



TCNJ
THE COLLEGE OF NEW JERSEY

FY2015 FINANCIAL REPORT FINANCE & INVESTMENT COMMITTEE OF THE BOARD OF TRUSTEES

Prepared by the Office of the Treasurer

Agenda

1. Budget Principles & Model
2. Operating Budget Highlights
3. Enrollment & Housing
4. Investments & Reserves Overview
5. Debt & Capital Plans
6. Summary

1. Budget Principles & Model

CSPP Budget Decision-Making Principles & Process

The following principles, in order of importance and approved by the Board of Trustees, will guide budget decision making:

- *Preserve the health, safety and security* of our students, faculty, staff and visitors.
- *Preserve the integrity and excellence* of the educational programs and services through which the College realizes its mission.
- *Preserve the institutional integrity* of the College, including our obligations to staff, faculty, and students (e.g., scholarships).

Institutional strategic initiatives, in particular, the need to preserve and enhance the College's long-term financial well-being, informed the establishment of the decision making principles above.

Updated April 9, 2008

All-Funds Budgeting

This model takes a holistic view of budgeting and places special focus on strategic allocation of resources, support of operational excellence, and implementation of revenue enhancement strategies as illustrated below:



2. Operating Budget Highlights

FY2015 Operating Budget Highlights

- Fall tuition and fees fell \$0.7 million short of budget mainly due to the lack of 50 budgeted provisional students. Spring tuition and fees was \$0.6 million below budget due to 40 fewer transfer students than budgeted, for a total shortfall of \$1.3 million. This shortfall is offset by savings in the institutional scholarships & tuition waivers category.
- Approximately \$4.0 million of tuition and fees revenue is anticipated for summer session, global and contract courses.
- State base appropriations are level funded and monthly payments are on track.
- Housing occupancy is in-line with the budget and increased meal plan participation yielded \$0.6 million above projection.
- Other revenues (including interest subsidy summer camps and conferences) will be recognized in Other Sources by the end of the fiscal year.

Enhanced Financial Plan (\$ in 000's)				
	REVISED BUDGET	ACTUALS @ 1/31/15	AVAILABLE BALANCE	Percent
RESOURCES				
Tuition and Fees	\$ 117,260	\$ 112,089	\$ 5,171	95.6%
NJ State Base Appropriations	29,316	17,102	12,214	58.3%
Fringe Benefits Appropriations	31,569	11,715	19,854	37.1%
Room & Board	45,177	45,822	(645)	101.4%
TCNJ Foundation Support	1,600	-	1,600	0.0%
Grants Indirect Cost Recovery	589	291	298	49.4%
Other Sources	7,372	2,684	4,688	36.4%
Auxiliary Activities	3,169	1,900	1,269	60.0%
Total Base Financial Plan	236,052	191,603	44,449	81.2%
Investment Income	3,340	374	2,966	11.2%
Strategic Reserves	2,245	-	2,245	0.0%
Capital Contributions	10,000	10,000	-	100.0%
TOTAL FUNDING AVAILABLE	\$ 251,637	\$ 201,977	\$ 49,660	80.3%
EXPENDITURE PLAN				
Instruction & Research	\$ 72,141	\$ 35,824	\$ 36,317	49.7%
Institutional Scholarships & Tuition Waivers	16,450	14,223	2,227	86.5%
Academic Support	16,664	8,143	8,521	48.9%
Student Services	16,959	8,734	8,225	51.5%
Operation and Maintenance of Plant	23,173	11,121	12,052	48.0%
Institutional Support	17,724	11,366	6,358	64.1%
Auxiliary Expenses	32,949	14,854	18,095	45.1%
Debt Service (Principal & Interest)	29,975	14,609	15,366	48.7%
Total Base Expenditure Plan	\$ 226,035	\$ 118,874	\$ 107,161	52.6%
Net Transfers to Capital & Strategic Reserves	25,345	11,729	13,616	46.3%
TOTAL EXPENDITURE PLAN	\$ 251,380	\$ 130,603	\$ 120,777	52.0%
BUDGET SURPLUS (SHORTFALL)	\$ 257	\$ 71,374	\$ (71,117)	

FY2015 Operating Budget Highlights (continued)

- Investment income was below projection as of 1/31/15 but has improved to \$1.1M as of 2/6/15 (see Investment Report).
- The College received the second payment of \$10 million from Sodexo to fund dining facilities and Brower Student Center renovations. This was transferred to capital reserves.
- Overall, the expenditures are on target with the budgeted projections (48% expended through January 2015).
- The reduction in the State's fringe reimbursement rate to 40.15% for non-state funded positions will generate approximately \$0.2 million in budget savings.
- Based on the scholarships expense for FY2015, adequate savings will be realized to offset the \$1.3 million shortfall in fall and spring tuition & fees revenue.

Enhanced Financial Plan (\$ in 000's)				
	REVISED BUDGET	ACTUALS @ 1/31/15	AVAILABLE BALANCE	Percent
RESOURCES				
Tuition and Fees	\$ 117,260	\$ 112,089	\$ 5,171	95.6%
NJ State Base Appropriations	29,316	17,102	12,214	58.3%
Fringe Benefits Appropriations	31,569	11,715	19,854	37.1%
Room & Board	45,177	45,822	(645)	101.4%
TCNJ Foundation Support	1,600	-	1,600	0.0%
Grants Indirect Cost Recovery	589	291	298	49.4%
Other Sources	7,372	2,684	4,688	36.4%
Auxiliary Activities	3,169	1,900	1,269	60.0%
Total Base Financial Plan	236,052	191,603	44,449	81.2%
Investment Income	3,340	374	2,966	11.2%
Strategic Reserves	2,245	-	2,245	0.0%
Capital Contributions	10,000	10,000	-	100.0%
TOTAL FUNDING AVAILABLE	\$ 251,637	\$ 201,977	\$ 49,660	80.3%
EXPENDITURE PLAN				
Instruction & Research	\$ 72,141	\$ 35,824	\$ 36,317	49.7%
Institutional Scholarships & Tuition Waivers	16,450	14,223	2,227	86.5%
Academic Support	16,664	8,143	8,521	48.9%
Student Services	16,959	8,734	8,225	51.5%
Operation and Maintenance of Plant	23,173	11,121	12,052	48.0%
Institutional Support	17,724	11,366	6,358	64.1%
Auxiliary Expenses	32,949	14,854	18,095	45.1%
Debt Service (Principal & Interest)	29,975	14,609	15,366	48.7%
Total Base Expenditure Plan	\$ 226,035	\$ 118,874	\$ 107,161	52.6%
Net Transfers to Capital & Strategic Reserves	25,345	11,729	13,616	46.3%
TOTAL EXPENDITURE PLAN	\$ 251,380	\$ 130,603	\$ 120,777	52.0%
BUDGET SURPLUS (SHORTFALL)	\$ 257	\$ 71,374	\$ (71,117)	

Revenue Enhancements

Description			Contract Term	Revenue Enhancement		
Grants and Contracts	Partnership/Sponsor	Purpose		Fiscal Year 2014	Fiscal Year 2015	Variance
Nursing Education	St. Peters Medical Center, Capital Health and Hunterdon Medical Center	Expand Nursing program capacity - Off-site RN to BSN degree programs	3 Years	\$ 195,000	\$ 317,000	\$ 122,000
ESL Certification	US Department of Education and various NJ school districts	Training for non-ESL-certified Pre K-12 teachers and administrators	5 Years	218,000	236,000	18,000
ESL Programs - Undergraduate	American Council for International Education plus various other partnerships	ESL courses for international students	Pilot programs	243,000	434,000	191,000
			Total	\$ 656,000	\$ 987,000	\$ 331,000

Description		Revenue Enhancement		
Enrollment Management	Purpose	Fiscal Year 2014	Fiscal Year 2015	Variance
Winter Term Expansion	Provide expanded learning opportunities and the potential to improve graduation rates	\$ 349,000	\$ 645,000	\$ 296,000
On-campus International Students	Partnership with Institute for International Education for STEM and ESL courses for 80 Brazilian students	-	1,416,000	1,416,000
	Total	\$ 349,000	\$ 2,061,000	\$ 1,712,000

Cost Management – Purchasing Contracts

- Targeted cost containment initiatives are projected to generate \$285,000 in new cost savings through re-bidding of procurement contracts.
- In addition to annual cost savings, the re-bidding is projected to generate \$400,000 in one-time funding .
- The \$250,000 in one-time funding realized from the Pepsi contract was earmarked for athletics facility improvements.

Description			Revenue/Cost Savings		
Contract/Service	Vendor	Purpose	Recurring	New FY2015	One-time Funding
Dining Services	Sodexo	Support for TCNJ's commencement programs	\$ 40,000		
Dining Services	Sodexo	Funding for institutional scholarships	100,000		
Dining Services	Sodexo	Energy audit services	25,000		
ERP Systems	Oracle	Execute multi-year contract to lower the annual cost	30,000		
Multi-Function Printer	Canon	Lock in lower rates and obtain additional service enhancements	28,800		
Beverage/Vending	Pepsi	Re-bidding of beverage exclusive contract		\$ 150,000	\$ 250,000
Office Supply	TBD	Re-bidding of office supplies contract		50,000	150,000
Cellular Service	TBD	Bidding or negotiation of cellular tower space		85,000	
Total Savings			\$ 223,800	\$ 285,000	\$ 400,000

TBD – To be determined. These contracts will be bid before the end of FY2015.

Key Budget Performance Indicators

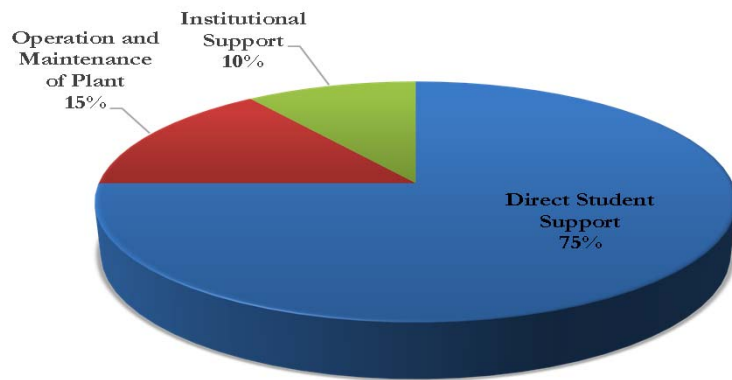
Key Budget Performance Indicators approved by the Board of Trustees:

1. Percentage of the operating budget allocated to direct student support (instruction & research, academic support, student services and institutional scholarships & waivers) ***should be no less than 67% of the total educational & general operating expenses.***
2. Affordability/ Access – Level of funding allocated for institutional scholarships & waivers (Tuition Discount Rate) – ***Maximum = 16% and minimum = 10%.***
3. Level of funding allocated for strategic investments – ***minimum target = 2% of operating expenses.***

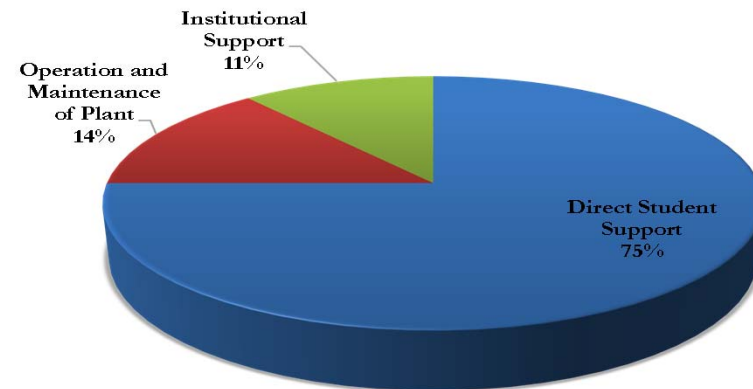
Direct Student Support

E&G Expenditure Allocations	FY 2011 Actuals	FY 2012 Actuals	FY 2013 Actuals	FY 2014 Actuals	FY2015 Budget
Instruction and Research	43%	45%	45%	46%	44%
Academic Support	10%	9%	10%	9%	10%
Student Services	10%	10%	10%	10%	11%
Scholarships and Waivers	10%	10%	10%	10%	10%
Direct Student Support	73%	75%	75%	75%	75%
Operation and Maintenance of Plant	17%	16%	15%	15%	14%
Institutional Support	10%	10%	10%	10%	11%
Total	100%	100%	100%	100%	100%

FY 2014 Actuals



FY 2015 Budget

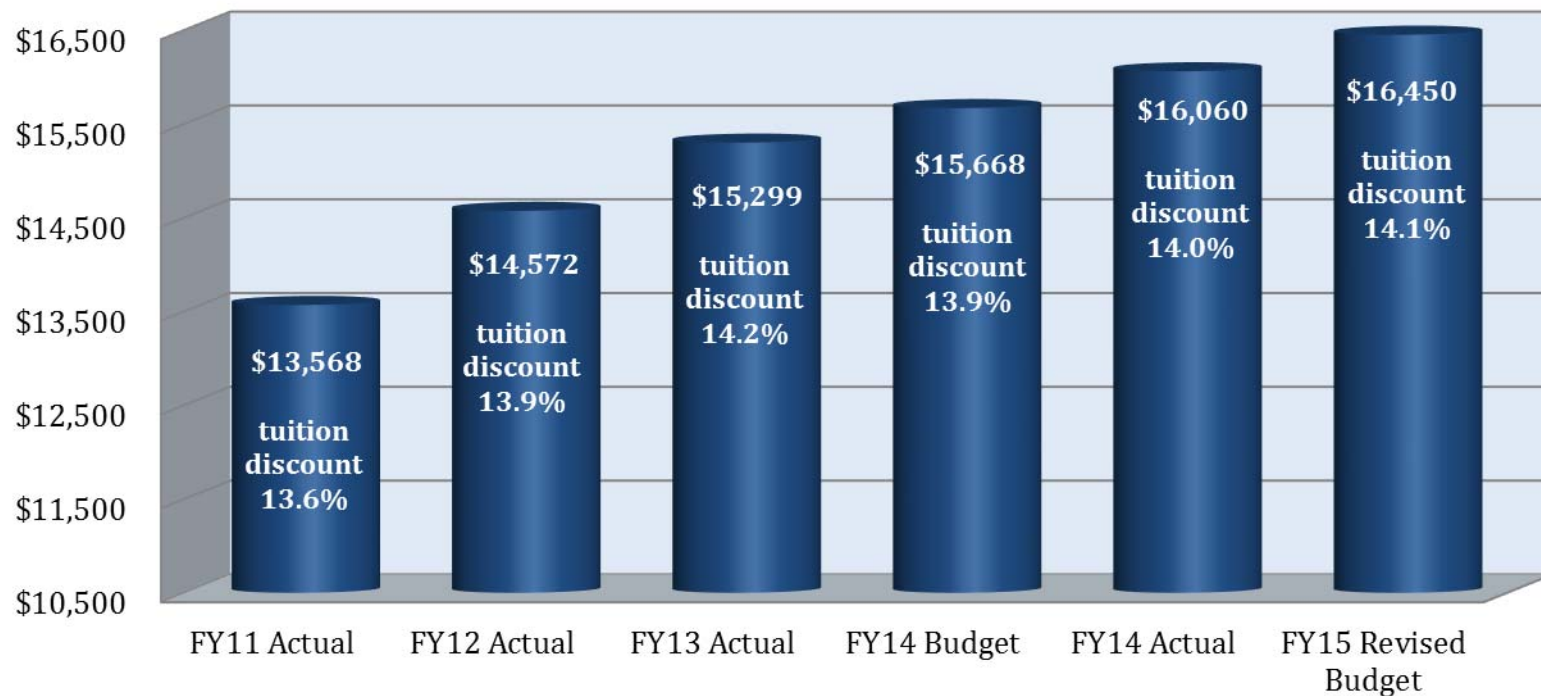


Minimum 67% direct student support target

Affordability/Access

- The target range for institutional tuition discount is 10% minimum and 16% maximum.
- FY2015 projection is \$16.5 million, or 14.1%, compared to the FY2014 actual of \$16.1 million, or 14.0%

Institutional Scholarships and Waivers since FY2011 (\$ in 000's)



Strategic Operating Allocation

FY2015 Budget Allocations	Amount
Instructional technology	\$ 181,000
Academic equipment - Year 5 allocation	213,000
Diversity training	100,000
Professional development - Staff	100,000
Information technology - systems implementation	499,000
Professional development - Faculty*	200,000
Comprehensive fundraising campaign*	240,000
Student leadership initiatives	92,000
Global initiatives and recruitment	285,000
Library acquisitions - increased allocation	105,000
Institutional need-based scholarships	476,000
Capital contribution - Student Center	10,000,000
Raise TCNJ's visibility - marketing initiatives	90,000
Total allocation = 5.0% of operating budget	\$12,581,000

* TCNJ Foundation support

Minimum 2% of operating budget target

3. Enrollment & Housing

Total Enrollment

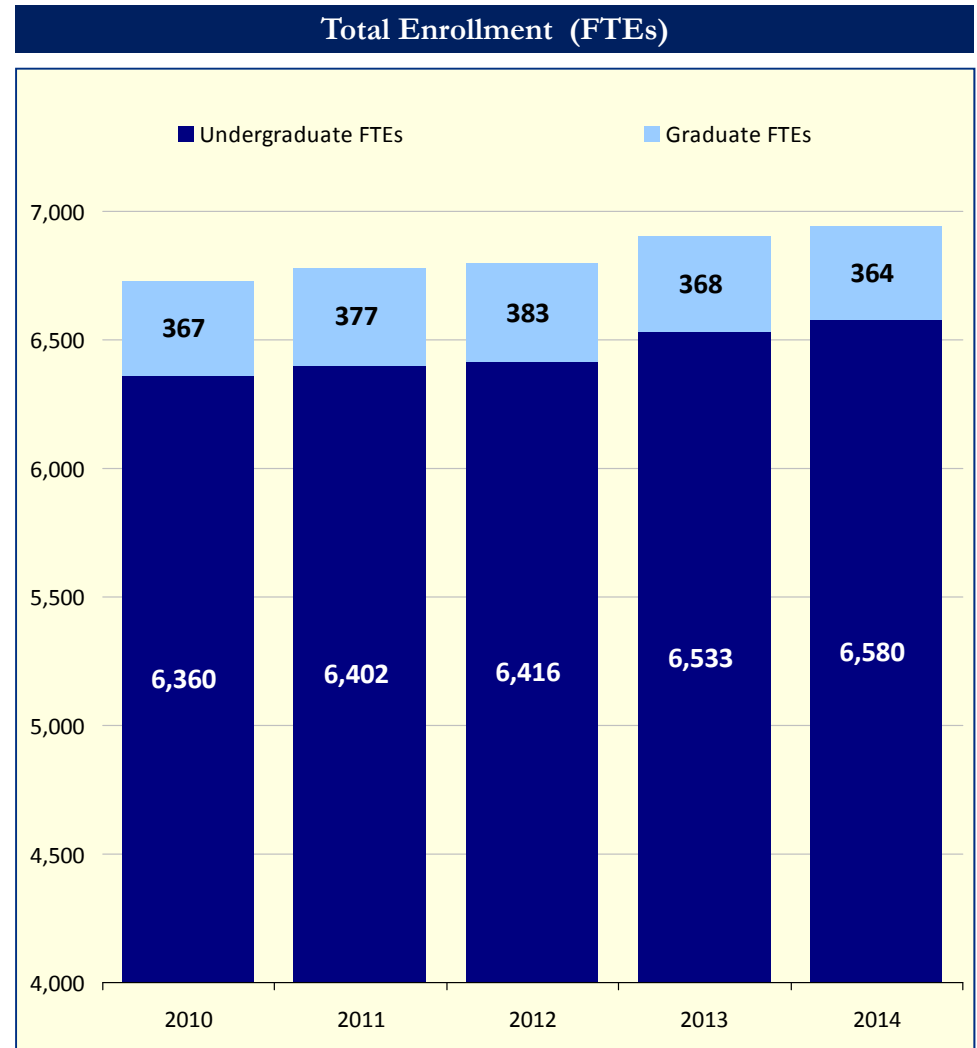
- Total enrollment of full-time equivalent (FTE) students has increased from 6,727 in Fall 2010 to 6,944 in Fall 2014.
- While total enrollment has been growing steadily, the College fell short of its enrollment targets for provisional and transfer students in FY2015.

International Cohorts

- Fall 2014 – 80 Brazilian students enrolled generating approximately \$1.4 million in tuition and fees revenue.
- Recruitment of foreign students is a key strategy to meet the out-of-state enrollment targets.

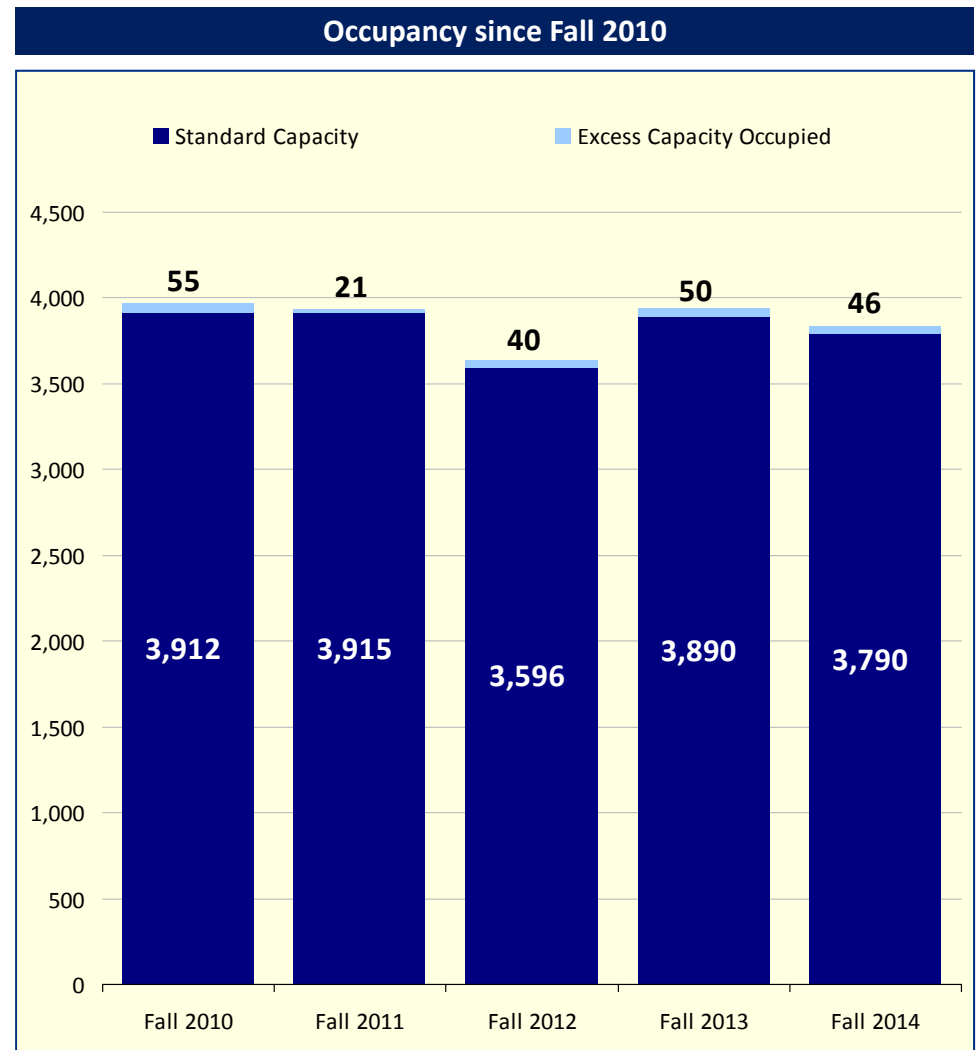
Winter Term Expansion

- Due to a strategic change in the academic calendar, the January 2015 term was extended by one week to enable additional course offerings. This yielded \$0.2 million in additional tuition revenue above the FY2015 budget target for the Winter Term.



Housing Demand

- The Fall 2014 semester includes 3,836 residential students which represents 58% of the undergraduate FTE.
- FY2015 occupancy is projected to be 165 beds less than FY2014 due to the fact that Norsworthy residence hall was taken offline for a major renovation in FY2015. This resulted in approximately \$1.3 million reduction in room revenues from the previous fiscal year.
- During the Fall 2014 semester, the international cohort of Brazilian students were housed in nearby hotels. However, these students were accommodated on campus for the Spring 2015 semester.



Excess capacity includes lounge space which has been converted into living space

4. Investments & Reserves Overview

Cash and Investment Management

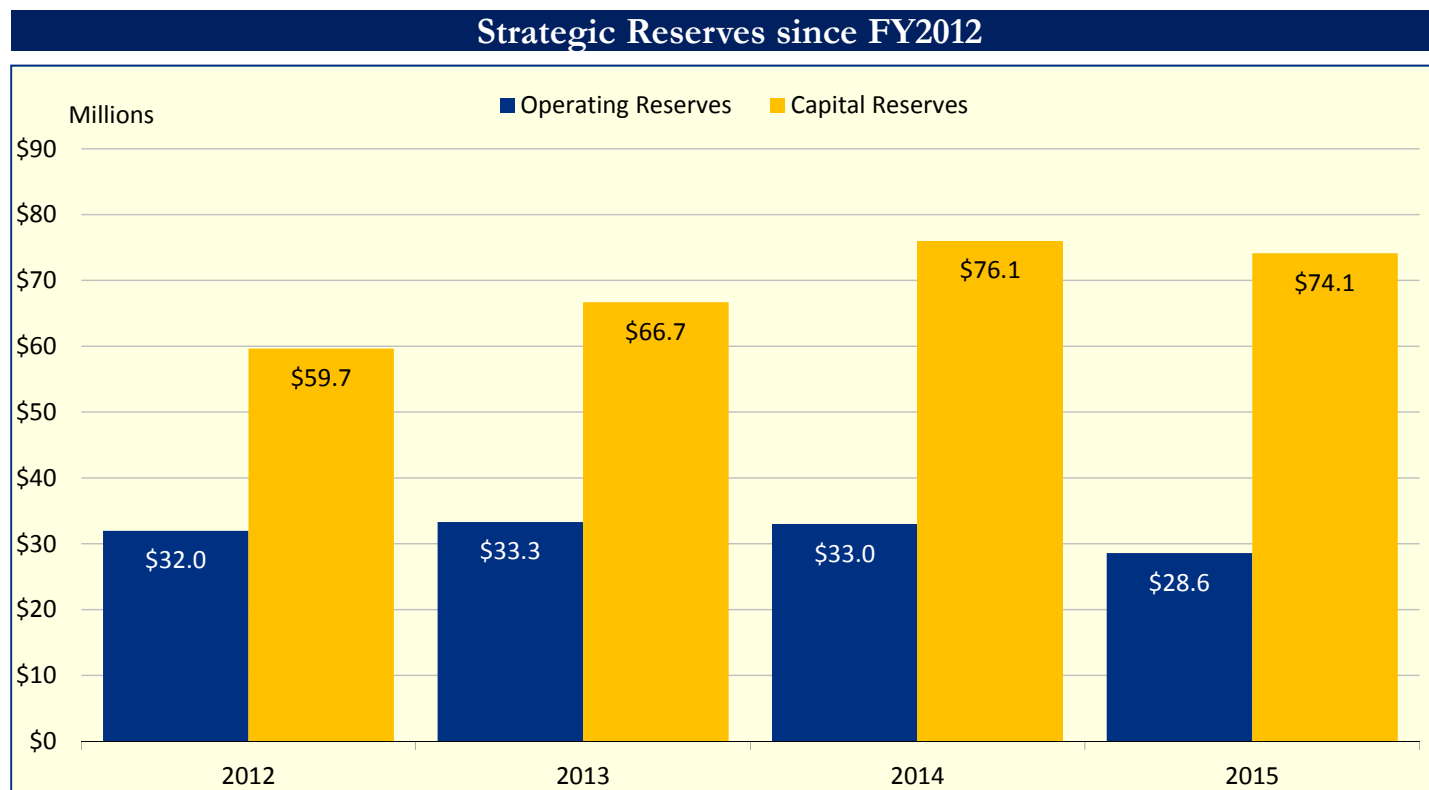
- The investment portfolio, which is managed using guidelines approved by the Board of Trustees, has two components:
 - The Short-Duration Fixed Income component represents the primary source of current income and liquidity cushion.
 - The multi-asset class strategy represents the College's primary source of long-term growth.
- The portfolio results are lagging behind the budget projections to date for FY2015:
 - The combined portfolio generated a fiscal year-to-date return of \$1.1 million as of February 6, 2015, buoyed largely by the College's strategic investment in a long-term, diversified portfolio.
 - The diversified, or multi-asset class, component of the portfolio returned 1.83% over the past six months ended January 31, 2015, exceeding its target benchmark return of 0.73%.
 - The Short-Duration Fixed Income portfolio generated a return of 0.62% for the six months ended January 31, 2015, directly in-line with its benchmark, BofA ML 1-3 Year US Corp/Govt Bond Index, which returned 0.67%.

TCNJ Cash and Investments as of February 6, 2015

Portfolio	Strategy	Market Value and Accrued Interest
Short-Duration Fixed Income	1-3 year fixed income portfolio that generates current income and serves as a Working Capital liquidity cushion	\$ 31,975,637
Working Capital	New Jersey Cash Management Fund plus Operating Checking Accounts	62,429,486
Multi-Asset Class	Growth-oriented portfolio targeting above-inflation rate of return in support of the College's long-term goals	40,572,948
Total Cash and Investments		\$ 134,978,071

Capital and Strategic Reserves (\$ in millions)

- A key indicator of TCNJ's financial strength and flexibility is its ability to build and sustain adequate levels of financial reserves. Unrestricted reserves are earmarked by the Board of Trustees and management to provide cushion for at least 2 years of debt service, plus funding for significant non-recurring expenses, the asset renewal program, academic lab equipment, and investment start-up for strategic initiatives.
- FY2015 projected reserves total is \$102.7 million, a net decrease of \$6.4 million from the \$109.1 million at 6/30/14. This projected decrease will be primarily due to additional funding allocated for strategic initiatives and Norsworthy renovation.



5. Debt & Capital Plans

Outstanding Debt

- Debt service increased by \$1.9 million to \$29.8 million in FY2015, due to the issuance of \$25 million in new debt in December 2013 to finance the new STEM Complex.
- The average principal repayment for FY2016 and FY2017 will be \$11.8 million.
- No new debt will be issued over the next three fiscal years – FY2015 through FY2017 and approximately 9% of the outstanding principal will be repaid over that time.

Debt Service FY2015 - FY2017 (amounts in thousands)				
	Principal 7/1/2014	Principal Payments	Principal 6/30/2017	Interest Payments
Bonds payable	\$ 368,925	\$ (31,930)	\$ 336,995	\$ (56,036)
Other long-term obligations	8,097	(1,904)	6,193	(1,007)
Total	\$ 377,022	\$ (33,834)	\$ 343,188	\$ (57,043)

Bond Rating and Outlook			
	Moody's Investors		
	Fitch	Service	Standard & Poor's
Long term rating	AA	A2	A
Rating outlook	Stable	Stable	Stable

STEM Complex and Related Projects

In December 2013, TCNJ issued bonds totaling \$25 million for the construction of the STEM Complex, and has secured \$57 million in various sources of State funding in support of this project and other related projects:

- \$41 million will go to STEM Complex construction
- \$6.9 million will be used to will fund upgrades in research and learning equipment for the Schools of Science, Engineering and Nursing, Health & Exercise Science
- \$3.55 million will be used to expand technology infrastructure
- \$6 million will help fund renovation to the science complex

Breakdown of State Funds and TCNJ Required Matching Contributions

	General Obligation Bond Act	Higher Education Facilities Trust Fund	Higher Education Technology Infrastructure Fund	Equipment Leasing Fund	TCNJ Required Matching Funds	TCNJ Additional Funds & Reserves	Total
Matching Requirement	25% Match	No Match	100% Match	25% of D/S			
STEM Complex Construction	\$ 40,000,000	-	\$ 1,000,000	-	\$ 11,000,000	\$ 16,000,000	\$ 68,000,000
Equipment Upgrades	-	-	-	6,900,035	-	-	6,900,035
Expansion of Technology Infrastructure	-	-	3,550,000	-	3,550,000	-	7,100,000
Science Complex Renovation	-	6,000,000	-	-	-	-	6,000,000
Total	\$ 40,000,000	\$ 6,000,000	\$ 4,550,000	\$ 6,990,035	\$ 14,550,000	\$ 16,000,000	\$ 88,000,035

Other Capital Projects

- Other capital projects and the anticipated funding are outlined below:

Deferred Maintenance Asset Renewal Plan for FY2014 – FY2017					
	FY2014	FY2015	FY2016	FY2017	Total
Projected Costs					
Brower Student Center	\$ 4,237,422	\$ 10,081,006	\$ 17,000,000	\$ 17,160,947	\$ 48,479,375
Education & General	4,507,637	8,600,602	3,392,640	5,833,506	22,334,385
Housing	5,549,304	10,539,299	5,518,750	5,670,250	27,277,603
Total Projected Costs	\$ 14,294,363	\$ 29,220,907	\$ 25,911,390	\$ 28,664,703	\$ 98,091,363
Projected Funding					
Capital Reserves Allocation	\$ -	\$ 5,940,455	\$ -	\$ 10,000,000	\$ 15,940,455
Dining Contract Capital Contribution	4,000,000	10,000,000	17,000,000	-	31,000,000
Operating Budget Allocation	11,476,362	10,283,000	9,953,942	10,580,700	42,294,004
Existing Bonds – Series 2010	-	2,997,452	-	-	2,997,452
Total Projected Funding	\$ 15,476,362	\$ 29,220,907	\$ 26,953,942	\$ 20,580,700	\$ 92,231,911
Funding Surplus (Deficit)*	\$ 1,181,999	\$ -	\$ 1,042,552	\$ (8,084,003)	\$ (5,859,452)

*Student Center projected deficit and contingencies will be finalized when the bids are received in February 2015.

6. Summary

Summary

- TCNJ's financial health continues to improve as evidenced by its operating performance and budget management:

Balanced Budget

- Overall, the actuals are on target with the FY2015 budget and the budget KPIs are solid
- Tuition and fees projected shortfalls (\$1.3M) will be offset by savings in institutional scholarships expense
- Strategic reserves (\$2.2 million) will be used to fund one-time institutional priorities
- Revenue enhancement and cost savings initiatives are being realized - \$2.4M in FY2015

Solid Enrollment & Housing Demand

- Enrollment has been steady, bolstered by international cohorts
- Housing demand continues to exceed standard capacity
- Growth in board revenues driven by increased meal plan participation plus rate increase

Debt & Capital Plans

- Substantial debt repayment in the next three years - \$33.8 million
- Significant capital investments will continue over the next three years - \$180 million

