CFO Priorities

- Linking Strategic Plan to Resources
- Building an enterprise risk management framework
Linking Strategic Plan to Resources
What are we trying to achieve?

• Foster a culture of strategy- and performance-driven planning and budgeting.

• Promote a long-range view of priorities and resource needs to achieve the strategic goals and objectives of the Plan for Pitt.

• Provide more autonomy to Responsibility Centers to focus resources on strategic priorities, while holding Responsibility Centers accountable for cost efficiencies and revenue generation.

• Encourage innovative ways to address tight budgets and to prioritize resources.

• Review progress against strategic objectives and use evidence to inform resource decisions.

• Develop a standard and more transparent process for budget decisions.

• Permit flexibility to address unanticipated needs and strategic initiatives.
Strategic Planning
- Plan for Pitt
- SVC & RC Strategic Plans

Budget Formulation
- SVC- and School-level Budget Requests
- Senior Reviews
- Board of Trustees

Budget Execution
- Target Letters to SVCs
- Program management & operations
- Financial Reporting

Review Progress
- Measure performance against strategic goals and objectives
- Senior Reviews
Initial Review – Current Priorities

- University Strategic Plan
- Department and School Priorities
  - Meeting with each school
  - Pitt Success
- Campus Master Plan
  - Over $4 billion

**Bottom Line – Needs are Significant**
Initial Review - Revenue

• Pricing Model
• Institutional Advancement
• Research
• Appropriation
• Investment
• Savings

Bottom Line – Potential for long-term revenue growth is apparent, but near-term growth is limited
Sources of Revenue
2018 Actual Results

Net Tuition: 27%
CW Appropriation: 8%
Grants and Contracts: 36%
Gifts and Pledges: 3%
Endowment Distributions and Investment Income: 6%
Sales and Services: 15%
Other Revenue: 5%
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Net Tuition: 27%
CW Appropriation: 8%
Grants and Contracts: 36%
Gifts and Pledges: 3%
Endowment Distributions and Investment Income: 6%
Sales and Services: 15%
Other Revenue: 5%
Initial Review – Financial Management

- Debt
- Cash Flow
- Budget

Bottom Line – We have some ability to raise debt limited by our cash flow. There is minimal room in the budget for added debt costs.
Distribution of Expenses

2018 Actual Results

- Compensation: 61%
- Business and Professional: 16%
- Supplies: 5%
- Utilities and Maintenance: 5%
- Depreciation: 8%
- Interest: 2%
- Other: 4%
Initial Conclusions

• Cost of all of our priorities is greater than our available resources

• Our pace of growth is tied to our cost structure
  – Example: 1% increase in net tuition is $5 million and a 1% increase in compensation is $6 million

• In order to accomplish our priorities but bound our risk, we need to:
  – Maintain or strengthen Pitt’s ability to compete academically
  – Gradually ramp up based on our ability to build revenue and cut costs
  – Find ways to decrease the pressure on the budget and cash flow
  – Define our risk appetite and risk tolerance
E&G Unrestricted Multi-Year Budget Model

Essential Expenses

Revenue Projections

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<th>FY Year</th>
<th>Essential Expenses</th>
<th>Revenue Projections</th>
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E&G Unrestricted Multi-Year Budget Model

- Essential Expenses
- New Debt Service / New Initiatives
- Revenue Projections

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Legend:
- Blue bar: Essential Expenses
- Yellow bar: New Debt Service / New Initiatives
- Green line: Revenue Projections
How to Balance Priorities

• Are the projects aligned with our strategic plan?
  – Do the projects help our competitive position?
  – Do the projects help our brand?
• Do the projects generate revenue?
  – What is the business model for the project?
• Are foundational projects needed to advance other priorities?
• What are execution concerns?
Key Next Steps

• Integrate Budget and Planning at CFO and at all of the RCs
  • Building a capability to ensure strategic plans are linked to the budget
  • Prioritize spending by aligning funding with priorities and discuss trade-offs

• Strengthen RCs
  • Give RCs more autonomy over budget, but also hold them accountable
  • Incentives for initiatives and savings

• Create flexibility to address academic initiatives and capital projects
  • Quasi-endowment – How to maximize its utility
  • How to create more budget room