

RUTGERS

THE STATE UNIVERSITY
OF NEW JERSEY

Rutgers Investor Update

September 2014

J. Michael Gower

Senior Vice President for Finance & Treasurer

Delanie Moler

Vice President for Finance & Associate Treasurer

Agenda

- Rutgers Biomedical and Health Sciences (RBHS)
- Rutgers revenues
- Capital campaign review
- Investment performance
- Debt review
- Enrollment review

- On July 1, 2013 RBHS became the health care education, research, and clinical division of Rutgers University
- All consolidated units report to the RBHS chancellor, with exception to the Cancer Institute of New Jersey, which separately reports to the University president through the RBHS Chancellor

Rutgers Biomedical Health Sciences

Rutgers Biomedical and Health Sciences is headed by its own chancellor reporting directly to Rutgers' president

Rutgers Biomedical and Health Sciences Units (Post-Integration)

Unit	Unit
Cancer Institute of New Jersey	Nursing Schools
Center for Advanced Biotechnology and Medicine	College of Nursing
Environmental and Occupational Health Sciences Institute	School of Nursing
Ernest Mario School of Pharmacy	Rutgers School of Dental Medicine
Graduate School of Biomedical Sciences	School of Health Related Professions
Institute for Health, Health Care Policy, and Aging Research	School of Public Health
Medical Schools	University Behavioral Health Care
New Jersey Medical School	
Robert Wood Johnson Medical School	

- An update to the RBHS strategic plan is nearing completion
- A New Brunswick strategic plan is also nearing completion

Integration: Benefits and Preliminary Outcomes

Benefits

- Enhance educational opportunities
- Strengthen recruitment of top faculty and students
- Attract increased federal research funds
- Foster even more highly productive and innovative multidisciplinary projects
- Expand opportunities for research collaborations and for translating scientific knowledge into clinical medicine
- Strengthen private-public partnerships between higher education and the health care industry
- Connect the Rutgers brand to health care delivery

Preliminary Outcomes

Currently the University has:

- 35 degree-granting schools
- 23,000 faculty and staff
- Some 65,000 matriculated students from all 50 states and more than 125 countries
- More than \$700 million annual research and development expenditures
- An annual budget of over \$3.67 billion
- 27 million square feet across 1,007 buildings
- Campuses in New Brunswick, Piscataway, Newark and Camden, and locations throughout New Jersey

Strategic Hiring

- Over the past year, Rutgers has strategically hired to fill multiple high profile administrative positions at the University. The major appointments are outlined below.

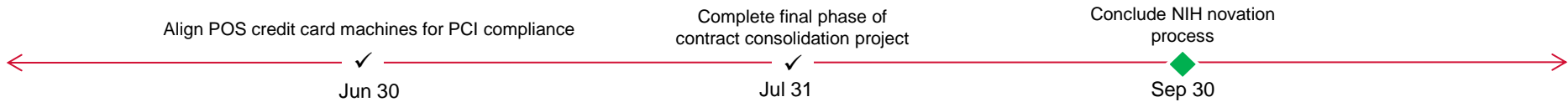
Administrator	Position	Beginning of Tenure
Phoebe Haddon	Chancellor - Rutgers Camden	July 1, 2014
Richard L. Edwards	Chancellor - Rutgers New Brunswick	June 2, 2014
Nancy Cantor	Chancellor - Rutgers Newark	January 1, 2014
Brian L. Strom	Inaugural Chancellor - Rutgers Biomedical and Health Sciences	December 2, 2013
Nevin E. Kessler	President - Rutgers University Foundation	October 14, 2013
J. Michael Gower	Senior Vice President	September 30, 2013

High Level Status Summary - Status

Student Services	On Track
Academic & Educational Programs	On Track
Enterprise Risk Management	On Track
Facilities	On Track
Information Technology	On Track
Human Resources	On Track
Administration & Public Safety	On Track
Clinical Programs & Affiliation Agreements	Due to ongoing negotiations with hospital leadership
Finance	On Track
Research	On Track

Selected Metrics and Milestones

Integration Functional Team	Functional Leads	Status
Finance September 4, 2014	Steve DiPaolo	All planned milestones are on track



Decisions Made and Accomplishments	Next Steps
<ul style="list-style-type: none"> • TSA/CSA: UH Payroll department was moved from Liberty Plaza to Newark on August 11 • Purchasing: <ul style="list-style-type: none"> - Completed contract consolidation project. Total savings is \$1.1M on approximately \$29.5M representing approximately 3.86% savings - UH Purchasing personnel were moved from Liberty Plaza 	<ul style="list-style-type: none"> • Treasury: Finance invited Wells Fargo Bank to perform an Ethnography study by observing Accounts Payable, Account Reconciliations, Travel & Entertainment and Treasury Operations at legacy Rutgers and RBHS. Wells Fargo to present recommendations for process efficiencies for the combined entity – <i>Due 9/15/2014</i> • Accounting: <ul style="list-style-type: none"> - Hyperion Financial Management (HFM) project - In conjunction with the RCM project, continue socializing the new Chart of Accounts segments and values with the units. Continue mapping existing Banner and Oracle values to new COA – <i>Due 9/30/2014</i> - Continue work on the first audited integrated year end consolidated financial reports. KPMG will be on site in late August – <i>Due 10/31/2014</i> • Post Award: Continue to obtain and record final authorized carry forward balances on the remaining 150 of 300 UMDNJ awards to conclude the NIH novation process – <i>Due 9/30/2014</i> • Budgeting: <ul style="list-style-type: none"> - Continue socializing plans for RCM model and meeting with various advisory groups. Draft of RCM plan to be submitted to steering committee – <i>Due 9/30/2014</i> - Select an implementation consulting partner for the Hyperion phase 2 Project – Hyperion Planning and Forecasting – <i>Due 9/30/2014</i> - Parallel budget system on target – <i>Due 10/31/2014</i> • TSA/CSA: Purchasing – 90 day extension has been requested by UH – <i>Due 9/30/2014</i> • Finance: All Areas - Office consolidation project

Critical Dependencies	Outstanding Risks & Issues	Resolution Approach	Due Date
None to report at this time	None to report at this time	None to report at this time	None

Selected Metrics and Milestones (continued)

Integration Functional Team	Functional Leads	Status
Research September 4, 2014	Chris Molloy Terri Kinzy	All planned milestones are on track



Decisions Made and Accomplishments	Next Steps
<ul style="list-style-type: none"> Grants and Contracts: In the final stages of resolving a few outlying issues on novation, major issues now are in post award with acceptance of FFRs and processing Space: Request for centralized IACUC space options on Busch campus at RWJMS has been made, awaiting response from RWJMS Corporate Contracts: CINJ does not plan to move to OCC from OGC in the near term IT: Held successful on-site kickoff for Click Commerce on July 30-31, stakeholder communication plan started with July 2014 Newsletters CMR / IACUC: Consolidation of lab animal services across all Newark locations is in progress 	<ul style="list-style-type: none"> Controlled Substances: Awaiting state response – <i>Ongoing</i> Corporate Contracts: Planning of next steps in transition of MTAs to a single process across Rutgers. Clinical trials processes (budgets, start-ups, initiation, index set up etc.) require review and a consolidated approach across RBHS – <i>Ongoing</i> IT / ORRA / ORAdmin: Continuing planning and launches of all electronic research systems enterprise wide in stages (eIACUC, eIRB, eCOI, Grants & Contracts) – <i>Ongoing</i> Space: Develop space plans for ORED to consolidate IRB, IACUC and Commercialization and Innovation – <i>Ongoing</i>

Critical Dependencies
None to report at this time

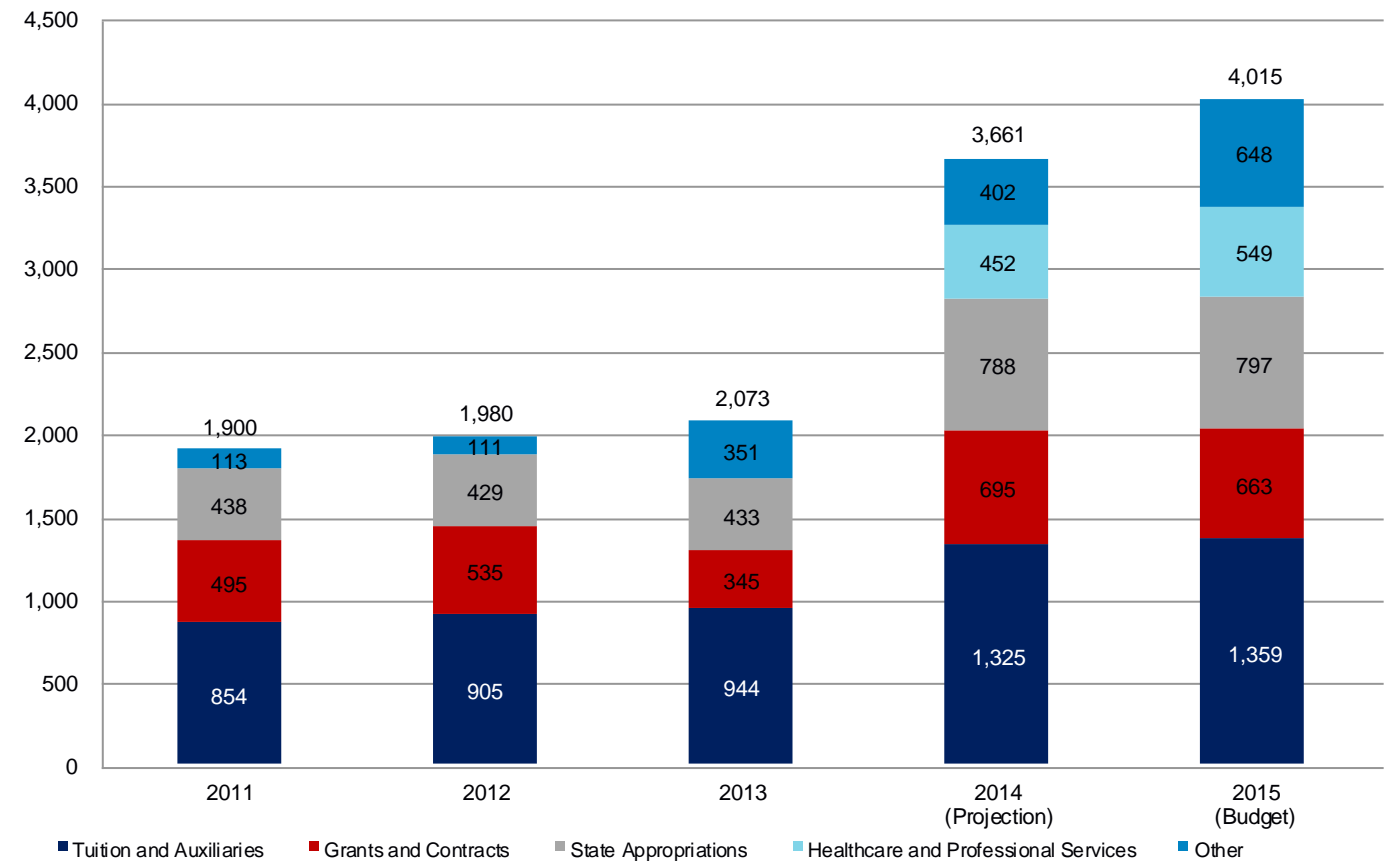
Outstanding Risks & Issues	Resolution Approach	Due Date
<ul style="list-style-type: none"> Issues with ORED access to the server for installation of Click Platform 	<ul style="list-style-type: none"> Check with ORED IT 	ASAP
<ul style="list-style-type: none"> Awaiting responses on IACUC space and clean up in Liberty Plaza 	<ul style="list-style-type: none"> Confirm with RWJMS and Facilities 	ASAP

- 2014 revenues reflect projected revenues
- Post integration, Rutgers total projected revenues increased by \$1.6 billion in 2014
- The integration of RBHS with Rutgers has provided a significant increase in projected revenues in the areas of
 - Tuition
 - State Appropriations
 - Healthcare
 - Research

Growth in Revenues

Operating and Non-Operating Revenues^(1,2)

2011 – Budgeted 2015
(\$MM)



Source Rutgers Audited Financial Statements, Rutgers FY 2014 and FY 2015 Budgets

Notes

1. Includes State Paid Fringe Benefits
2. FY 2011 – FY 2013 data is pre-integration

Budgeted Revenues of the University

- Projected FY 2014 revenues (excluding fringe benefits) increased by \$1.25 billion as Rutgers Biomedical and Health Sciences was integrated with the University
- The largest contributors of increased revenue were Education and General Activities, and Healthcare related revenues
- The below revenues and expenses exclude fringe benefits paid by the State (\$332.7 million in FY 2014)

\$ in Millions	FY 2013 ⁽²⁾		FY 2014		FY 2015
	Budget	Actual	Budget	Projection	Budget
Educational and General Activities ⁽¹⁾	\$1,397.8	\$1,402.5	\$1,794.9	\$1,804.2	\$2,074.0
Grant and Contract Revenues	495.3	511.6	698.9	694.7	663.4
Healthcare and Professional Services ⁽¹⁾	0.0	0.0	509.6	501.6	599.0
Auxiliary Enterprises	313.5	312.8	321.6	328.2	337.4
TOTAL REVENUES	\$2,206.6	\$2,226.9	\$3,325.0	\$3,328.7	\$3,673.9
Educational and General Activities	\$1,397.8	\$1,397.7	\$1,777.0	\$1,773.4	\$2,074.0
Grant and Contract Expenses	495.3	480.1	701.5	697.2	663.4
Healthcare and Professional Services	0.0	0.0	507.4	519.0	599.0
Auxiliary Enterprises	313.5	313.0	323.0	332.7	337.4
TOTAL EXPENSES	\$2,206.6	\$2,190.8	\$3,308.8	\$3,322.3	\$3,673.9
NET INCREASE/(DECREASE)	0.0	36.1	16.1	6.3	0.0

Source Rutgers University FY 2013 Budget, FY 2014 Budget as of February 28, 2014, and FY 2015 Working Budget Resolution\

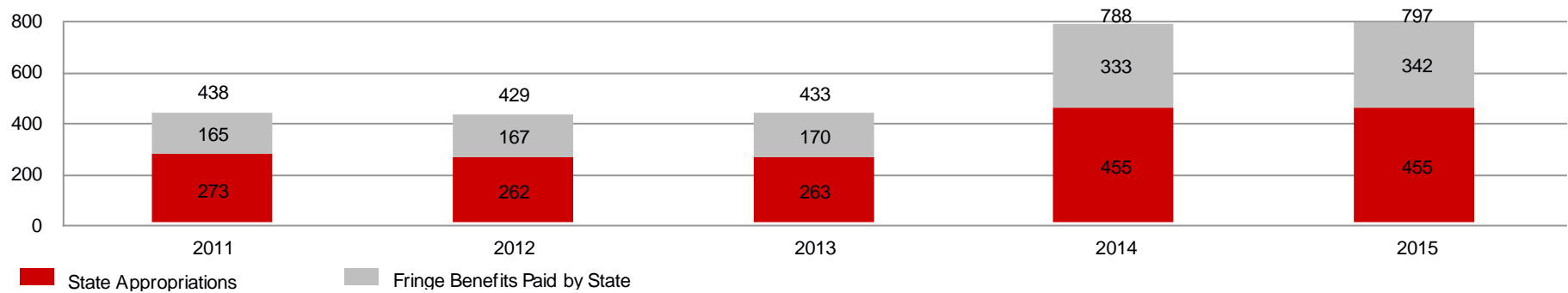
Notes

1. Includes allocable portion of state appropriation; excludes fringe benefits paid by the State
2. FY 2013 information is pre-integration

State Appropriations Post Integration

State Appropriations⁽¹⁾

5-Year History
(\$MM)



FY 2014	RU-NB & AES & RBHS	RU - Newark	RU - Camden	Total
Direct Appropriation	\$356,545,000	\$31,816,000	\$17,140,000	\$405,390,000
Other State Appropriations	\$49,799,000	\$0	\$0	\$49,799,000
State Appropriations	\$406,233,000	\$31,816,000	\$17,140,000	\$455,189,000
State Paid Fringe Benefits	\$280,485,000	\$36,266,000	\$15,985,000	\$332,736,000
Total	\$686,718,000	\$68,082,000	\$33,125,000	\$787,925,000

FY 2015	RU-NB & AES & RBHS	RU - Newark	RU - Camden	Total
Direct Appropriation	\$356,068,000	\$31,816,000	\$17,506,000	\$405,390,000
Other State Appropriations	\$49,799,000	\$0	\$0	\$49,799,000
State Appropriations	\$405,867,000	\$31,816,000	\$17,506,000	\$455,189,000
State Paid Fringe Benefits	\$286,678,000	\$38,079,000	\$16,784,000	\$341,541,000
Total	\$692,545,000	\$69,895,000	\$34,290,000	\$796,730,000

Source Rutgers, and Rutgers FY 2013 Audited Financial Statements

Notes

1. FY 2011 – FY 2013 data is pre-integration

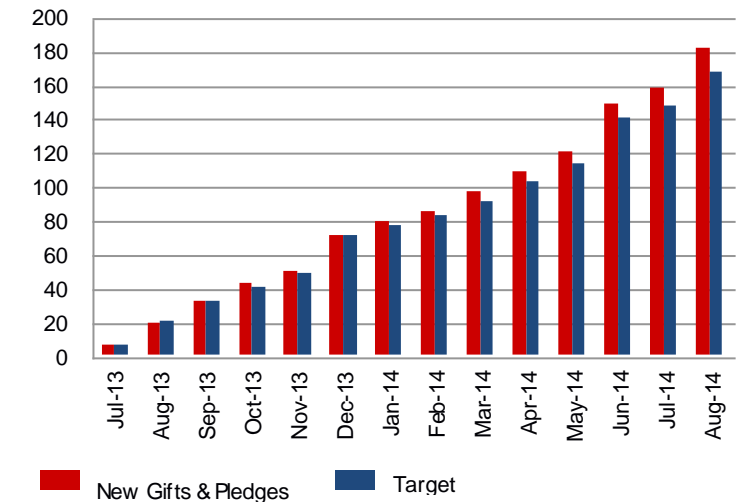
Capital Campaign Update as of August 31, 2014

Fundraising

- The Foundation is near the end of the University’s \$1 billion capital campaign, “Our Rutgers, Our Future,” which will run through 2014
 - Campaign goal is a 100% increase from its previous campaign of \$500 million
- Since inception of the campaign through August 31, 2014, the Foundation raised \$957.0 million in gifts and pledges
- During FY 2014, the University raised \$148.4 million in gifts and pledges
- Average gifts and pledges over the past five years was \$121 million

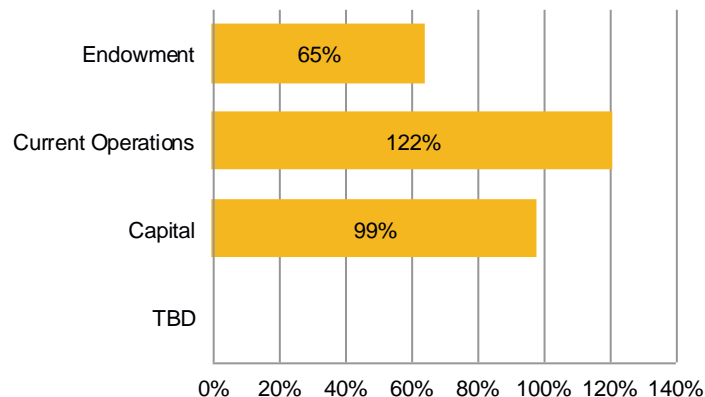
Fundraising Performance

Total New Gifts and Pledges
(\$MM)



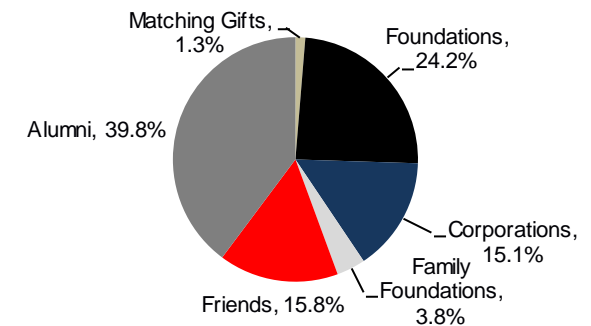
Campaign Progress by Funding Type

% to date of Campaign Goal



Campaign Goal	Amount to Date
\$450MM	\$291.9MM
\$450MM	\$549.5MM
\$100MM	\$98.6MM
	\$17.0MM
TOTAL	\$957.0MM

Campaign Gifts by Constituency

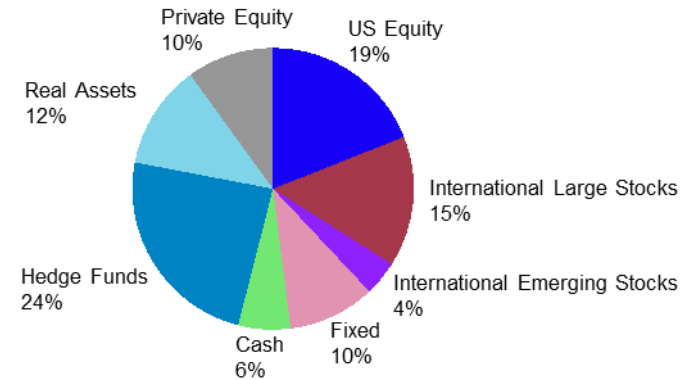


Source: Rutgers University Campaign Progress, as of August 31, 2014

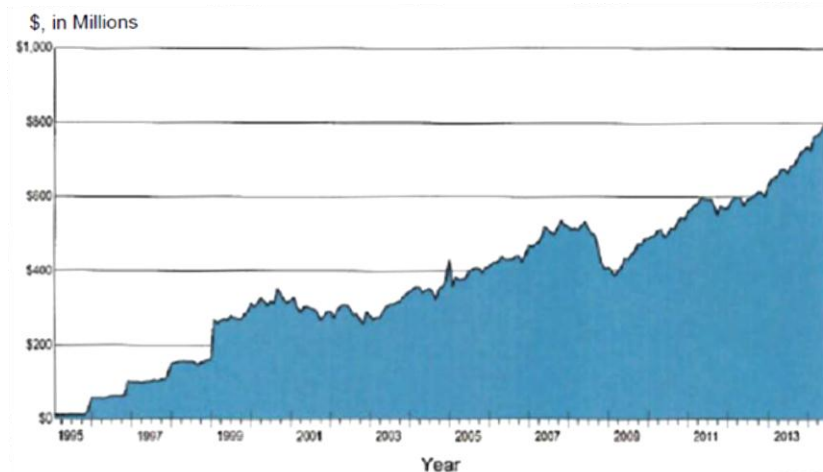
Investment Performance as of June 30, 2014

- The goal for the portfolio is to achieve 8.0% growth per year over the long term
- The current portfolio has a long term expected return of 8.6%
- Over a ten year horizon, the portfolio is expected to return 7.1%
- As of June 30, 2014, the market value of the portfolio was \$803,639,328

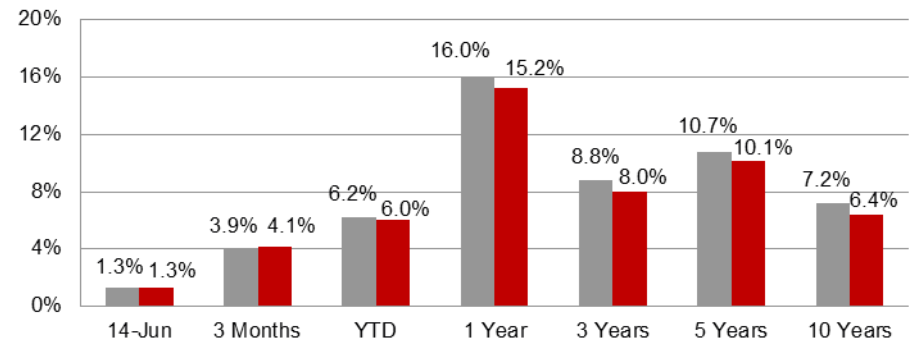
Asset Allocation



Market Value History



Portfolio Return Summary



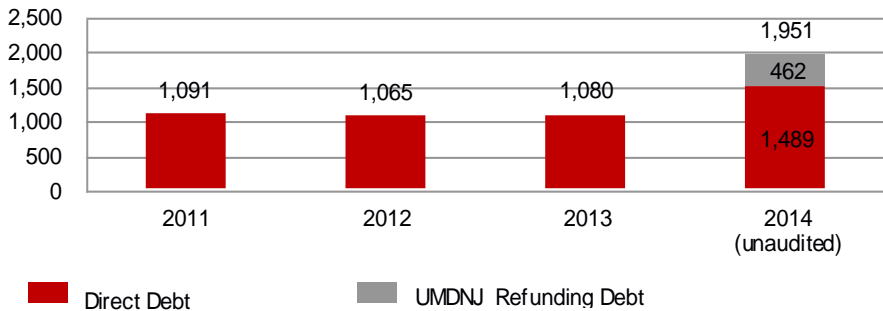
■ Rutgers University Long Term Investment Pool Total Fund ■ Rutgers Policy Index

Current and Historic Debt

Historic Direct Debt⁽¹⁾

2011 - Present

(\$MM)

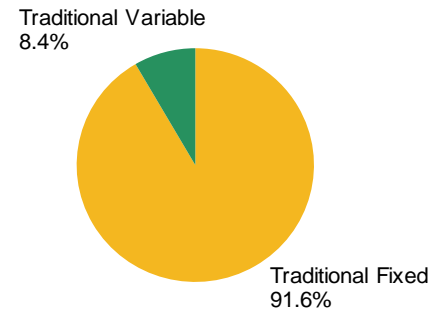


Summary Mix of Debt⁽¹⁾

As of Jun 30, 2014 (unaudited)

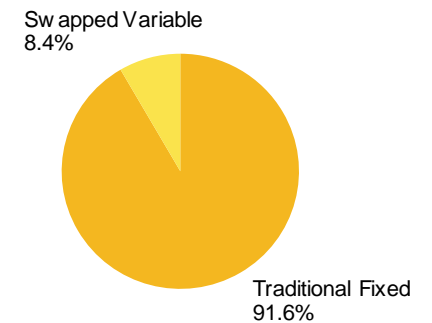
Underlying Debt

Fixed vs. Variable



Including Swaps

Fixed vs. Variable



Current Debt Portfolio (unaudited)

Total Fixed Rate ⁽¹⁾	\$1,786,650,000
Total Variable Rate	115,435,000
Total Commercial Paper	48,475,000
Total Debt as of June 30, 2014	\$1,950,560,000

Swap Exposure (unaudited)

Counterparty	Ratings	Notional (\$MM)	Maturity	Fixed Rate	Floating Rate
JPM	A2/A/A+	\$43.2	5/1/2018	3.96%	SIFMA
Merrill	A/Baa2/A-	100.0	11/1/2038	4.08%	3M LIB
BNY	Aa3/A+/AA-	16.6	5/1/2027	3.82%	SIFMA
BNY	Aa3/A+/AA-	13.5	11/1/2017	5.13%	1M LIB
Total		\$173.3			

Notes

1. Includes General Obligations and Capital Leases related to 2004 COPs and New Brunswick Housing Authority; excludes HECIP, DSTF, notes, and loans

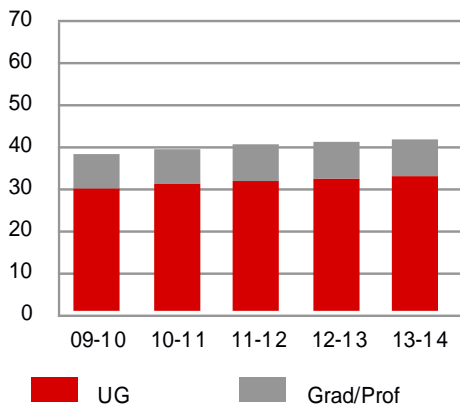
University Enrollment

Academic Years 2009 – 2015 (includes RBHS 2013-15)

Year	New Brunswick			Newark			Camden			Rutgers Total	RBHS			Grand Total
	Undergrad	Grad & Prof	Total	Undergrad	Grad & Prof	Total	Undergrad	Grad & Prof	Total	Total	Undergrad	Grad & Prof	Total	Total
2009-10	29,095	8,269	37,364	7,307	4,193	11,500	4,121	1,660	5,781	54,645				54,262
2010-11	30,351	8,561	38,912	7,479	4,319	11,798	4,497	1,661	6,158	56,868				56,491
2011-12	31,268	8,682	39,950	7,465	4,339	11,804	4,653	1,775	6,428	58,182				57,912
2012-13	31,593	8,841	40,434	7,666	4,345	12,011	4,708	1,635	6,343	58,788				58,873
2013-14	32,280	8,978	41,258	7,756	4,231	11,987	4,842	1,422	6,264	59,509	1,082	4,921	6,003	66,934
2014-15										60,138 ⁽¹⁾			5,916 ⁽¹⁾	66,054 ⁽¹⁾

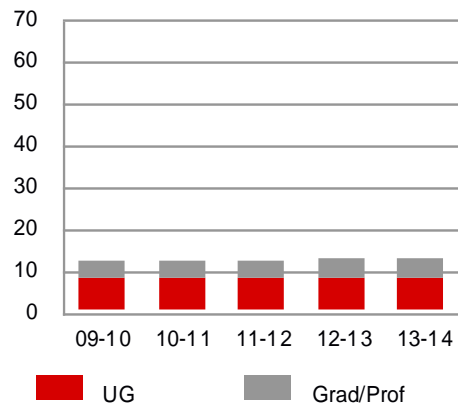
New Brunswick

Enrollment History
(000s)



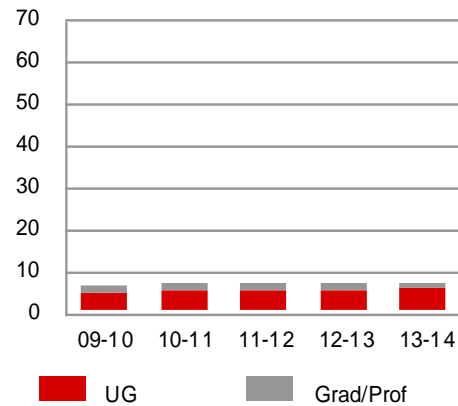
Newark

Enrollment History
(000s)



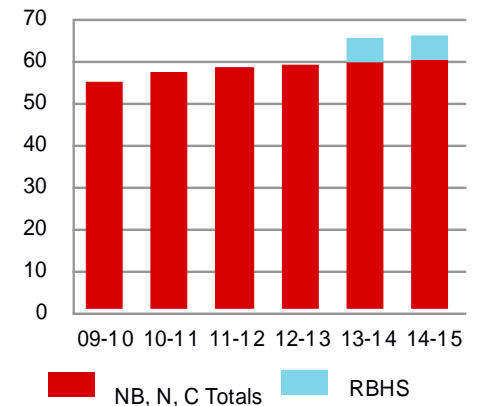
Camden

Enrollment History
(000s)



Total

Enrollment History
(000s)



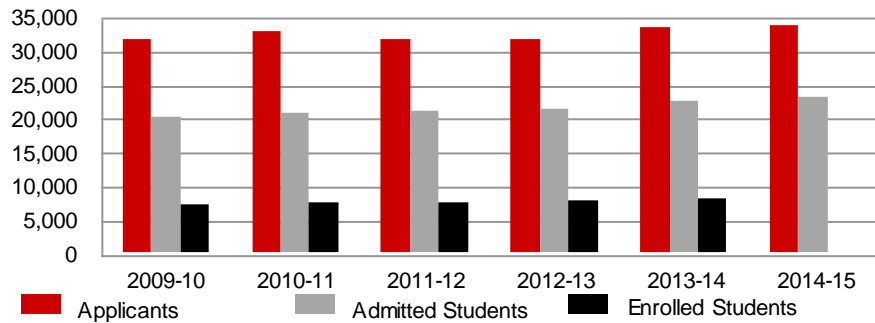
Notes

1. Displays opening day enrollment data for 2014-2015; enrollment figures from 2009-10 to 2013-14 are final enrollment figures

Rutgers Enrollment Demand

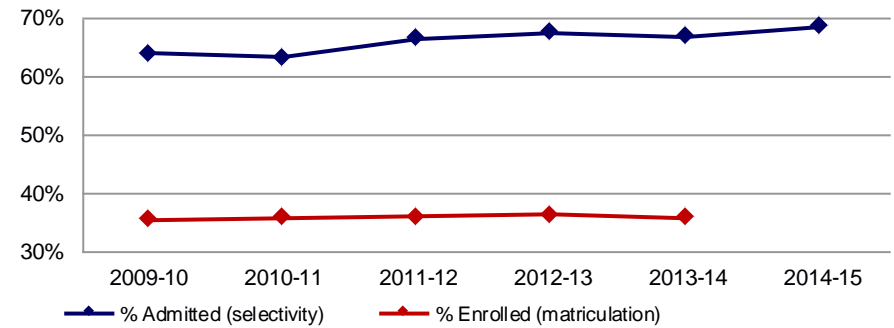
Rutgers Demand Statistics

2009-2015



Rutgers Primary Selectivity and Matriculation

2009-2015



Applicants, Admissions and Enrollments	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Applicants	31,728	32,833	31,751	31,842	33,545	33,672
Admitted Students	20,196	20,713	21,050	21,459	22,368	22,992
Enrolled Students	7,059	7,324	7,476	7,707	7,888	TBD
% Admitted (selectivity)	63.7%	63.1%	66.3%	67.4%	66.7%	68.3%
% Enrolled (matriculation)	35.0%	35.4%	35.5%	35.9%	35.3%	TBD

Follow Up Questions

Please direct any requests to the following Morgan Stanley contacts:

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tom.keays@morganstanley.com

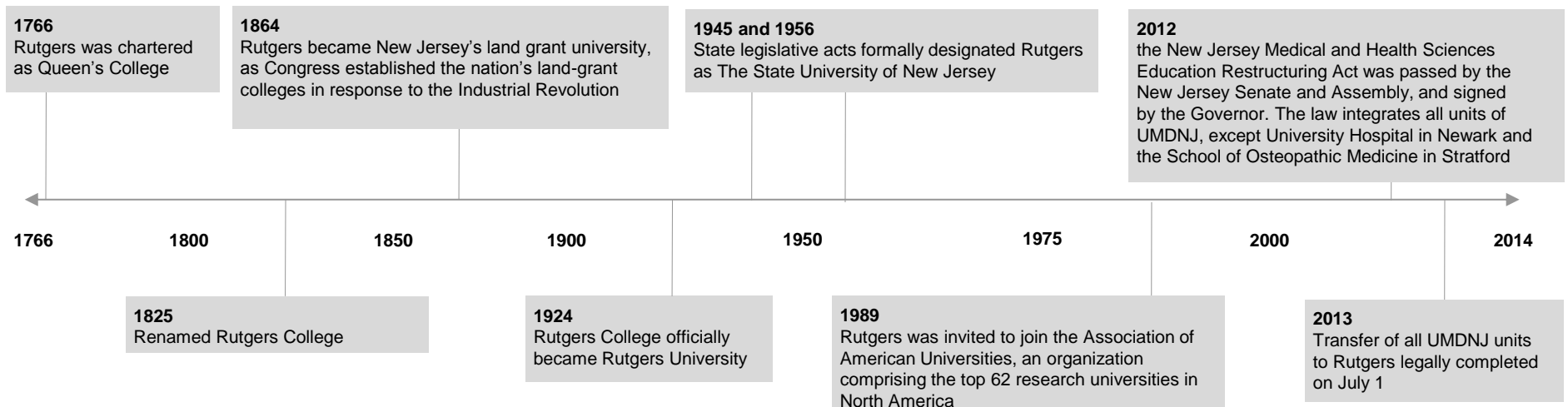
- Oliver Zlomislic
212-761-9085
oliver.zlomislic@morganstanley.com

Appendix A

History and Strategic Plan

History of Rutgers

- Rutgers is the only university in the nation that is a colonial college, a land-grant institution, and a leading public research university
 - Rutgers is the nation’s eighth oldest institution of higher learning
 - One of only nine colonial colleges established before the American Revolution, and has a centuries-old tradition of rising to the challenges of each new generation
- Today, Rutgers has 35 schools and colleges, offering 100 undergraduate majors and more than 100 graduate and professional degree programs
- Rutgers has nearly 65,000 students and approximately 23,000 faculty and staff across four major campuses in New Brunswick, Newark, Camden and RBHS in Newark



Rutgers University Highlights

- Rutgers' R&D expenditures, including the former UMDNJ, totaled \$743.9 million in FY2013, which ranks the university among the top 30 U.S. universities for research spending.
- Rutgers is #1 among U.S. universities for chemistry R&D spending, according to the most recent NSF data (FY11) and Rutgers is #1 in federal funding for chemistry R&D for the second year in a row
- Rutgers has been issued an average of about 30 U.S. patents per year since 1997. In FY2013 there were 61 total U.S. patents awarded to Rutgers and legacy UMDNJ combined, which is more than twice the recent annual average of patents awarded to Rutgers.
- The work of Rutgers professors led to 10 startups last year (FY2013), the most in 18 years. More than 100 start-up companies have been created based on Rutgers technologies; two thirds are New Jersey-based
- According to the AUTM, Rutgers ranked in the top five nationally when compared to our peers in 2011 (public universities without med schools) in number of disclosures, licenses executed, patent applications, licensing revenue, patents issued, and start-up companies
- In 2013, Rutgers was awarded many sizeable, highly competitive grants and contracts, including:
 - Rutgers University Cell and DNA Repository, Cancer and influenza virus research, bio-molecular structures research, transportation research, Department of Education research, and strengthening families research
- In 2012, the Big Ten Council of Presidents/Chancellors announced unanimous approval for Rutgers to join the Conference
- The University accepted an invitation in 2012 to join the Committee on Institutional Cooperation, the nation's premier higher education consortium of top-tier research institutions, which includes Big Ten institutions and the University of Chicago
- In April 2013, four of Rutgers faculty members were among the 84 newly elected members of the National Academy of Sciences – Professors Eva Andrei, Robin Fox, David Vanderbilt, and Karin Rabe – further demonstrating the research expertise, prominence and reputation of Rutgers
- On July 1, 2013, UMDNJ was integrated into Rutgers, and formalized Rutgers Biomedical and Health Sciences

Rutgers Strategic Plan Overview

Aspiration

To be broadly recognized as among the nation's leading public universities: preeminent in research, excellent in teaching, and committed to community

Integrating Themes

- Cultures, Diversity, and Inequality – Local and Global
- Improving the Health and Wellness of Individuals and Populations
- Creating a Sustainable World through Innovation, Engineering, and Technology
- Educating Involved Citizens and Effective Leaders for a Dynamic World
 - Creative Expression and the Human Experience

Strategic Priorities

Envision
Tomorrow's
University

Build
Faculty
Excellence

Transform the
Student
Experience

Enhance Our
Public
Prominence

Foundational Elements

- Strong Core of Sciences and Humanities
- Inclusive, Diverse, and Cohesive Culture
- Effective and Efficient Infrastructure and Staff
- Financial Resources Sufficient to Fund our Aspirations
- Robust Shared Governance, Academic Freedom, and Effective Communication

- Factors unique to RBHS will shape the planning process
 - Healthcare delivery is central to the RBHS mission
 - Healthcare delivery as a whole is currently undergoing significant change
 - RBHS has additional postgraduate missions, from residencies to continuing education
 - RBHS has access to additional types of resources, such as:
 - Clinical and grant revenues
 - Fundraising opportunities
 - Continuing education
 - Technology transfer
 - Public-private partnerships

RBHS – Strategic Planning Process

- On December 2, 2013, RBHS Chancellor Brian Strom launched a strategic planning process for RBHS
 - Initial RBHS Aspiration
 - RBHS will be recognized as one of the best Academic Health Centers in the country in terms of teaching, research, and clinical care
 - Initial RBHS Identity
 - RBHS will, through its clinical research & healthcare delivery, help New Jersey residents learn to stay healthy and help them recover from and manage the health challenges they already face
 - RBHS is focused on achieving seamless operational integration, continuing to bolster its existing areas of clinical and research excellence, and realizing inter-professional synergies between research and teaching among its various schools
 - RBHS will work to incorporate the insight from disciplines outside its natural domain, such as the social sciences, engineering, law and business, and the arts and humanities
- The RBHS plan will build on the University-wide strategic planning, which is in its final stages of review
- Initial thoughts on the planning process assume a finalized plan by October 2014