



Board of Trustees Financial Report Highlights as of September 30, 2020



Budget Planning Priorities & Assumptions

FY21 Priorities	<ul style="list-style-type: none"> • Prioritize the safety of community members • Maintain long-term financial health without compromising access and affordability • Favor investments in the core mission: instruction, degree completion and direct student support • Invest strategically to achieve these priorities
Resources: Tuition & Fees, Enrollment, Housing & State Support	<ul style="list-style-type: none"> • Tuition held flat plus reduction in certain fees (Capital fee =12.5%, Student Activity fee =100%, Student Center fee = 50% and Parking fee = 50%) • The budget assumes a 3% overall decrease in enrollment over the previous fiscal year • A reduction in New Jersey State operating appropriations (\$15.2 million or 55%) was projected • Significant reduction in room occupancy due to remote modality and social distancing requirements – (300 and 2,500 beds for fall 2020 and spring 2021, respectively)
Expense Management & COVID-19 health allocation	<ul style="list-style-type: none"> • \$12.2 million in personnel expense reduction – 12 days of furloughs for all employees, hiring freeze plus holding a number of vacant positions • \$7.5 million in non-salary expense reduction – employee travel, fuel & utilities, maintenance costs, computer hardware and software, consultants and athletics travel and equipment • \$3.3 million in capital funding deferral for asset renewal projects • \$0.73 million in revenue enhancement -Foundation support through gift fee and endowment spending rate • Earmarked over \$2 million for COVID-19 related expenses
Liquidity & Strategic Debt Restructuring	<ul style="list-style-type: none"> • Debt restructuring to reduce annual debt burden by almost \$19M in FY21 (a total of ~\$88M over 5 years) • Adequate level of spendable cash and investments further enhanced by strategic debt restructuring • Liquidity and budget flexibility to respond to the economic uncertainty from COVID-19 • \$10 million - established a new debt service liquidity reserves for at least 50% of debt service savings

Key Budget Updates since 8/4/20

- Enrollment above budget by 150 FTE; additional fall tuition revenue offset by decline in room revenue
- Federal stabilization aid allocation = \$4.3 million versus the budgeted estimate of \$6.5 million
- Restoration of New Jersey State appropriations to Pre-COVID-19 levels. Significant increase over the budgeted projection
- Elimination of additional expense management of \$2.86 million that was not yet identified
- Increase in COVID-19 health allocation to \$2.2 million based on current estimates
- Adjustment in budgeted debt service based on escrow balances and opportunity to increase the liquidity reserves
- Reduction in transfer from reserves by \$9.75 million; funds originally earmarked to fund COVID-19 health allocation and balance the budget

	FY20 Actuals Final	FY21 Remote Budget Scenario As of 8/4/2020	FY21 Revised Budget As of 9/30/20	FY21 Actual & Encumb. As of 9/30/20	FY21 Remaining As of 9/30/20	FY21 Budget Adjustments As of 9/30/20
Tuition & Fees	139,191,515	131,966,128	132,987,128	66,124,943	66,862,185	1,021,000
Room & Board	39,221,395	19,617,187	18,565,187	540,070	18,025,117	(1,052,000)
Auxiliary Revenue	5,124,512	3,764,076	3,764,076	10,817	3,753,259	-
Federal Stabilization Aid -(COVID-19)	4,391,869	6,500,000	4,298,429	-	4,298,429	(2,201,571)
Other Revenues	7,620,297	6,598,538	6,598,538	2,841,915	3,756,623	-
Operating Revenues	195,549,588	168,445,929	166,213,358	69,517,745	96,695,613	(2,232,571)
Fringe Benefits Appropriation	26,993,070	33,227,867	33,227,867	5,994,323	27,233,544	-
Base State Appropriation	23,356,800	12,751,000	28,708,000	3,013,000	25,695,000	15,957,000
Foundation Support to College	1,489,863	3,341,000	3,341,000	-	3,341,000	-
Investment Income & Appreciation	4,518,186	6,374,190	6,374,190	3,547,465	2,826,725	-
Nonoperating Revenues	56,357,919	55,694,057	71,651,057	9,007,323	59,096,269	15,957,000
Total Revenue	251,907,507	224,139,986	237,864,415	78,525,068	155,791,882	13,724,429
Salary & Fringe Benefits	145,430,713	142,713,129	142,713,129	29,149,274	113,563,855	-
Contract Food Service	12,981,817	5,940,846	5,940,846	718,793	5,222,053	-
Maintenance and Utilities	9,176,588	8,866,846	8,866,846	2,303,725	6,563,121	-
General Operating Expenses	12,964,359	10,571,311	13,433,311	3,064,272	10,369,039	2,862,000
Library Acquisitions	2,120,942	1,818,746	1,818,746	1,288,115	530,631	-
IT Hardware & Software	4,759,243	5,499,095	5,499,095	1,785,997	3,713,098	-
Other Expenses	4,796,883	6,046,942	6,046,942	3,714,115	2,332,827	-
Scholarships & Waivers	19,473,817	20,170,866	20,170,866	8,118,456	12,052,410	-
Debt Service	26,226,399	9,137,646	7,461,804	759,565	6,702,239	(1,675,842)
COVID-19 Health Allocation	-	1,500,000	2,200,000	1,658,003	541,997	700,000
Maintenance Operating Projects	726,656	850,500	850,500	159,813	690,687	-
Total Expenses	238,657,417	213,115,927	215,002,085	52,720,128	162,281,957	1,886,158
Asset Renewal Funding	7,295,000	6,000,000	6,000,000	-	6,000,000	-
Investment Income Transfer to	4,539,012	6,373,636	6,373,636	-	6,373,636	-
Transfer to (From) Reserves	46,177	(9,751,000)	409,497	-	409,497	10,160,497
Debt Service Liquidity Reserve	-	8,600,000	10,000,000	-	10,000,000	1,400,000
Other Transfers	1,178,888	(265,851)	(332,035)	-	(332,035)	(66,184)
Total Transfers	13,059,077	10,956,785	22,451,098	-	22,451,098	11,494,313
Surplus (Deficit)	191,013	67,274	411,232	25,804,940		343,958

State Appropriations (Amounts in thousands)					
		FY21 Revised Projection	FY21 Original Budget	FY20 Actuals	FY19 Actuals
State appropriations (include OBA)	\$	28,708	12,751	23,357	27,177
Fringe benefits		33,228	33,228	26,993	27,174
Gross State support	\$	61,936	45,979	50,350	54,351

-- **FY21 New Jersey State Operating Support - \$28.71 million**

- **\$3.01 million** in supplemental funding for three months (July through September);
 - **\$19.93 million** for the balance of FY2021 (October through June);
 - **\$1.13 million** in Outcomes-Based Allocation funding;
 - **\$4.63 million** in additional funding requested by NJASCU and included in final state budget
- \$15.96 million above the FY21 base appropriations approved in the original budget**

-- **FY21 New Jersey Fringe benefits appropriation - \$33.2 million for 859 state-funded employees**

-- **\$4.3 million in Coronavirus Relief Fund allocation** *vs. budgeted projection of \$6.5 million*

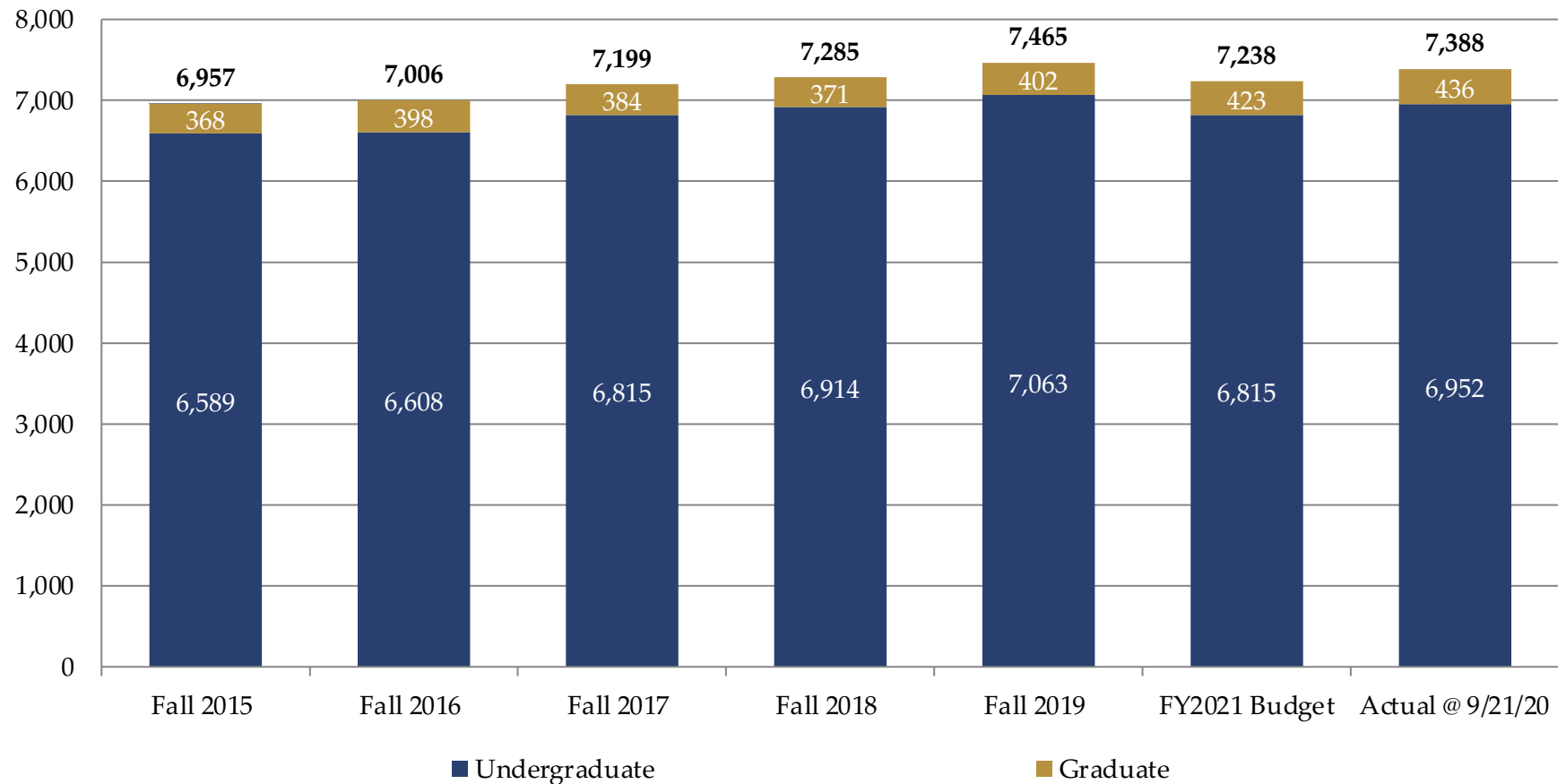
Overall Federal and State Funding vs. budgeted: +\$13.76 million

Enrollment Trends (FTE)

Fall 2015 – Fall 2020

Fall 2020 Enrollment Information

- Returning students budgeted at 5,106 FTE (*5,269 were enrolled as September 21, 2020*), exceeding the goal by 164 FTE or 3%
- First-year FTE enrollment goal of 1,585 (*1,428 enrolled as of September 21, 2020*), 10% below goal. Enrollment deferrals granted for Spring 2021 and Fall 2021, were 38 and 35, respectively
- Entering Provisional students budgeted at 105 (*49 enrolled as of September 21, 2020*), below target by 53%
- Transfer student goal of 240 (*255 enrolled as of September 21, 2020*) exceeding target by 6%
- Graduate enrollments exceeded the goal by 13 FTE, primarily due to MBA program growth (53 vs 32 students in Fall 2019)



Fall 2020 Enrollment Details					
Type	Headcount	Current FTE (as of 9.21.20)	Original FTE Goal	FY21 Budgeted FTE	Excess (Current FTE - Budgeted FTE)
In State Undergraduate					
In State - Continuing	5,059	4,992	4,880	4,831	161
In State - New Freshmen	1,334	1,334	1,450	1,378	(44)
In State - New Transfer	254	247	240	228	19
Total In State	6,647	6,573	6,570	6,437	136
Out of State Undergraduate					
Out of State - Continuing	279	277	280	274	3
Out of State - New Freshmen	94	94	135	104	(10)
Out of State - New Transfer	8	8	-	-	8
Total Out of State	381	379	415	378	1
Total In State/Out of State Undergraduate					
Total Continuing	5,338	5,269	5,160	5,106	164
Total Freshmen	1,428	1,428	1,585	1,482	(54)
Total Transfer	262	255	240	228	27
Total Undergraduate	7,028	6,952	6,985	6,815	137
Total Graduate	677	436	423	423	13
Total College	7,705	7,388	7,408	7,238	150
Provisional**	49	49	105	75	(26)
** Reflected in the In-state numbers					

Source: Institutional Research & Records and Registration

Original budget deficit: \$9,684,000

Remote Budget Plan

(adopted August 2020):

Close budget deficit with draw on **reserves** consistent with Board policy

Control Levers	Deficit reduction
Draw on reserves (COVID 19 health allocation)	\$1,500,000
Draw on reserves (Strategic investments + operations)	8,251,000
<i>Reductions from reserves</i>	\$9,751,000

FY21 August adopted budget surplus after reserve draw: \$67,000

Revised Budget Plan

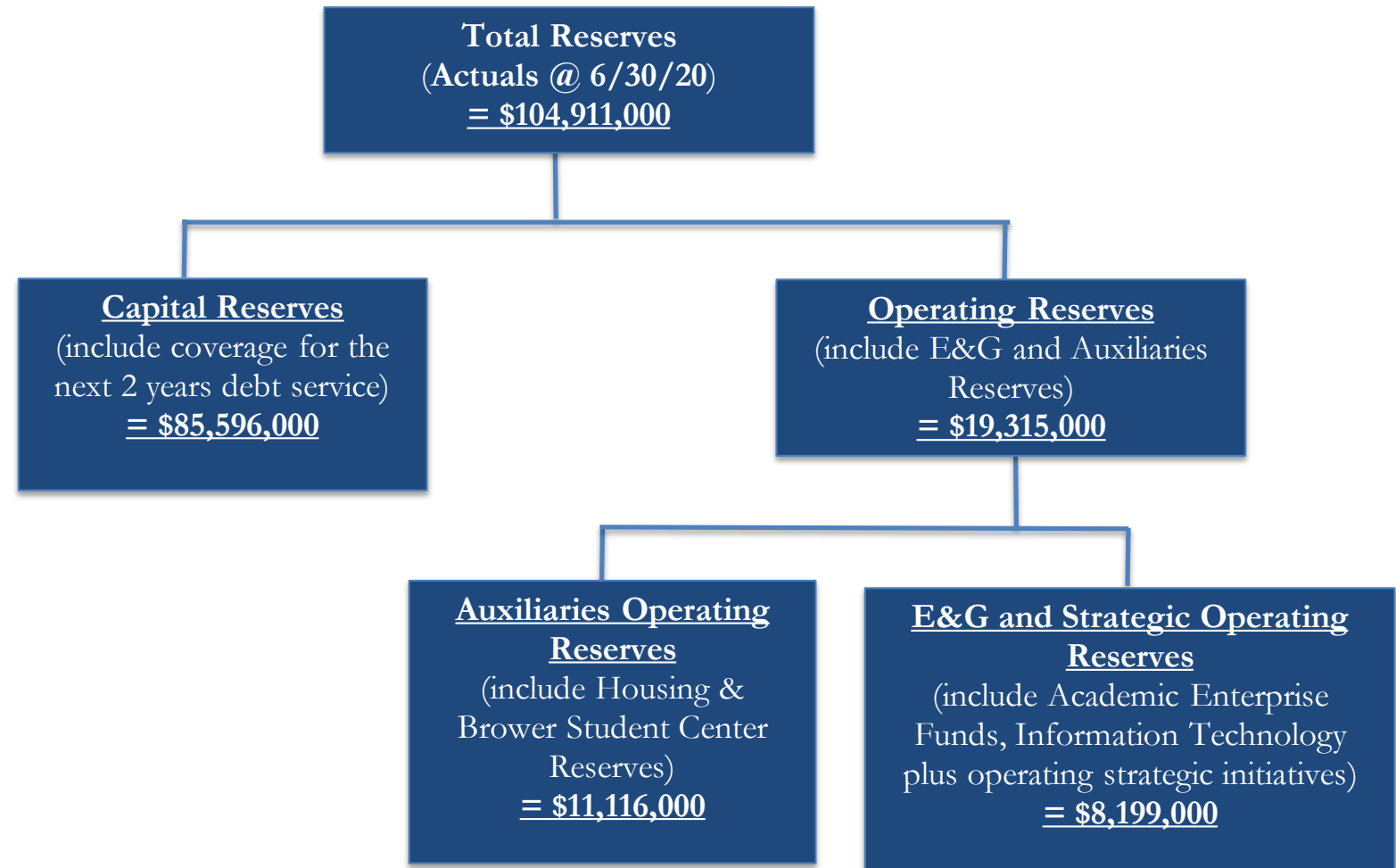
(as of Sept 25, 2020):

Close budget deficit with additional NJ State support, which enables no draw on **reserves** and increased allocation for COVID-related expenses

Net Adjustments to Approved Budget	Amounts
Additional State Appropriations Revenue	+\$15,957,000
Additional Tuition Revenue – continuing students	+\$1,021,000
Increase COVID 19 health allocation - Expense	-700,000
<i>Additional Resources less Expense</i>	\$16,278,000
Reduction in Reserves Draw	-\$9,751,000
Reduction in Federal Stabilization Aid – (COVID-19)	-2,202,000
Additional Expense Management – not yet identified	-\$2,862,000
Room Revenue Shortfall (83 students vs 300 budgeted)	-\$1,052,000
FY21 Revised budget surplus	\$411,000

TCNJ Board Policy – Use of Reserves

- Minimum of 6 months or 50% of annual operating budget (less non-cash fringe appropriations) in reserves (~\$102.3M for FY21).
- Reserves Ratio = 51.3%
- To go below minimum: President and Treasurer identify need to access reserves, specify time period for funds, and outline how reserves will be replenished.
- In the future, reserves will include the Debt Service Liquidity Reserves established in FY21 from the debt restructuring savings.

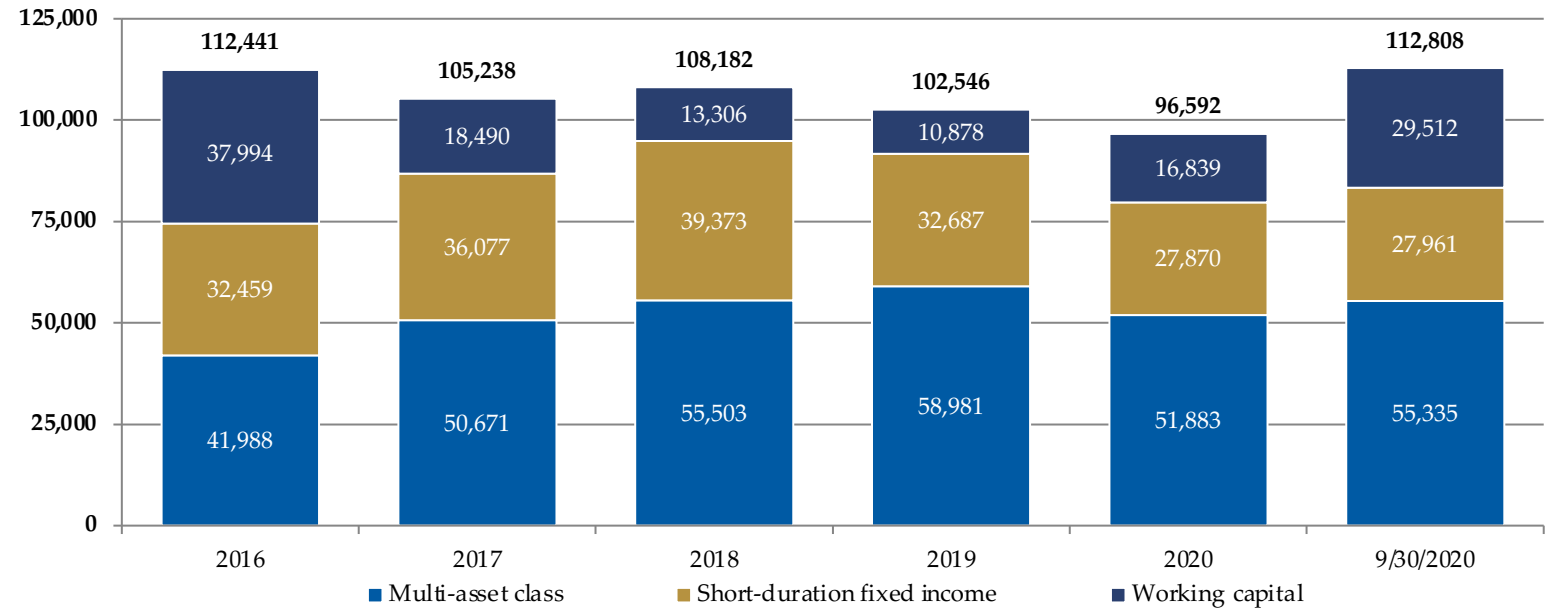


Liquidity Summary

- Unaudited total cash and investments as of September 30, 2020 was **\$112.8 million**, consisting of \$29.5 million in working capital, \$28 million in short-duration fixed income, and \$55.3 million in the multi-asset class management portfolio.
- As of 9/30/20, the investment portfolio was up **\$3.5 million**, compared to the budgeted projection of **\$6.4 million**, due to significant market appreciation.
- The diversified, or multi-asset class, component of the portfolio had **\$3.4 million** of the net appreciation.
- The Short-Duration Fixed Income portfolio generated a return of **\$91 thousand** year-to-date; working capital was up a meager **\$4 thousand**.

Cash and Investments

FY 2016 – FY 2021 (as of 9/30/2020)
(\$000s)












Short Duration Fixed Income Portfolio

- The short-duration fixed income portfolio had a market value of approximately \$27.9 million as of June 30, 2020
- This segment of the portfolio is allocated largely towards U.S. government securities, which include U.S. Treasury and federal agency notes and bonds (accounts for approximately 36% of the portfolio at June 30, 2020)
- The remainder of the portfolio has been invested in high quality credit investments, including corporate notes, commercial paper, and municipal bonds

Multi-Asset Class Management Portfolio

- The multi-asset class portfolio has been allocated with a 70.0% equity and 30.0% fixed income approach since its inception.
- The portfolio, totaling \$51.9 million at June 30, 2020 was slightly overweight in domestic equities while the fixed income segment was in a neutral position to the benchmark (BofAML 0-3 U.S. Treasury Index)
- During fiscal year 2020, the portfolio generated a net return of 5.14% exceeding that of its blended benchmark return of 3.31%

Key Financial Performance Indicators

Indicator	Why it Matters	How It's Measured	Time-Specific Performance Goal	Current Level – FY2021 Budget	Status
Year-End Operating Margins	The annual surplus or deficit indicates whether the college is living within its means	Excess Revenue over expenses/ total expenses	Net operating margins between 2 and 4% annually	10.6%	 Exceeds Goal
Student Revenue Dependence	In competitive markets, reliance on enrollment adds risk to financial health	Share of total budget reliant on tuition, fees, room and board	No greater than 66% of operating budget	63.7%	 Exceeds Goal
Endowment Power	Endowments provide a steady stream of revenue and are considered by external sources when considering the financial health of a college/university.	Year over Year Endowment Growth	Increase the endowment 5-7% annually for the next five years en route to an endowment size of .5 of operating budget	+5.9	 Exceeds goal
Revenue Diversification	Diverse portfolio of revenue sources provides financial flexibility and security	Share of operating revenues from non-state and non-enrollment sources	Goal of 15% by 2023	10.2%	 In Progress
Graduate Revenue Streams	Graduate enrollment carries higher profit margins than does undergraduate. Boosting the share of graduate tuition dependence diversifies revenues	Grad tuition and fees as share of total net tuition and fees	Goal of 10% by 2023	8.1%	 In Progress
Donor Growth and Retention Rates	Donor growth diversifies revenues and signals sustained interest and linkage in the college; retention rates signal a healthy organization and consistent faith in the cause	Annual increase in number of donors; Number of returning donors/number from previous year	Increase number of donors by 5% annually for the next five years; retention rates of .90 by 2023	Retention rate 6.2% New Donors -.03%	  In Progress In Progress
Reserves Ratio	Healthy reserves provide financial flexibility and security and enable the college to weather market or operational downturns	Level of reserves/total operating budget	Reserve ratio consistently above .60 and no lower than .50	51.3%	 On track
Debt Ratio	A high debt ratio limits financial flexibility and jeopardizes the ability to pursue new opportunities	Annual payment on debt/total operating budget	No more than 10% with a goal of 8% by 2025	3.5%	 Exceeds Goal

Longer-Term Considerations

TCNJ Board Guidance:

Achieve long-term
financial
sustainability;
transform for long-
term success



Adapted from "Higher Education COVID-19 Response: Clarifying the Financial Picture" and "COVID-19 and American Higher Education" (Huron, April 2020)

TRANSFORM

*Implement change to ensure long-term
success*

- Evaluate alternative service delivery models (e.g., realignment, outsourcing) and implement accordingly
- Evaluate and align the academic and research portfolio
- Develop and implement an integrated budget and financial planning model, with reporting tools and forecasting capability for projecting scenarios
- Invest in technology that facilitates a nimble pivot to remote work and instructional delivery
- Reevaluate limited, traditional or boxed-in thinking (e.g., "sacred cows")
- Consider merging with or acquiring strategic partner(s)