Finance Town Hall

ACCOUNTABILITY ★ SUPPORT ★ COLLABORATION ★ UNDERSTANDING ★ TRUST ★ STRATEGIC ALIGNMENT ★ HOW WE WORK

MARCH 2023
Before we begin

We are recording. Attendees have been placed on mute.

We will address questions at the end of each presentation.

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

If you want to talk with other participants, please use the chat.
UFA Guiding Principles and Values

- Support and Collaboration
- Understanding and Trust
- How We Work
- Strategic Alignment
- Accountability
Agenda

Meet the Presenter
J. Michael Gower

Trends in Higher Ed

Meet the Presenter
Guy Albertini

Assets & Threats:
A Cybersecurity Perspective

Assets & Threats:
Rutgers

Security Tips

Meet the Presenter
David B. Moore

FY24 Budget Development

Challenges Rutgers FY23
Revenue & Expense Budgets

Looking Forward and Opportunities

Q&A

Conclude
J. Michael Gower | Executive Vice President - Chief Financial Officer & University Treasurer

J. Michael Gower is the Executive Vice President - Chief Financial Officer & University Treasurer at Rutgers, The State University of New Jersey, where he leads financial management and planning, procurement, and strategic administrative system initiatives. As part of his role at Rutgers, Gower was responsible for the financial integration of former units of the University of Medicine and Dentistry of New Jersey (UMDNJ) into the university.

Meet the Presenter

On the Agenda

Trends in Higher Education
Trends in Higher Education
Higher Education’s Top 5 Business Issues

- Supporting & Maintaining the Workforce
- Meeting Students’ Evolving Needs
- Providing Secure & Modern Technology Infrastructure
- Managing an Uncertain Economic Climate
- Navigating Resource Constraints
Meet the Presenter

Rutgers University’s first Chief Information Security Officer, Guy Albertini is a certified information systems security professional who holds a master’s degree in information assurance and security and has more than 15 years of professional security experience, has taken on the role of Rutgers’ first associate vice president and chief information security officer.

On the Agenda

- Assets & Threats: A Cybersecurity Perspective
- Assets & Threats: Rutgers
- Security Tips
- Q&A
2023 Security Predictions

- More cyber insurance issues and assorted (big) changes coming. Many won’t qualify.
- More nation-state cyber attacks based on lessons learned from the Ukraine war.
- Growing trouble with multifactor authentication (MFA) attacks.
- New attacks against space vehicles and drones.
- Social media attacks surge, including the use of targeted deepfakes.
- Use of public cloud computing and digital transformations grows, along with cyber threats.
- More critical infrastructure attacks that impact society.
- Hacktivism grows into new areas and becomes a bigger problem.
- Enterprises veering away from endpoint solutions and moving toward platforms to reduce complexity.
- Ransomware will be back in new, more dangerous, blended forms.
- More attacks against non-traditional technology, from cars to toys to smart cities.
- More supply chain attacks.
When you don’t understand the value of an asset, there is a high probability that you will not recognize a threat to that asset.
Rutgers Assets

• Faculty, Students, and Staff
• Stadium and Arena
• Power Grids
• Data Centers
• Networks
• Computers
• Data
• Research
Rutgers Potential Threats

- Phishing
- Ransomware
- Distributed Denial-of-Service (DDoS)
- Malware
- Insider threats
- Social Engineering
- Advanced Persistent Threat (APT)
- Data breaches
- Wi-Fi attacks
- Internet of Things (IoT)
Rutgers Cyber Threat Actors

<table>
<thead>
<tr>
<th>Cyber Threat Actor</th>
<th>Motivation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nation-States</td>
<td>Geopolitical</td>
</tr>
<tr>
<td>Cybercriminals</td>
<td>Profit</td>
</tr>
<tr>
<td>Hacktivists</td>
<td>Ideological</td>
</tr>
<tr>
<td>Terrorist Groups</td>
<td>Ideological violence</td>
</tr>
<tr>
<td>Thrill-seekers</td>
<td>Satisfaction</td>
</tr>
<tr>
<td>Insider Threats</td>
<td>Discontent</td>
</tr>
</tbody>
</table>
ISO Security Initiatives

- Review and update all security administrative controls
- Fortify perimeter security controls
- Increase visibility into the cyber threat landscape
- Explore dark web monitoring
- Consider data loss prevention tools and techniques
- Increase vulnerability scans
- Implement a privileged account manager
- Expand the security awareness training platform

- Exploring 24x7 monitoring options
- Security notifications
- Transition to a more risk-based culture
Security Tips

• Understand the assets around you
• Backup regularly
• Limit what you reveal on social media
• Keep your devices updated
• Be less specific with job ads
• Conduct security risk assessments
• Think before you click
• If you see something, say something
• Use a password manager
• If it’s too good to be true, it most likely is
• Use multi-factor authentication
• Create a personal threat model
• Use anti-malware
• Reach out to a security professional
Questions
Comments
Meet the Presenter

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

David Moore is a financial leader with more than 20 years of higher education experience. As Chief Budget Officer, David provides leadership and management of the University Budget Office and is a strategic partner and member of the finance and administration leadership team. David and his team develops and implements budget practices and policies for the entire university and facilitates the development, implementation and management of the university’s annual budget, including the creation of quarterly budget reports and variance analyses.

On the Agenda

FY24 Budget Development
Challenges Rutgers FY23 Revenue & Expense Budgets
Looking Forward and Opportunities
FY 2024 Budget Development

Update
**Rutgers University Budget Process**

**Budget Planning (July-December)**

- **Unit Budget Preparation**
  - UBO provides guidance to central and Chancellor Cost Centers (CC)
  - Central and local CCs begin developing budget

- **Review and Recommendations**
  - Review central CC budget with Budget Advisory and University Budget Committees
  - Decisions made; allocation letters sent to central CC to complete budgets

**Budget Development (January-June)**

- **RCs Budget Development and Consolidation**
  - RCs develop budgets, prepare for Chancellor meetings

- **RCs meet with Chancellor Offices to review, refine budget**
  - Chancellor Offices submit RC budget to UBO, review with EVP-CFO for university consolidation

- **Proposed budget for next fiscal year presented to F&F Committee and Board of Governors**

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**Acronyms**

- CC – Cost Center
- EVP-CFO – Executive Vice President-Chief Financial Officer
- F&F – Facilities & Finance
- RC – Responsibility Center
- UBO – University Budget Office
State of New Jersey Budget Process

Budget Development
(July-March)

Agency Budget Preparation
Gov/OMB review priorities, update economic forecast, set preliminary revenue estimates
Rutgers generates and submits Budget Initiative Form requests

Review and Recommendations
Gov/OMB review, analyze agency budget requests; develop recommendations
Gov makes final decisions, introduces budget to Legislature

Budget Deliberation
(February-June)

Legislative Action
Gov Review
- Review, analyze, revise budget
- Review, analyze, revise revenue estimates
- Review, analyze, refine recommendations for appropriations
- Gov signs, vetoes/returns to Legislature with amendments
- Gov signs final Appropriations Bill into Law

Acronyms
Gov. – Governor
OMB – State of NJ Office of Budget and Management
FY 2023 Financial View Update
As we move away from federal and state supplemental funding related to the pandemic and begin to see year over year reductions in unrestricted operating funds, a structural deficit becomes more clear.

This deficit is a result of flat or reduced unrestricted revenues and increases in expenses related to inflation and impact of COVID on operations.

The university continues to monitor the financial uncertainty from the COVID-19 pandemic.

It has become an accelerant to one of the greatest workplace transformations of our generation and will continue to challenge the traditional educational paradigms at institutions of higher education. Understanding how this transformation impacts our institution over the next several years is essential to the advancement of Rutgers’ values.
Rutgers FY 2023 Revenue Budget
Where does the $5.1 billion come from?

**Total University Revenue**

- Tuition and Fees: 28.1%
- Patient Care Services: 21.5%
- State of New Jersey: 20.1%
- Miscellaneous Sources*: 15.8%
- Sponsored Research: 14.5%

*Miscellaneous Sources includes: Auxiliary Enterprise, Student Aid, Athletics as well as Endowment and Investment Income.
Between Fall 2019 (FY20) and Fall 2022 (FY23), Rutgers has seen a decline in student headcount for both In-State and Out-of-State students. Overall enrollments have been impacted by the pandemic, decline in high school graduates and decline in transfers students from our local county colleges.

### Tuition and Fees

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Tuition and Fees FY 2020 Actuals</td>
<td>1,352,784</td>
</tr>
<tr>
<td>Current FY 2023 Approved Budget</td>
<td>1,392,455</td>
</tr>
<tr>
<td>(FY21 = 0%, FY22 = 2.5%, FY23 = 2.9%)</td>
<td></td>
</tr>
<tr>
<td>Percent Change from FY 2020 Actuals</td>
<td>2.93%</td>
</tr>
</tbody>
</table>

**~ If we were not impacted ~**

- **FY 2021 2.9%***
- **FY 2022 2.9%***
- **FY 2023 2.9%***

*Estimated amount, increase by 2.9% and holds rates that were based on benchmarking analysis consistent with the fiscal year budget.

**Why is there such a difference?**

- **$39.7 Million**
- **$130.9 Million**
Enrollment Strategy

☐ Evaluate and develop an enrollment strategy to ensure that we are taking advantage of all opportunities
State operating base funding has not kept pace with the rate of inflation.

<table>
<thead>
<tr>
<th></th>
<th>FY2019 Appropriation Final</th>
<th>FY2020 Appropriation Final</th>
<th>FY2021 Appropriation Final</th>
<th>FY2022 Appropriation Final</th>
<th>FY2023 Appropriation Final</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Base</td>
<td>$387,384,000</td>
<td>$378,729,384</td>
<td>$378,729,384</td>
<td>$380,681,000</td>
<td>$382,480,000</td>
</tr>
</tbody>
</table>

Year-over-Year change during this time period was over $100 million with the majority of the revenue increase coming with additional requirements which results in an equal increase on the expense budget.
Develop State Initiatives

- Work with the State of New Jersey to recognize and fund the growth we have already experienced over the last few years in order to relieve pressure on tuition rates
When Patient Care Services, Sponsored Research, Auxiliary Enterprises, and Student Aid increases, generally, the expense budget increases at the same level.

* Miscellaneous Sources includes: Auxiliary Enterprise, Student Aid, Athletics as well as Endowment and Investment Income.
Total University Revenue

Approximately 91.0% of all revenues are either flat, challenged to meet revenue targets, or increases the expense base.

- **Tuition and Fees**: 28.1%
- **Patient Care Services**: 21.5%
- **State of New Jersey**: 20.1%
- **Miscellaneous Sources**: 15.8%
- **Sponsored Research**: 14.5%

*Miscellaneous Sources includes: Auxiliary Enterprise, Student Aid, Athletics as well as Endowment and Investment Income.
Develop Revenue Targets and Goals

- Evaluate and set revenue targets for Gifts and Contributions, Endowment and Investment Income, and other revenue sources.

- Prioritize initiatives that have a shorter time to return on investment (incremental net income) which will provide resources for new initiatives.
Rutgers FY 2023 Expense Budget
What does the $5.1 billion support?

- **77.3%** is spent on our core missions of student instruction, research, public service and patient care.
- **15.2%** is spent on administration, operations and maintenance.
- **4.8%** is spent on auxiliary enterprise.
- **2.7%** is spent on Athletics.

![Bar chart showing spending percentages](chart.png)
## Rutgers FY 2023 Budget and the Impacts of Inflation

<table>
<thead>
<tr>
<th>Expense (Uses of Funds)</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dec Actual vs Annual Budget</td>
<td>Dec Actual vs Annual Budget</td>
<td>Dec Actual vs Annual Budget</td>
<td>Annual Budget</td>
</tr>
<tr>
<td>Supplies and Other</td>
<td>54.26%</td>
<td>42.61%</td>
<td>44.65%</td>
<td>258,302</td>
</tr>
<tr>
<td>Scholarships and Fellowships</td>
<td>50.61%</td>
<td>47.78%</td>
<td>64.03%</td>
<td>479,597</td>
</tr>
<tr>
<td>Travel</td>
<td>50.05%</td>
<td>9.85%</td>
<td>30.06%</td>
<td>37,780</td>
</tr>
<tr>
<td>Plant Operation and Maintenance</td>
<td>51.48%</td>
<td>45.55%</td>
<td>51.48%</td>
<td>149,658</td>
</tr>
<tr>
<td>Debt Service - Principal and Interest</td>
<td>49.92%</td>
<td>49.78%</td>
<td>50.00%</td>
<td>183,875</td>
</tr>
<tr>
<td>Other Operating Expense</td>
<td>41.56%</td>
<td>44.72%</td>
<td>46.93%</td>
<td>258,963</td>
</tr>
<tr>
<td>Professional Services</td>
<td>49.80%</td>
<td>46.12%</td>
<td>46.64%</td>
<td>309,084</td>
</tr>
</tbody>
</table>

Expense category is above prior year and pre-pandemic (FY20) levels. Further analysis indicates that there is an increase in costs that could cause it to go beyond the budget for this category.

Expense category is either above prior year or pre-pandemic (FY20) levels. Further analysis indicates that there is some costs activities that should be monitored for this category.

Expense category is below or equal to prior year and pre-pandemic (FY20) levels. Further analysis indicates that expenses are in alignment with the overall budget plan for this category.
Looking at historical trends, over the last two years, the rates have increased by approximately 15 points. This change will have an impact on Rutgers University research enterprise where most active grants have only the 2022 rates built into their budgets at this time.

<table>
<thead>
<tr>
<th>Description</th>
<th>Proposed Total FY23</th>
<th>Approved Total FY22</th>
<th>FY23 v FY22 Variance</th>
<th>Budget FY23</th>
<th>Proposed v Budget FY23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Salary Faculty &amp; Staff</td>
<td>68.60%</td>
<td>61.74%</td>
<td>6.86%</td>
<td>64.65%</td>
<td>3.95%</td>
</tr>
<tr>
<td>Co-Adjutant Salaries - Non Instruc</td>
<td>7.95%</td>
<td>7.90%</td>
<td>0.05%</td>
<td>7.90%</td>
<td>0.05%</td>
</tr>
<tr>
<td>Post-Doc Associates</td>
<td>68.40%</td>
<td>60.36%</td>
<td>8.04%</td>
<td>64.65%</td>
<td>3.75%</td>
</tr>
<tr>
<td>Grad/Teaching Assistants</td>
<td>30.42%</td>
<td>24.51%</td>
<td>5.91%</td>
<td>27.00%</td>
<td>3.42%</td>
</tr>
<tr>
<td>House Staff</td>
<td>38.24%</td>
<td>32.42%</td>
<td>5.82%</td>
<td>34.65%</td>
<td>3.59%</td>
</tr>
</tbody>
</table>

Preliminary Fringe Benefit Rates Proposed from the State of NJ (Faculty and Staff)

- Health benefits: +6.0 points
- Pension benefits: +1.4 points
- Difference from budgeted rate: +3.59%
- Change from FY22 approved rate: +6.86%

Early Projections of Impact

Net cost to operating budget including grants and contracts: +$38 million
Streamline Expense Outlays

- Evaluate and streamline expense outlays through service and program reviews. Look for ways to repurpose funds to support Rutgers highest priorities.

- Maximize the use of our facilities and Auxiliary assets for revenue generation and/or cost avoidance opportunities.
Rutgers Budget Development

FY 2024
Looking Forward
FY 2024

- Declines in traditional high school graduates
- Compensation and benefit increases
- High cost of living and increased inflation
- Great Resignation
- Uncertainty about continued impacts resulting from the pandemic
Opportunities *Short & Long Term*

1. Evaluate and develop an *enrollment strategy* to ensure that we are taking advantage of all opportunities including increasing out-of-state students to at least the pre-pandemic level and maintaining in-state student levels.

2. Evaluate and develop tuition and fee increases for FY 2024 and beyond.

3. Develop legislative initiatives to support increases in Operating Base appropriation; increase New Jersey Tuition Aid Grant (NJTAG) amounts to help provide increased financial assistance for our in-state students; and continue to ask for relief from the reimbursement for state provided fringe benefits covering non-state supported employee FTE lines. Work with the State of New Jersey to recognize and fund the growth we have already experienced over the last few years in order to relieve pressure on tuition rates.

4. Evaluate and set revenue targets for Gifts and Contributions, Endowment and Investment Income, and other revenue sources.

5. Evaluate and streamline expense outlays through service and program reviews. Look for ways to repurpose funds to support Rutgers highest priorities.

6. To build a runway for future initiatives, we must prioritize initiatives that have a shorter time to return on investment (*incremental net income*) which will provide resources for new initiatives.

7. Maximize the use of our facilities and Auxiliary assets for revenue generation opportunities. Evaluate and develop plans for our Auxiliary Enterprises to be self-supporting without internal subsidies.
Rutgers University…

…is an amazing university – transforming students’ lives every day

…has faced headwinds before – together we will meet the challenge

…fosters open communication and collaboration – in pursuit of academic excellence
Questions
Comments
Finance Town Hall

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Thank you!