

Finance Town Hall



RUTGERS

University Finance
and Administration

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.



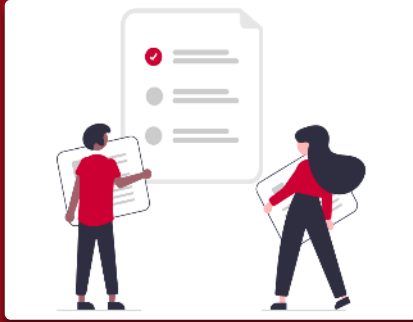
If you have questions for the presenters, use the Q&A function.



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

UFA Guiding Principles and Values

3



**Support and
Collaboration**



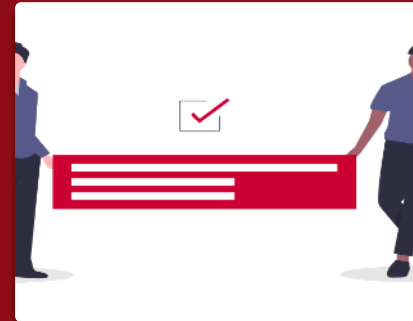
Understanding and Trust



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

Q&A

Meet the Presenter

David B. Moore

FY24 Budget Development

Challenges Rutgers FY23
Revenue & Expense Budgets

Looking Forward and
Opportunities

Q&A

Conclude



A portrait of J. Michael Gower, a middle-aged man with short brown hair, wearing black-rimmed glasses, a light blue striped shirt, a dark red tie, and a dark suit jacket. He is smiling slightly and looking towards the camera. A small red and white pin is visible on his left lapel.

Meet the Presenter



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

On the Agenda

Trends in Higher Education

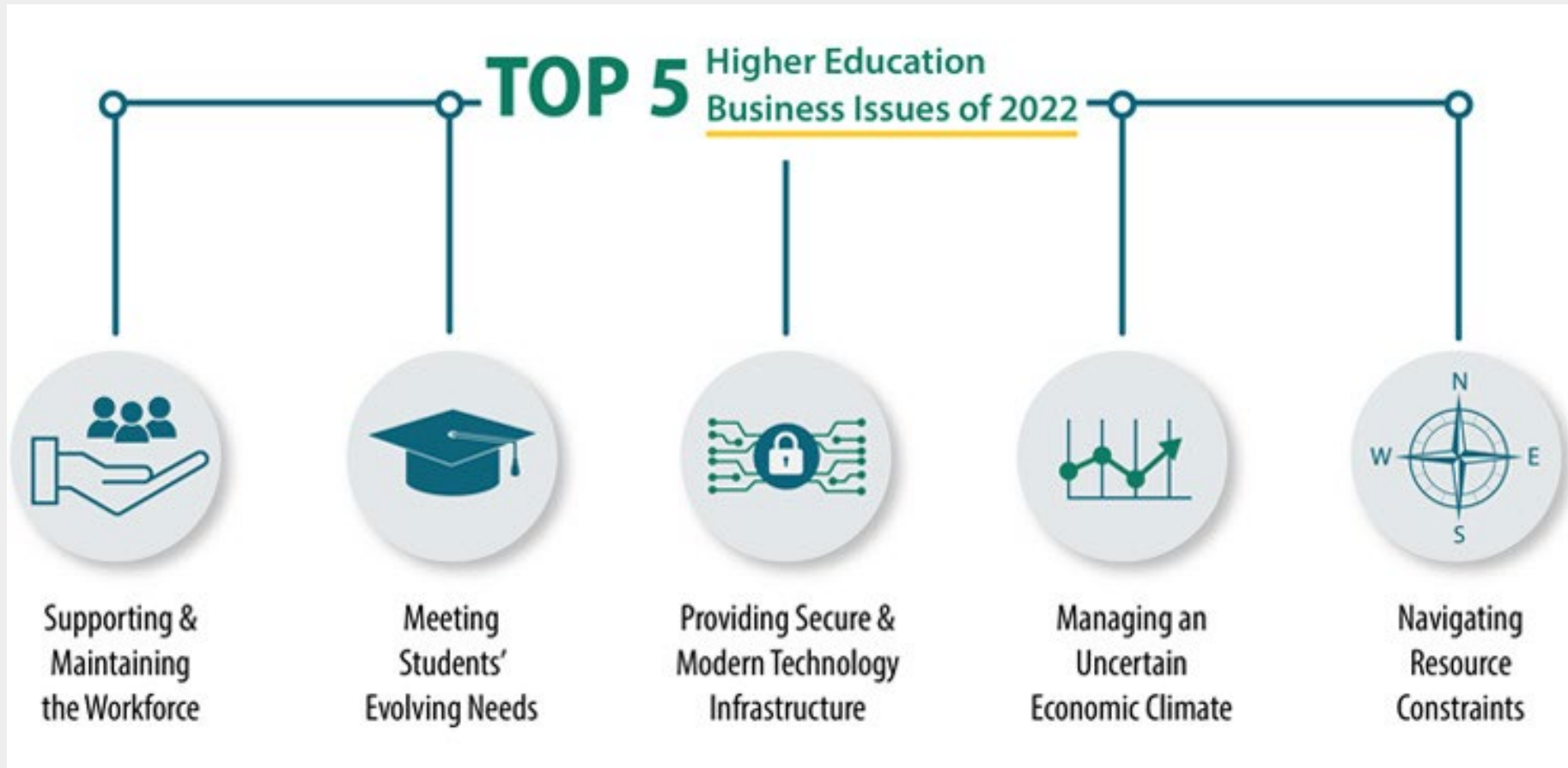
Trends in Higher Education



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

Higher Education's Top 5 Business Issues

7



Meet the Presenter



Guy Albertini | Associate Vice President and Chief Information Security Officer

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

9

- 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.



Thesis

10

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





ISO Security Initiatives

14

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





Questions Comments



A portrait of David B. Moore, a middle-aged man with glasses, wearing a grey suit, white shirt, and a dark red patterned tie. He is standing in front of a large window with a grid pattern, looking directly at the camera with a slight smile.

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



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

Rutgers University Budget Process

Acronyms

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

19



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



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

Review, analyze budget

Review, analyze, revise revenue estimates

Review, analyze, refine recommendations for appropriations

Gov Review

Gov signs, vetoes/returns to Legislature with amendments

Gov signs final Appropriations Bill into Law



FY 2023 Financial View

Update



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

	2023
(\$ millions)	Budget
Revenues:	
Student Tuition and Fees	\$1,392.4
Federal & State Student Aid	234.2
Federal Appropriation	7.2
State Appropriations	486.0
State Paid Fringe Benefits	511.5
Grants and Contracts	577.2
Facilities and Administrative Recoveries	138.7
Gifts and Contributions Revenue	42.4
Endowment and Investment Income	66.7
Healthcare Revenue	439.4
Reimbursements from Affiliated Institutions	628.3
Other Sources Revenue	102.7
Auxiliary Revenue	330.0
Total Revenues	4,956.7
Expenses:	
Salary and Wages	2,453.5
Fringe Benefits	951.4
Supplies and Other	258.3
Scholarships and Fellowships	479.6
Travel	37.8
Plant Operation and Maintenance	149.6
Debt Service	183.9
Other Operating Expense	259.0
Professional Services	309.1
Total Expenses	5,082.2
Increase/(Decrease)	(\$125.5)

Note

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

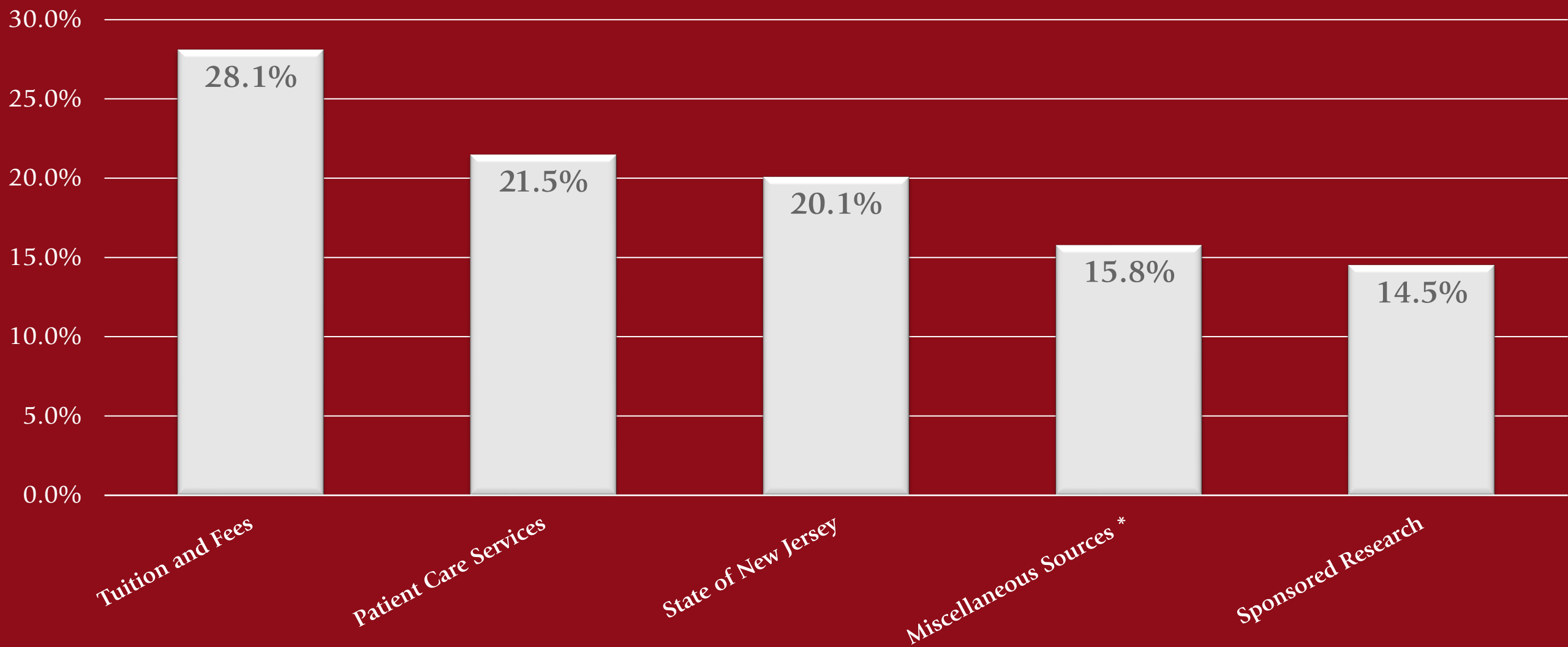


ACCOUNTABILITY ★ SUPPORT ★ COLLABORATION ★
UNDERSTANDING ★ TRUST ★ STRATEGIC ALIGNMENT ★
HOW WE WORK

Total University Revenue

Where does the \$5.1 billion come from?

24



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

Tuition and Fees

Dollars in thousands

	Total
Student Tuition and Fees FY 2020 Actuals	1,352,784
Current FY 2023 Approved Budget (FY21 = 0%, FY22 = 2.5%, FY23 = 2.9%)	1,392,455
Percent Change from FY 2020 Actuals	2.93%

**\$39.7
Million**

~ If we were not impacted ~

FY 2021 2.9%*	1,399,126
FY 2022 2.9%*	1,438,799
FY 2023 2.9%*	1,483,751
	9.68%

**\$130.9
Million**

* 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?

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.



Enrollment Strategy

26

- ❑ 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

	FY2019 Appropriation Final	FY2020 Appropriation Final	FY2021 Appropriation Final	FY2022 Appropriation Final	FY2023 Appropriation Final
Operating Base	\$ 387,384,000	\$ 378,729,384	\$ 378,729,384	\$ 380,681,000	\$ 382,480,000

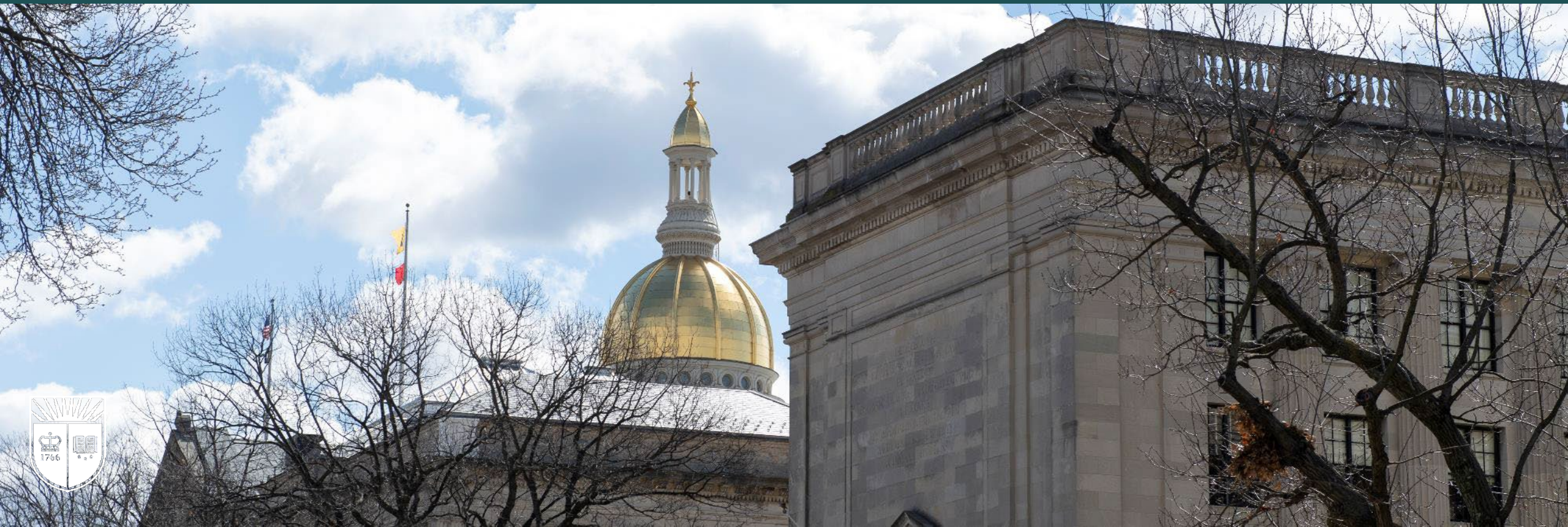
Year-over-Year change during this time period was over \$100 million with the majority of the revenue increase coming with additional requirements which results in an equal increase on the expense budget.



Develop State Initiatives

28

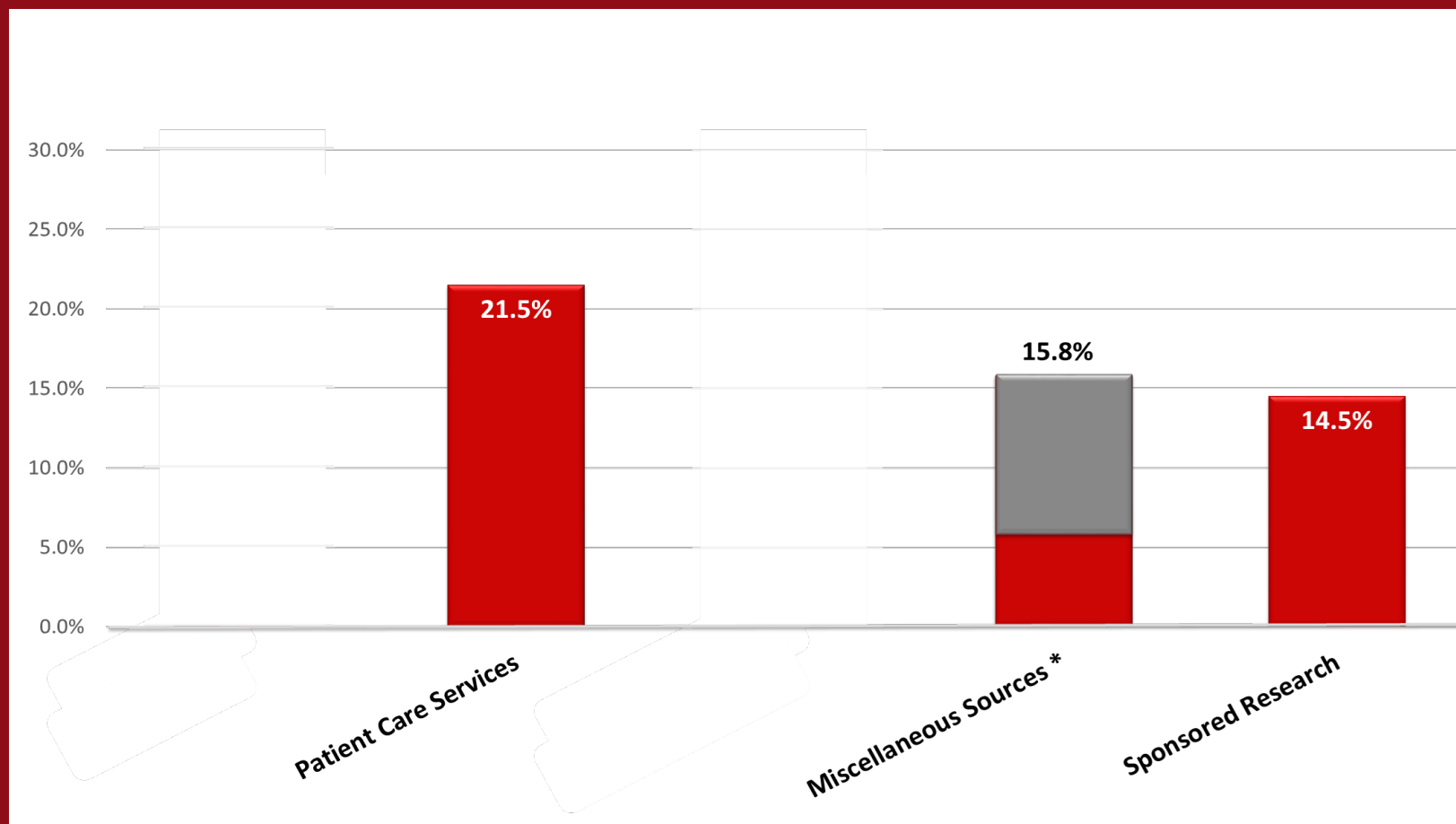
- ❑ Work with the State of New Jersey to recognize and fund the growth we have already experienced over the last few years in order to relieve pressure on tuition rates



Total University Revenue

29

When Patient Care Services, Sponsored Research, Auxiliary Enterprises, and Student Aid increases, generally, the expense budget increases at the same level.

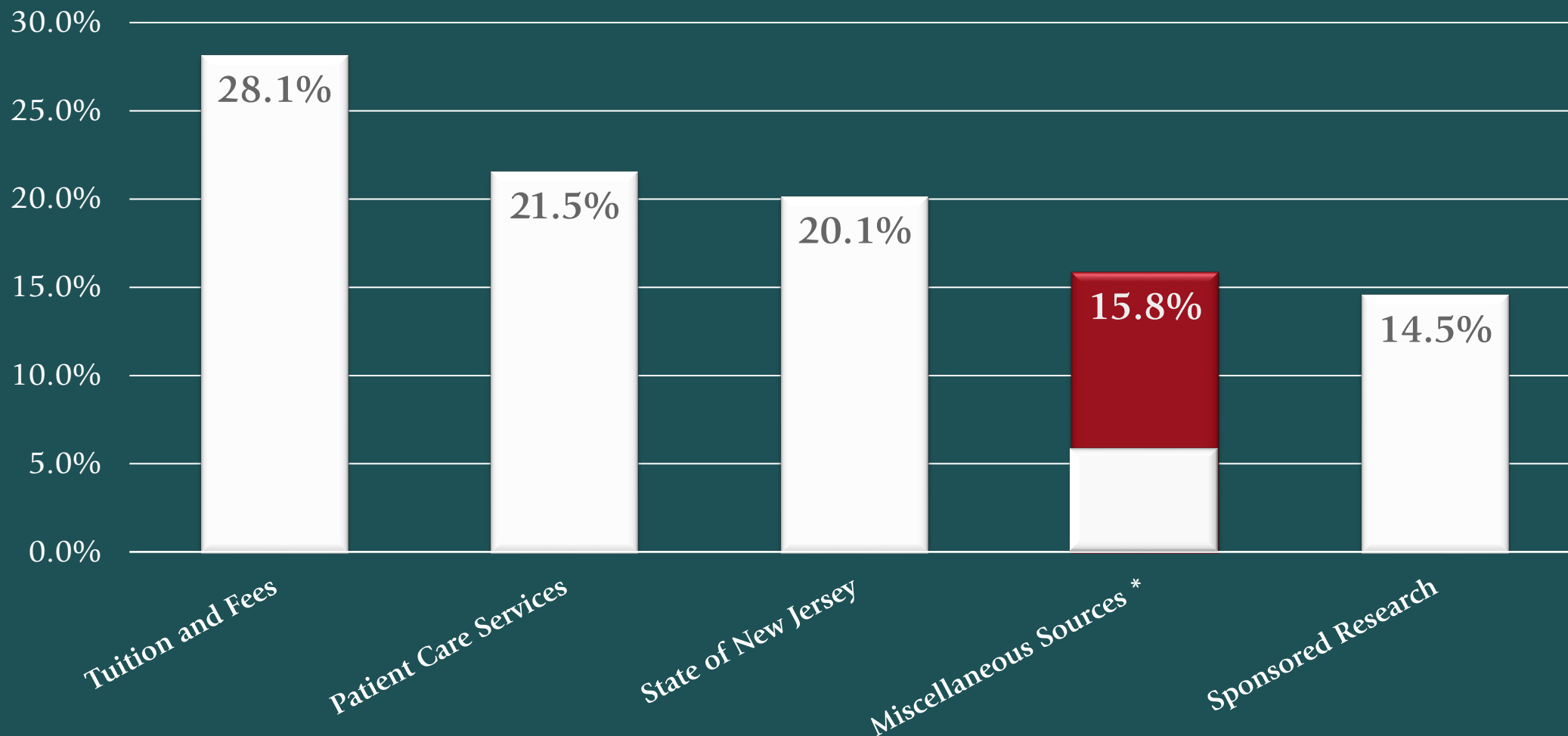


* Miscellaneous Sources includes: Auxiliary Enterprise, Student Aid, Athletics as well as Endowment and Investment Income.

Total University Revenue

30

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



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

Develop Revenue Targets and Goals

31

- ❑ 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

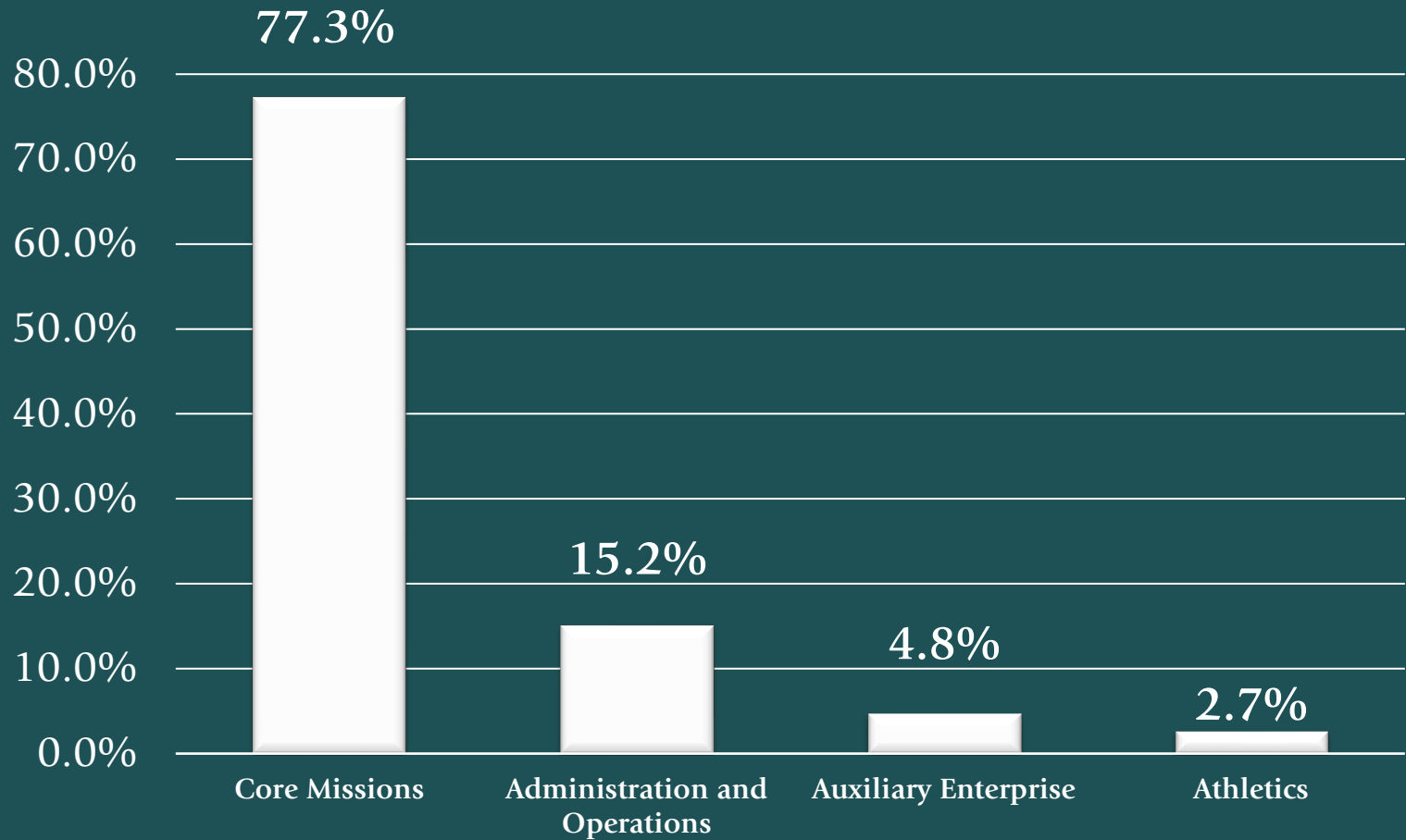


ACCOUNTABILITY ★ SUPPORT ★ COLLABORATION ★
UNDERSTANDING ★ TRUST ★ STRATEGIC ALIGNMENT ★
HOW WE WORK

Total University Spending

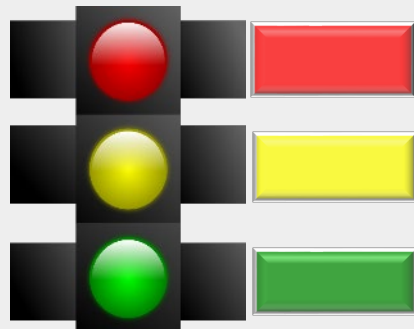
What does the \$5.1 billion support?

- 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



Rutgers FY 2023 Budget and the Impacts of Inflation...

	FY 2020	FY 2021	FY 2022	FY 2023		
Expense (Uses of Funds)	Dec Actual vs	Dec Actual vs	Dec Actual vs			
Dollars in thousands	Annual Budget	Annual Budget	Annual Budget	Annual Budget	Dec Actual	Annual Budget
Supplies and Other	54.26%	42.61%	44.65%	258,302	130,856	50.66%
Scholarships and Fellowships	50.61%	47.78%	64.03%	479,597	230,286	48.02%
Travel	50.05%	9.85%	30.06%	37,780	19,948	52.80%
Plant Operation and Maintenance	51.48%	45.55%	51.48%	149,658	88,849	59.37%
Debt Service - Principal and Interest	49.92%	49.78%	50.00%	183,875	91,787	49.92%
Other Operating Expense	41.56%	44.72%	46.93%	258,963	119,451	46.13%
Professional Services	49.80%	46.12%	46.64%	309,084	156,498	50.63%



Expense category is above prior year and pre-pandemic (FY20) levels. Further analysis indicates that there is 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.



Preliminary Fringe Benefit Rates FY 2023

35

Description	Totals and Comparisons				
	Proposed Total FY23	Approved Total FY22	FY23 v FY22 Variance	Budget FY23	Proposed v Budget FY23
Regular Salary Faculty & Staff	68.60%	61.74%	6.86%	64.65%	3.95%
Co-Adjutant Salaries - Non Instruc	7.95%	7.90%	0.05%	7.90%	0.05%
Post-Doc Associates	68.40%	60.36%	8.04%	64.65%	3.75%
Grad/Teaching Assistants	30.42%	24.51%	5.91%	27.00%	3.42%
House Staff	38.24%	32.42%	5.82%	34.65%	3.59%

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.

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

Early Projections of Impact

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

Net cost to operating budget including grants and contracts **+\$38 million**



Streamline Expense Outlays

36

- ❑ 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



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

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

42



J. Michael Gower



Guy Albertini



David B. Moore

Thank you!



RUTGERS
University Finance
and Administration

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

MARCH 2023