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

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Monday, July 27, 2020
NEW YORK UNIVERSITY

- 60,000+ students
- 19,000+ faculty and staff
- #1 studying abroad
- 500,000+ alumni from over 183 countries
- $13B+ consolidated revenues
- 17 Schools and 3 degree granting campuses worldwide
- #29 U.S. News & World Best Colleges Private
- $4B+ endowment

Founded 1831

Source: NYU At A Glance, consolidated revenues include NYU Langone Health, students study abroad source IIE
NYU is highly dependent on tuition .. with budgeted FY20 operating revenues of $3.5B

¹ FY20 Plan - Includes portal campuses, excludes NYU Langone Health System
NYU’s Teaching & Learning Global Footprint

#1 Study Abroad

- Ranked #1 among all US universities by the Institute of International Education for sending students to study abroad for the 17th year in a row
- 46% of bachelor’s degree recipients in the Class of 2018 studied away at least once

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

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

Potential FY20 Exposure: $100M+

April:
3/20: Expense Management Plan announced:
• Administrative Hiring Pause, Faculty Hiring Review
• 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

University’s operating budget contingency sufficient to cover the impact

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

- FY21 Annual Merit Increase Cancelled
Clemson At a Glance

<table>
<thead>
<tr>
<th>Rank</th>
<th>Research Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>#27</td>
<td>$104M</td>
</tr>
</tbody>
</table>

PUBLIC UNIVERSITY | ’19 research awards totaled $150M |

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

CARNEGIE

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

Est. 1889
Finances at a Glance (FY19)

$1.18BN Total Revenues

$425MM Tuition & Fees (Net)

$136MM State Appropriations

$145MM Athletics Revenues

$91MM Auxiliary Revenues
## COVID-19 FY20 Impacts

<table>
<thead>
<tr>
<th>Total Projected Changes</th>
<th>($000s)</th>
<th>(12,494)</th>
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<tbody>
<tr>
<td><strong>Revenue Impacts</strong></td>
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<td></td>
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<tr>
<td>Auxiliary Refunds</td>
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<td>(16,815)</td>
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<tr>
<td>Reduced Athletics Revenues</td>
<td></td>
<td>(3,618)</td>
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<tr>
<td>E&amp;G Refunds, incl. Study Abroad</td>
<td></td>
<td>(1,624)</td>
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<tr>
<td><strong>Subtotal Revenue Impacts</strong></td>
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<td>(22,057)</td>
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<tr>
<td><strong>Expense Impacts</strong></td>
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<td></td>
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<tr>
<td>Additional IT Expenses</td>
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<td>1,164</td>
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<tr>
<td>Study Abroad Reimbursements</td>
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<td>234</td>
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<tr>
<td>Business Continuity Operations</td>
<td></td>
<td>525</td>
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<tr>
<td>Reduced Athletics Expenses</td>
<td></td>
<td>(2,795)</td>
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<tr>
<td>Procurement Restrictions</td>
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<td>(4,184)</td>
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<td>Travel Restrictions</td>
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<td>(2,612)</td>
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<tr>
<td>Hiring Restrictions</td>
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<td>(1,895)</td>
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<tr>
<td><strong>Subtotal Expense Impacts</strong></td>
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<td>(9,563)</td>
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<td><strong>Net Projected Impacts to FY20</strong></td>
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<tr>
<td>CARES Act Allocation</td>
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<td>$13,580</td>
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<tr>
<td>CARES Act Grants Paid</td>
<td></td>
<td>($6,774)</td>
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</tbody>
</table>
University of North Carolina System

17 Institutions
245,000 Students
67,000 Employees
$11.2 Bn Budget
$6,449 Avg. Tuition & Fees
## COVID-19 FY20 Impacts

### Incurred Costs and Losses

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount ($)</th>
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<tbody>
<tr>
<td><strong>Student Reimbursements</strong></td>
<td><strong>$118,000,000</strong></td>
</tr>
<tr>
<td>Housing, Dining and Parking</td>
<td>$</td>
</tr>
<tr>
<td><strong>Shifts to Online Instruction &amp; Telework</strong></td>
<td><strong>$26,000,000</strong></td>
</tr>
<tr>
<td>IT infrastructure, online instruction, exam proctoring, etc.</td>
<td>$</td>
</tr>
<tr>
<td><strong>Emergency expenses (sanitation, PPE, facilities changes)</strong></td>
<td><strong>$14,000,000</strong></td>
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<tr>
<td>Custodial services, sanitation, PPE, Plexiglass shield installation</td>
<td>$</td>
</tr>
<tr>
<td><strong>Personnel costs, including Hazard and Leave pay</strong></td>
<td><strong>$42,000,000</strong></td>
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<tr>
<td>Hazard pay for mandatory employees, Leave pay, etc.</td>
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<tr>
<td><strong>Cancellations and Other Expenses</strong></td>
<td><strong>$30,000,000</strong></td>
</tr>
<tr>
<td>Travel and event cancellations, student costs, etc.</td>
<td>$</td>
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<tr>
<td><strong>Total Costs So Far (Excluding Revenue Losses)</strong></td>
<td><strong>$230,000,000</strong></td>
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</tbody>
</table>

### External Funding (CARES)

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount ($)</th>
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<tr>
<td>CARES Discretionary Funding</td>
<td><strong>$90,000,000</strong></td>
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<tr>
<td>HBCU Funding</td>
<td><strong>$69,000,000</strong></td>
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<tr>
<td>State-allocated CARES Funding</td>
<td><strong>$44,000,000</strong></td>
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<tr>
<td>Governor-allocated CARES Funding</td>
<td><strong>$7,000,000</strong></td>
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<tr>
<td><strong>Total CARES Discretionary</strong></td>
<td><strong>$210,000,000</strong></td>
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</table>

**Anticipated impact so far** $ (20,000,000)

- 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
FY2021 and the Impact on Capital Planning
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
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”
- Modest impact to Patient Services, Research & Grants
- Debt service still required, draw down on reserves, transfers from other sources, eventual bleed into academics
## Fall 2020 Revenue Modeling

### Estimated Revenue Impact

**Scenario Planning for 2020-21**

**Fall 2020 Semester Only**

<table>
<thead>
<tr>
<th>UNC System</th>
<th>Impact Percentage</th>
<th>Annual Budget</th>
<th>Scenario A</th>
<th>Scenario B</th>
<th>Scenario C1</th>
<th>Scenario C2</th>
<th>Scenario C3</th>
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<tbody>
<tr>
<td></td>
<td>A</td>
<td>B</td>
<td>C1</td>
<td>C2</td>
<td>C3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enrollment (FTE)</td>
<td>-2.0%</td>
<td>-2.0%</td>
<td>-2.0%</td>
<td>-5.0%</td>
<td>-10.0%</td>
<td>219,701</td>
<td>(4,394)</td>
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<tr>
<td>State Appropriation</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>$2,668,000,000</td>
<td>$</td>
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<tr>
<td>Tuition Revenue (net)</td>
<td>-2.0%</td>
<td>-2.0%</td>
<td>-2.0%</td>
<td>-5.0%</td>
<td>-10.0%</td>
<td>$1,210,500,000</td>
<td>$(24,210,000)</td>
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<tr>
<td>Student Fees (net)</td>
<td>-2.0%</td>
<td>-2.0%</td>
<td>-2.0%</td>
<td>-40.6%</td>
<td>-43.8%</td>
<td>$598,500,000</td>
<td>$(11,970,000)</td>
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<tr>
<td>Financial Aid (external)</td>
<td>-2.0%</td>
<td>-2.0%</td>
<td>-2.0%</td>
<td>-5.0%</td>
<td>-10.0%</td>
<td>$706,000,000</td>
<td>$(14,120,000)</td>
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<tr>
<td>Athletics (less fees)</td>
<td>0.0%</td>
<td>-25.0%</td>
<td>-50.0%</td>
<td>-50.0%</td>
<td>-50.0%</td>
<td>$245,800,000</td>
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<tr>
<td>Housing (net)</td>
<td>0.0%</td>
<td>0.0%</td>
<td>-45.2%</td>
<td>-45.5%</td>
<td>-46.0%</td>
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<td>Dining (net)</td>
<td>0.0%</td>
<td>-25.0%</td>
<td>-45.2%</td>
<td>-45.5%</td>
<td>-46.0%</td>
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<tr>
<td>Parking</td>
<td>0.0%</td>
<td>0.0%</td>
<td>-45.2%</td>
<td>-45.5%</td>
<td>-46.0%</td>
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<tr>
<td>Sales, Services, &amp; Other Aux.</td>
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<td>-30.0%</td>
<td>-30.0%</td>
<td>-30.0%</td>
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<td>-</td>
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<tr>
<td>Patient Services</td>
<td>0.0%</td>
<td>-5.0%</td>
<td>-5.0%</td>
<td>-5.0%</td>
<td>-5.0%</td>
<td>$720,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Research &amp; Grants</td>
<td>0.0%</td>
<td>0.0%</td>
<td>-5.0%</td>
<td>-5.0%</td>
<td>-5.0%</td>
<td>$1,410,400,000</td>
<td>-</td>
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<tr>
<td>Gifts &amp; Investments</td>
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<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>$1,023,500,000</td>
<td>-</td>
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<tr>
<td>Total Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$9,626,500,000</td>
<td>$(50,300,000)</td>
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<tr>
<td>Percent Change</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
<td>-0.5%</td>
</tr>
</tbody>
</table>

### Estimated Revenue Impact

- **Fall 2020 Revenue Modeling**
- **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

### Impact Percentage

- **Enrollment (FTE)**
- **State Appropriation**
- **Tuition Revenue (net)**
- **Student Fees (net)**
- **Financial Aid (external)**
- **Athletics (less fees)**
- **Housing (net)**
- **Dining (net)**
- **Parking**
- **Sales, Services, & Other Aux.**
- **Patient Services**
- **Research & Grants**
- **Gifts & Investments**
- **Total Revenue**

### Percent Change

- **100%**
- **-0.5%**
- **-2.8%**
- **-7.0%**
- **-10.1%**
- **-11.3%**

### Estimated Revenue Impact

- **A**
- **B**
- **C1**
- **C2**
- **C3**

**Scenario Planning for 2020-21**

**Fall 2020 Semester Only**

- **Anticipated Revenue Impacts**
- **Enrollment (FTE)**
- **State Appropriation**
- **Tuition Revenue (net)**
- **Student Fees (net)**
- **Financial Aid (external)**
- **Athletics (less fees)**
- **Housing (net)**
- **Dining (net)**
- **Parking**
- **Sales, Services, & Other Aux.**
- **Patient Services**
- **Research & Grants**
- **Gifts & Investments**
- **Total Revenue**

**Estimated Revenue Impact**

- ** UNC System**
- **Fall 2020 Semester 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

**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*
Expense Control Measures

“Worst Case” Strategies

• Personnel
  o Consolidation of administrative functions and services at System level
  o Consider 9 or 10-mo contracts for student focused positions
  o Adjust faculty teaching load
  o Rely more heavily on adjunct professors

• Program reductions
  o Closure of student service centers
  o Elimination of certain athletics programs
  o Discontinue unfunded research
  o Adjust academic program mix
  o Outsource non-core activities
  o Insource student fee-funded activities
  o Significant financial aid reductions
  o Reduce physical footprint (consolidate buildings)
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
## Capital and Operating Budget Modeling

### Illustrative

#### Key Pro-Forma Financial and Rating Indicators

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<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
<th>2029</th>
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</thead>
<tbody>
<tr>
<td><strong>Operating Cash Flow Margin (%)</strong></td>
<td>16.7%</td>
<td>16.4%</td>
<td>15.6%</td>
<td>15.9%</td>
<td>11.8%</td>
<td>10.2%</td>
<td>8.7%</td>
<td>10.7%</td>
<td>11.8%</td>
<td>13.3%</td>
<td>13.2%</td>
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<tr>
<td><strong>Cash &amp; Investments to Debt (S&amp;P) (x)</strong></td>
<td>1.19</td>
<td>1.24</td>
<td>1.03</td>
<td>0.95</td>
<td>0.97</td>
<td>0.75</td>
<td>0.92</td>
<td>0.92</td>
<td>0.97</td>
<td>1.04</td>
<td>1.34</td>
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<tr>
<td><strong>Spendable Days Cash on Hand (Moody’s) (x)</strong></td>
<td>233</td>
<td>216</td>
<td>240</td>
<td>215</td>
<td>190</td>
<td>162</td>
<td>173</td>
<td>178</td>
<td>178</td>
<td>180</td>
<td>181</td>
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<tr>
<td><strong>Aggregate Direct Debt Service Coverage (x)</strong></td>
<td>4.56</td>
<td>4.24</td>
<td>3.90</td>
<td>3.06</td>
<td>2.57</td>
<td>1.86</td>
<td>1.61</td>
<td>2.08</td>
<td>2.52</td>
<td>3.04</td>
<td>3.18</td>
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<tr>
<td><strong>Debt Service to Operations (%)</strong></td>
<td>4.28%</td>
<td>4.07%</td>
<td>4.06%</td>
<td>4.49%</td>
<td>4.42%</td>
<td>5.10%</td>
<td>5.00%</td>
<td>4.68%</td>
<td>4.55%</td>
<td>4.34%</td>
<td>4.15%</td>
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<tr>
<td><strong>Modelled Scorecard Rating</strong></td>
<td>Aa2</td>
<td>Aa2</td>
<td>Aa3</td>
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<td>Aa3</td>
<td>Aa3</td>
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<td>Aa3</td>
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<td><strong>Estimated Debt Capacity</strong></td>
<td>$77,208</td>
<td>$51,778</td>
<td>$10,981</td>
<td>$95,796</td>
<td>$-213,311</td>
<td>$-1,192,293</td>
<td>$-56,417</td>
<td>$-65,396</td>
<td>$-56,629</td>
<td>$28,399</td>
<td>$94,884</td>
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### Diagrams

- **Cash & Investments to Debt (S&P) (x)**
- **Estimated Scorecard Value (Long-Term)**
- **Annual Debt Service / Operations (%)**
- **Days Cash on Hand (Moody’s) (x)**
- **Operating Cash Flow Margin (%)**
- **Estimated Debt Capacity ($2000’s) (S&P Cash)**
Program Prioritization
## Program Prioritization

### FY19 CAFR Net Position Analysis Tool - *Illustrative*

<table>
<thead>
<tr>
<th>Department</th>
<th>Overall Score</th>
<th>Headcount</th>
<th>Net Position Student Major</th>
<th>Net Position Credit Hour</th>
<th>Sponsored Research</th>
<th>Quality</th>
<th>Net Cost</th>
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<tbody>
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<td>1,949</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$6.8M</td>
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<td>Department T</td>
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<td>232</td>
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<td></td>
<td></td>
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<td>$7.7M</td>
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<tr>
<td>Department BB</td>
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<td>663</td>
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<td></td>
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<td>$4.9M</td>
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<td>Department Z</td>
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<td>540</td>
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<td>$4.7M</td>
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<td>Department L</td>
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<td>Department EE</td>
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FY21 “Go Local” Plan for Fall 2020 semester:

- With Study Away Canceled for the Fall, NYU is using its 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.

Estimated 3000+ Students May Take Advantage of “Go Local”
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
**FY20/21 Near Term Financial Planning:**

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<th>Continue</th>
<th>Implement</th>
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| Monitoring Weekly KPIs:  
  • Fall enrollment levels  
  • Expense mitigation  
  monitoring dashboard  
  measures results  
  • Liquidity  | Next level of mitigation actions *as necessary* 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

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

Richard Petillo
Chief Financial Officer, Clemson University

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

Monday, July 27, 2020