### Short-Term and Long-Term Planning While Considering Operating and Capital Tradeoffs



**Clinton P. Carter** Senior Vice President for Finance and Administration, Chief Financial Officer, The University of North Carolina System



**Stephanie Pianka** Senior Vice President for Finance and Budget and Chief Financial Officer, New York University



Monday, July 27, 2020

**Richard Petillo** Chief Financial Officer Clemson University



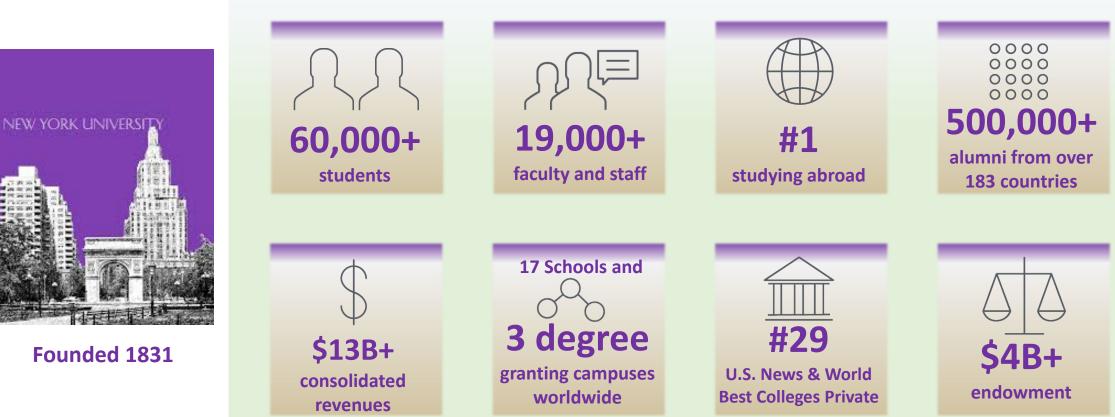
Jon K. Speare Executive Director The Treasury Institute for Higher Education





#### **NEW YORK UNIVERSITY**

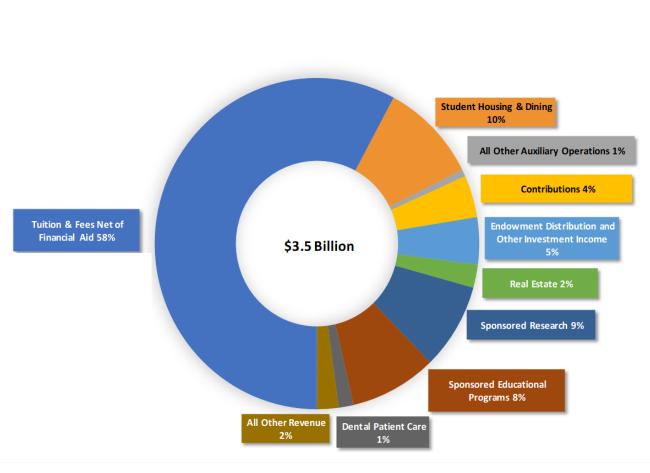




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# NYU is highly dependent on tuition .. with budgeted FY20 operating revenues of \$3.5B





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Source: NYU Office of Global Programs on web for more information

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University

and

College

Association of

National

### As the epidemic evolved, the impact and uncertainties increased

#### February:

2/1: Shanghai campus moves to remote education and some students are unable to get back to NYU-NY

2/27: Florence site closes

Potential FY20 Exposure: \$5M-\$10M

to cover the impact

#### March:

3/11: Move to remote instruction

- 3/16: All study abroad sites close
- 3/27: CARES Act announced
- Major Financial Implications:
- Refunds for Spring Housing and Dining
- Costs to get students back home safely
- Costs to enable remote instruction on a large scale
- Packing & shipping students' belongings

3/20: Expense Management Plan announced:

• Administrative Hiring Pause, Faculty Hiring Review

- Fundraising slowdown
- Lost Revenue from Student Health Center and College of Dentistry Clinic

Potential FY20 Exposure: \$100M+

Discretionary Spending Freeze

• Pause on Capital Projects

Emergency grants and aid to students

4/4: Announce prorated School Based Fee refunds

**4/11:** Summer I & II move to remote instruction; Housing facilities will remain vacant

#### Potential FY20 Exposure: \$150M+ before mitigations

#### Summer enrollment levels and Fall operations and enrollment levels uncertain

- FY21 Annual Merit Increase Cancelled

University's operating budget contingency sufficient

**People and Mission First** 

- Keeping all employees on paid status is a top priority
- Provide Faculty and Staff necessary support to teach or work remotely
- **Extend Tenure Clock one year**
- Exempt COVID-related leave from sick day count
- Support Students Emergency grant funding, continued employment where possible, flexibility for housing and other support

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## April:



### **Clemson At a Glance**

#27 **PUBLIC UNIVERSITY** 

U.S. News & World Report

## \$104M

RESEARCH **EXPENDITURES** '19 research awards totaled \$150M

25,822

### **STUDENTS**

20,000+ undergraduate students 5,500+ graduate students 130+ degree programs

## **R**1

### CARNEGIE

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Clemson is recognized as an economic engine creating prosperity in entire regions.

## - south carolina-

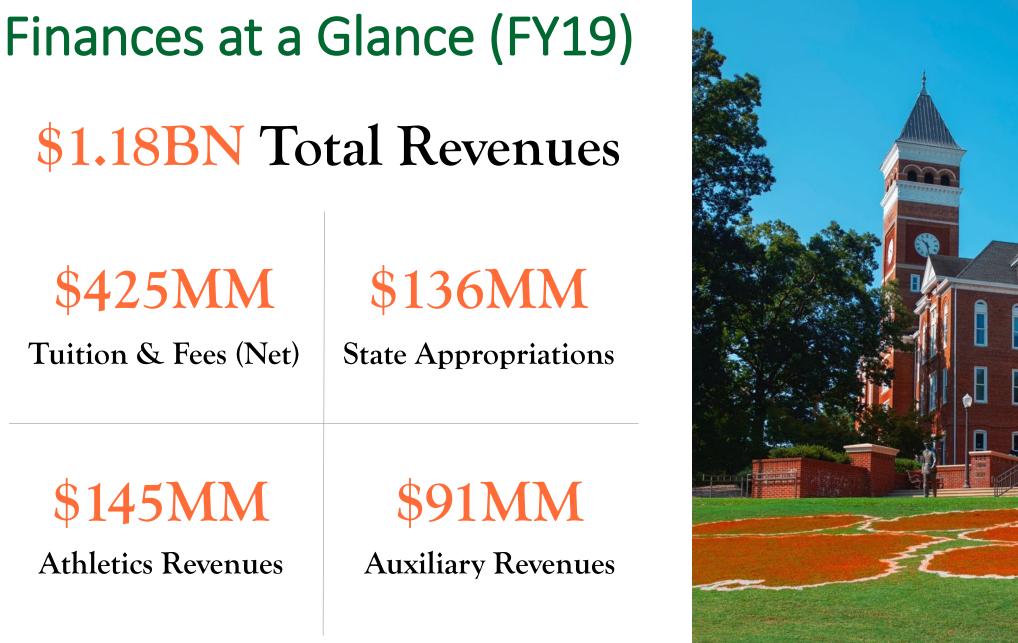


\$425MM

Tuition & Fees (Net)

\$145MM

**Athletics Revenues** 

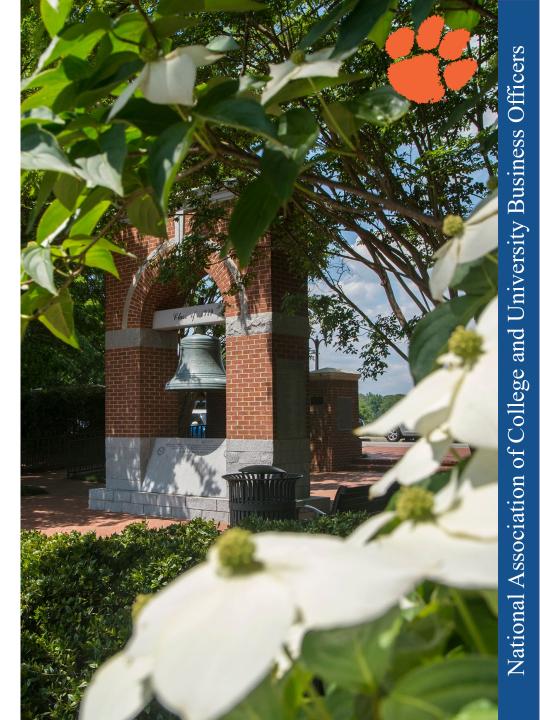


National



### COVID-19 FY20 Impacts

Total Projected Changes	(\$000s)	(12,494)
		¢(0002)
<u>Revenue Impacts</u>		$\frac{\$(000's)}{(1(015))}$
Auxiliary Refunds		(16,815)
Reduced Athletics Revenues		(3,618)
E&G Refunds , incl. Study Abro	bad	(1,624)
Subtotal Revenue Impacts		(22,057)
<u>Expense Impacts</u>		<u>\$(000's)</u>
Additional IT Expenses		1,164
Study Abroad Reimbursements		234
Business Continuity Operations		525
Reduced Athletics Expenses		(2,795)
Procurement Restrictions		(4,184)
Travel Restrictions		(2,612)
Hiring Restrictions		(1,895)
Subtotal Expense Impacts		(9,563)
Net Projected Impacts to FY20		(\$12,494)
CARES Act Allocation		\$13,580
CARES Act Grants Paid		(\$6,774)



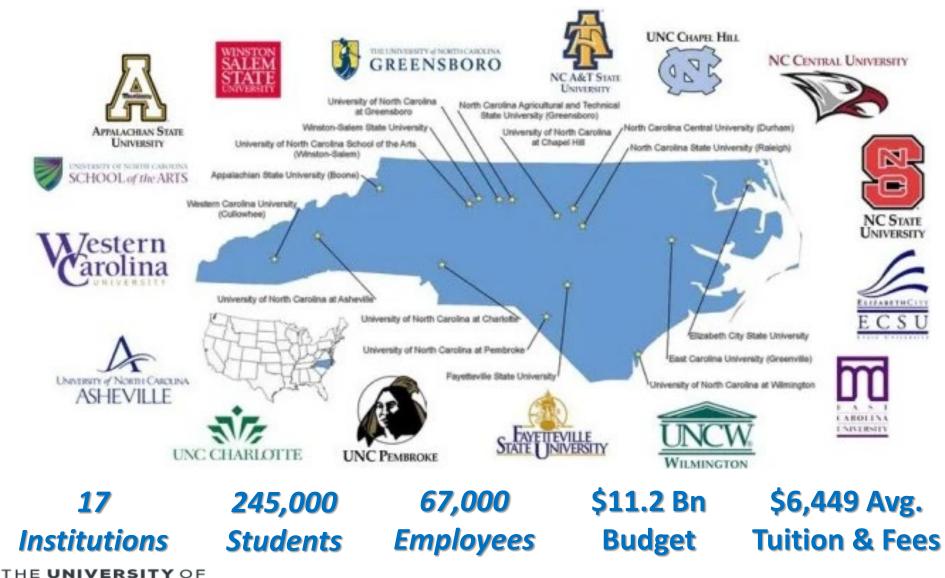
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### University of North Carolina System

The Treasury Institute for Higher Education

N ± C

NORTH CAROLINA SYSTEM



### **COVID-19 FY20 Impacts**

#### **Incurred Costs and Losses**

Student Reimbursements	\$	118,000,000	
Housing, Dining and Parking	Ļ	118,000,000	
Shifts to Online Instruction & Telework	\$	26,000,000	
IT Infrastructure, online instruction, exam proctoring, etc.	Ş	26,000,000	
Emergency expenses (sanitation, PPE, facilities changes)	Ś	14,000,000	
Custodial services, sanitation, PPE, Plexiglass shield installation	Ş		
Personnel costs, including Hazard and Leave pay	4	42,000,000	
Hazard pay for mandatory employees, Leave pay, etc.	\$		
Cancellations and Other Expenses	4	20,000,000	
Travel and event cancellations, student costs, etc.	\$	30,000,000	
Total Costs So Far (Excluding Revenue Losses)	\$	230,000,000	

#### External Funding (CARES)

Anticipated impact so far	\$ (20,000,000)
Total CARES Discretionary	\$ 210,000,000
Governor-allocated CARES Funding	\$ 7,000,000
State-allocated CARES Funding	\$ 44,000,000
HBCU Funding	\$ 69,000,000
CARES Discretionary Funding	\$ 90,000,000

- UNC System as a whole CARES monies largely offset UNC expenses during Spring 2020
  - Excluding Lost Revenue
  - Fall 2020 uncertain
- Haves vs. Have-Nots...
  - HBCUs / Title III
  - R1s and Regional Publics
- \$118MM Housing / Dining Reimbursements, not necessarily returning to prior fund balances...
  - NC colors of money problem
- Excludes \$90MM emergency student grants, fully funded by CARES

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# FY2021 and the Impact on Capital Planning

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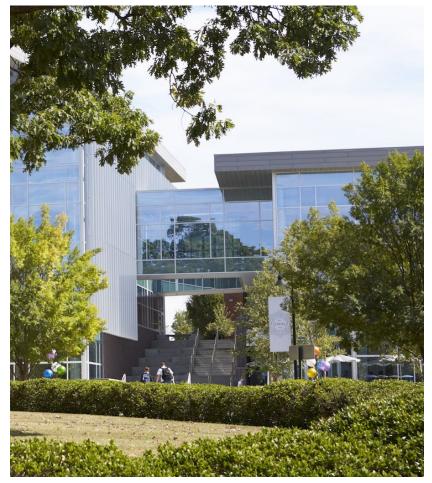
### Fall 2020 Revenue Uncertainties

#### Scenario A: "New Normal"

- Institutions reopen on relatively normal schedules, with modest safety measures and limited revenue impact
- Enrollment change: From 0% to down -2%
- Athletics, Housing & Dining proceed as planned
- Other university areas not significantly impacted

#### Scenario B: "Social Distancing"

- Institutions able to reopen on relatively normal schedules, with significant social distancing guidelines
- Enrollment change: down -2%
- Athletics proceed with significantly reduced capacity
- All mandatory student fees still charged
- Dining capacity significantly reduced (-50%)
- Modest impacts to sales and services, patient services



University of North Carolina School of the Arts Winston-Salem, North Carolina

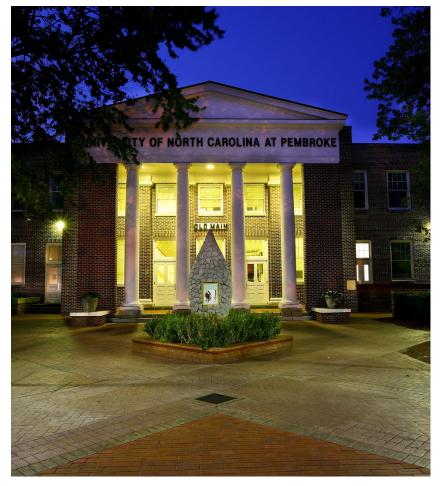
### Fall 2020 Revenue Uncertainties

#### Scenario C: "Online Fall"

- All instructional activity is converted to online, No students present on campuses
- Enrollment change: From 0% to down -10%
- Athletic seasons cancelled
- C1 Scenario Students still pay all mandatory fees (Student Activity, Athletics, Health Services)
- C2 and C3 Scenarios Students would not be charged fees relating to on-campus enrollment
- Virtually no revenues for Dining, Housing, Parking (down -90%)
- "Mothball status"

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- Modest impact to Patient Services, Research & Grants
- Debt service still required, draw down on reserves, transfers from other sources, eventual bleed into academics



University of North Carolina at Pembroke Pembroke, North Carolina

### Fall 2020 Revenue Modeling

Estimated Revenue Imp Scenario Planning for 2		21	Fall	2020	Seme	ster Only	"New Normal" (status quo)	Social Distancing Only	Online Fall 2020 Enroll: -2% Δ + Mand. Fees	Online Fall 2020 Enroll: -5% Δ	Online Fall 2020 Enroll: -10% Δ
UNC System	A	Impa B	ct Perce C1	entage C2	C3	Annual Budget	Scenario A	Scenario B	Scenario C1	Scenario C2	Scenario C3
						Anticipated Rev	enue Impacts				
Enrollment (FTE)	-2.0%	-2.0%	-2.0%	-5.0%	-10.0%	219,701	(4,394)	(4,394)	(4,394)	(10,985)	(21,970)
State Appropriation	0.0%	0.0%	0.0%	0.0%	0.0%	\$ 2,668,000,000	\$-	\$-	\$-	\$-	\$ -
Tuition Revenue (net)	-2.0%	-2.0%	-2.0%	-5.0%	-10.0%	\$ 1,210,500,000	\$(24,210,000)	\$ (24,210,000)	\$ (24,210,000)	\$ (60,525,000)	\$ (121,050,000)
Student Fees (net)	-2.0%	-2.0%	-2.0%	-40.6%	-43.8%	\$ 598,500,000	\$(11,970,000)	\$ (11,970,000)	\$ (11,970,000)	\$ (243,140,625)	\$ (261,843,750)
Financial Aid (external)	-2.0%	-2.0%	-2.0%	-5.0%	-10.0%	\$ 706,000,000	\$(14,120,000)	\$ (14,120,000)	\$ (14,120,000)	\$ (35,300,000)	\$ (70,600,000)
Athletics (less fees)	0.0%	-25.0%	-50.0%	-50.0%	-50.0%	\$ 245,800,000	\$-	\$ (61,450,000)	\$ (122,900,000)	\$ (122,900,000)	\$ (122,900,000)
Housing (net)	0.0%	0.0%	-45.2%	-45.5%	-46.0%	\$ 305,500,000	\$-	\$-	\$ (138,086,000)	\$ (139,002,500)	\$ (140,530,000)
Dining (net)	0.0%	-25.0%	-45.2%	-45.5%	-46.0%	\$ 201,500,000	\$-	\$ (50,375,000)	\$ (91,078,000)	\$ (91,682,500)	\$ (92,690,000)
Parking	0.0%	0.0%	-45.2%	-45.5%	-46.0%	\$ 53,500,000	\$-	\$-	\$ (24,182,000)	\$ (24,342,500)	\$ (24,610,000)
Sales, Services, & Other Aux.	0.0%	-15.0%	-30.0%	-30.0%	-30.0%	\$ 483,300,000	\$-	\$ (72,495,000)	\$ (144,990,000)	\$ (144,990,000)	\$ (144,990,000)
Patient Services	0.0%	-5.0%	-5.0%	-5.0%	-5.0%	\$ 720,000,000	\$-	\$ (36,000,000)	\$ (36,000,000)	\$ (36,000,000)	\$ (36,000,000)
Research & Grants	0.0%	0.0%	-5.0%	-5.0%	-5.0%	\$ 1,410,400,000	\$-	\$-	\$ (70,520,000)	\$ (70,520,000)	\$ (70,520,000)
Gifts & Investments	0.0%	0.0%	0.0%	0.0%	0.0%	\$ 1,023,500,000	\$-	\$-	\$-	\$-	\$-
Total Revenue						\$ 9,626,500,000	\$(50,300,000)	\$ (270,620,000)	\$ (678,056,000)	\$ (968,403,125)	\$ (1,085,733,750)
Percent Change						100%	-0.5%	-2.8%	-7.0%	-10.1%	-11.3%

### **Expense Control Measures**

#### **Primary Strategies**

- Discretionary Spending
  - Reductions in Travel, Supplies, Contracted Services, etc.)
  - Reductions in financial aid
- Personnel
  - No FY21 merit increases
  - Hiring and promotion freezes; Reduction of staff hours where possible
  - Furlough staff (auxiliaries, academic)
  - Faculty course release reductions
  - Cut probationary employees
  - Consolidate Administrative functions
- Delay investments
  - Delay scheduled replacements
    - IT, furniture, equipment, etc.
  - Delay non-critical capital projects and deferred maintenance



Appalachian State University Boone, North Carolina

THE UNIVERSITY OF NORTH CAROLINA SYSTE

### **Expense Control Measures**

#### "Worst Case" Strategies

Personnel

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- Consolidation of administrative functions and services at System level
- Consider 9 or 10-mo contracts for student focused positions
- o Adjust faculty teaching load
- Rely more heavily on adjunct professors
- Program reductions
  - Closure of student service centers
  - o Elimination of certain athletics programs
  - o Discontinue unfunded research
  - Adjust academic program mix
  - o Outsource non-core activities
  - Insource student fee-funded activities
  - o Significant financial aid reductions
  - Reduce physical footprint (consolidate buildings)



University of North Carolina at Chapel Hill Chapel Hill, North Carolina



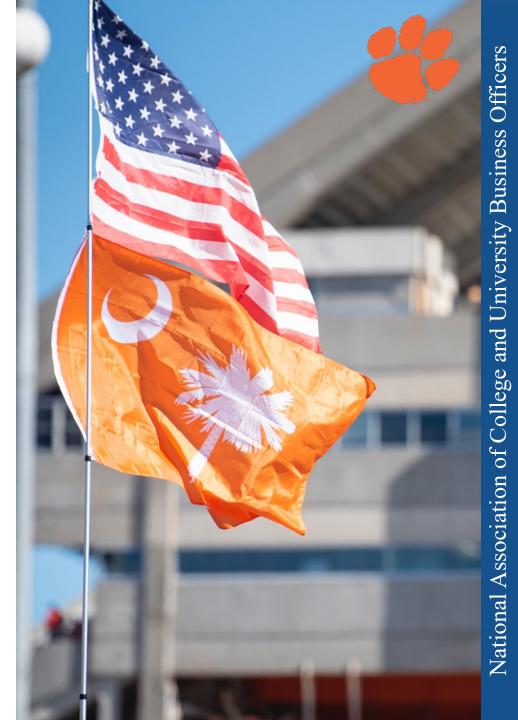
### FY21 Uncertainties

#### Revenues

- Enrollment impacts
- State appropriations
- Auxiliary revenues
- Athletic revenues
- Fundraising
- Research

#### Expenses

- Medical Care
- Testing and tracing
- Isolation and Quarantine
- Physical Distancing
- Hybrid Learning Environment
- PPE & Cleaning Supplies
- Labor (incl. lost productivity)



### **Expense Control Measures**

#### Personnel

**\$7.6mm** in frozen hires in the pipeline (127 positions)

#### Procurement

- Average weekly spend pre-COVID \$6.0mm
- Average weekly spend since COVID \$3.5mm

#### Travel

**\$2.7mm** in remaining FY20 travel budgets frozen

### **Capital Projects**

- **\$325mm** in facilities project pipeline pre-COVID
- **\$181mm** in facility projects frozen, \$31mm non-capital projects

### **Athletics**

**\$2.8mm** in estimated expenditure reductions

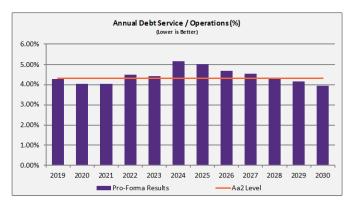




Key Pro-Forma Financial and Rating Indicators											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
General Information	General Information										
Operating Cash Flow Margin (%)	16.7%	16.4%	15.6%	13.9%	11.8%	10.2%	8.7%	10.2%	11.8%	13.3%	13.2%
Cash & Investments to Debt (S&P) (x)	1.19	1.24	1.03	0.95	0.97	0.75	0.92	0.92	0.97	1.04	1.14
Spendable Days Cash on Hand (Moodys) (x) 🛛 🔶	233	216	200	195	190	182	179	178	178	180	181
Aggregate Direct Debt Service Coverage (x) 🛛 🔶	4.16	4.24	3.90	3.06	2.57	1.86	1.61	2.08	2.52	3.04	3.18
Debt Service to Operations (%) 🛛 🐥	4.28%	4.07%	4.06%	4.49%	4.42%	5.16%	5.00%	4.69%	4.55%	4.34%	4.15%
Modeled Scorecard Rating	Aa2	Aa2	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa2	Aa2
Estimated Debt Capacity	77,208	151,778	18,981	-40,796	-23,311	-215,209	-66,427	-65,706	-24,629	28,339	94,844

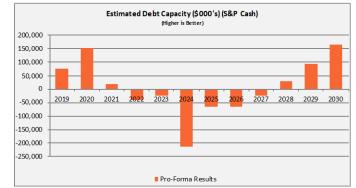












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### **Program Prioritization**

University Total FY19 CAFR Net Position by Department

(Size reflects each Department's Student Headcount)



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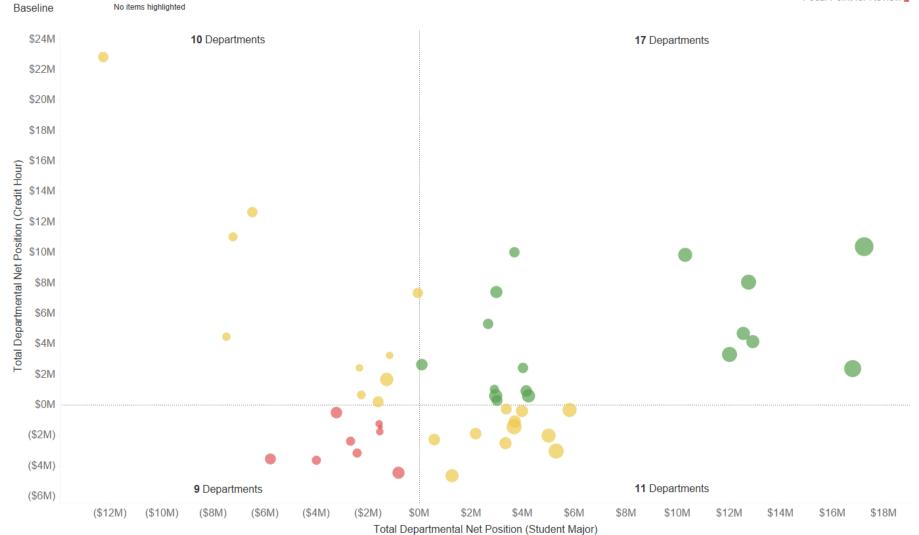
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Strong Financial Position Assess Potential Opportunities Focal Point for Review



### **Program Prioritization**



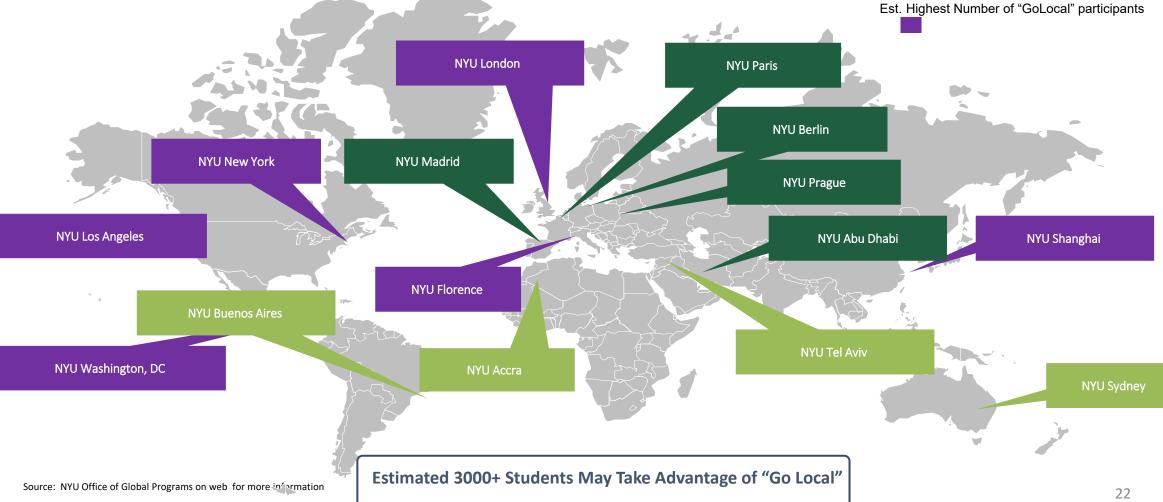
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						F	Baseline
FY19 CAFR Net	t Position Analy	/sis Tool - IIIu	istrative			Select Model View: <sup>E</sup>	baseline
Sort by Overall Score	College;All		0.25	0.25	0.25	0.25	
Department	Overall Score	Headcount	Net Position Student Major	Net Position Credit Hour	Sponsored Research	Quality	Net Cost
Department E Department T Department BB Department Z Department L Department EE Department AA Department AA Department CC Department P Department W Department H Department A Department X Department X Department X Department K Department K Department A Department A Department M Department DD Department U Department U Department V Department V Department S Department V Department M Department C Department C Department F Department F Department I Department I		1,949 232 663 540 70 269 282 203 738 772 27 64 102 179 359 67 59 233 266 362 30 233 266 362 30 233 253 317 137 3 76 35 177 184 3 306				0.25 0.25 0.25 0.25 0.25 0.25 0.25 0.25	\$6.8M \$7.7M \$4.9M \$4.7M \$3.1M \$3.3M \$1.0M \$0.9M \$5.5M \$0.5M \$0.4M (\$1.0M) (\$0.6M) \$1.3M \$1.0M (\$0.6M) \$1.3M \$1.0M (\$0.3M) \$1.0M \$0.7M \$0.2M \$0.5M (\$0.7M) \$0.5M (\$0.7M) \$0.5M (\$0.7M) \$0.5M (\$0.2M) (\$



### FY21 "Go Local" Plan for Fall 2020 semester:

- With Study Away Canceled for the Fall, NYU is using is Global Footprint to allow students to study at the NYU campus closest to their home
- For undergraduates who may not be able to travel to their home campus this fall. To be eligible for Go Local at any NYU location, students must be able to live and study in that country for the duration of the semester without the issuance of a student visa.
- Students who meet certain requirements may enroll and take a number of in-person classes at another NYU location, provided that the location opens, that students can safely travel there from surrounding areas, and that there is available space.



NYU

### FY20/21 Capital Planning:



- One third of ten-year capital plan put on "pause" with the goal of preserving liquidity while retaining critical academic and infrastructure investments
- Projects will be reevaluated and reprioritized when situation stabilizes
- 40% of capital plan funding remains for four strategic academic and infrastructure projects where the majority of costs have already been funded
- IT security and technology enhancements for classrooms and remote learning receiving incremental funding
- Capital replacement and IT refresh investments retained in the ten year capital plan

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### FY20/21 Near Term Financial Planning:



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Continue	Implement	Progress	Update
Monitoring Weekly KPIs: • Fall enrollment levels • Expense mitigation monitoring dashboard measures results • Liquidity	Next level of mitigation actions <i>as necessary</i> based on trigger points: - Enrollment - NYS and NYC Guidelines Retain investments in FY21 budget for strategic academic programs	Operation "NYU Returns" - academic and operational programs - quantify costs School and Unit Planning - FY21 baseline budgets - Moderate and more severe scenarios	University Leadership, Finance Committee of Board & Other Stakeholders Regularly

### Role of the CFO's team:

#### Strategic:

- Provide rigorous, objective analytical tools to enable decisions
- "Connect the dots" between academic and administrative planning and budgetary impacts, provide data required to make quick decisions
- Program prioritization with University leadership and other stakeholders
- Lead efforts to maintain and fund investment in strategic initiatives
- Scenario planning with impacts identified for operating and capital plans



#### **Operational:**

- Implement and monitor expense mitigation actions
- Exception request handling
- Remote working expense
  policies
- Create and operationalize imperfect budgets for FY21
- Budget management for new COVID-related expenditures:
  - PPE, temporary space, testing, etc.
- Compliance and controls for CARES act implementation and new remote work practices



### Short-Term and Long-Term Planning While Considering Operating and Capital Tradeoffs



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