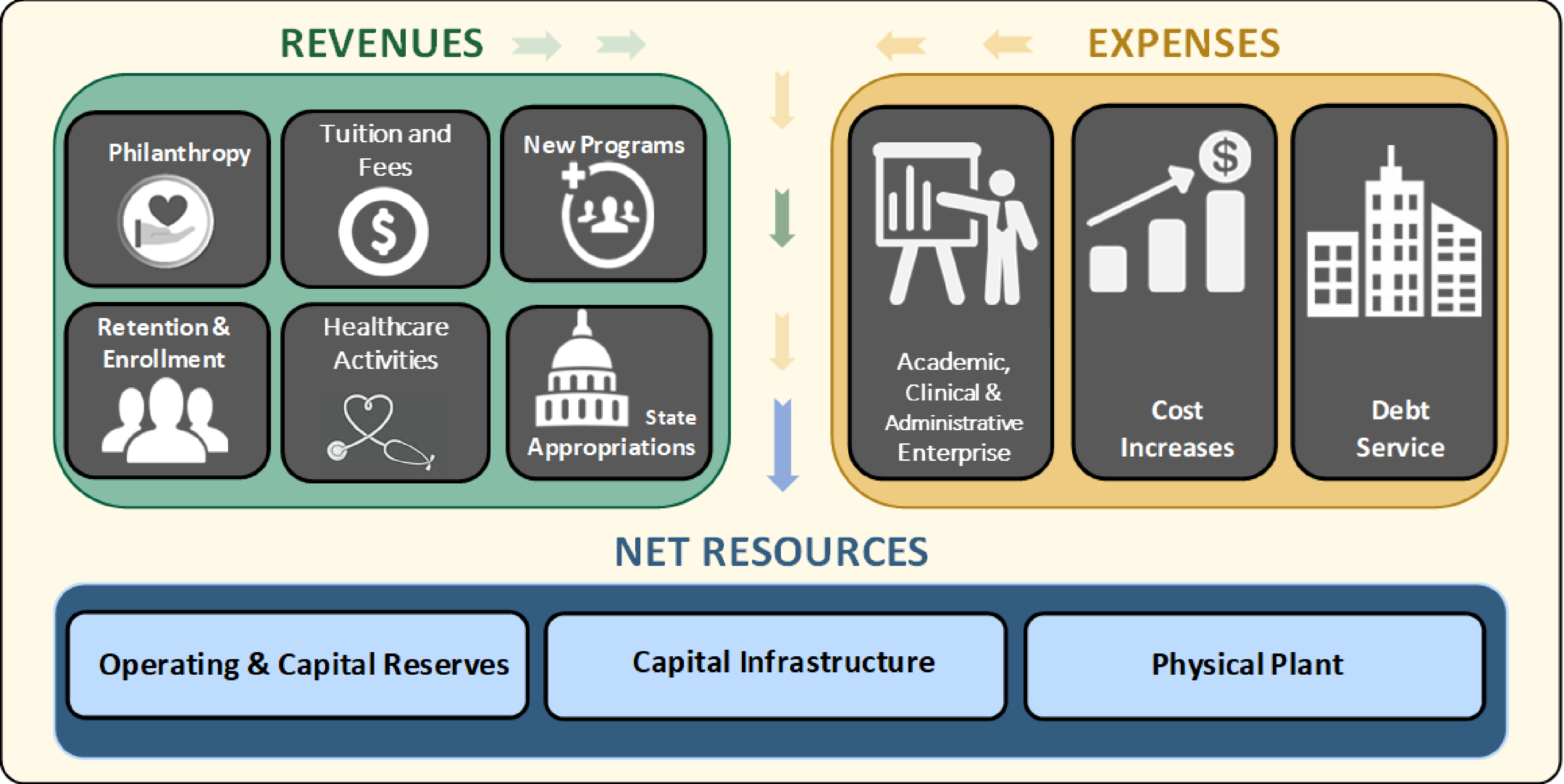


FY 2021 Budget Overview

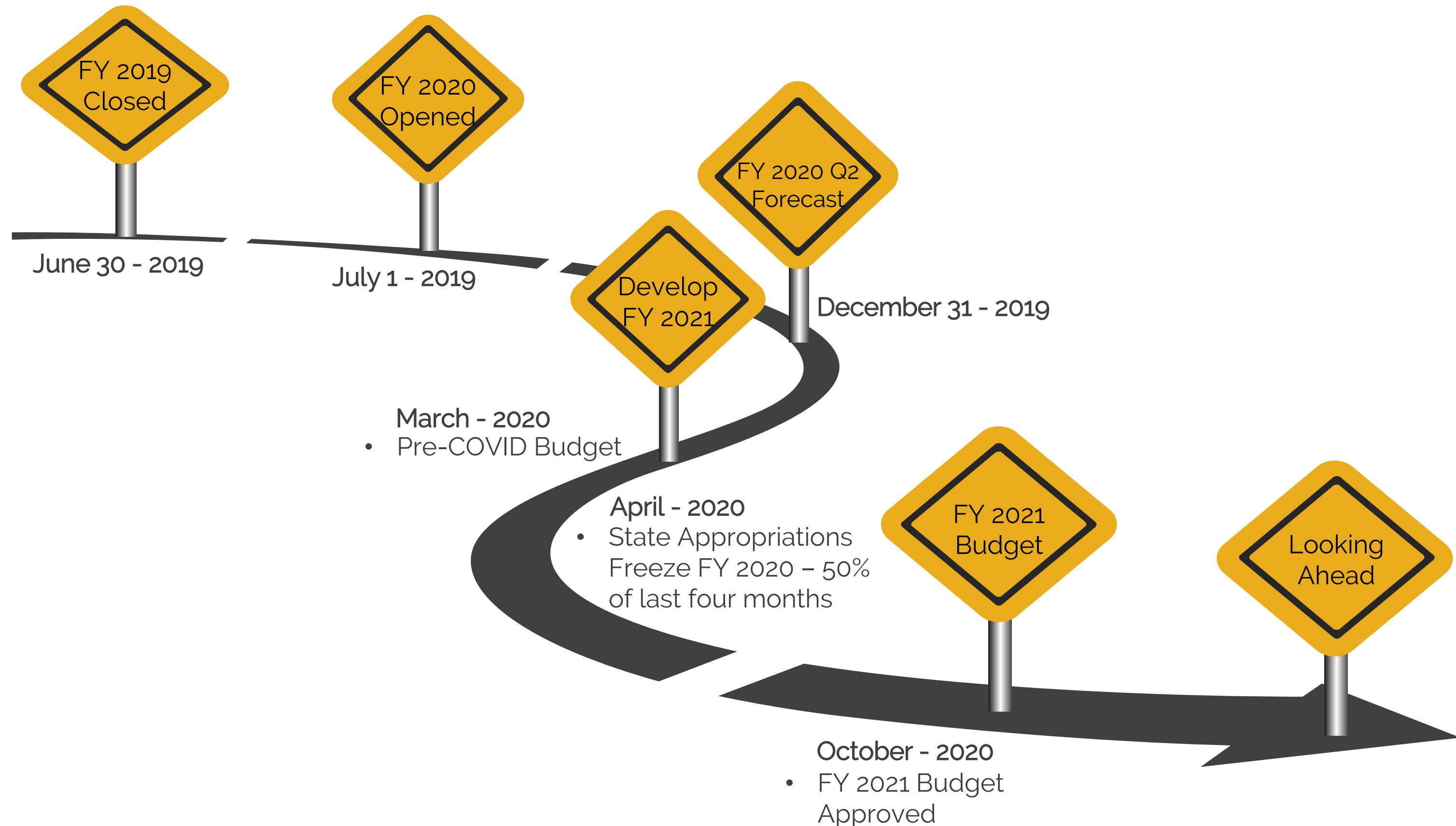


*FY 2021
Revised
Budget*

Financial Framework

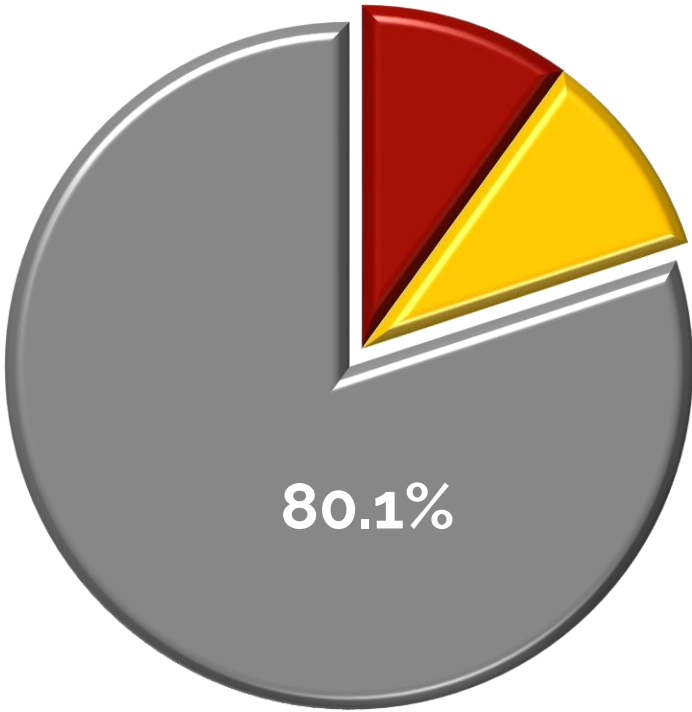


FY 2021 Budget Development – Road Map

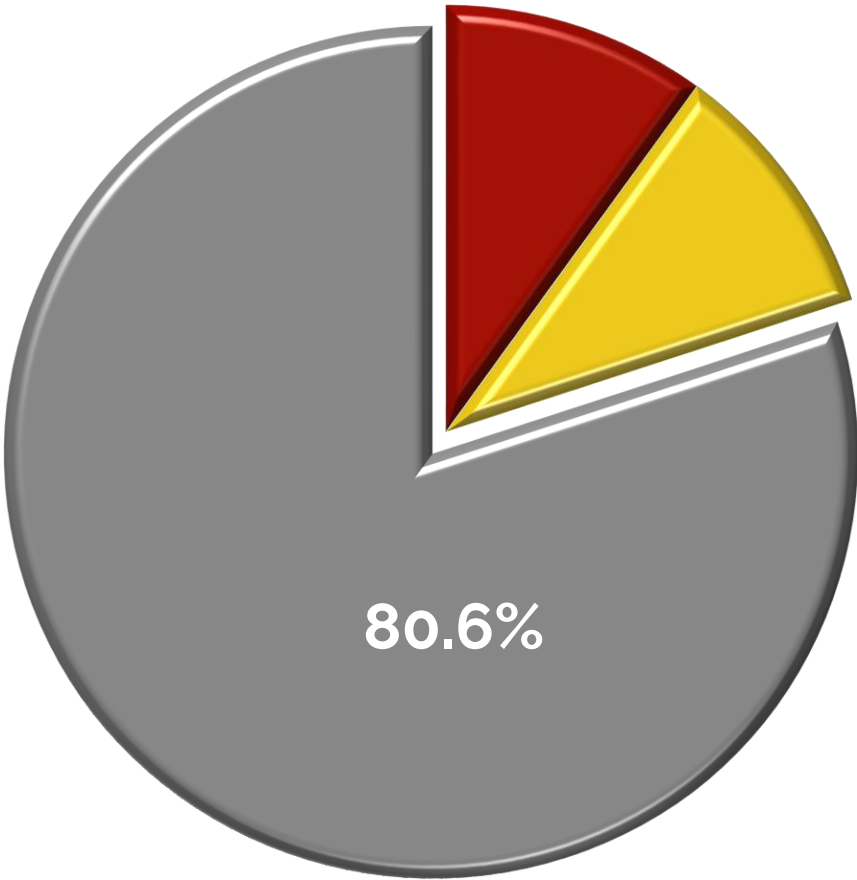


Revenue Review: Positive Trend

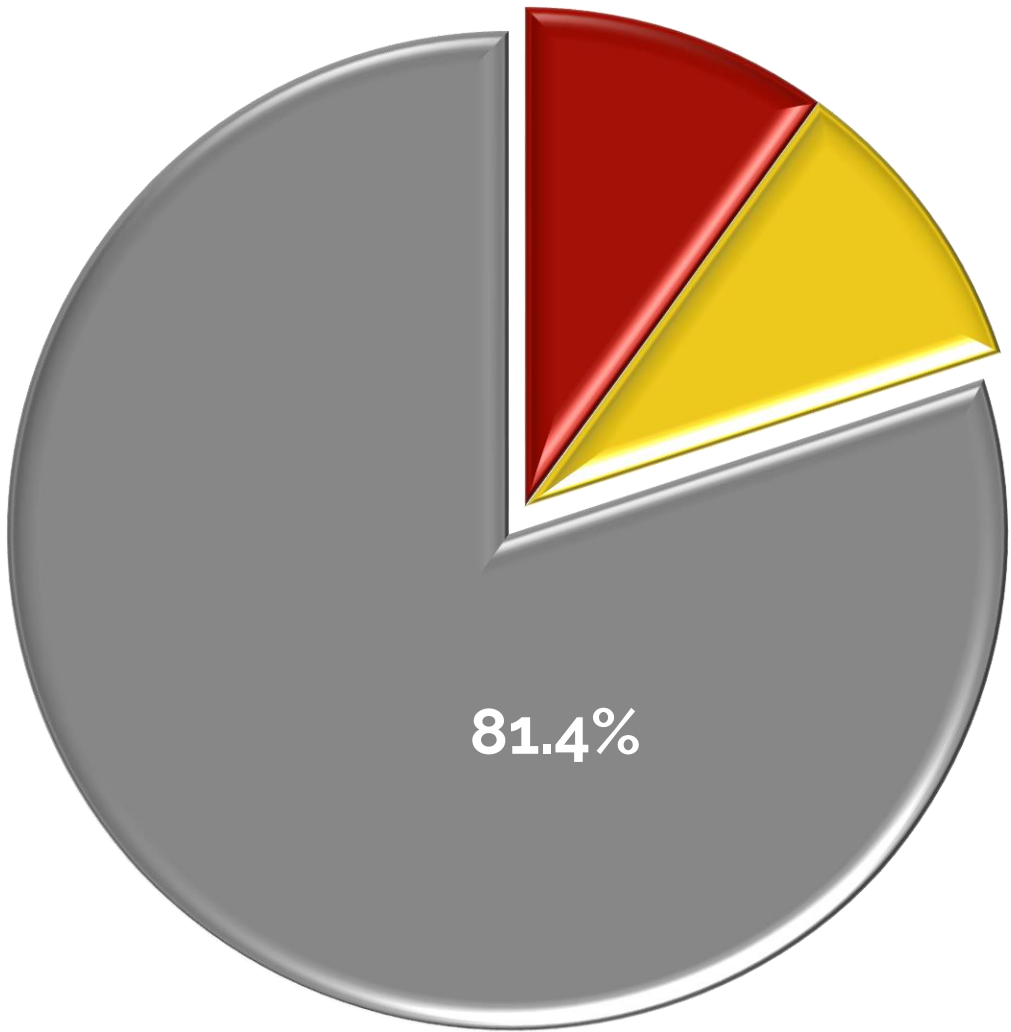
FY 2019 Actual
\$4.43 Billion



FY 2020 Q2 Forecast
\$4.57 Billion



FY 2021 Budget Pre-COVID
\$4.77 Billion



- State Operating
- State Paid Fringe
- Rutgers

Strong revenue growth has allowed for salary increases and other rising costs

Government Orders on COVID-19

SHIFTING TO REMOTE STATUS

Many Unknowns:

State Funding

- \$0 appropriation for Q1; Q2-Q4 not until September
- Allocation of Governor's Emergency Education Relief (GEER) Fund
- Allocation of other CARES funds
- Impact on other missions (e.g. NJAES/Extension funding)

Enrollment

- Impact from mode of opening on academic programs, housing, dining, parking, and student services



Government Orders on COVID-19

SHIFTING TO REMOTE STATUS

Many Unknowns:

Clinical Services

- Ramp-up of elective clinical visits and procedures/surgeries
- Impact of telemedicine

Research

- Ramp-up of laboratories, backlog of grant applications, bridge funding

Athletics

- How and when games are played (Conference, NCAA, State Orders)
- Spectators for football and basketball?

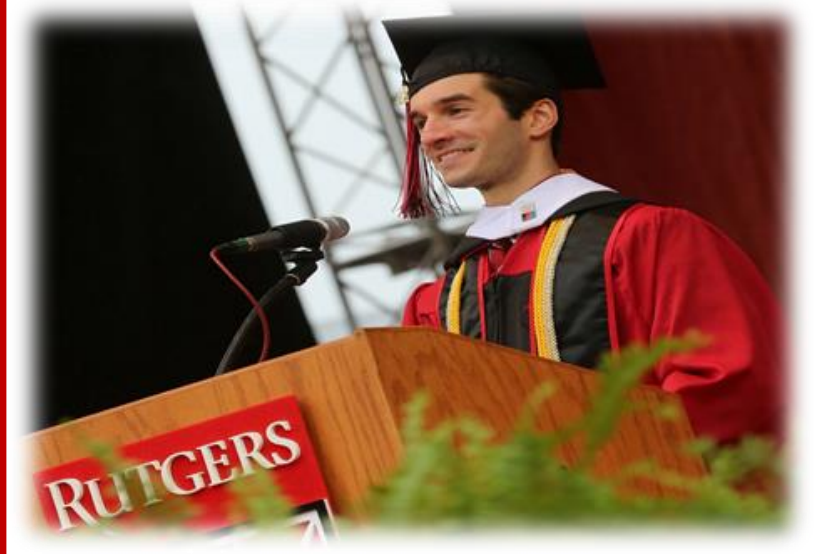


Key Challenge

How does RUTGERS remain

**ACCESSIBLE
AFFORDABLE
HIGH QUALITY**

with a great ROI?



Government Orders on COVID-19

UNIVERSITY PLANNING WAS SHIFTING

FY 2020

- Hiring freeze, voluntary salary reductions, limits on salary increases; moratorium on discretionary spending and travel; “hibernation” of buildings to limit spending; pursuing other HR actions; halting capital project planning
- Use of large amount of reserves to address shortfall

FY 2021

- Modeling various scenarios for opening including remote and hybrid
- Continuing spending limits
- Addressing concerns about incoming classes, retention, international student enrollments
- Planning for uncertainty about New Jersey State Appropriations
- Holding tuition and fees flat for undergraduate and most graduate programs
- Plan to refine budget projections throughout the summer

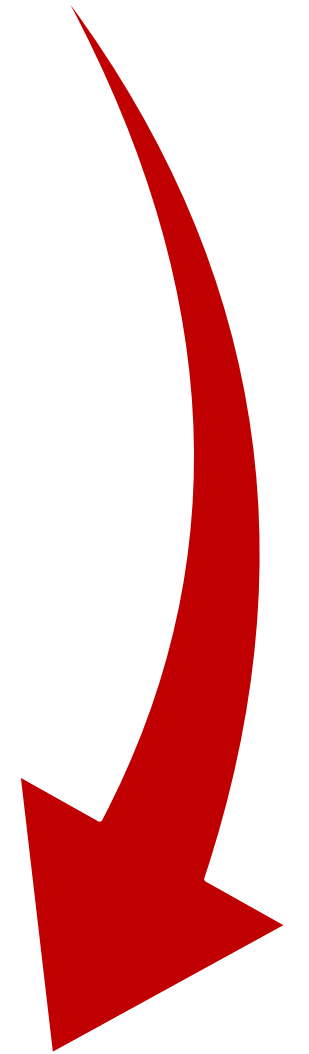


FY 2021 Revenue Reality has Changed Significantly

**\$447.8 M Reduction
in < 1 year**

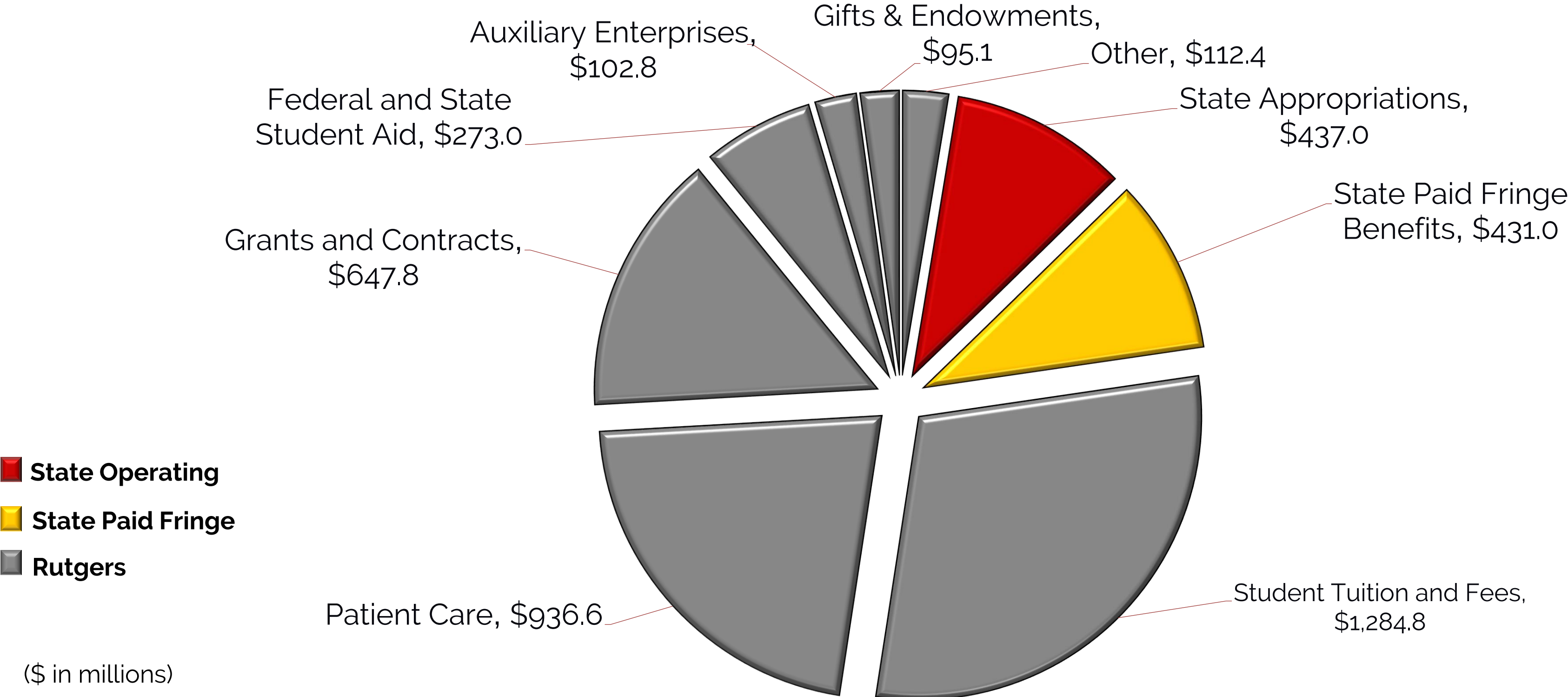
June Year-End FY19 =	\$4.43 billion
December Q2 Forecast FY20 =	\$4.57 billion (+\$145.8M)
March Pre-COVID Est FY21 =	\$4.77 billion (+\$197.2M)
NOW FY21 =	\$4.32 billion (-\$447.8M)

SHRINKING



FY 2021 Budget – Less Anticipated Revenue than Prior Two Years

\$4.32 Billion



FY 2021 Budget Development to Approved Budget

Dollars in thousands

Revenue (Sources of Funds)	FY19	FY20	FY21	Fav/(Unfav) Variance	
	Actual	Q2 Forecast	Budget	FY21 B vs FY19 A	FY21 B vs FY20 F
Student Tuition and Fees	1,303,665	1,344,343	1,284,807	(18,858)	(59,536)
Federal and State Student Aid	224,979	225,700	265,710	40,731	40,010
Federal Appropriation	7,061	7,052	7,324	263	272
Allocated University Support	0	0	0	(0)	0
NJ State Appropriations	435,790	438,723	437,032	1,242	(1,691)
State Paid Fringe	443,841	447,196	431,008	(12,833)	(16,188)
Grants and Contracts	470,818	509,067	528,965	58,147	19,898
Facilities and Administrative Recoveries	111,024	114,769	118,816	7,792	4,047
Gift and Contribution Revenue	50,408	45,147	38,104	(12,304)	(7,043)
Endowment and Investment Income	53,734	63,652	57,051	3,317	(6,601)
Healthcare Revenue	563,545	598,203	526,582	(36,963)	(71,621)
Affiliated and Housestaff	310,173	337,491	410,019	99,846	72,528
Other Sources Revenue	141,524	127,739	112,280	(29,244)	(15,459)
Auxiliary Revenue	308,805	312,095	102,807	(205,998)	(209,288)
Total Revenue	4,425,368	4,571,177	4,320,505	(104,863)	(250,672)

FY 2021 Budget Development to Approved Budget, cont.

Dollars in thousands

Expense (Uses of Funds)	FY19	FY20	FY21	Fav/(Unfav) Variance	
	Actual	Q2 Forecast	Budget	FY21 B vs FY19 A	FY21 B vs FY20 F
Salaries and Wages	2,144,602	2,254,690	2,194,421	(49,819)	60,269
Fringe Benefits	661,259	687,503	691,448	(30,189)	(3,945)
Total Compensation	2,805,861	2,942,193	2,885,869	(80,008)	56,324
Supplies and Other	252,841	253,467	249,984	2,857	3,483
Scholarships and Fellowships	416,859	425,246	455,943	(39,084)	(30,697)
Travel	49,280	46,475	36,328	12,952	10,147
Plant Operation and Maintenance	140,609	134,143	122,931	17,678	11,212
Debt Service - Principal and Interest	170,655	171,700	182,317	(11,662)	(10,617)
Other Operating Expense	225,972	275,400	250,939	(24,967)	24,461
Professional Services	313,665	293,487	269,675	43,990	23,812
Total Expense	4,375,743	4,542,111	4,453,986	(78,243)	88,125
Surplus/(Deficit) before Transfers	49,626	29,066	(133,481)	(183,107)	(162,547)
Transfers	(0)	0	0	0	0
Cost Pool Transfers	0	0	0	0	0
Change in Fund Balance	49,626	29,066	(133,481)	(183,107)	(162,547)
<i>Margin</i>	<i>1.1%</i>	<i>0.6%</i>	<i>(3.1%)</i>		
Other Transfers					
Plant Fund and Non Operating Transfers	(38,937)	(35,705)	5,423	44,360	41,128
Use of Prior Year Net Assets	0	20,989	31,003	31,003	10,014
Change in Fund Balance Operations	10,689	14,350	(97,055)	(107,744)	(111,405)
<i>Margin</i>	<i>0.2%</i>	<i>0.3%</i>	<i>(2.2%)</i>		

Total University Executive Summary

Dollars in thousands

		FY2021 Budget					
		New Brunswick	Newark	Camden	RBHS	Central	Total
1	Total Revenue	1,450,434	412,453	182,103	1,863,294	412,223	4,320,507
2	Total Expense	1,262,574	343,690	170,537	1,655,508	1,021,676	4,453,985
3	Surplus/(Deficit) before Transfers	187,860	68,763	11,566	207,786	(609,453)	(133,478)
4	Transfers	14,212	2,629	1,340	(2,102)	(16,079)	-
5	Cost Pool Transfers	(269,284)	(88,322)	(41,480)	(228,548)	627,634	-
6	Change in Fund Balance	(67,212)	(16,930)	(28,574)	(22,864)	2,102	(133,478)
	Margin	(4.63%)	(4.10%)	(15.69%)	(1.23%)	0.51%	(3.09%)
7	Other Transfers						
8	Plant Fund & Non Operating Transfers*	18,271	-	(185)	(4,600)	(8,063)	5,423
9	Use of Prior Year Net Assets**	11,407	5,233	384	5,153	8,825	31,002
10	Change in Fund Balance Operations	(37,534)	(11,697)	(28,375)	(22,311)	2,864	(97,053)
	Margin	(2.59%)	(2.84%)	(15.58%)	(1.20%)	0.69%	(2.25%)

*Operating funds budgeted for capital items such as deferred maintenance, renovations and construction

**Prior year funds set aside for one-time strategic initiatives

Stimulus Funding – Does Not Address Revenue Budget Shortfalls

CARES

Tranche 1: Must be used for direct financial aid support for students in need

Tranche 2: Will support – Financial aid for students, student services and technology support for remote students and support for health and mental health needs of students.

Approximately \$7.7 million has provided budget relief in FY 2020 .

GEER *

Governor's Emergency Education Relief Funding

Support for:

- a. Financial Aid for Students
- b. Enhance student services
- c. Offsetting additional cost incurred due to the pandemic related to safety measures at each campus

CRF *

Coronavirus Relief Funding

Support for:

- a. Offsetting additional costs for Personal Protective Equipment
- b. Costs for coronavirus leave
- c. Cost for remote learning equipment and equipment purchased for remote work

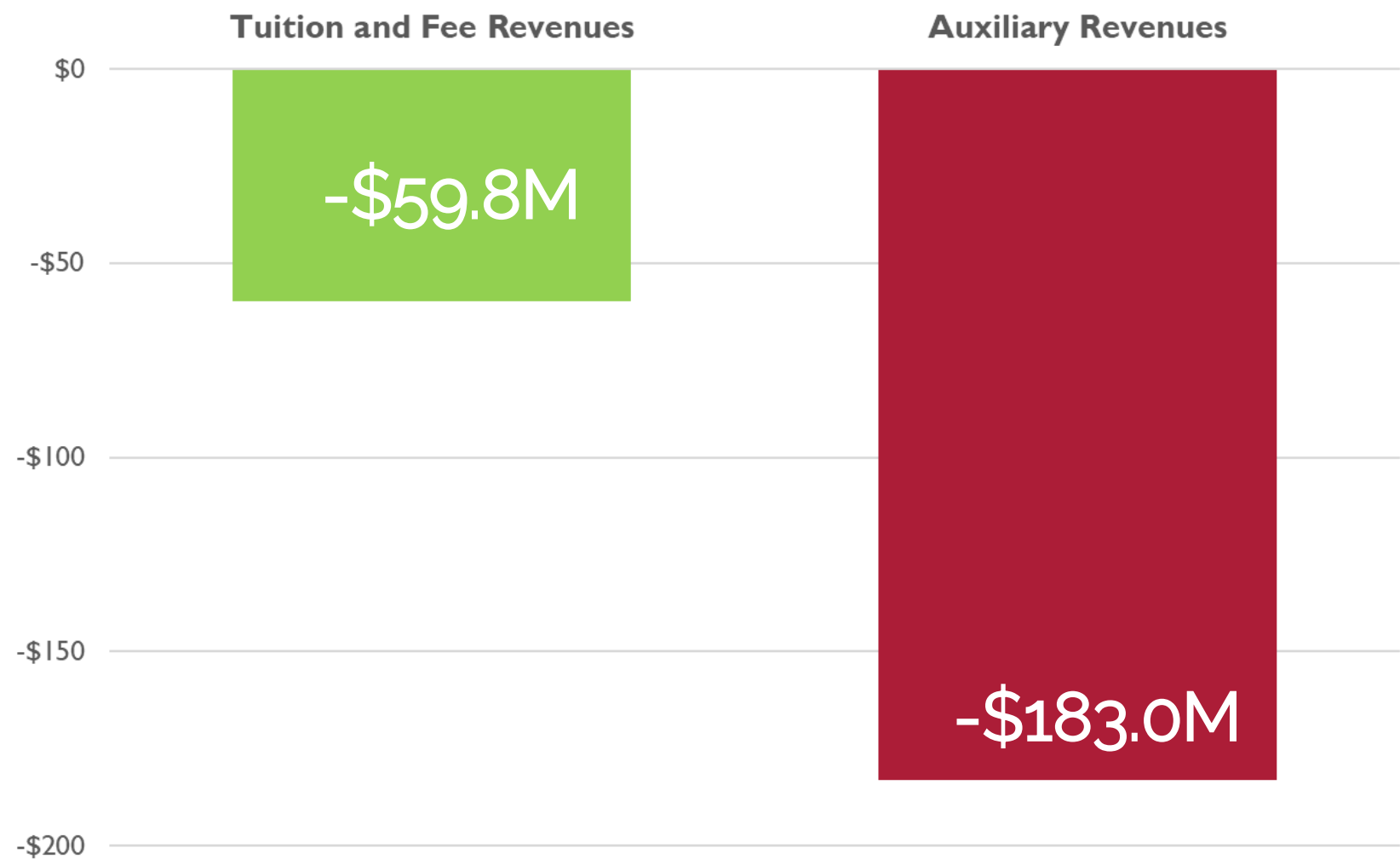
**OSHE has not approved all budgets yet, still in application phase.*

FY 2021 Revenue Reality – New Brunswick

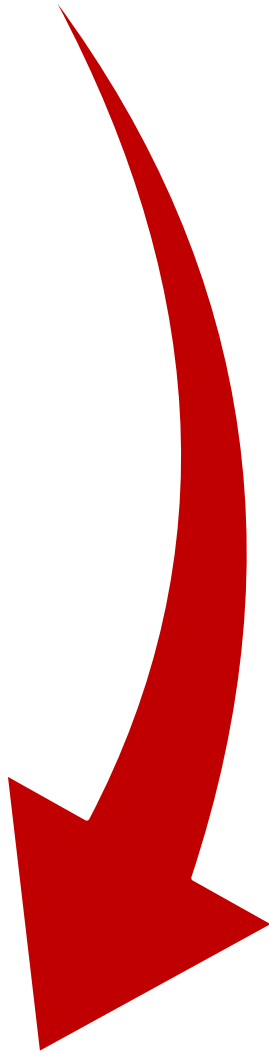
June Year-End FY19 =	\$1.66 billion
December Q2 Forecast FY20 =	\$1.69 billion (+\$28.4M)
March Pre-COVID Est. FY21 =	\$1.71 billion (+\$25.5M)
NOW FY21 =	\$1.45 billion (-\$263.6M)

**~\$263.6 M Reduction
in < 1 year**

Major Revenue Categories Impacted by the Health Crisis*



SHRINKING



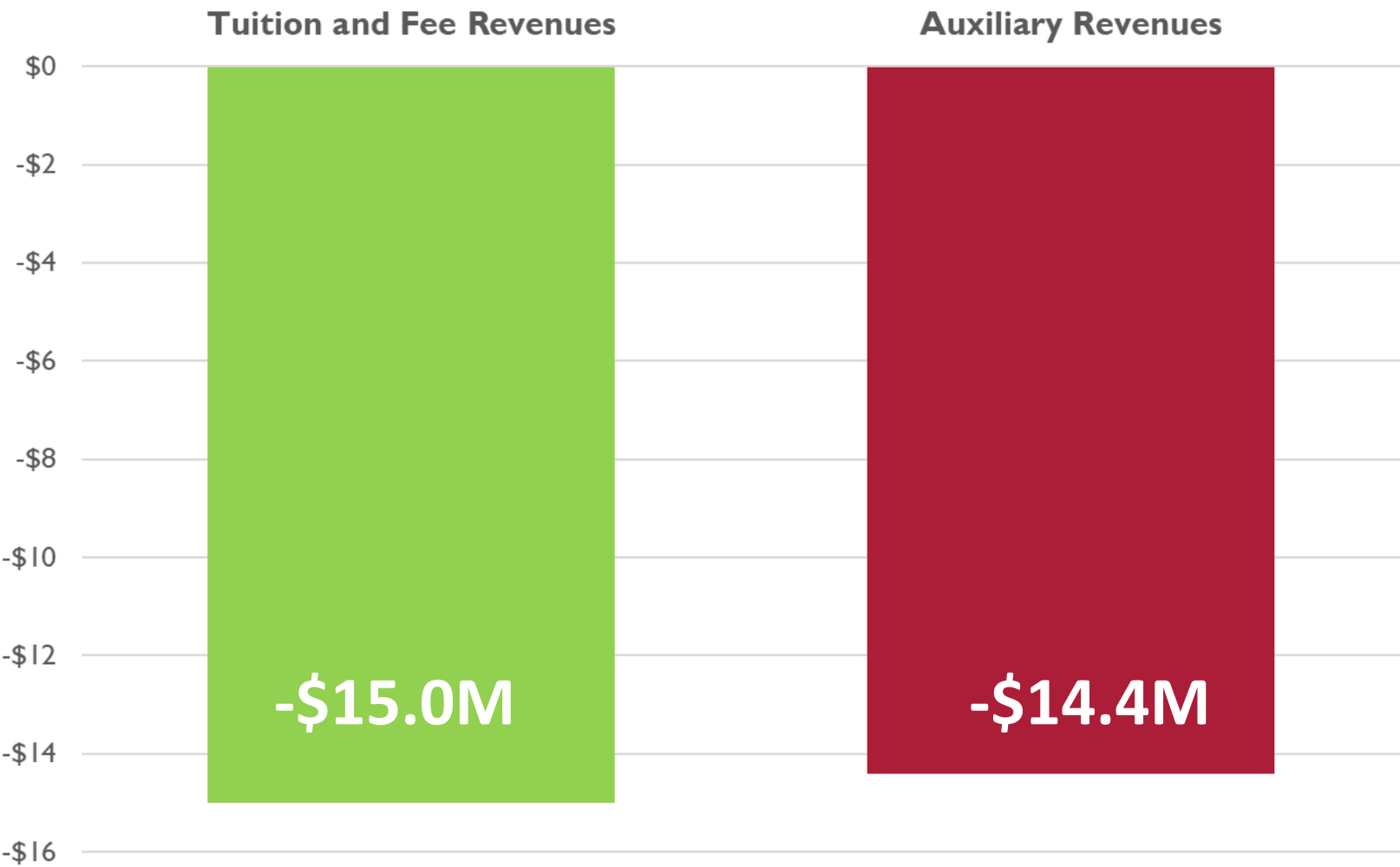
**FY21 Budget v FY20 Q2 Forecast*

FY 2021 Revenue Reality – Newark

June Year-End FY19 =	\$415.9 million
December Q2 Forecast FY20 =	\$435.7 million (+\$19.8M)
March Pre-COVID Est. FY21 =	\$445.9 million (+\$10.2M)
NOW FY21 =	\$412.5 million (-\$33.4M)

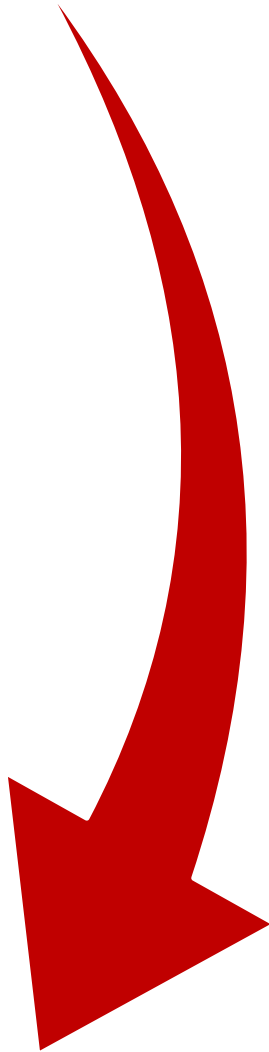
**~\$33.4 M Reduction
in < 1 year**

Major Revenue Categories Impacted by the Health Crisis*



**FY21 Budget v FY20 Q2 Forecast*

SHRINKING

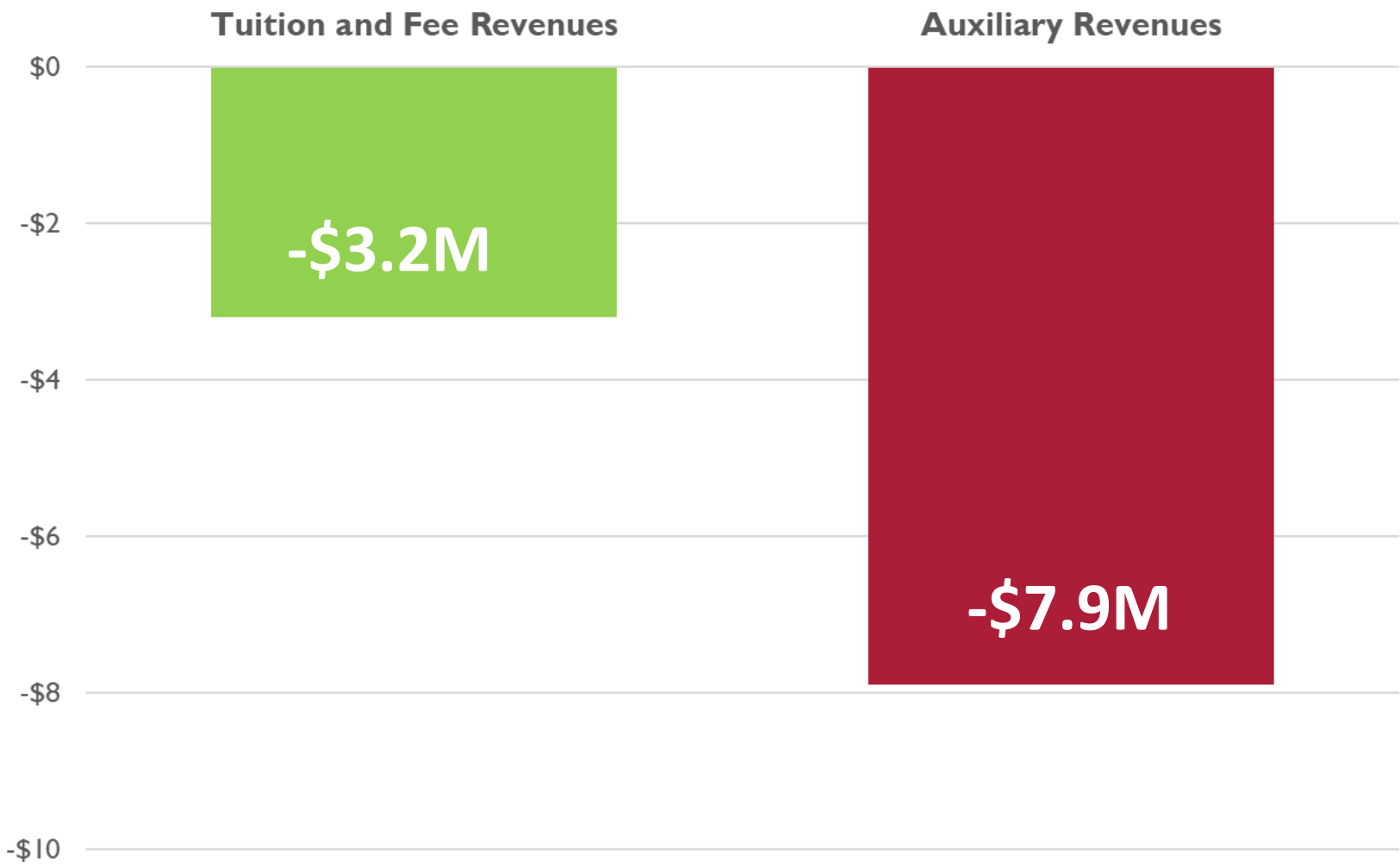


FY 2021 Revenue Reality – Camden

June Year-End FY19 =	\$178.9 million
December Q2 Forecast FY20 =	\$184.5 million (+\$5.6M)
March Pre-COVID Est. FY21 =	\$191.6 million (+\$7.1M)
NOW FY21 =	\$182.1 million (-\$9.5M)

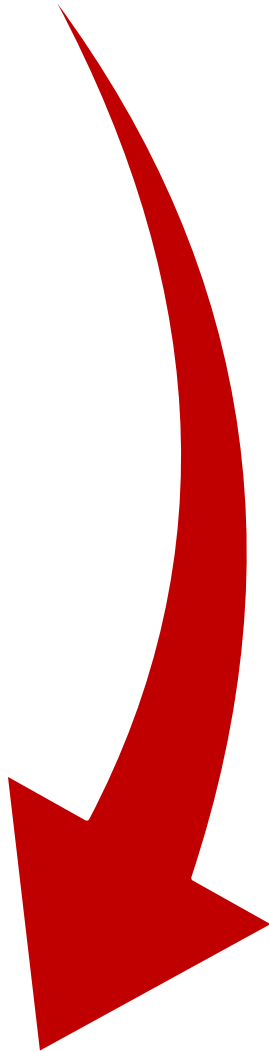
**~\$9.5 M Reduction
in < 1 year**

Major Revenue Categories Impacted by the Health Crisis*



**FY21 Budget v FY20 Q2 Forecast*

SHRINKING

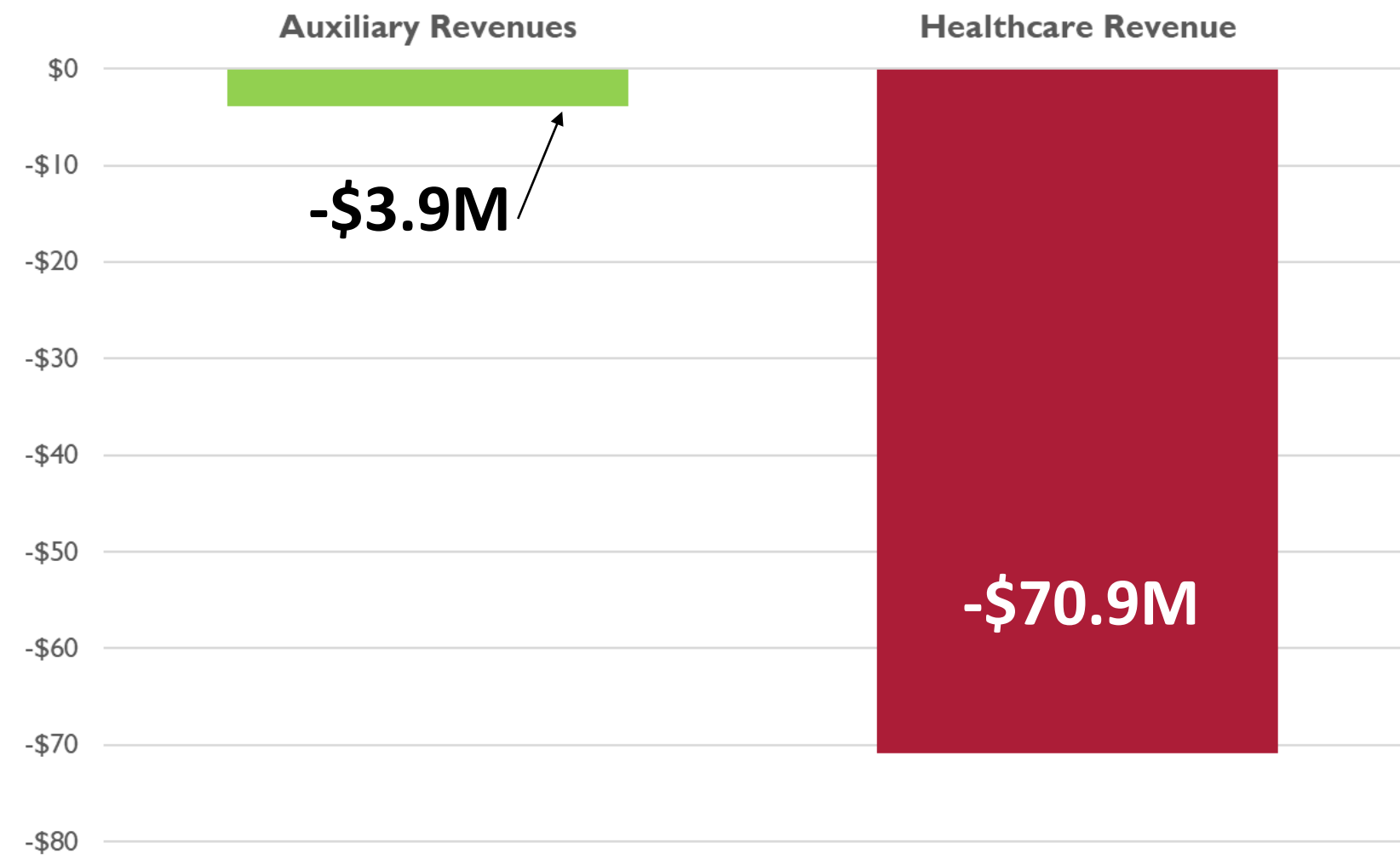


FY 2021 Revenue Reality – RBHS

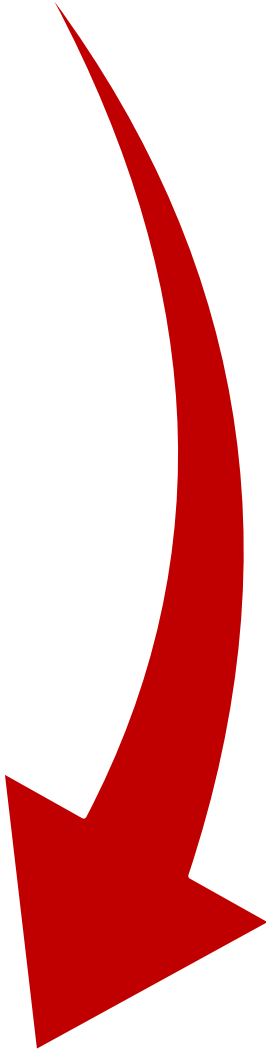
June Year-End FY19 =	\$1.73 billion
December Q2 Forecast FY20 =	\$1.85 billion (+\$112.0M)
March Pre-COVID Est. FY21 =	\$1.99 billion (+\$142.9M)
NOW FY21 =	\$1.86 billion (-\$125.6M)

**~\$125.6 M Reduction
in < 1 year**

Major Revenue Categories Impacted by the Health Crisis*



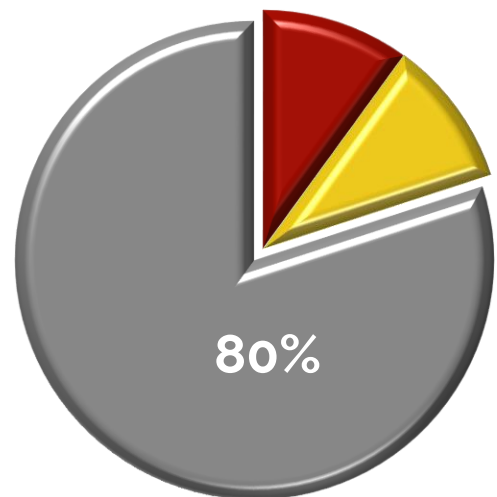
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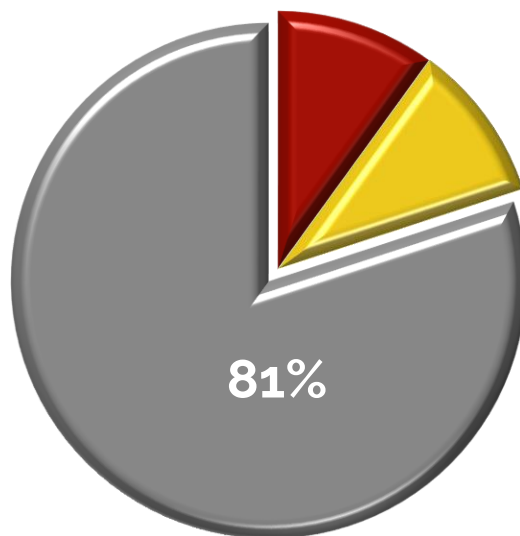
**FY21 Budget v FY20 Q2 Forecast*

\$4.32B Revenue Budget – Less Anticipated Revenue than Prior Two Years

FY 2019 Actual
\$4.43 Billion

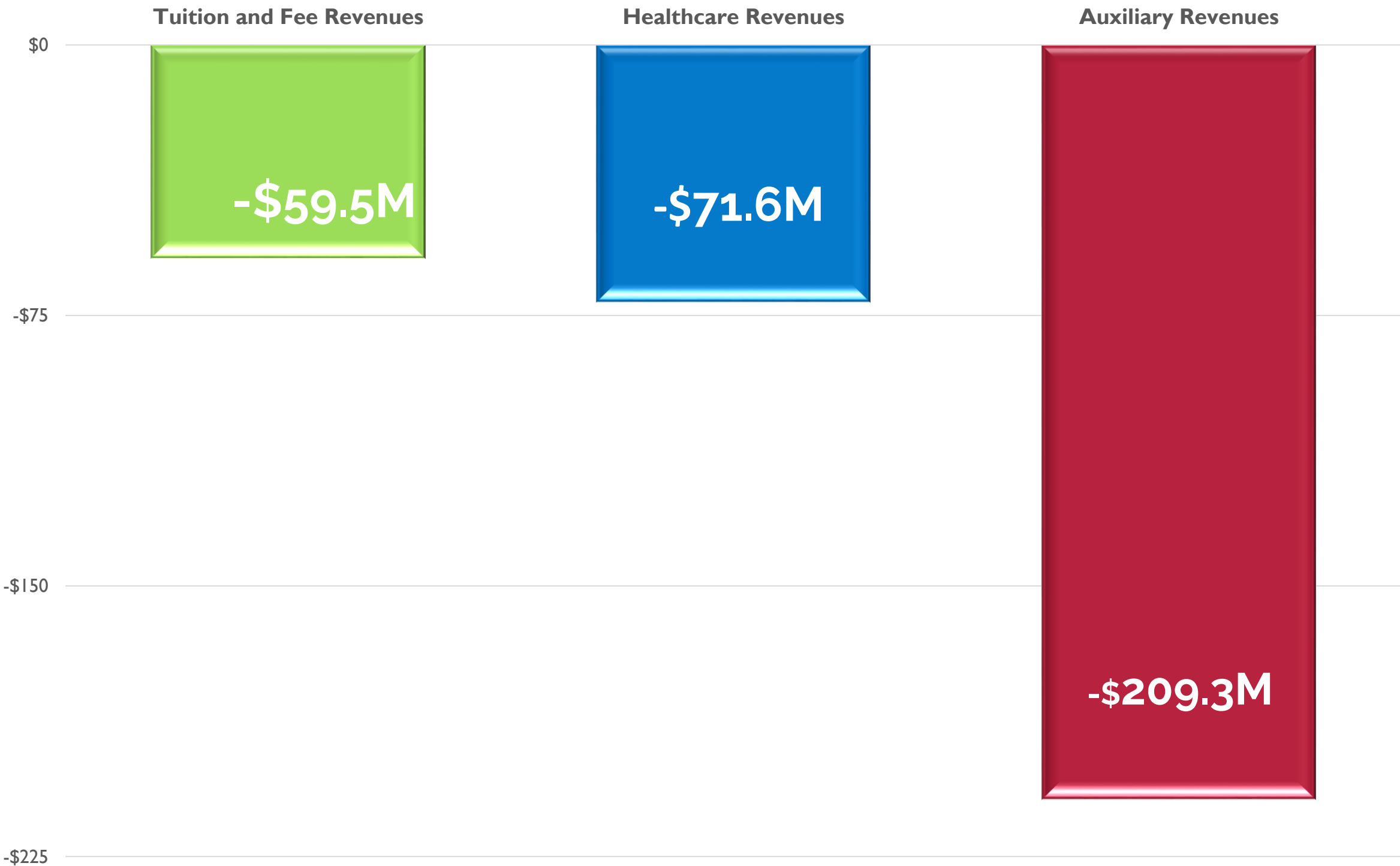


FY 2020 Estimate*
~\$4.48 Billion



- State Operating
- State Paid Fringe
- Rutgers

Major Revenue Categories Impacted by the Health Crisis**



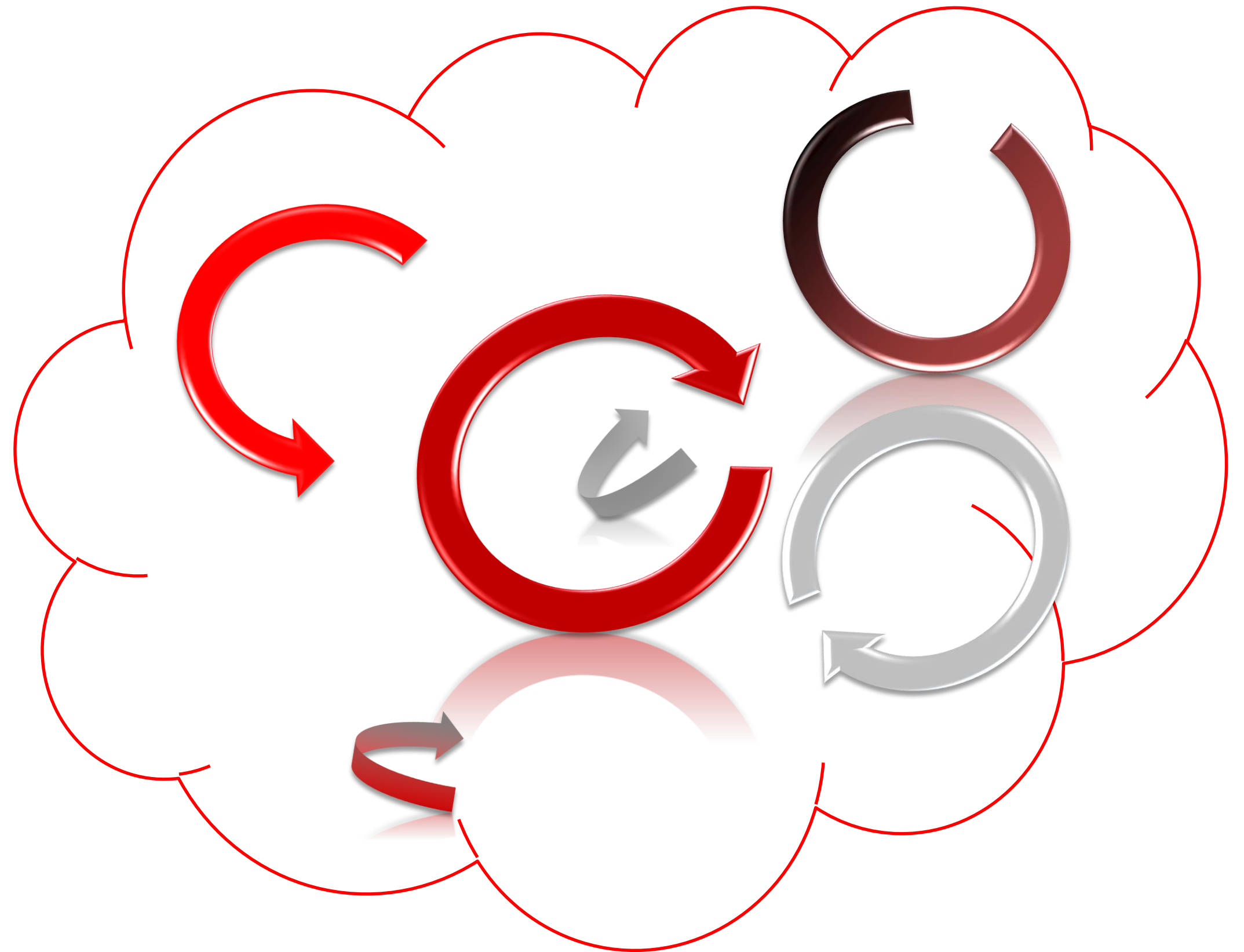
**Subject to change based on audit adjustments.*

***FY21 Budget v FY20 Q2 Forecast*

HOW DO WE **Maintain** Our Great Outcomes?



When the
world is
quickly
changing
?



STRATEGIES TO MAINTAIN Our Great Outcomes!

Revenues	\$4.32B
Expenses	\$4.45B
Transfers	\$36.4M
BUDGET GAP	-\$97.1M

Review and
Streamline Processes



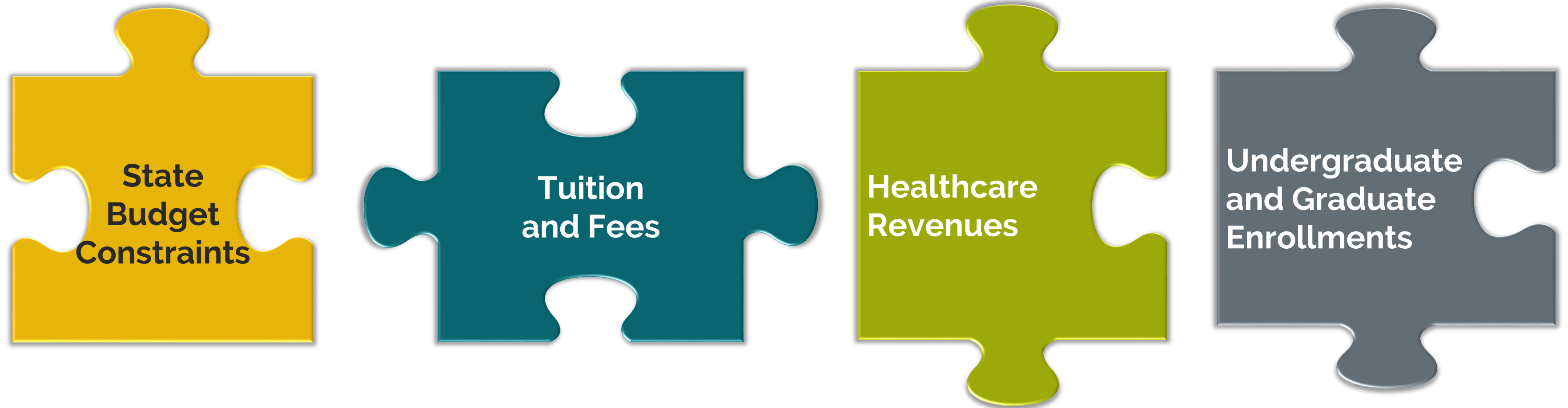
Review Tuition and
Fee Strategy

Implement Cost Containment Measures



*Fund Sources:
Multi-Faceted
Approach*

FY 2021 & 2022 Financial Plans



Pieces need to come together –
Requires **ALL** of Rutgers working together

Rutgers' Strategy – FY 2022

All options have to be on the table...

- Diversification of Revenue Streams
- Tuition Pricing Strategy
- Student Enrollment and Retention
- Advocate for Continued State Support
- Research and Philanthropy Activities
- Examine expenditures base



◇ Information

◇ Skills

◇ Communication

◇ Knowledge

◇ Ideas

◇ Educated Workforce

**Higher education is integral
to driving economic growth.**

IMPLEMENT Additional Cost Control & Efficiencies



Together, we will face these fiscal challenges and make our University more vibrant and stronger.

We are in this together and need your help
– share with us your ideas on cost control measures and efficiencies:

rutgersideas@finance.rutgers.edu



Rutgers University...

...is an Amazing University –
transforming students' lives everyday

...has Faced Headwinds before –
together we will meet the challenge

...fosters Open Communication/Collaboration –
in pursuit of excellence in education

Saving for Our Future:

Managing Discretionary Spending

Ernie DiSandro

Associate Vice President and University Controller

Nimish Patel

Associate Vice President for Procurement and Chief Procurement Officer

Ruth Philo

Chief Audit Executive

Discretionary Spend Management

OVERVIEW

Spend Overview

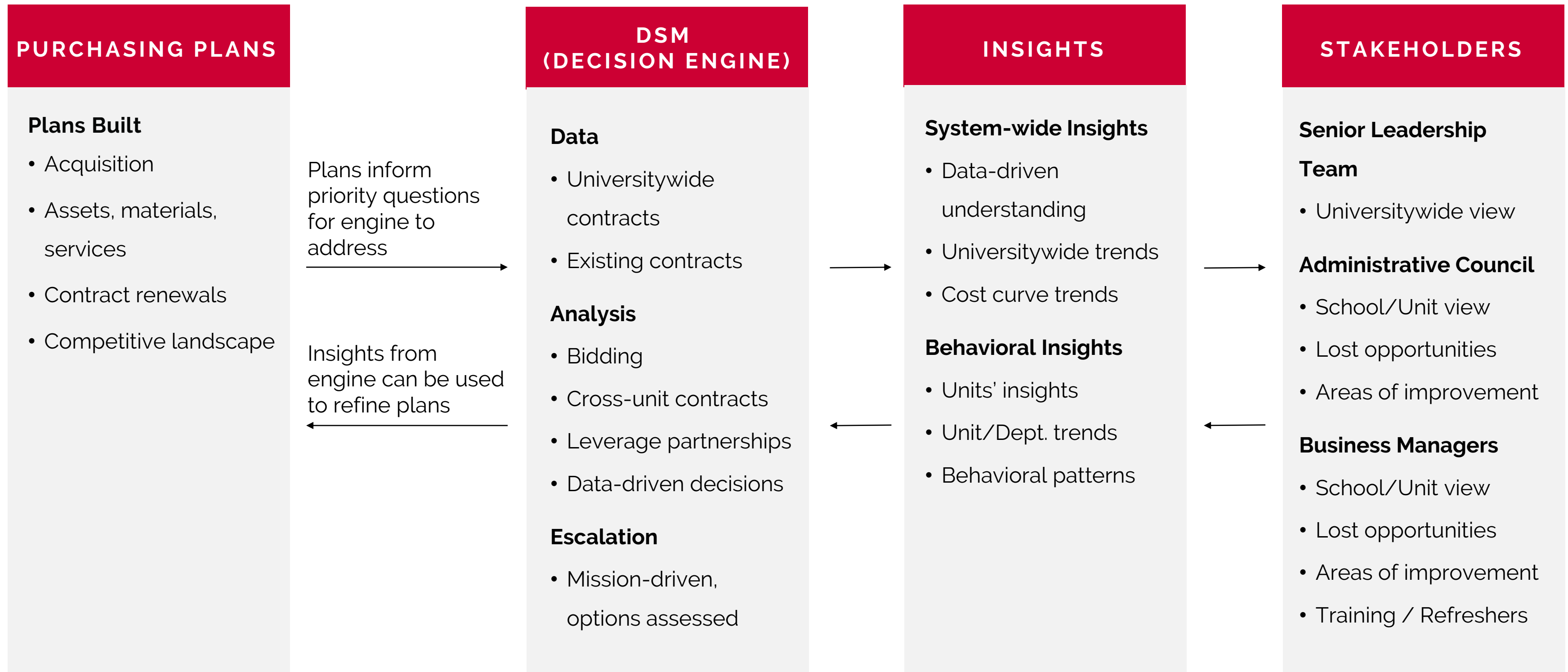
- Universitywide procurement spend for goods and services = \$2.2B (FY20)
- Discretionary spend = ~\$1B

Objective – Bend the Spend Curve

- Develop a comprehensive spend control approach in collaboration with management
- Conducted detailed analysis of spend profiles, control environments, and current practices
- Identified several areas for improvement, including:
 - 25K check requests representing \$160M+ include a significant number of invoices without purchase orders (i.e., no prior formal approval)
 - \$100M in quick orders and non-catalog orders with limited oversight by department and University Procurement Services (UPS)
 - Multiple lost opportunities to leverage university contracts

A holistic and scalable macro-level approach that will incorporate inputs from business offices and is expected to evolve over time.

Creating Value at Scale Requires a Holistic Approach



Mobilized an agile UFA team to develop the framework. Group to be expanded with Chancellor and other Finance representation.

Framework

FOUR PILLARS OF FOCUS

Guidance & Reminders

- Guidance and Definitions
- Procurement Policy Reminders



Approval & Escalation

- Department / UPS Approval
- Discretionary Spend and Chief Business Office Approval
- Tighten Up Operations



Data Analysis & Reporting

- Campus and Unit Dashboards and Reports
- Continuous Monitoring



Communication & Review

- Universitywide Communication
- Webinars
- Training

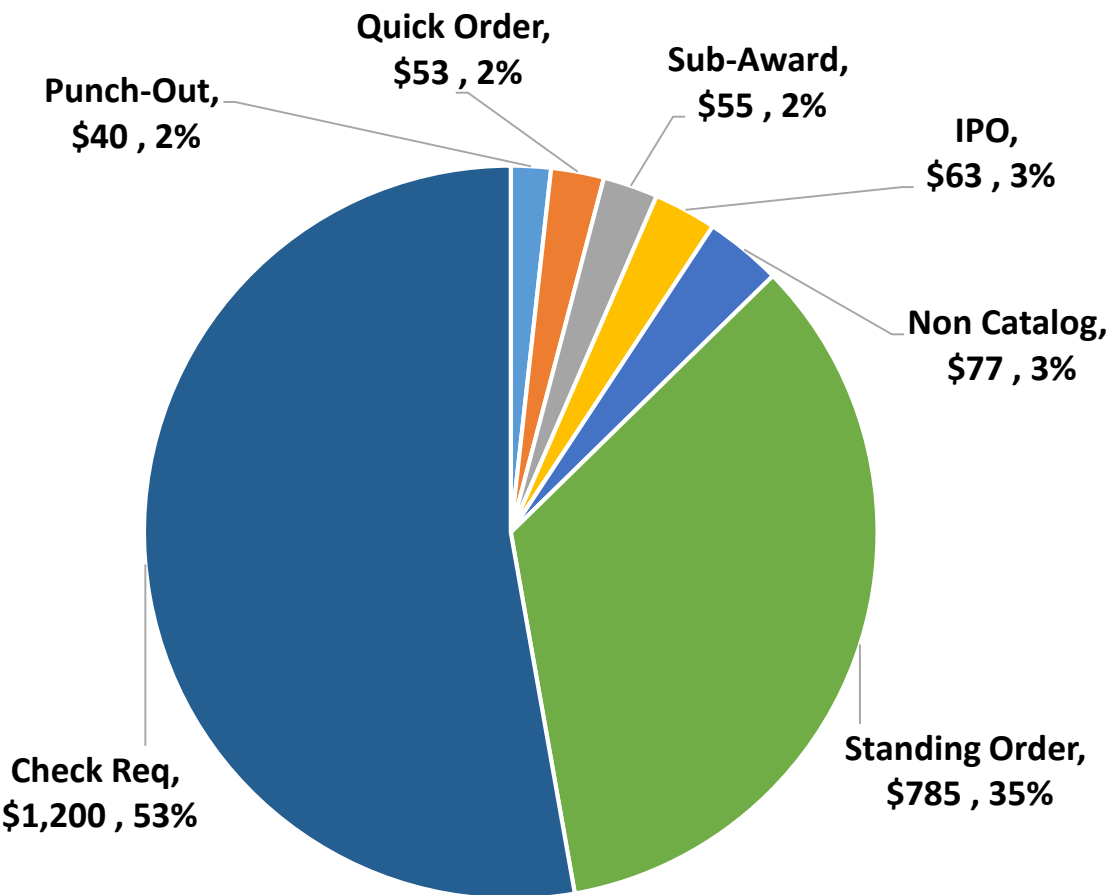


FY20 Purchase Order Spend Analysis

Requisition by
Form Type

All PO
• \$2.25B (100%)
• 220K PO (100%)

Quick Order • \$53M (2%) • 57K PO (26%)	Punch-Out • \$40M (2%) • 68K PO (31%)
Check Request • \$1.2B (53%) • 37K PO (17%)	Non-Catalog • \$77M (3%) • 7K PO (3%)
Standing Order • \$785M (35%) • 30K PO (14%)	IPO • \$63M (3%) • 20K PO (9%)
Sub-Award • \$55M (2%) • 500 PO (1%)	

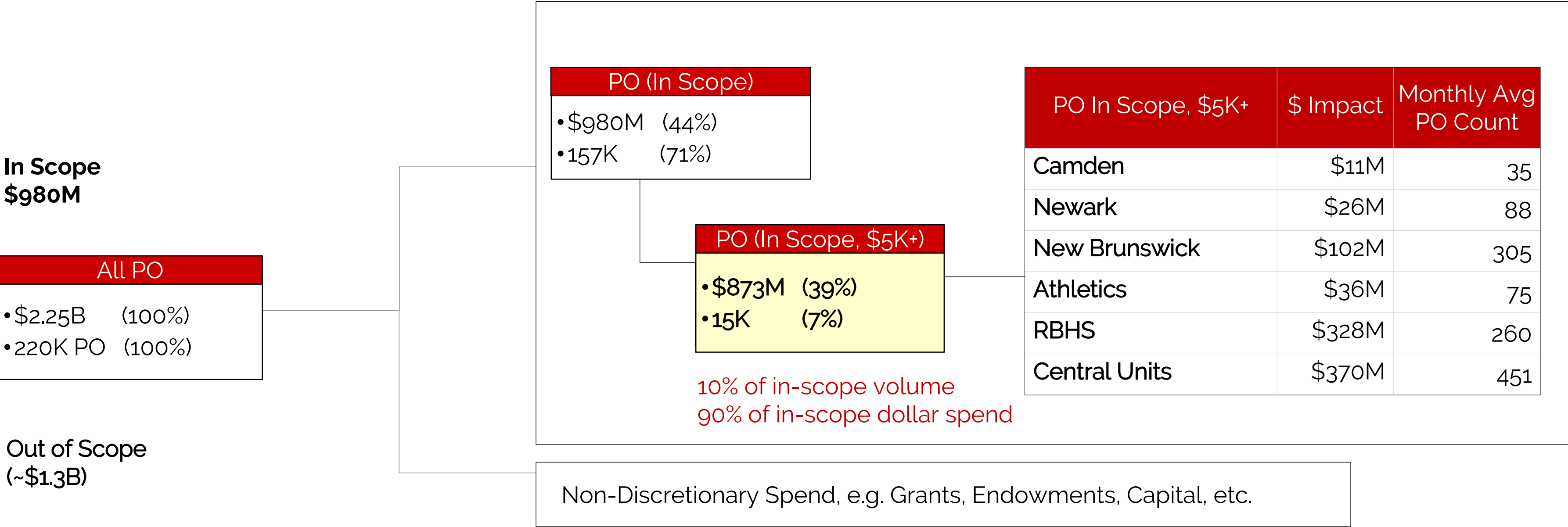


TYPE	DESCRIPTION	OVERSIGHT
Quick Order	orders for goods under \$10,000	No UPS oversight
Punch-Out	orders from supplier catalogs	No UPS oversight
Check Request	non-sourceable 95%, sourceable 5%	UPS oversight
Non-Catalog	orders for goods over \$10K	UPS oversight
Standing Order	orders for blanket orders and services	UPS oversight
Internal Purchase Order (IPO)	internal purchases	No UPS oversight
Sub-Award	sub-award orders	No UPS oversight

FY20 Purchase Order Spend (In-Scope for Additional Oversight)

In-Scope Criteria – Low volume for additional approval, but high dollar impact

- Exclude requisitions for endowment, grants, gift, cap projects (Project codes 5,6,7,8)
- Include requisitions for expense, internal purchase order natural accounts (Natural Account codes 5,6,7)
- Approve requisitions \$5,000 and above by Discretionary Spend approvers.



RU Marketplace Requisition Approval

								Existing Approver	New DS Approver	
FY20 \$2.2B	Requisition Type	Department Approval		UPS Purchasing Approval				UPS AP Approval	IPO Approval	Sub-Award Approval
\$53M 57K PO	Quick Orders	Dept. Approval	DS Approval							
\$40M 68K PO	Punch-out Orders	Dept. Approval	DS Approval							
\$1.2B 37K PO	Check Requests	Dept. Approval	DS Approval					AP Approval		
\$77M 7K PO	Non-Catalog Orders	Dept. Approval	DS Approval	Cat. Analyst Up to \$25K	Sr. Buyer Up to \$50K	Supervisor Up to \$150K	CPO >\$150K			
\$785M 30K PO	Standing Orders									
\$63M 20K PO	IPO Orders	Dept. Approval	DS Approval						IPO Approval	
\$55M 500 PO	Sub-Award Request									Sub-A. Approval

RU Marketplace requisition approval with additional oversight

Phased Communications

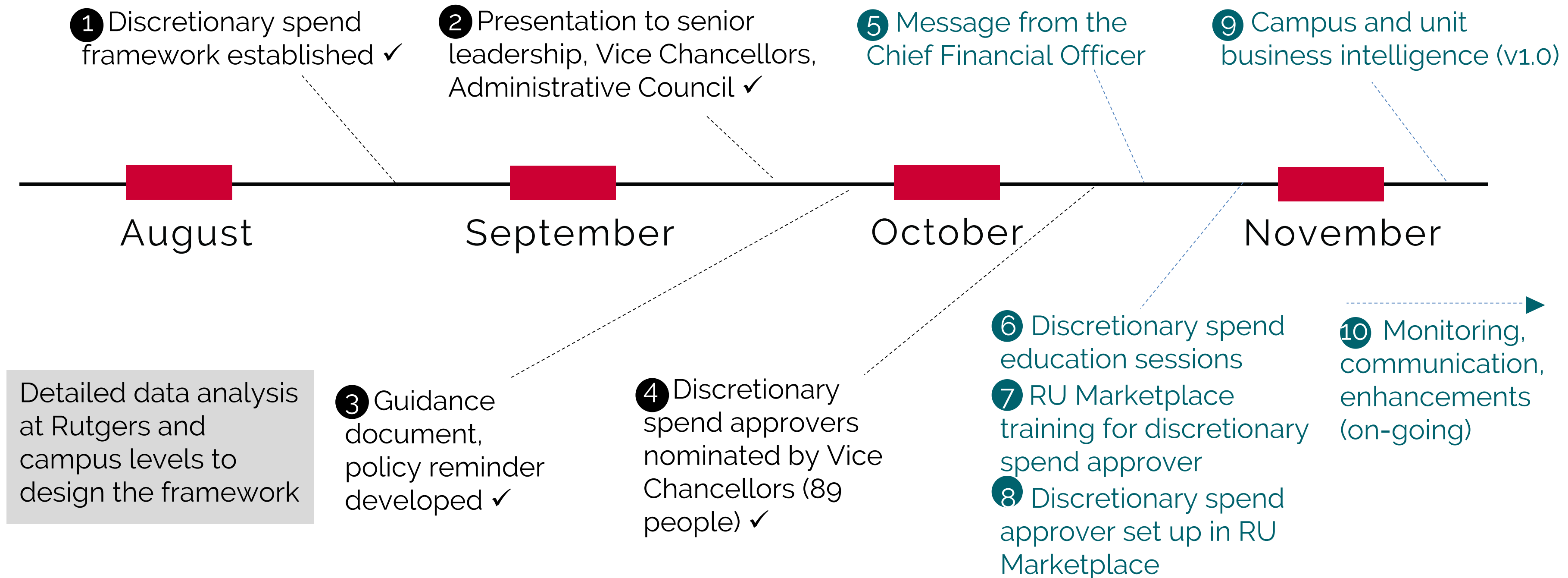
1 – INITIAL ROLLOUT / SOON AFTER

- Message from Chief Financial Officer
- Updated University Procurement Services site
- Discretionary spending guidance, quick reference guide, policy reminder, core deck
- “How RU Saving?” stories
- Monthly updates/tips
- Information sessions by Chancellor area/central unit

2 – SUBSEQUENT MONTHS

- Dashboards, reports and continuous monitoring
- Monthly updates/tips
- “How RU Saving?” stories

Timeline



Targeted launch by November 1

Cornerstone

PORTFOLIO UPDATE

John V. Fahey

Associate Vice President, Project Management Office Executive

Cornerstone Portfolio Update

Human Resources/Payroll

Oracle Human Capital Management Implementation

- Project will span multiple phases, expected duration two years to complete
- Project planning and due diligence started May 2020, formal project kick off delayed to winter 2020 (schedule TBD)

Chart of Accounts Optimization Phase 2

- Further optimization and updates to Chart of Accounts
- Design and planning phase started December 2019
- Project formally kicked off October 2020
- Project will span multiple phases, expected duration two years to complete

Cornerstone Portfolio Update

Student Experience Improvement Initiative

Student Information System

- Project will span multiple phases, expected duration 4-5 years to complete full project scope
- System selection completed (Oracle)
- System implementation partner selection completed (Sierra Cedar)
- Phase 1 - Student Financial Planning implementation kicked off June 2020. Expected launch date for Release 1 scheduled for October 2021 for beginning of cycle for aid year 2022-2023. Project will have seven releases throughout cycle and expect to be fully completed by September 2021
- Phase 2 - Student Management Cloud – Business Process Review phase expected to start first quarter of 2021 with implementation to follow.

Cornerstone Portfolio Update

Constituent Relationship Management (CRM)

Project will span multiple phases, expected duration 4-5 years to complete full project scope

Enrollment Management

- Kicked off Oct. 2019, scheduled completion Aug. 2021

One Stop Shops – New Case Management System

- New Brunswick completed Sep. 2020, remaining campuses to be completed by Feb. 2021

Marketing Cloud

- Launched with Mason Gross School of Arts in Oct. 2020, schedule for additional units in progress

Rutgers Foundation/Alumni and Athletics

- Plan and architect in progress, scheduled to complete in fall 2021, implementation to follow (schedule and go live TBD)

Research Administration and Corporate Engagement

- Plan and architect phase scheduled to begin late 2021

Cornerstone Portfolio Update

Procurement

Travel Agency Program

- Project RFP process and award in progress. Project planning, kick-off and schedule TBD

Expense Management system

- Project RFP process and award in progress
- Kick-off and implementation to follow Travel Agency program completion (schedule TBD)

Lease Administration System (GASB87)

- Implementation of new lease management and accounting system
- Project in progress, scheduled completion Mar. 2021

Cornerstone Portfolio Update

Payment Services Migration (replacement of ScholarChip system)

- Kicked off Mar. 2020
- Interim solution to provide business continuity completed Jul. 2020
- Long-term solution implementation in progress, scheduled to be completed spring 2021

Oracle Enterprise Data Management Cloud Service

- Implementation to start in fall 2020 in conjunction with Chart of Accounts Phase 2 project, final timelines and schedules TBD

Oracle Analytics Cloud

- New reporting and analytics platform
- Implementation to start in winter 2020, final schedule TBD



Questions?

Please share your questions
in the Q&A section.

Thank You!

