CFO Priorities

- Linking Strategic Plan to Resources
- Building an enterprise risk management framework

Linking Strategic Plan to Resources

Plan FOR Pitt

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.

Review Progress

- Measure performance against strategic goals and objectives
- Senior Reviews

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

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

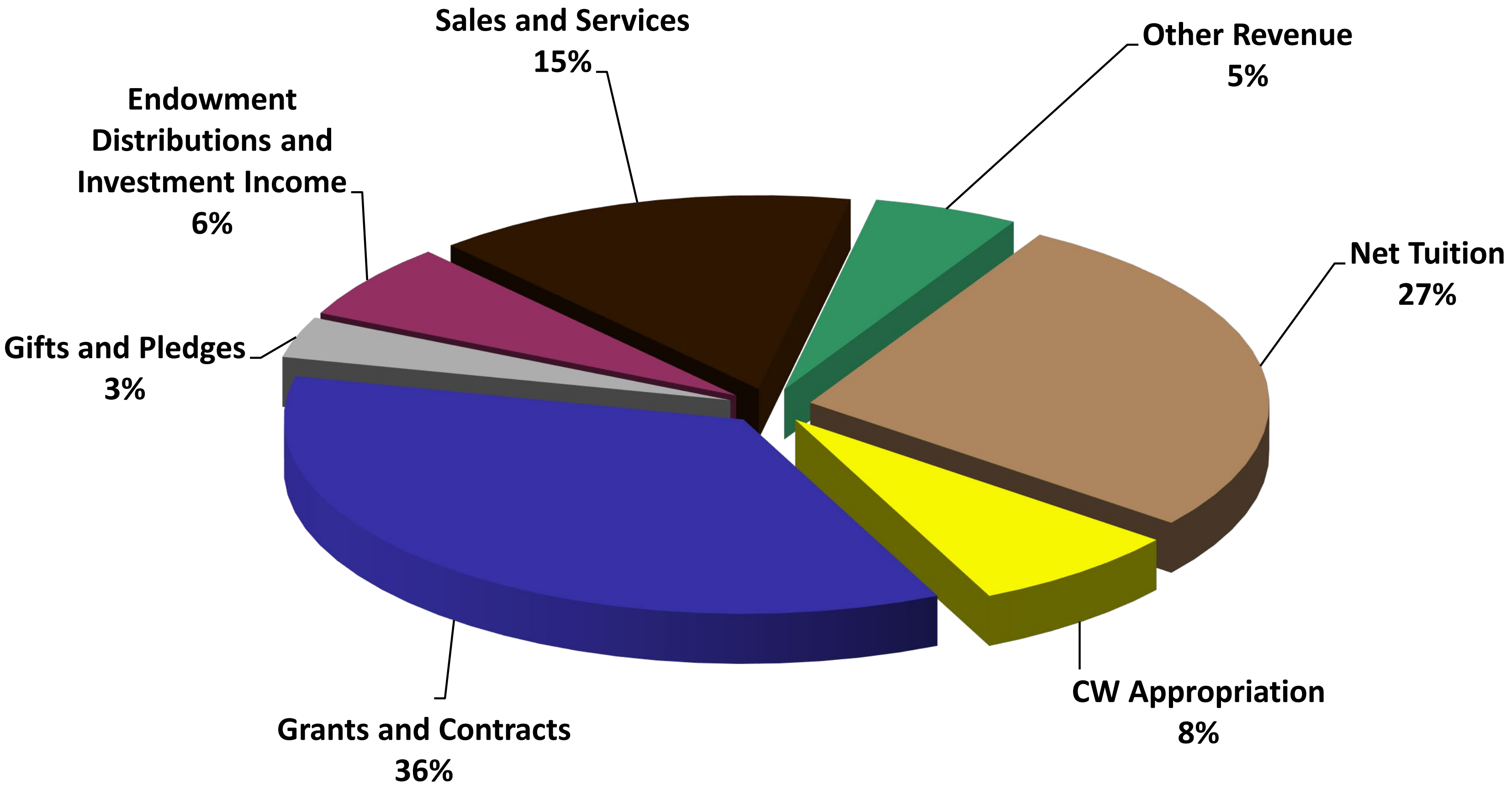
Initial Review - Revenue

- 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



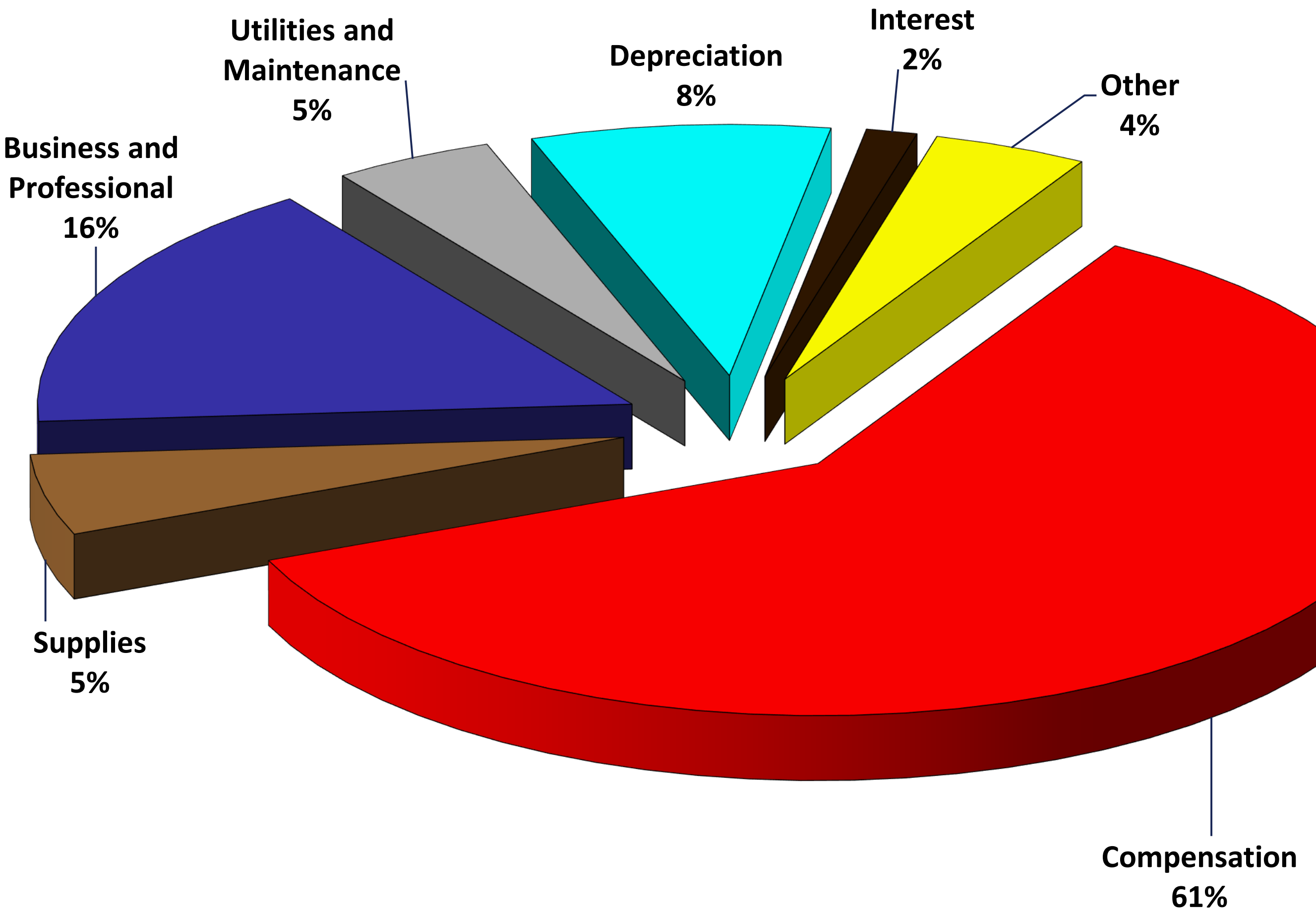
Initial Review – Financial Management

- 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



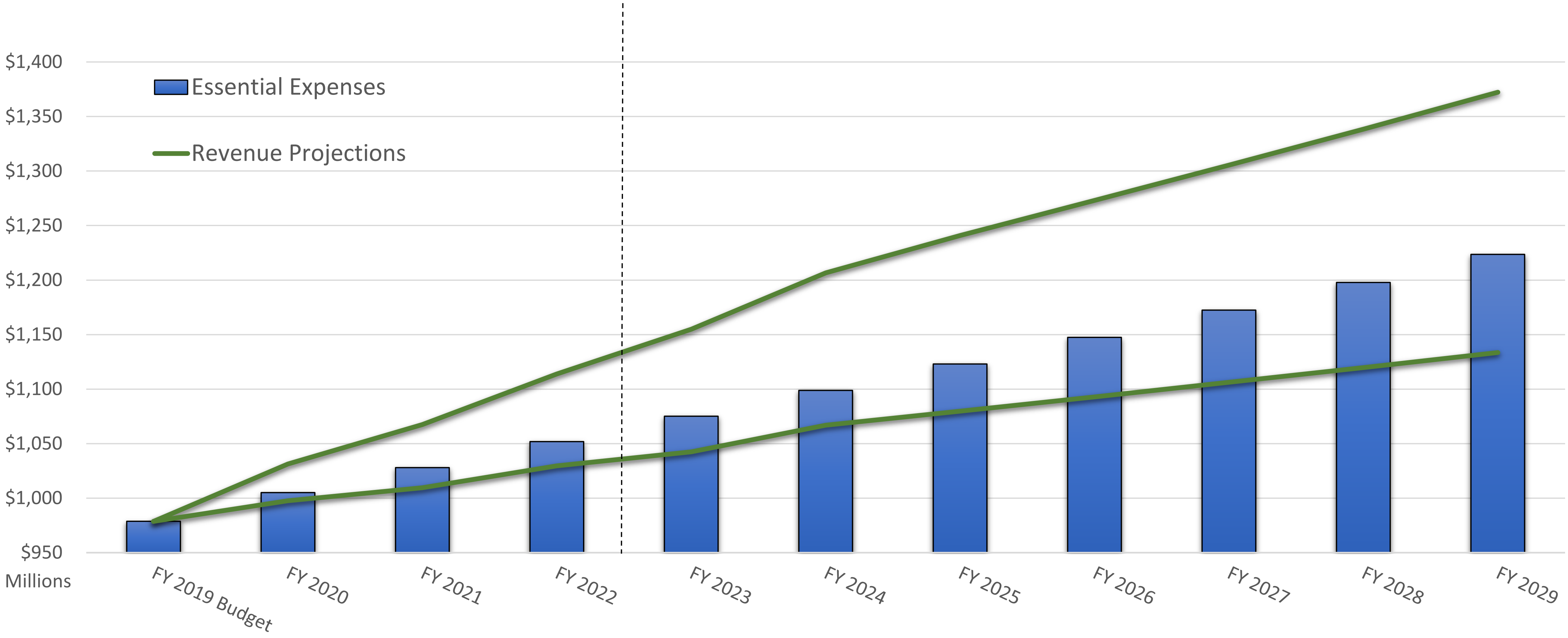
Initial Conclusions

- 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

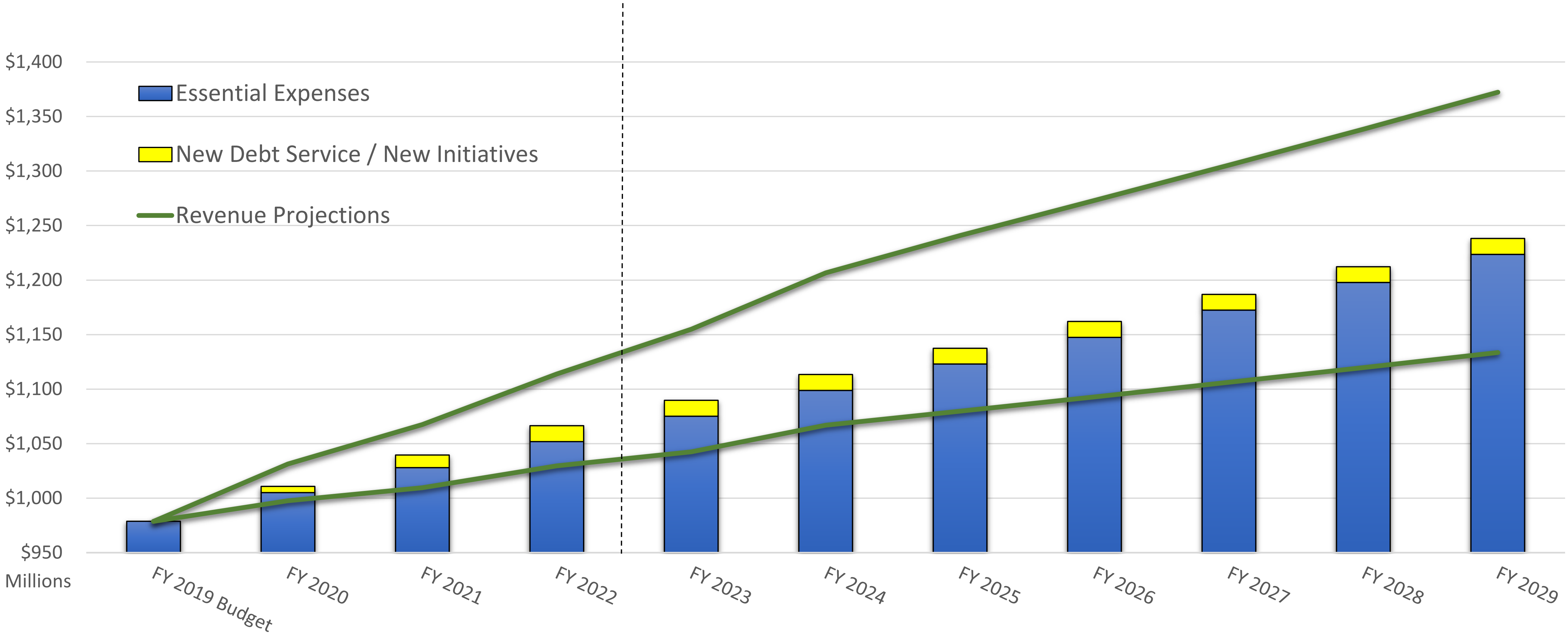
University of Pittsburgh

Office of the Chief Financial Officer

E&G Unrestricted Multi-Year Budget Model



E&G Unrestricted Multi-Year Budget Model



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