NEW JERSEY CITY UNIVERSITY'S FISCAL & GOVERNANCE MONITORING REPORT AND FISCAL ACCOUNTABILITY PLAN

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NEW JERSEY CITY UNIVERSITY'S
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Executive Summary

In 2023, the New Jersey State Comptroller detailed significant fiscal deficiencies at New Jersey City University (NJCU) arising under lax oversight by the institution's Board of Trustees and poor financial management by top administrators. Subsequent personnel layoffs and deep budget cuts at the institution precipitated a financial crisis. In response, the State enacted a law in July 2023 (P.L. 2023, c. 115) that requires public institutions of higher education such as NJCU to submit annual fiscal monitoring reports and empowers the Secretary of Higher Education to appoint a monitor at public institutions of higher education that the Secretary determines are financially unstable.

Under the 2023 statute, a monitor is authorized to provide direct oversight of a public institution of higher education's fiscal and governance operations. In addition, the law requires a monitor to develop a financial accountability plan within six months of appointment that sets benchmarks for the financially troubled institution subject to monitoring, including a description of remedial actions the institution must complete as a condition for the cessation of State monitor oversight.

In August 2023, the Secretary of Higher Education, Brian K. Bridges, made a finding of instability in the financial condition of NJCU and, on August 29, pursuant to N.J.S.A. 18A:3B-53.4, appointed New Jersey attorney and Seton Hall tenured professor of legal studies Henry J. Amoroso as the University's fiscal monitor, the first fiscal monitor of a public institution of higher education ever appointed by the State.

This report details the Monitor's investigation and findings from September 1, 2023, through March 12, 2024, and includes a Fiscal Accountability Plan for the University based on his findings with eleven (11) recommendations for achieving a prompt fiscal turnaround, along with time-focused benchmarks and actions required to attain the proposals. One of the most pivotal recommendations is for NJCU to reconstitute as Jersey City College, a campus of a larger mission-aligned system with its own chancellor and attendant support, but one integrated into a larger system or institution. Although there is a narrow pathway for NJCU to become an independent city university, it is one that would require far greater investment from the State than is presently appropriated, and such a path would remain fraught with numerous, significant challenges.

A brief recent history of NJCU's fiscal incapacity, financial controls, and certain governance issues is included, but most of this report is intentionally forward-facing. Its purposes are to (1) communicate the Monitor's conclusions about the institutions' fiscal and governance capacity and controls to the Secretary of Higher Education, NJCU's Board of Trustees and interim administration, and other stakeholders; (2) recommend a Fiscal Accountability Plan; (3) describe how this Plan addresses the circumstances that resulted in the Monitor's appointment; and (4) explicate how implementation of the Fiscal Accountability Plan will result in terminating State monitoring and the Monitor's exit from NJCU in FY2025.

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BACKGROUND

Since its founding in 1927, New Jersey City University (NJCU) has provided an accessible, high-quality education to a diverse student body. Classified by the Carnegie Foundation among the nation's Masters Colleges and Universities: Larger Programs, it enrolled 6,539 students in the academic year 2022-2023, representing a 30% decline from its historic high enrollment of 9,361 in 2003. The institution accepted 90.7% of the individuals who applied for admission in 2021, a rate significantly higher than most of its peer institutions according to the federal Integrated Postsecondary Education Data System (IPEDS) in 2021. NJCU has also traditionally admitted a larger proportion of first-generation and minority students. According to *U.S. News,* it has the highest campus ethnic diversity in New Jersey and the seventh highest in the nation. IPEDS data shows that 77% of all students enrolled in 2021 were members of racial or ethnic minorities.

NJCU's commitment to inclusivity and empowerment is exemplified by its many student support programs and its active role in supporting legislative reforms to expand higher education statewide. Despite recently reporting better graduation outcomes, it nevertheless has experienced major challenges since 2020, including a marked decline in student enrollment and questionable financial management decisions by the previous administration.

In May 2022, a confluence of these challenges was initially projected to result in a reported structural deficit of $22 million, prompting NJCU's leaders to declare a fiscal emergency and request additional stabilization funding from the state. Soon thereafter, President Sue Henderson resigned, and an interim president was named. When this interim president resigned to pursue another opportunity, the Board of Trustees named Andrés "Andy" Acebo the institution's new interim president in January 2023.

At the state level, Governor Phil Murphy ordered a comprehensive investigation of NJCU's fiscal stability and governance practices and launched an initiative to address these issues statewide. In July 2023, this initiative fueled the legislature's enactment of New Jersey's *Higher Education Accountability & Monitoring Act* (P.L.2023, c.115). This statute expands state oversight of all public colleges and universities by requiring the submission of an annual fiscal Monitoring report and granting the Secretary of Higher Education the power to continuously Monitor their financial stability in real time and appoint a Monitor to intervene before struggling institutions' financial situation becomes catastrophic.

NJCU's 2022 fiscal audit showed tuition and fee revenues of only $92.5 million, with salaries totaling some $88.6 million. This left scant resources for its considerable ongoing operating costs, particularly expenditures needed to address its capital needs and mounting debt. Although universities traditionally devote tuition revenue to salaries, NJCU's declining enrollment levels meant that tuition revenue was increasingly consumed. The State investigation of its fiscal capabilities and controls revealed NJCU became increasingly dependent on subsidies from annual state appropriations after it adopted new accounting standards in 2015; laid off more than 40% of its management staff and shuttered five athletic programs during the COVID epidemic, and experienced sharp declines in enrollment between 2017 to 2022.

Because the fiscal mismanagement at NJCU was seen as creating a major budgetary crisis at the institution and NJCU had declared a fiscal emergency barely a year before, it was the first state university to benefit from the new legislation. Secretary of Higher Education Brian K. Bridges appointed New Jersey attorney Henry J. Amoroso as NJCU's fiscal Monitor on August 29, 2023.

INITIAL MONITORING PLAN

The Monitor began Monitoring NJCU on September 1, 2023. His initial Monitoring Plan for the institution mirrors the requirements of the *Higher Education Accountability & Monitoring Act*, including but not limited to:

a. overseeing the fiscal management and expenditures of funds of NJCU, including overseeing budget reallocations and reductions, approvals of purchase orders, budget transfers, and payment of bills and claims;

b. overseeing the operation and fiscal management of all NJCU facilities, including developing and implementing recommendations for restructuring the institution offered by its Board of Trustees;

c. initiating the creation and implementation of a rigorous plan to address the circumstances that resulted in the appointment of a State Monitor, including establishing measurable benchmarks and aligning specific activities with each benchmark to address the deficiencies of the institution that have been identified before and/or during this Monitoring process;

d. overseeing all staffing and human resource activities of NJCU, including overseeing the hiring, promotion, and termination of its employees, as well as the ability to deny proposals by NJCU's administration to hire, promote, or terminate employees, except that all actions of the State Monitor shall comply with the *New Jersey Employer-Employee Relations Act,* established pursuant to P.L.1941, c.100 (C.34:13A-1 et seq.), and any collective bargaining agreements entered into by the institution;

e. assessing all actions and decisions made by NCJU's interim president and/or Board of Trustees to determine whether these should be overridden to improve the fiscal stability of the institution;

f. attending all meetings of NJCU's Board of Trustees and its committees, including closed executive sessions;

g. creating and delivering training to the members of NJCU's Board of Trustees at least quarterly to provide them with information that addresses the deficiencies and actions occurring at NJCU that resulted in state Monitoring; and

h. formulating recommendations for future presentation to the state legislature to support the development of and sustain in perpetuity a range of systemic, significant improvements in NJCU's fiscal condition and the institutional governance capabilities such fiscal stability requires.

Launch of the Monitoring Plan

An extensive range of Monitoring activities were implemented by the Monitor between September 1, 2023, and March 12, 2024. These include:

1. conducting a careful, in-depth review of NJCU's financial statements, both audited and budgeted, for the period from 2020 through February 2024, including a thorough assessment of income and expenses (including its payment history over the past 12 months);

2. attending all meetings of the Board of Trustees and its current committees;

3. conducting interviews and providing consultation to the Chair of the Board of Trustees and other members of the Board individually and/or in small groups on an *ad hoc,* as-needed basis;

4. developing and delivering targeted financial and governance training and education to the Board of Trustees at an all-day Strategic Board Retreat and Workshop on Governance and Mission Alignment in December 2023;

5. touring relevant properties of the institution, comprising the real estate and structures owned by NJCU, leased or rented to NJCU, or to which the institution is or was obligated to provide financial support from 2020 forward;

6. reviewing the operational activities of the Hudson County Small Business Development Center at NJCU and its governance and fiscal relationship with the U.S. Small Business Administration and the University;

7. reviewing the institution's relationship with the NJCU University Foundation, including the Foundation's recent activities directed toward raising donor funds for the institution and other local charities and the amount raised;

8. meeting with key constituent groups at NJCU, including but not limited to a sample of students; members and elected officers of the University's teacher's union; administrators and managers; contractors and vendors of goods and services, whether selected through a competitive bid process or non-competitive purchase agreement; and other university stakeholder groups;

9. securing and reviewing a representative recent sample of local, state, and national print, broadcast, and electronic media covering activities at NJCU, including all available media products (press releases, published articles, social media posts, video, film, radio programming, podcasts) created by internal and external journalists or public relations specialists, including students and/or professionals in NJCU's Media & Communications Office;

10. participating in the development and review of NJCU's new *Academic Master Plan* released on February 16, 2024, for the period of 2024 to 2028;

11. reviewing and assessing NJCU's mission statement and its newly refreshed statement of this mission; and

12. assessing the essential elements of NJCU's academic infrastructure that impact student enrollment, retention, and graduation, as well as teaching, faculty, and student research, and other activities, including but not limited to the adequacy of its libraries; information technology and supports; student supports and resources; administrative and management staffing; and institutional effectiveness initiatives.

INITIAL FINDINGS

A Problematic Past. NJCU has been navigating significant challenges as a consequence of the changing macro environment in higher education during much of the past decade. These challenges continue to impact the University's financial stability, academic performance, and competitive positioning and have never been fully addressed. Although the mismanagement of funds was problematic during a previous administration, the mismanagement occurred when the institution was already experiencing substantive issues with its fiscal stability, governance capability and engagement, and student academic performance, each of which has contributed to its downward financial, management, and academic spiral.

The University's Recent Progress. The Monitor found the current administration has performed well under its amended spending plan, which was adopted and implemented in Fall 2023.

The present Board of Trustees Chair, who was appointed to the Board on April 20, 2022, and became its leader in the Spring of 2023, when these crises were occurring and no one aspired to this position, has in the months since done yeoman's work. His collaboration with the Monitor has played an instrumental role in this process, including making himself consistently providing valuable input into the Monitoring process and meeting with the Monitor whenever requested; participating in planning and speaking at the Board retreat; providing the Board with some of the leadership it needs; and serving as the champion for the University's best interests throughout.

In addition, an increase in the state's formula Outcome Based Assessment (OBA) funding in conjunction with the implementation of income and debt reduction initiatives, which started before the Monitor's appointment, allowed NJCU to meet covenant benchmarks relative to cash on hand and anticipated year-end cash balances as a result of improved financial performance during FY2023.

The Monitor further anticipates that the institution's spending plan for FY2025, currently under development, will be equally prudent and conservative. The anticipated continued state stabilization funding in FY2025 will help sustain a much-needed continuation of the substantive investments NJCU has made in improving student success, as well as promoting the development and launch of new initiatives dedicated to further advancing students' academic performance, increasing their persistence through graduation, and bolstering the University's undergraduate and graduate enrollments.

Notwithstanding its recently demonstrated commitment to and success in attaining these outcomes, the University remains markedly understaffed.

Fiscal Monitoring

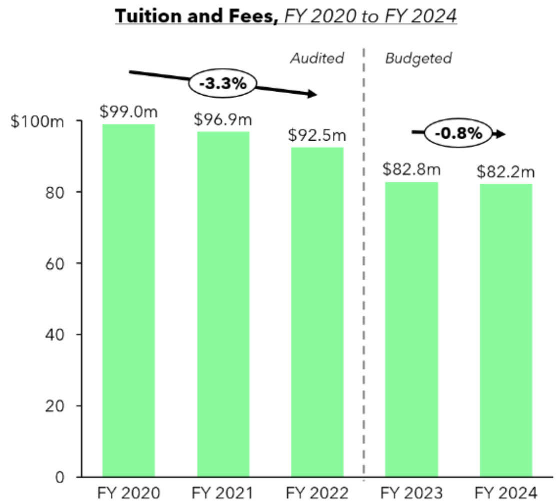
Like many institutions of higher education, NJCU has grappled with the ripple effects of declining student enrollment since 2016. By mid-2022, its decreasing tuition revenue – the institution's principal source of income – and the abrupt end of COVID stimulus funding fueled the Board's growing awareness of the University's dire financial condition.

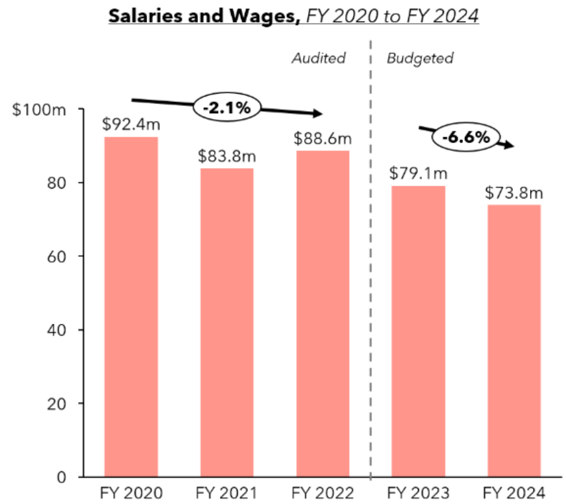
When Monitoring began in September 2023, the interim administration had made significant progress in addressing some of NJCU's fiscal issues, including implementing cost-cutting measures that are beginning to reduce the budget deficit. But the task he faced was immensely challenging and it is not one that can be achieved quickly enough to ensure achievement of the institution's fiscal stability without significant additional state investment.

If NJCU had been in better financial shape when COVID-19 reached the U.S. in early 2020, the institution might have been able to avoid a fiscal emergency, but it would still have required additional investment from the State to overcome the accumulated consequences of having made no capital investments over many years. In fact, the institution was ill-prepared to weather any new threats, especially a multi-faceted juggernaut such as a global pandemic that further reduced tuition revenue, raising the Board's concern that a major financial crisis was imminent.

Its perception of an approaching fiscal disaster was exacerbated by the previous administration's diversion of nearly $14 million in federal COVID relief money for an institutional scholarship program - a violation of federal law the New Jersey Comptroller found was likely knowingly committed. The diversion of federal funds further damaged the institution's financial management reputation and creditworthiness.

Indeed, NJCU's 2022 fiscal audit documented tuition and fee revenue of $92.5 million, with total salaries for the year of $88.6 million. The less than $4 million that remained after salaries did not come close to meeting the institution's other annual operational expenses of $76 million. Although the State allocates substantial subsidy funding for institutions of higher learning, the compelling disequilibrium at NJCU requires a disproportionate amount of stabilization funding. Its auxiliary income of approximately $3 million helps reduce this dependence, but the institution currently has no viable plan for substantially closing this gap.





In the period immediately following the University's 2022 fiscal audit, the Monitor found its officials took further action to reduce the institution's salaries and wages. However, it was also evident that NJCU consistently underfunded its capital expenditures for many years, contributing to an accumulation of increasingly adverse fiscal consequences related to its physical plant and facilities.

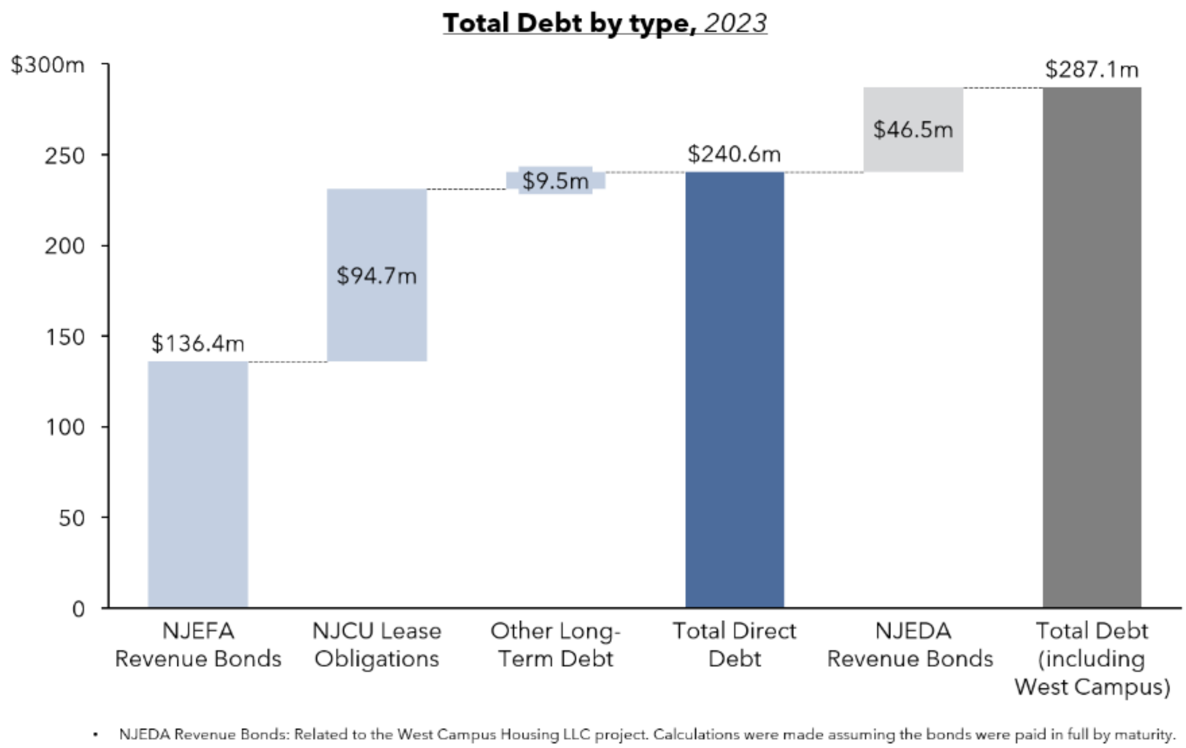
Based on the University's projections from a recent study, it has an immediate need for $50 million of capital investment for infrastructure. These funds are needed now for new boilers and chillers and the repair of leaky roofs, and for windows and doors that do not close securely – none of which will make the University more student-friendly or welcoming in today's highly competitive higher education environment.

In addition to the $50 million to address these urgent maintenance issues, NJCU must also invest in other improvements to the campus – including but not limited to residence halls, classrooms, technology upgrades, the library, laboratories, and other student-facing facilities and resources. This will provide the University with a comfortable and supportive learning environment that is comparable to its peers. At present, the total amount of capital investment required must be examined further to determine the full level of capital investment that must be made to improve the institution's competitiveness and bolster its student enrollment in the current higher education landscape.

NJCU's Current Total Debt. In addition to unraveling the origins of the University's recent financial crisis, the Monitoring process also determined that the institution's fiscal sustainability is chronically compromised by its total debt level, which varied significantly by type across the four most recent years.

As the accompanying chart shows, the largest debt increase in the period occurred in the institution's long-term net lease liabilities.

Much of this debt results from NJCU's investment in long-term leases at Fort Monmouth, New Jersey, and the Harborside Jersey City campus. NJCU also authorized an advance refund that modified its debt payments obligations, which will result in an increased burden of $2.8 million in FY2026.



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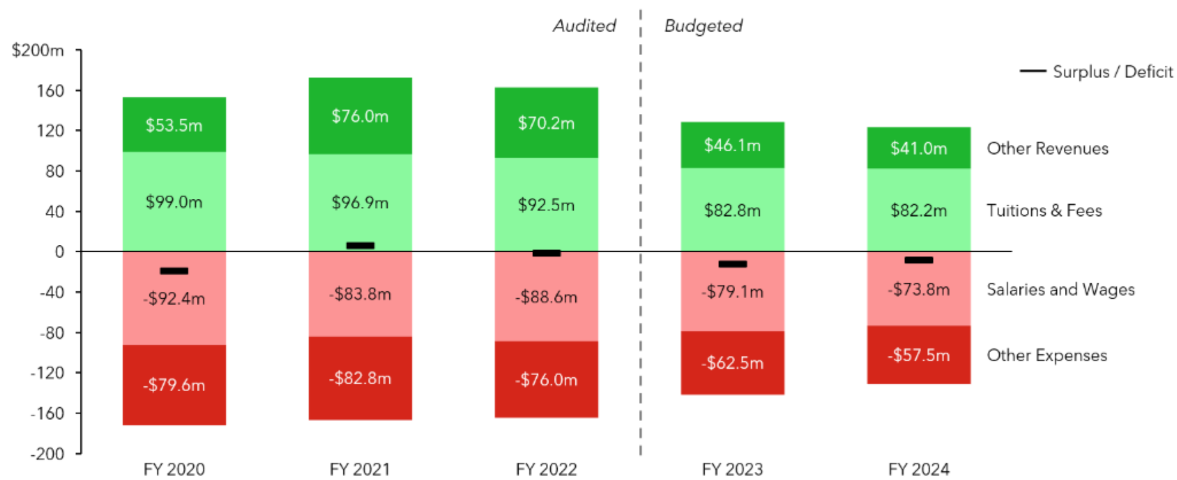
[1] This waterfall chart shows how different types of debt add up to NJCU's total debt for 2023. It starts with "NJEFA Revenue Bonds," followed by additional debts like "NJCU Lease Obligations." Each bar starts from the top of the previous one, not from zero, to indicate the adding up of debt types. The "Total Direct Debt" bar represents the sum of all these individual debts. The chart concludes with a separate addition of "NJEDA Revenue Bonds" related to West Campus, which, when combined with "Total Direct Debt," gives the full "Total Debt (including West Campus)." Total Debt does not include pension liabilities.

Running Operational Costs. The review of NJCU's revenues and expenses from FY 2020 to FY 2024 also revealed a recurring pattern of operational challenges, with expenses consistently outpacing revenues, resulting in deficits each year. In contrast, the budget data for FY 2023 and FY 2024 showed a reduction in the deficit – a possible indicator that earlier measures taken to control costs and enhance revenues may be having their intended, positive effect.

Revenues and Expenses, *FY 2020 to FY 2024*



In addition, as previously noted, an assessment of both the audited and budget financial statements across this 5-year period confirmed a near-perfect alignment between NJCU's salary expenses and tuition and fee revenues, which drove and still drives NJCU's ongoing reliance on significant state funding to meet its annual operational needs.

Despite some mitigation from auxiliary revenue, NJCU's reliance on state appropriations has become increasingly essential since FY2020.

The Monitor also determined that although the $46.5 million debt structure of the West Campus is not a direct debt of the University, as set forth in the bond covenant documents, this campus nonetheless requires budgetary allocations from NJCU for subsidies and these allocations contribute to the institution's current financial problems. Again, NJCU's long-term lease obligations for its Harborside and Fort Monmouth properties also exacerbate its ongoing financial strain and contribute to its fiscal woes.

The Monitor's conclusions about the NJCU's fiscal stability based on these findings are:

- NJCU has faced and continues to face a complex web of financial obligations, including long-term debt from bonds, long-term lease obligations, and escalating capital needs.

- NJCU's total debt is stable, but it remains high for an institution of its size, resources, and student body, at $287.1 million[2] after incorporating the state's assumption of responsibility for pension obligations, its debt with the Education Facilities Authority (EFA), its long-term obligations, and its practice of subsidizing the West Campus LLC's debt. This level of debt requires rigorous, immediate, and substantive management strategies and cost-containment measures.

- The institution has significant long-term lease liabilities of some $94.7 million that can provide a focus for future restructuring or renegotiation efforts and provide opportunities to alleviate the pressure on its long-term financial obligations.

- With appropriate board governance, NJCU can obtain, conservatively, $30 million in property monetization, either in hand or committed through contract, by December 2025.

- NJCU's $145.9 million in noncurrent long-term debt threatens its financial well-being and limits its potential to achieve many of its academic and other institutional goals.

- The persistence of a low revenue-to-debt ratio – currently 0.56 – means that NJCU's liabilities consistently outpace its asset base, posing a threat to the institution's creditworthiness and requiring proactive fiscal policies to restore a healthier balance and ensure continued covenant compliance. Additionally, if the University were to apply the same ratio to the direct, indirect, and long-term lease liability obligations, the ratio would further deteriorate to 0.47. This underscores the requirement for prompt implementation of immediate remedial fiscal interventions.

- Federal funding of $49,457,000 received by NJCU in 2019-2021 to "ease the economic burden of COVID" was essential to boosting its operational assets and allowing the University to allocate additional cash to operational needs that had been neglected. Its financial emergency became dramatically evident when this funding ended in 2022, and more so when the Comptroller found evidence these funds were misdirected to monetize student scholarships by the former president's administration and the Board.

FINDINGS FROM GOVERNANCE MONITORING

The Monitor frequently met and closely collaborated with NJCU's Interim President Acebo and other administrators, as well as members of NJCU 's Board of Trustees, including its Chair to whom the Monitor reported weekly. The Monitor also delivered training to the Interim President Acebo and members of the Board of Trustees on December 4, 2023, at a Board Retreat and Workshop on Governance and Fiscal Accounting.

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[2] This debt calculation closely approximates the value of direct, indirect, and long-term lease obligations and is taken from the FY2023 unaudited statements. At the time of this report, the FY2023 audit was not available.

The Monitor's conclusion from these interactions with NJCU's administration and Board is that it does not presently have a sufficient governance structure. Moreover, the current Board's organizational structure is not well-aligned with the strategies and tactics a fiscal turnaround will demand. Further, the Monitor concludes that the administration is currently understaffed to meet the demands of its current financial problems.

In addition, the Board's committee structure is outdated, does not function well, and cannot provide the governance support needed to implement the Monitor's recommendations, or adequately support the Interim administration and navigate the complex path to NJCU's fiscal stability, robust accountability, and long-term institutional survival.

Moreover, the Board does not meet frequently enough to provide adequate, ongoing oversight of the institution's budget, independently determine its roles and the institution's best interests, and stay abreast of the institution's often fluctuating fiscal, capital, academic, and human resource needs, and resources. Because the fiscal turnaround period that lies ahead will require frequent and consistent engagement of individuals with expertise in higher education, finance, governance, and academic affairs in NJCU's top decision-making roles, the Monitor concluded that immediate, significant changes in the Board of Trustee's membership and structure are warranted.

Summary of Fiscal and Governance Findings

Collectively these findings show that NJCU's current level of debt from all sources renders the institution unable to support high-quality academic instruction, pursue the generation of knowledge through robust academic activities, or serve as a significant community resource. NJCU's fiscal situation requires prompt remediation that realigns its expenses with dependable sources of revenue, including identifying additional sources of income and new means of reducing expenses without compromising or adversely impacting its academic mission.

Evidence-based approaches to accomplish these outcomes are detailed in the Fiscal Accountability Plan.

THE FISCAL ACCOUNTABILITY PLAN

The Fiscal Accountability Plan developed to achieve a turnaround of NJCU's financial instability includes 11 recommendations that will promote the institution's financial stability and solvency and improve its governance capabilities. Each recommendation is grounded by the fiscal and governance information secured during the initial 6-month Monitoring period.

The five fiscal responsibility recommendations reflect generally accepted fiscal and financial accounting strategies currently utilized within similarly sized and situated institutions of higher education within the region and across the United States. Several of these that have been successfully implemented by NJCU's peers are incorporated into the Monitor's specific recommendations.

The six governance recommendations likewise reflect evidence-based practices that have been successful in promoting fiscal and operational improvements within similarly situated regional and national institutions of higher education, including institutions that required and accomplished a turnaround.

In addition, the Plan includes benchmarks aligned with all fiscal and governance recommendations. These benchmarks detail the minimum standard of performance expected to be attained by NJCU, as well as a description of the activities the Monitor requires the institution's top administrators and Board of Trustees to implement as a means of reaching each benchmark and accomplishing a complete reversal of the institution's fiscal trajectory.

RECOMMENDATIONS TO PROMOTE NJCU'S FISCAL STABILITY

RECOMMENDATION 1: The Board of Trustees and the interim president immediately pursue and promptly complete an appropriately resourced assessment that culminates in identifying a fiscally sound New Jersey public institution of higher education with which to combine. This recommendation should be implemented, with input from stakeholders, by assessing and determining the "best fit" of NJCU's academic and fiscal assets and liabilities with those of fiscally stronger and academically sound state universities.

There is a pathway for NJCU to become an independent city university. That path would require a much greater investment from the State than is presently offered, and the University would remain buffeted by significant fiscal challenges for many, many years. This reality compels NJCU to pursue a course of prompt action many other institutions have taken – namely, negotiating and implementing a strategic relationship with a partner institution from which both Universities can derive immediate and long-term benefits.

The potential strategic relationships examined may range from joint academic programs and shared administrative services to full mergers – with each relationship closely examined for its potential to complement the strengths and meet the governance, academic success, and fiscal goals of both institutions. The essence of strategic relationships in higher education lies in their ability to leverage synergies that enhance academic offerings, expand research capabilities, bolster fiscal stability, and achieve operational efficiencies while ensuring that any relationship pursued is aimed at improving student outcomes and job market readiness.

Toward this end, the Monitor recommends a close assessment of the "chancellor model" as part of a larger institution that would serve as its lead. This model is often utilized by New Jersey and other states to align and centrally govern, administer, and manage the leadership, academic, and fiscal activities of a geographically distinct, multi-campus system of higher education. In this model, the president is the systemwide head of the entire institution, and chancellors lead individual university or college campuses. Rutgers University is renowned for successfully implementing the chancellor model.

BENCHMARK 1a: By July 15, 2024, in collaboration with the Monitor, NJCU's interim president and Board of Trustees will include in their FY2025 budget the engagement of a nationally qualified higher education advisory firm to rigorously examine the

feasibility of the University's forming a strategic relationship (such as an affiliation or merger) with another public institution in the state, with a specific focus on assessing the feasibility of implementing the chancellor model of institutional governance.

BENCHMARK 1b: By the December 2024 meeting of the Board of Trustees, the consulting firm will present a completed feasibility study of NJCU's strategic relationship options to the Monitor, the interim president, and the University's Board of Trustees, including an assessment of the feasibility of implementing the chancellor model of governance. In addition, the consultant firm presents and provides the rationale for recommending the relationship option most likely to substantively improve NJCU's fiscal stability, governance capabilities, and student outcomes.

BENCHMARK 1c: No later than the third quarter of FY2025, in collaboration with the Monitor, NJCU's interim president and Board of Trustees select an appropriate strategic relationship from among the options recommended by the advisory firm; create an actionable plan to combine; and commit adequate resources for pursuing the implementation of the chosen relationship.

- **Required Action:** By May 15, 2024, the interim president and Board will launch a nationwide search for a well-qualified higher education advisory firm to carefully examine the institution's strategic relationship options for combining its academic enterprise with another New Jersey public university's academic enterprise and make specific recommendations about which option is most likely to promote NJCU's immediate solvency, long-term fiscal health, and governance capabilities.
    - The University budgets adequate funds to procure this service in FY2025

- **Required Action:** By July 15th, 2024, the Monitor, interim president, and Board of Trustees review all competitive proposals submitted by national higher education consultants; select the consultant that best meets the intuition's needs; and negotiate a contract detailing the firm's scope of work and implementation timeline.

- **Required Action:** The advisory firm initiates a feasibility study no later than August 1, 2024, and provides regular written updates on its progress, including any significant interim findings, to the Monitor, interim president, and Board at least monthly through September 30, 2024.

- **Required Action:** In collaboration with the Monitor, interim president, and Board of Trustees Chair, the advisory firm prepares a comprehensive written summary of project activities completed and the conclusions reached. The firm presents this information and data to the Board, interim president, and Monitor at the December 2024 meeting of the Board of Trustees.

- **Required Action:** No later than the fourth quarter of FY 2025, in consultation with the Monitor and Interim President, the Board of Trustees enters a letter of intent, plans, and commits adequate resources to implement the relationship option they selected.

RECOMMENDATION 2: NJCU accelerates the collection of significant revenue from property monetization for application to both debt reduction and capital investments.

This requires both a comprehensive review and an accurate valuation of NJCU's assets and the rapid thorough exploration of diverse monetization strategies, recognizing the limitations imposed by bond covenants and regulatory schema with the potential to positively impact the University's financial health.

This recommendation can be implemented through a range of monetization strategies, with a focus on monetizing Fort Monmouth and non-related properties on the West Side campus, including:

1. **Leasing Surplus Real Estate**: NJCU may possess real estate assets that are underutilized or not directly required for its educational mission. By leasing these assets to commercial entities, NJCU can generate consistent revenue. This strategy demands a careful selection of tenants and lease terms to ensure alignment with NJCU's values and community standards.

2. **Development Partnerships:** Ongoing relationships with developers to transform underused properties into valuable assets can provide NJCU with immediate financial gains and long-term revenue shares. These partnerships may involve developing residential complexes, retail spaces, or innovation hubs that serve both NJCU and the broader community.

3. **Asset Sales or Partial Sales:** Certain non-core assets may hold significant value on the market without being essential to NJCU's mission. The sale or partial sale of these assets could inject immediate capital into NJCU's finances, supporting strategic investments in its key areas of focus including debt defeasement. The Fort Monmouth campus as well as the properties on the West Side campus should be the immediate focus.

4. **Departmental Restructuring and Program Cuts:** An ongoing assessment of all academic and non-academic departments and programs to identify areas where efficiencies can be achieved through restructuring or cuts should be explored. This strategy requires achieving a balance between necessity and the preservation of the institution's academic integrity.

5. **Securing Sponsorships or Naming Rights:** Naming rights and sponsorships are an underexploited resource that can offer substantial financial support. Facilities, programs, and events represent opportunities for corporate partnerships, aligning NJCU with partners that share its educational and social objectives.

The implementation of these property monetization strategies will require the completion of a Property Monetization Plan that includes accurate and timely market analyses and a description of all viable strategies appropriate for the region(s) in which the properties are located, including recommendations for which strategies should be pursued; in addition to supporting authentic stakeholder engagement to ensure these strategies contribute positively to advancing NJCU's mission, strengthening its valued relationships with regional communities and neighborhoods, and promoting its immediate and long-term financial health.

BENCHMARK 2a: Within 45 days of the state's acceptance of this Monitoring Report and Fiscal Accountability Plan, NJCU's currently engaged property monetization contractor delivers an amended, updated Property Monetization Plan to the Monitor, the appropriate committee of the Board of Trustees, and the interim president.

BENCHMARK 2b: Once the amended Plan is approved by the Monitor and Board, Plan implementation begins immediately (within 5 days).

- **Required Action**: An iterative Plan development process including cyclical review, revision, and close collaboration of all parties continues until it is approved by the Monitor, the Board of Trustees, and the New Jersey Secretary of Higher Education. Time is of the essence in completing and securing approval of a final plan.

- **Required Action:** Once approved, the Plan is returned for immediate implementation supervised by an appropriate committee of the Board and overseen by the Monitor.

- **Required Action:** The contractor delivers twice monthly Property Monetization progress reports to the Monitor and the appropriate members of the Board. These reports detail progress in achieving the Plan's goals, including successes achieved, the projected impact of these monetization successes on NJCU's budget, the obstacles encountered in monetizing properties, as well as the strategies being deployed to sustain the monetization successes and eliminate or surmount the obstacles.

- **Required Action**: The Monitor, in collaboration with the Board, takes whatever additional actions are required to promote the monetization of non-academic properties identified, including modifying any benchmark or its target date, as needed, to comport with additional information that emerges during the Monitoring period.

RECOMMENDATION 3: NJCU's Board of Trustees and interim president substantially reduce the institution's long-term debt through a range of proven debt reduction strategies, including but not limited to initiating debt relief measures, dynamic asset management, strategic reinvestment of revenues, capital growth, and sustainability.

Long-term debt reduction will require a comprehensive approach that incorporates property monetization, securing ongoing state assistance, and making strategic capital investments. This multi-faceted strategy should aim to not only alleviate current financial pressures but also position the University for long-term financial stability and operational success. Actively pursuing state assistance can provide necessary funds and resources. Careful planning and execution of the institution's capital investments will ensure its budget is used efficiently, for example, by prioritizing projects that offer the highest return on investment and directly contribute to the University's core mission of education and student success.

BENCHMARK 3: By Q3 of FY2025, NJCU's long-term debt has been reduced from its baseline level by at least $30 million.

- **Required Action:** Promptly determine an accurate baseline for the University's existing long-term debt for use in determining the magnitude of progress achieved each quarter and fiscal year.

- **Required Action:** Conduct an in-depth assessment of NJCU's total outstanding debt for use in identifying its eligibility for and applying for funds from specific debt relief programs as well as for taking advantage of all opportunities for debt renegotiation.

- **Required Action:** To implement dynamic asset management, develop a systematic approach for continuous evaluation and optimization of NJCU's asset portfolio by the Board of Trustees that can be used to seamlessly align the portfolio with market conditions and the institution's goals.

- **Required Action:** To achieve a strategic reinvestment of revenues, dedicate a predetermined portion of the revenues achieved from property monetization to critical areas of infrastructure, technology, and academic programs.

- **Required Action:** To secure and sustain capital growth and sustainability, use the institution's improving financial health to attract and engage additional funders, focusing on long-term projects that promise substantial returns on investment and contribute to NJCU's strategic objectives.

RECOMMENDATION 4: NJCU (and any institution it merges with) must make targeted capital investments aligned with the University's strategic growth objectives in the areas of physical and technological infrastructure expansion and upgrades; the expansion and diversification of its academic programs of study; and the enhancement of its student success program resources and supports.

The literature of higher education reflects that targeted capital investment will, in turn, promote substantive increases in student enrollment (with concomitant increases in tuition and fees), student persistence, and graduation rates of full-time first-time undergraduates.

BENCHMARK 4a: By the start of FY2026, NJCU, its institutional partner, and/or the state make targeted capital investments of $20 million or more aligned with NJCU's strategic growth objectives.

BENCHMARK 4b: By FY2026, NJCU's and its strategic partners' targeted capital investments leverage at least a 5% increase in NJCU's full-time student enrollment.

RECOMMENDATION 5: NJCU increases its pursuit of substantive grants from external sources, including but not limited to federal and state agencies, private and public foundations, corporations and other business entities, and private donors, as well as assertively investigate and implement evidence-based energy conservation strategies and practices.

Energy conservation strategies have the potential to generate significant savings for NJCU, allowing the redirection of funds currently spent on energy costs to projects that promote student success or achieve key operational objectives, including capital improvements. In addition, the institution can benefit from participation in financial incentives that may be available for adopting new energy generation strategies.

***BENCHMARK 5: No later than June 30, 2024,* NJCU's Board and Interim President will continue to pursue all viable energy-saving strategies, as well as determining which federal- and state-supported energy sector grants, other energy-saving strategies or energy-related grants and energy-related donor cultivation strategies are viable sources of revenue for the institution and initiating the immediate pursuit of such energy grants and the implementation of such strategies.**

- **Required Action**: The interim president directs one or more individuals in NJCU's Office of Research, Grants, and Sponsored Services (ORGSS) to examine the availability of new federal- and state-supported energy sector funds and other foundation or corporate energy-related grants in 2024 and beyond by reviewing available grants and forecast grants; and assessing how well the University meets the competitive criteria for all available opportunities. ORGSS maintains a record of energy-sector funding reviewed and the review findings.

- **Required Action:** In collaboration with the staff of ORGSS and other interested and qualified faculty of the University and its combination partner, the interim president determines which, if any, of the energy grant or other funding opportunities available should be pursued, including allocating qualified and experienced fund development personnel and other needed resources to the proposal development process in a timely fashion (providing adequate time prior to the grant submission deadline to prepare a competitive proposal to state or federal agencies and foundations).

- **Required Action**: The Director of ORGSS reviews NJCU's energy-related grant proposal development strategies to ensure the University is allocating adequate resources to complete and submit a sufficient number of competitive funding proposals by their deadlines to increase the likelihood that grant funding will increase. If the Director's review finds ORGSS' current resources are inadequate to pursue all viable opportunities, this information is communicated to the Monitor.

- **Required Action**: ORGSS staff reviews and oversees all energy-related grant proposals submitted and submits monthly reports to the interim president and the Monitor detailing proposals submitted, proposals funded, new proposals underway, and any feedback received about previous proposal submissions. This includes a critical analysis of how NJCU's proposals can be improved to result in more grants being awarded.

- **Required Action**: The interim president and ORGSS review the University's federal indirect cost rate and take whatever actions are necessary to ensure the rate is accurate, current, and competitive for pursuing energy-related funds against similar-sized and situated universities.

- **Required Action:** The Board and Interim President collaborate with the qualified energy consultant who has already been engaged to review federal and state programs available for reducing energy expenditures in universities with diverse physical infrastructures to update and refresh his plan to apply for program participation and supervise the preparation and submission of such applications.

- **Required Action**: The Board allocates funds to implement the energy-saving program(s) they are accepted for participation in.

- **Required Action:** The energy consultant reports on Plan implementation, including energy savings realized to the Board at least quarterly.

RECOMMENDATIONS TO ADVANCE NJCU'S GOVERNANCE CAPABILITIES

In addition to making five recommendations designed to achieve a prompt turnaround in NJCU's fiscal stability and solvency, the Monitor also devised six recommendations for improving the University's governance capabilities. The prompt and simultaneous full implementation of these 11 recommendations is essential to the achievement of both outcomes.

Although separated into distinct categories for Monitoring, reporting, and discussion purposes, NJCU's governance capabilities and fiscal stability are, in fact, inextricable: An institution of higher education cannot achieve financial stability without a capable governance structure and qualified, committed leaders cannot be easily, meaningfully, or permanently engaged in governing fiscally unstable or financially struggling institutions.

The governance recommendations that follow – along with their benchmarks and required actions – are dedicated to ensuring that NJCU has an appropriate governance structure in place and is well-prepared to engineer, achieve, and sustain the rapid, permanent fiscal turnaround it presently requires to survive and prosper.

RECOMMENDATION 1: Defer the search and selection of a permanent president and other top administrators of NJCU until the University's Board is re-structured and fully operational.

BENCHMARK 1: NJCU's Board of Trustees does not pursue or engage in a search for or the appointment and/or hiring of a permanent president or other top administrators until a new Board is selected, all members are oriented and demonstrably engaged in Board service and committee assignments, and the Board structure is fully optimized to support implementation of NJCU's Fiscal Responsibility Plan.

RECOMMENDATION 2: By June 30, 2024, the committee structure of the NJCU Board of Trustees is restructured to comprise an Executive Committee, Finance & Audit Committee, Property & Facilities Committee; Academic Affairs Committee., and any other committees the Board may later determine to be necessary to ensure its bylaws are aligned with and accurately reflect this modification.

Board members serving on each of these committees will be charged with and responsible for engaging with qualified institutional stakeholders to achieve the Monitor's recommendations relative to providing institutional oversight or supervision as well as participating in fund development activities that promote the institution's financial stability.

- **Required Action:** The Chair of the Board of Trustees guides the full Board in the process of adopting and implementing whatever Board policies or procedures are required under its bylaws to modify its committee structure.

- **Required Action:** In collaboration with members of the Board and the interim president, the Chair assigns all Board members to serve on one or more of the Board committees they are most interested in and qualified for.

- **Required Action:** The Board Chair leads a review and analysis of the Board's bylaws, including a discussion of changes required to align these with its new committee structure. This analysis should culminate with a motion by a Board member for the full Board to approve the new committee structure's description in the bylaws.

***BENCHMARK 2: No later than July 15, 2024,* the Chair of the Board of Trustees secures Board approval for prompt implementation of the recommended committee structure.**

- **Required Action:** The Monitor provides the Board of Trustees with training and education that explicates the rationale for the recommended modifications in the Board's committee structure.

- **Required Action:** The Chair of the Board and Monitor meet individually with all Board members to answer their questions and provide additional information about the Board's recommended committee structure.

- **Required Action:** The Chair facilitates the discussion of and votes on a motion to implement a restructuring of the Board's committees at the earliest possible full meeting of the Board, including the vote on a motion to approve this structure.

- **Required Action:** The Board Chair and Monitor collaborate to assign all Board members to the committee(s) best aligned with their knowledge, skills, professional expertise, governance experience, and interests, as well as to recruit new Board members that strengthen the committees that need additional expertise, skill, or knowledge. The full Board discusses and votes on a motion approving all members' committee assignments.

RECOMMENDATION 3: Replace at least four members with new members to the NJCU Board of Trustees who have an interest in being highly engaged in achieving a prompt fiscal turnaround.

The Monitor observed uneven participation by current Board members, including a paucity of current members highly invested in achieving a prompt, complete turnaround in the institution's fiscal stability. An infusion of new talent, interest, expertise, and enthusiasm can prepare this key governance body to tackle and complete the committee assignments and other Board work required to quickly achieve and permanently sustain NJCU's fiscal turnaround.

BENCHMARK 3: No later than May 1, 2024, the NJCU Board of Trustees will have four new well-qualified, interested members appointed by the Governor and confirmed by the New Jersey Senate to replace current holdovers.

- **Required Action:** The Board Chair facilitates the adoption of a motion by the full board to increase the number of Board positions by at least four, following the process for doing so articulated in the bylaws of the Board.

- **Required Action:** The Monitor and Board Chair identify, recruit, vet, and nominate new members to fill all positions newly added to the Board.

- **Required Action:** The Monitor and Board Chair facilitate the New Jersey Governor's appointment of four or more new members to the Board, following the Board's and State's authorized member appointment processes.

- **Required Action:** The Monitor and Board Chair provide an orientation and other needed training to all new members to ensure they are ready to participate fully in decision-making and complete all Board assignments they receive aligned with the Fiscal Responsibility Plan as soon as they join the Board.

RECOMMENDATION 4: The members of the Board of Directors meet at least five times each fiscal year to conduct business, promote and evaluate the institution's fiscal recovery, select an appropriate suite of Key Performance Indicators (KPIs), devise new strategies to achieve both, and maintain high levels of participation in these activities throughout their term of service. They also participate in at least one full-day retreat annually.

BENCHMARK 4a: **No later than June 30, 2024,** ***the Board adopts and implements an annual meeting schedule that includes six regular meetings of the full Board to conduct business and one day-long retreat annually to review progress in implementing the Fiscal Accountability Plan and KIPs and engage in future fiscal, governance, and academic strategic planning.***

- **Required Action*:*** The Board Chair facilitates the creation of a new schedule of engagement for Board members that includes at least five regular meetings and an annual retreat.

- **Required Action:** Notwithstanding regularly convening established Board meetings on a schedule aligned with the Monitor's recommendations and benchmarks, the Board Chair calls and convenes *ad hoc* meetings to ensure members remain fully informed about and engaged in proactively preventing and/or responding to any fiscal, academic, governance, or other major crises that may arise in the course of the University's operation.

BENCHMARK 4b: **No later than July 15, 2024,** ***the Board adopts and implements a schedule of meetings for all committees of the Board that fully supports the attainment of all recommended fiscal benchmarks.***

- ***Required Action:*** The Board Chair facilitates the creation of a recommended schedule of Board Committee meetings to achieve this benchmark.

RECOMMENDATION 5: Establish and fully implement an Office (or other administrative unit) responsible for student success that delivers comprehensive services, resources, and opportunities, and supports students to achieve academic outcomes commensurate with their potential; motivates them to persist to graduation, promotes their lifelong learning; and ensures they have welcoming, safe, and comfortable spaces within NJCU to thrive academically, socially, emotionally, and physically.

BENCHMARK 5:* No later than August 1, 2024, *the University has developed a proposal for a new Vice President of Student Success to report directly to the President and is responsible for working across administrative divisions and academic units in support of the University enrollment and retention goals further developing pathways for increased graduation rate and career placement.

- **Required Action:** The Interim President, in collaboration with the University Provost, members of the Academic Affairs Committee of NJCU's Board of Trustees, and other campus leaders, initiate, implement, and complete the process of adding a new administrative unit responsible for student persistence to the University.
- **Required Action:** The University budgets adequate funds to ensure all students have access to meaningful services provided by personnel in the new administrative unit.

RECOMMENDATION 6: Adopt Key Performance Indicators (KPIs) to enhance the institution's accountability, strategic alignment, and operational excellence.

The Monitor has carefully curated a suite of KPIs well-aligned with NJCU's core strategic ambitions – including indicators of the institution's financial health, student success, student admissions and enrollment status, improved faculty and staff development, and facilities optimization.

These KPIs also draw upon industry insights, such as those provided by EY-Parthenon, Ernst & Young's global strategy consulting arm, to establish benchmarks and metrics for precise Monitoring of academic and financial performance. Although the Monitor has not recommended specific metrics or measurement strategies, a collaborative approach in which the institution's administration regularly engages with the Board to establish realistic performance targets and rigorously tracks progress with evidence-based metrics is recommended. The methodology ensures NJCU's strategic Monitoring is both adaptable to and aligned with its evolving objectives, enabling a dynamic framework for continuous improvement and excellence.

BENCHMARK 6: No later than September 30, 2025, NJCU's administration and Board of Trustees will adopt and begin to Monitor the institution's performance and progress using a suite of Key Performance Indicators (KPIs).

A representative sample of KPIs used by institutions similar in size and mission to NJCU is provided in discrete categories that represent the institution's major functional performance areas, including financial health, student success, admission, and enrollment, faculty and staff, facilities and other capital resources, endowment size and growth, and technology Infrastructure and digital learning resources.

Financial Health KPIs

Revenue vs. Cost Efficiency

- **Description:** Evaluates financial efficiency by analyzing the ratio of total revenue to total operational costs, highlighting areas for cost optimization and revenue enhancement.
- **Oversight:** Finance Committee

Reserve Ratio

- **Description:** Measures the financial cushion of the university by comparing net assets to total expenses, reflecting the institution's ability to sustain operations during downturns or unexpected financial challenges.
- **Oversight:** Finance Committee

Property Monetization Timeline

- **Description:** Establishes a strategic timeline for leveraging underutilized properties, aiming to enhance revenue through property development, sale, or lease.
- **Oversight:** Executive Committee

Audit Completion Timeline

- **Description:** Sets rigorous deadlines for the completion of financial audits, ensuring adherence to compliance standards and identifying financial risks early.
- **Oversight:** Audit Committee

Debt-to-Operating Revenue Ratio

- **Description:** Monitors the university's financial leverage by comparing total debt to operating revenue, aiming for optimal balance to support growth and stability.
- **Oversight:** Finance Committee

Net Tuition and Fees per FTE

- **Description:** Measures the average net income from tuition and fees per full-time equivalent (FTE) student, after accounting for financial aid and scholarships. It helps assess the university's revenue efficiency and can indicate the institution's affordability and accessibility for students.
- **Oversight:** Finance Committee and Admissions Department

Endowment Size and Growth

- **Description:** Tracks the size and growth rate of the endowment fund, aiming to support financial sustainability and strategic initiatives through investment returns.
- **Oversight:** Finance Committee

<u>Student Success</u>

Graduation Rates (Overall and by cohorts)

- **Description:** Monitors the percentage of students graduating within expected timeframes across different programs, identifying areas for academic support and program improvement.
- **Oversight:** Student Affairs Committee

Student Retention Rate

- **Description:** Assesses the year-to-year retention rates of students, with a focus on critical transitions such as from first to second year, to implement targeted retention strategies.
- **Oversight:** Student Affairs Committee

Student Satisfaction Index

- **Description:** Evaluates overall student satisfaction across various dimensions of university life, including academic experiences, campus services, and community engagement.
- **Oversight:** Student Affairs Committee

Graduate Employment Rate

- **Description:** Tracks the employment rates of graduates in fields related to their study areas, offering insights into program relevance and career preparation effectiveness.
- **Oversight:** Career Services Department

Graduate Employment Rate

- **Description:** Tracks the employment rates of graduates in fields related to their study areas, offering insights into program relevance and career preparation effectiveness.
- **Oversight:** Career Services Department

<u>Admission & Enrollment</u>

Acceptance Rate and Yield

- **Description:** Analyzes the balance between selectivity and yield rates to refine admissions strategies, enhancing NJCU's competitive position and appeal to prospective students.
- **Oversight:** Admissions Department

Year-over-Year Enrollment Growth

- **Description:** Sets ambitious yet achievable targets for enrollment increases, informed by demographic trends and strategic outreach efforts.
- **Oversight:** Admissions Department

Diversity and Inclusion Index

- **Description:** Quantitatively measures progress in creating a diverse and inclusive campus environment, reflecting broad initiatives from recruitment to campus life.
- **Oversight:** Diversity and Inclusion Office

Faculty & Staff

Student-to-Faculty Ratio

- **Description:** Maintains optimal class sizes and faculty availability to ensure high-quality education and student engagement.
- **Oversight:** Academic Affairs Committee

Faculty Development and Tenure Rates

- **Description:** Increases tenure rates and supports faculty development programs to attract and retain high-caliber educators and researchers.
- **Oversight:** Human Resources Department

Facilities & Resources

Sustainability and Environmental Impact Goals

- **Description:** Advances NJCU's commitment to sustainability by setting specific environmental goals, including energy efficiency, waste reduction, and green campus initiatives.
- **Oversight:** Facilities Management Department

Technology Infrastructure & Digital Learning Resources

- **Description:** Ensures the University's technology infrastructure supports innovative teaching methods, research, and administrative efficiency through regular upgrades and evaluations.
- **Oversight:** Information Technology Department

The adoption and rigorous implementation of these KPIs will help propel NJCU toward achieving its strategic objectives, fostering an environment of continuous improvement and accountability.

PLAN FOR THE NEXT MONITORING PERIOD

Between March 15, 2024, and September 14, 2025, the Monitor will carry out the required actions for which he is responsible in the Fiscal Accountability Plan and provide careful, ongoing oversight of the required actions for which others are responsible in this plan, including NJCU's interim president and the Chair and other members of its Board of

Trustees, other employees of the institution, and other individuals and groups required to complete a required action.

In addition, the Monitor will continue to attend all meetings of the Board of Trustees; meet regularly with the New Jersey Secretary of Higher Education and other state officials, engage diverse internal and external audiences in discussions of the institution's strengths, resources and needs; and collect and analyze internal and external data and information pertinent to the institution's fiscal stability and governance capabilities. The Monitor will also continue to provide training to members of the Board of Trustees, interim administration, and other stakeholders.

In the next period, the Monitor may eliminate, add to, or modify the existing recommendations, benchmarks, required actions, and/or KPIs to comport with new fiscal, governance, and academic data or information obtained.

The Monitor will create and provide a comprehensive report of all Monitoring activities completed in the period to the New Jersey Secretary of Higher Education.

EXIT STRATEGY FOR THE MONITOR

The Monitor's exit from oversight of the fiscal and governance activities of NJCU requires the attainment of all governance benchmarks as well as the completion of a strategic relationship with a fiscally stable New Jersey institution of public education, completion and Board approval of the Property Monetization Plan, and substantive attainment of all other fiscal and governance benchmarks. These accomplishments will result in higher levels of institutional income or substantial reductions in short- and long-term institutional debt.

The Monitor expects these outcomes to be attained by the commencement of FY2026.