

Finance

Town Hall

MARCH 30, 2022



Before We Begin...

We are recording.
Attendees have
been placed on
mute.



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.



Welcome

J. Michael Gower

Executive Vice President - Chief Financial Officer

University Treasurer



Today's Agenda

Kimberly Hopely, President, Rutgers Foundation and Executive Vice President for Development and Alumni Engagement

Jason MacDonald, Chief Investment Officer

David B. Moore, Associate Vice President and Chief Budget Officer

Ask the Expert Sessions

Immediately following Town Hall, via separate Zoom meetings



Rutgers University Foundation

Kimberly Hopely

President, Rutgers University Foundation and Executive Vice
President for Development and Alumni Engagement





Academic Excellence → Pursuit of Excellence

Institutional Clarity → Organizational Clarity

Beloved Community → Culture of Respect and Trust





PURPOSE
(OUR WHY)

ADVANCE RUTGERS



CULTURE
(OUR WAY)

RADICAL RESPONSIBILITY
RESPONSIVE | RESPECTFUL | REFLECTIVE



FUNCTIONAL FRAMEWORK
(OUR HOW)

FINANCE
OPERATIONS AND STRATEGY
ALUMNI ENGAGEMENT
DONOR ENGAGEMENT

CENTRAL FUNDRAISING
BIG10/D12 ATHLETICS
CAMDEN ADVANCEMENT

NEW BRUNSWICK ADVANCEMENT
NEWARK ADVANCEMENT
RBHS ADVANCEMENT





CURRENT



JONATHAN HOLLOWAY
APPOINTED

EMERGING THEMES

Access to Education | Beloved Community | Common Good



*Comments or
Questions?*

Rutgers University Investment Office

Jason MacDonald

Chief Investment Officer



Rutgers University Investment Office

Who?

Responsible for investment management of all endowment assets. RU Foundation transfers endowment funds raised to our office. Governed by Joint Committee on Investments, which reports to and consists of members from the Board of Trustees and Board of Governors.

What?

Endowment, or long-term investment pool (LTIP), is 2,500 (approx.) individual endowment funds created by donors to pay for scholarships, endowed chairs, etc. to support a variety of causes. The endowment pays out 4% of its market value annually to support these funds.

Why?

- Support the financial health of the university
- Larger endowment → larger annual payout → lower financial pressure

How?

- Exceptional fundraising
- Solid risk-adjusted returns

Governance Structure

Function	Governing Body / Individual Role
Committee	Joint Committee on Investments - 8 Members
Committee Chair	Gary Chropuvka, Board of Trustees Member
Consultant	Fund Evaluation Group
Staff	Jason MacDonald, Chief Investment Officer Lou Kish, Director of Investment Operations Irina Katz, Administrative Assistant Keith Zaccaria, Investment Analyst



Investment Office Team

Staff	Jason MacDonald, Chief Investment Officer - July 2016 Lou Kish, Director of Investment Operations - November 2016 Irina Katz, Administrative Assistant - July 2019 Keith Zaccaria, Investment Analyst - February 2020
Current Interns	Shivank Agrawal, Class of 2023 Thomas Babiak, Class of 2022 Sanjana Belthur, Class of 2022 Christopher Davanzo, Class of 2023 Larry Livshits, Class of 2022 Rayhan Murad, Class of 2023 Ritu Patel, Class of 2023 Nicole Salas, Class of 2023
Intern Program Alumni	Neilank Avani, Financial Technology Partners Natalia J. Bak, Citigroup Amol Lotia, Credit Suisse Nam Q. Lu, Credit Suisse Misha Nehring, Permira (Private Equity) Shreeshruthi Raghavan, Roark Capital Amira M. Sparks, Prudential Financial

Our Culture: Collaborative, Hungry, Transparent

An Investment Office that is part of the fabric of the university

- A culture focused on superior investment returns and promote open-mindedness
- Establish buy-in on strategy, acceptable levels of risk, time horizon, investment targets, etc.
- Maintain an environment where values are observed with as much discipline as the investment approach:
 - **Integrity** - Ethical, accountable, and fair in all dealings
 - **Flexibility** - The commitment to adapt is a fundamental part of individual and organizational development
 - **Humility** - An open, feedback driven organizational culture that promotes teamwork, personal expression, self-awareness and freedom

Endowment Objectives and Keys to Success

Objectives

The Endowment's time horizon is intended to be infinite. Its financial objectives are as follows:

- Support current and future operations of the university
- Preserve purchasing power of the long-term investment pool

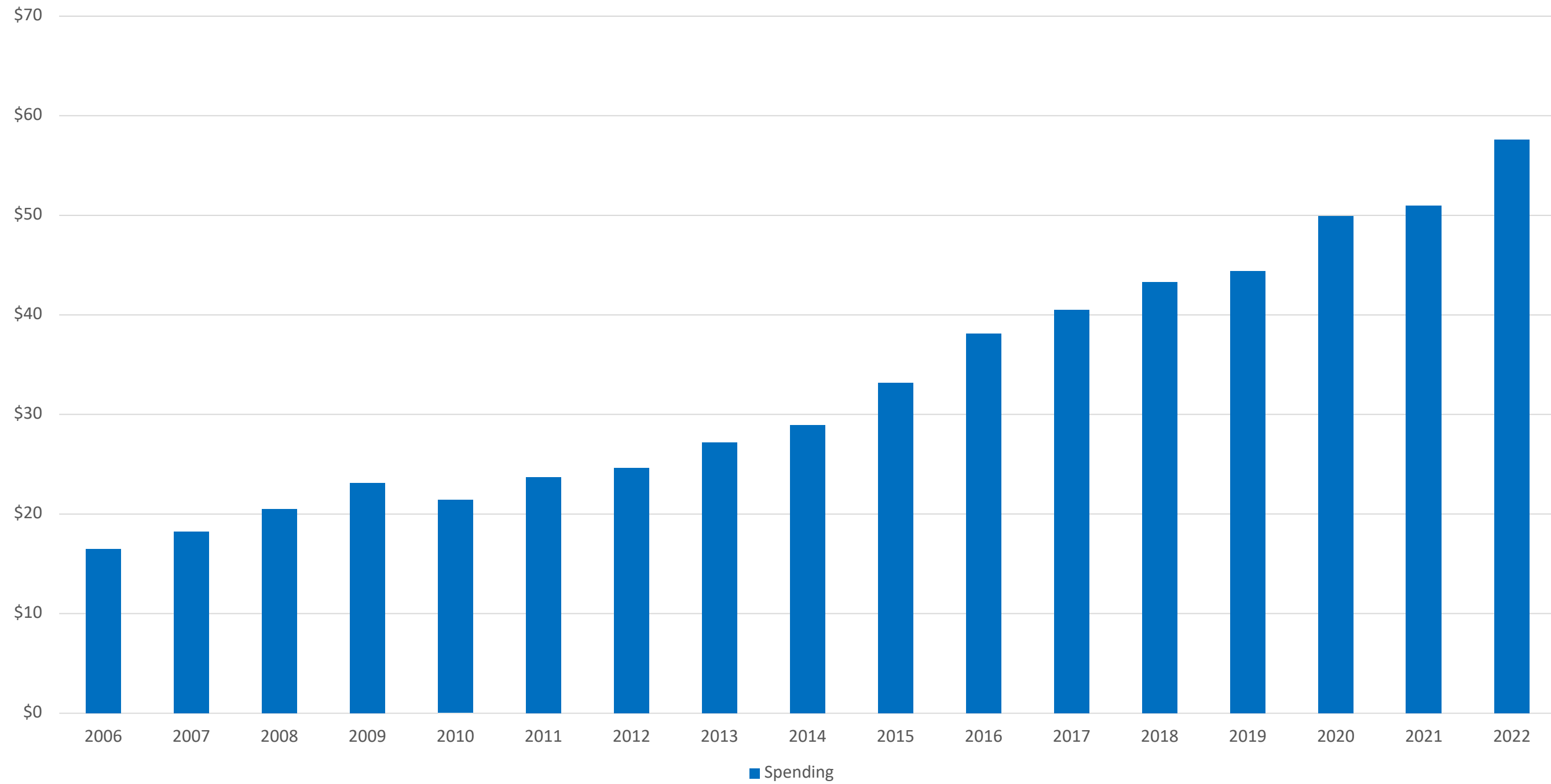
To support these financial objectives, the core investment objectives are two-fold:

- **Absolute (7%+):** The Endowment should earn a compound annual rate of return in excess of its annual spend, fees and expenses, and inflation over the long-term.
- **Relative:** The Endowment should achieve competitive, long-term returns versus investible, passive alternatives.

Success Factors

- **Long-Term Approach:** The university's infinite time horizon is our competitive advantage. This allows for market volatility to be viewed as an opportunity to capture inefficiencies, not to sell assets
- **Culture/Reputation:** Integrity, humility, and alignment
- **Flexibility:** Intellectual curiosity and the commitment to change
- **Diversification:** A proper asset allocation framework is the primary contributor to investment success
- **Liquidity:** A large percentage of a well-balanced, diversified portfolio is comprised of illiquid assets. However, ensuring sufficient liquidity in all scenarios is crucial.

Spend Growth (Annual Spending)



Ultimate Goals

- Attain the best risk-adjusted returns possible
- Create an institutionally sound investment office
- Foster a culture of transparency and respect
- Contribute positively to the broader university community



*Comments or
Questions?*

FY 2022 Budget and Forecast

David B. Moore

Associate Vice President and Chief Budget Officer



Total FY 2022 University Budget

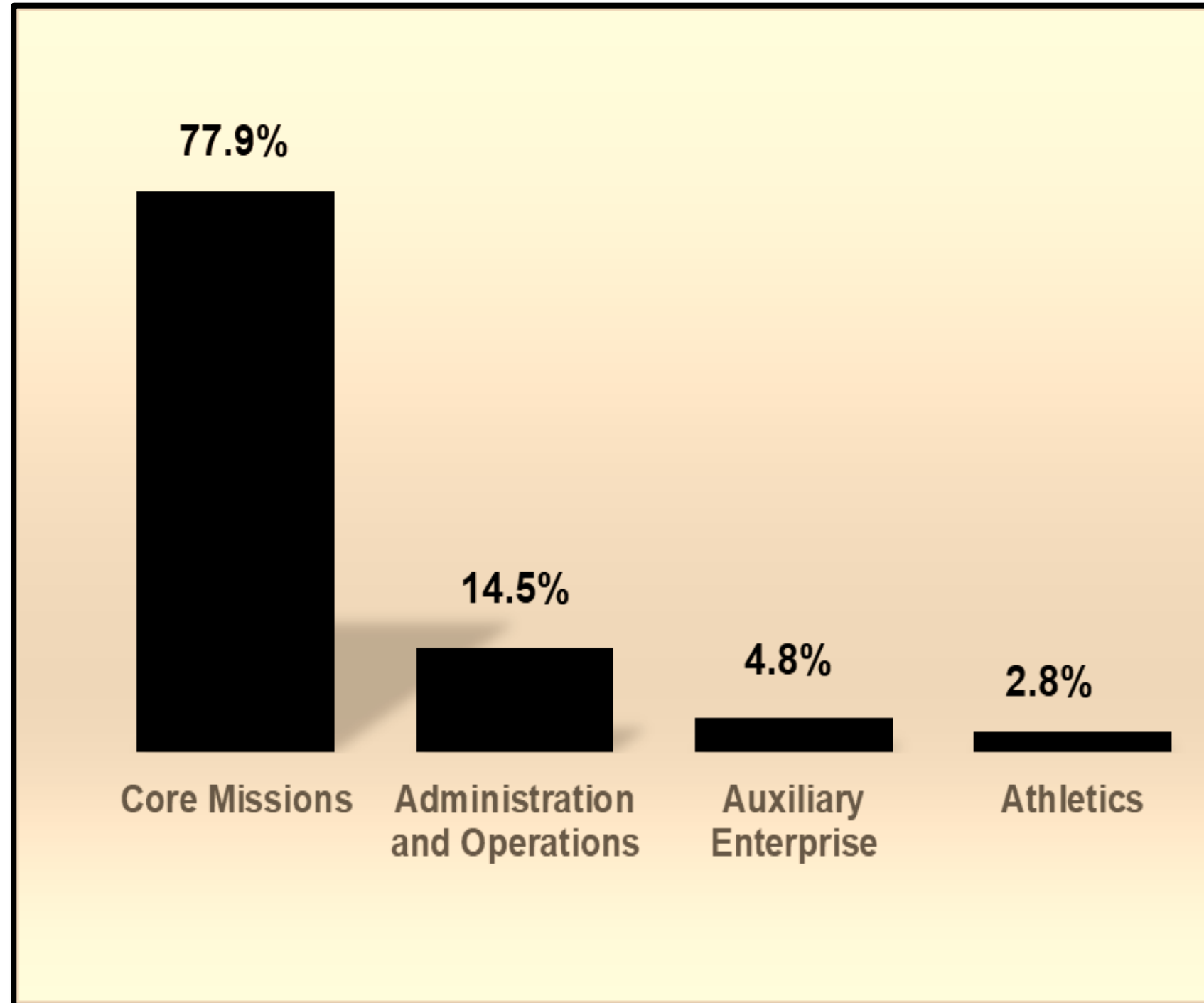
Rutgers' annual budget reflects the values of the university in fulfilling its core priorities of outstanding teaching, research, service, and clinical care, while providing the best academic experience for our students.

The university's FY 2022 total approved budget is a \$4.8 billion statement of our priorities, a statement of our values and a recognition of the fiscal limitations we face together.



Total University Spending – FY 2022 Budget

This budget spends \$4.8 billion on the things that are most important.



- 77.9% is spent on our core missions of student instruction, research, public service and patient care
- 14.5% is spent on administration, operations and maintenance
- 4.8% is spent on auxiliary enterprise
- 2.8% is spent on Athletics

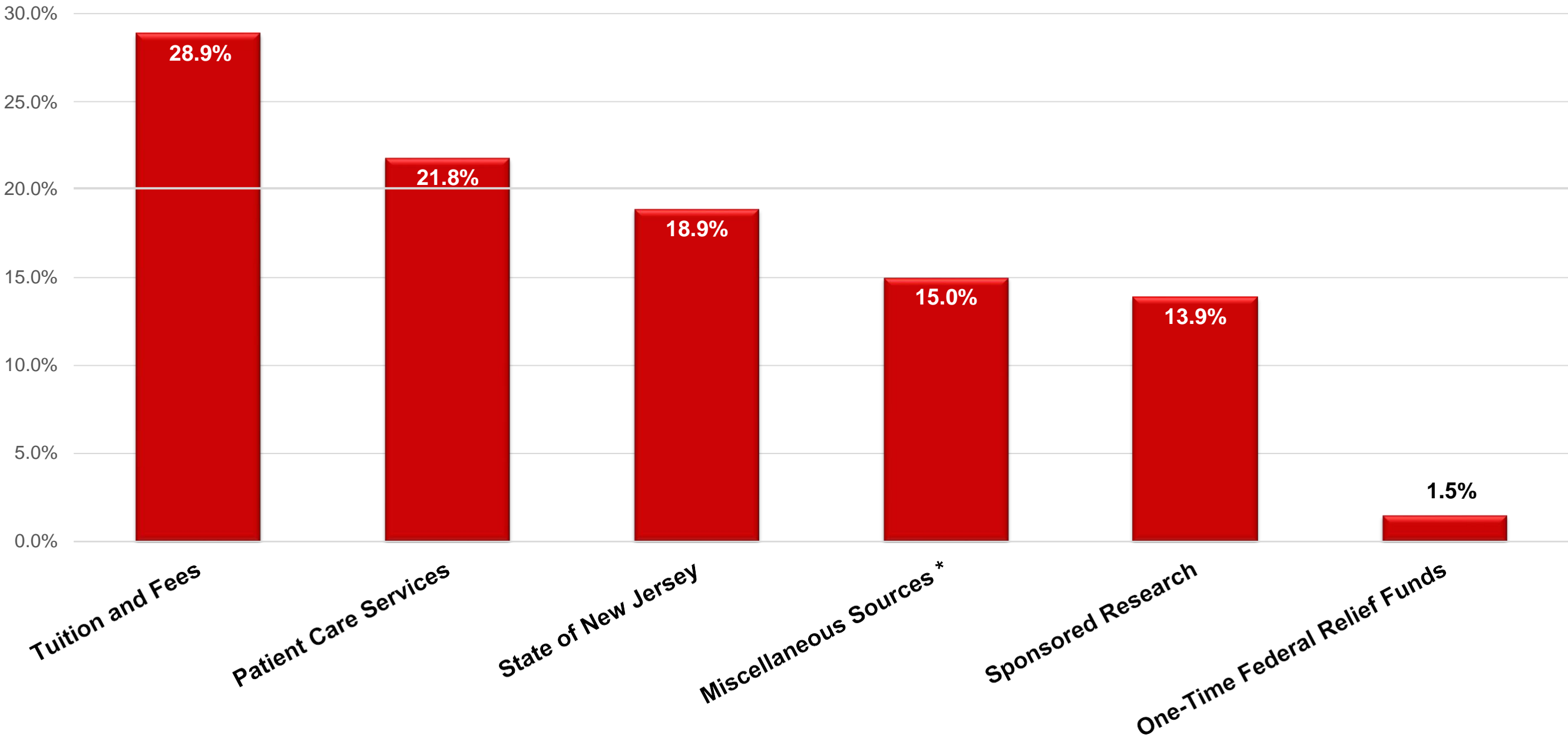
FY 2022 Expenses – December Report

	FY 2019	FY 2020	FY 2021	FY 2022		
Expense (Uses of Funds)	Dec Actual vs Annual Budget	Dec Actual vs Annual Budget	Dec Actual vs Annual Budget	Annual Budget	Dec Actual	Dec Actual vs Annual Budget
Salaries and Wages	49.6%	50.4%	49.8%	2,328,053	1,141,718	49.0%
Fringe Benefits	47.0%	46.4%	47.4%	813,897	364,831	44.8%
Total Compensation	49.0%	49.4%	49.2%	3,141,950	1,506,549	47.9%
Supplies and Other	48.1%	54.3%	42.6%	249,796	111,532	44.6%
Scholarships and Fellowships	51.0%	50.6%	47.8%	461,391	295,441	64.0%
Travel	51.0%	50.0%	9.9%	34,381	10,335	30.1%
Plant Operation and Maintenance	50.7%	51.5%	45.5%	142,450	73,334	51.5%
Debt Service - Principal and Interest	50.0%	49.9%	49.8%	184,331	92,166	50.0%
Other Operating Expense	55.3%	44.4%	46.4%	295,432	144,294	48.8%
Professional Services	49.6%	49.8%	46.1%	312,132	145,586	46.6%
Total Expense	49.6%	49.6%	48.0%	4,821,864	2,379,237	49.3%

Total compensation expense category is trailing behind prior year experience. This is due to significant position vacancies across the university. Other expense categories are starting to returning to a pre-pandemic levels as students, faculty and staff return to campus.

Total University Revenues – FY 2022 Budget

Where does the \$4.8 billion come from? That, too, is a statement of our values.



FY 2022 Revenues – December Report

Dollars in thousands

	FY 2019	FY 2020	FY 2021	FY 2022		
Revenue (Sources of Funds)	Dec Actual vs Annual Budget	Dec Actual vs Annual Budget	Dec Actual vs Annual Budget	Annual Budget	Dec Actual	Dec Actual vs Annual Budget
1 Student Tuition and Fees	51.9%	51.7%	52.1%	1,376,744	693,649	50.4%
2 Federal and State Student Aid	54.0%	51.3%	48.3%	270,042	197,747	73.2%
3 Federal Appropriation	55.7%	73.2%	38.4%	7,426	3,557	47.9%
4 Allocated University Support	0.0%	0.0%	0.0%	0	0	0.0%
5 NJ State Appropriations	50.0%	50.1%	50.5%	434,686	244,608	56.3%
6 State Paid Fringe	49.9%	50.4%	50.6%	464,625	234,983	50.6%
7 Grants and Contracts	43.5%	52.7%	60.8%	567,392	296,763	52.3%
8 Facilities and Administrative Recoveries	49.9%	51.7%	52.1%	128,316	66,053	51.5%
9 Gift and Contribution Revenue	49.2%	46.8%	55.1%	39,475	17,547	44.5%
10 Endowment and Investment Income	52.9%	44.8%	52.5%	57,099	31,332	54.9%
11 Healthcare Revenue	47.1%	48.8%	54.8%	413,304	209,294	50.6%
12 Affiliated and Housestaff	50.4%	46.1%	38.5%	627,623	298,277	47.5%
13 Other Sources Revenue	62.2%	53.1%	34.6%	104,037	59,521	57.2%
14 Auxiliary Revenue	53.1%	51.8%	18.3%	276,764	147,686	53.4%
15 Total Revenue	50.2%	50.6%	50.4%	4,767,532	2,501,017	52.5%

Most revenue sources are on track with the approved university budget and total revenues is slightly above prior year-over-year experience due to receiving federal student emergency aid through the American Rescue Plan (ARP) Act. Additional revenues are offset by similar expense increases.

Total University Summary



- The FY 2022 quarter two (Q2) forecast for Rutgers University reflects a year-end surplus of approximately 0.74%. This favorable variance is primarily driven by overall projected expense savings.
- The total favorable revenue variance is primarily driven by increases from federal aid in both federal and state student aid, and grants and contracts that represents federal relief funding from the American Rescue Plan (APR) Act. The federal relief funds have an equal expense increase and have been used to provide emergency student aid funds to students impacted by the pandemic as well as to help support pandemic related costs across the institution.
- The total expense favorable variance is primarily driven by projected expense savings in total compensation and travel expenses.

FY 2022 Budget Development – Update

Budget Development

Budget Preparation

July-August:
Budget guidance provided from the University Budget Office (UBO) to the Central and Chancellor Offices

August - October:
Central Units begin their budget development

Review & Recommendations

September – November:
Review Central Unit budgets with advisory committees and the University Budget Committee

December:
Decisions are made and allocation letters are sent to the Central/Local Units to complete their budgets

Budget Deliberation

Responsibility Centers (RCs) Budget Development and Consolidation

January – February:
Responsibility Centers (RC) develop their budgets and prepare for meetings with Chancellors

February – March:
Meetings between Chancellor Offices and RCs to review and refine budgets

April / May:
Chancellor Offices submit RC budgets to UBO and review with EVP for consolidation

Presentation to the BOG

June:
The proposed budget for the following fiscal year will be presented to the F&F Committee and BOG

FY 2022 and Moving Forward



- Continue prudent spending controls by reviewing discretionary spending
- Continue to strategically use limited federal relief funds to help bridge funding gaps
- Reserve current year funding to provide stable sources of funds during what could be a prolonged period of relatively unpredictable economic conditions
- Embrace the operational lessons and strategies learned during the pandemic that will help Rutgers move into a post-pandemic world, stronger and more vibrant



*Comments or
Questions?*

Thank You!



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