BUDGET STATUS, PROJECTIONS, and MULTI-YEAR BUDGETING

Monthly Leadership Meeting
February 26, 2019
Sarah McGill, Vice President for Administration and Finance & CFO
Ensure long-term fiscal stability for NIU as an engaged, public research university serving 17,000-18,000 students, true to our vision, mission, and values.
FY19 Budget Update – Second Quarter Summary

<table>
<thead>
<tr>
<th>FY19 PROJECTION (THOUSANDS)</th>
<th>Budget</th>
<th>FY19 Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$424,897</td>
<td>$411,000</td>
</tr>
<tr>
<td>Expenses</td>
<td>$424,897</td>
<td>$409,147</td>
</tr>
<tr>
<td>Surplus/(Deficit)</td>
<td>$-</td>
<td>$1,854</td>
</tr>
</tbody>
</table>
Observations from FY19

• Decline in tuition & fees (both compared to previous years and to forecast)
• Decline in other revenues (both compared to previous years and to forecast)
• Expense tracking better than planned budget
• Making up the balance with one-time expense deferrals and continued expense management

Conclusions

• We need higher fidelity forecasting, especially for revenue forecasts
• Annual budgeting process is not serving us well – we need long-term planning to achieve required changes

We have not been successful in meeting our shared goals – we should not be having this conversation year after year.
Charged with constructing and implementing the university budgeting processes. Provides recommendations to the president.

Co-Chairs:
  - Chris McCord, Acting Executive Vice President and Provost
  - Sarah McGill, VP for Administration and Finance and CFO

Members:
  - Laura Alexander, Sr. AVP for Human Resource Services
  - Jerry Blazey, VP for Research and Innovation Partnerships
  - Matt Streb, Chief of Staff and BOT Liaison

Staff:
  - Sue Mini, Vice Provost for Resource Planning
  - Andrew Rogers, Director for Budget and Financial Planning
  - Shyree Sanan, AVP for Finance and Treasury
Sustainability

- Acknowledges NIU is a 17,000-18,000 undergraduate, graduate and online student institution
- Requires an appropriate length of time to identify and implement action
- Permits remodeling of the university to align with changing landscape and demands

Our budget process must also:

- Recognize and reward faculty and staff
- Promote the research, scholarship and artistry agenda
- Maintain and assess use of campus facilities and infrastructure
Approach to Multi-Year Budgeting

- Align academic offerings and administrative functions in support of university goals
- Time horizon – FY20-FY23
- Ownership and accountability throughout the process
- Incentivize and reward change

Allows time to make thoughtful and deliberate resource decisions in support of NIU mission, goals, and values
Budget Assumptions in Support of FY20 and Future Budgets

Revenue:
• Tuition and fee revenue consistent with Strategic Enrollment Management Plan
• Flat state appropriations
• Realistic revenue assumptions

Commitments:
• Faculty and staff salary increments and graduate assistantship stipend increases
• Enrollment management, research, engagement and facilities priorities
• Financial aid and scholarships for students, including AIM High
## Budget Projections FY20-23

### 02 FUNDS 2020-23 PROJECTION

<table>
<thead>
<tr>
<th></th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>4-Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$224,648,232</td>
<td>$223,150,017</td>
<td>$225,134,531</td>
<td>$226,711,718</td>
<td>$899,644,500</td>
</tr>
<tr>
<td>Expenses</td>
<td>$252,178,352</td>
<td>$252,959,070</td>
<td>$253,747,791</td>
<td>$254,558,742</td>
<td>$1,013,443,954</td>
</tr>
<tr>
<td>Surplus/(Deficit)</td>
<td>$(27,530,119)</td>
<td>$(29,809,053)</td>
<td>$(28,613,259)</td>
<td>$(27,847,023)</td>
<td>$(113,799,455)</td>
</tr>
</tbody>
</table>

### 02, 04, 41 FUNDS 2020-23 PROJECTION

<table>
<thead>
<tr>
<th></th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>4-Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$295,994,491</td>
<td>$294,355,909</td>
<td>$296,473,234</td>
<td>$298,034,888</td>
<td>$1,184,858,523</td>
</tr>
<tr>
<td>Expenses</td>
<td>$317,739,922</td>
<td>$319,362,832</td>
<td>$320,151,553</td>
<td>$320,962,504</td>
<td>$1,278,216,810</td>
</tr>
<tr>
<td>Surplus/(Deficit)</td>
<td>$(21,745,431)</td>
<td>$(25,006,923)</td>
<td>$(23,678,318)</td>
<td>$(22,927,615)</td>
<td>$(93,358,288)</td>
</tr>
</tbody>
</table>

Over the four-year period we have a $114M shortfall.
## Fund Types

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Label</th>
<th>Sources</th>
<th>Restrictions</th>
<th>FY19 Budgeted Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenue</td>
<td>02</td>
<td>State Allocation, Tuition</td>
<td>Most flexible, some restrictions on state allocation</td>
<td>$220,891,200</td>
</tr>
<tr>
<td>Some Fees</td>
<td>04</td>
<td>Some Student Fees (course fees, outreach)</td>
<td>Fee revenue is restricted to uses specified</td>
<td>$7,703,100</td>
</tr>
<tr>
<td>Auxiliaries</td>
<td>29</td>
<td>Bond Revenue (housing &amp; dining, HSC, etc.)</td>
<td>Bond revenue use is restricted by bond covenants</td>
<td>$86,960,600</td>
</tr>
<tr>
<td>Local Funds</td>
<td>41</td>
<td>General Fees, Grant Overhead, Sales &amp; Services</td>
<td>Fee revenue is restricted to uses specified</td>
<td>$52,075,400</td>
</tr>
<tr>
<td>Foundation &amp; Gifts, Grants, &amp; Contracts</td>
<td>55 &amp; 44</td>
<td>Donations, Foundation support, &amp; Federal, State, &amp; Private Granting Agencies</td>
<td>Fee revenue is restricted to uses specified</td>
<td>$57,266,700</td>
</tr>
</tbody>
</table>
Distribution of University Fund Types – Exclusive of Foundation

- Academic Affairs: 145.0M
- Admin/Finance: 21.5M
- Advancement: 3.4M
- Athletics: 23.5M
- Central Services: 30.4M
- EMMC: 31.6M
- IT: 13.4M
- OERD: 17.6M
- RIPS: 6.5M
- Student Affairs: 51.4M
- Univ Admin Services: 8.7M
- Utilities: 14.8M
Goal – Realize a structurally sound budget by FY24 to support goals and trajectory of NIU

Scenarios can include combinations of the following:

- Increasing revenue – one time, ongoing
- Decreasing expenses – one time, ongoing
- Opportunity to bridge years – capped and decreasing each year
Illustrative Budget Plan Progression

(in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Structural</th>
<th>One-Time</th>
<th>Bridging</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 20</td>
<td>$10</td>
<td>$5</td>
<td>$5</td>
</tr>
<tr>
<td>FY 21</td>
<td>$15</td>
<td>$10</td>
<td>$5</td>
</tr>
<tr>
<td>FY 22</td>
<td>$20</td>
<td>$15</td>
<td>$5</td>
</tr>
<tr>
<td>FY 23</td>
<td>$25</td>
<td>$20</td>
<td>$5</td>
</tr>
</tbody>
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Immediate Timeline

• Distribution of budget targets – Week of February 4
• Budget development presentations – March 1
• EBC recommendations to president – Week of March 4
• Confirmation of FY20 budget target – Week of March 4
• Completion of budget worksheets – March 29
• Recommendations to Board of Trustees in June
• Revisit out-years (FY21-FY23) in July and beyond
Next Steps

• Development and refinement of annual process to support multi-year budgeting plan
  – Implementation of actions
  – Looking ahead to future years
  – Communication and coordination throughout the University

• Development and implementation of reporting tools
Discussion