



Intersections for Success

BUSINESS PLAN | SEPTEMBER 2017

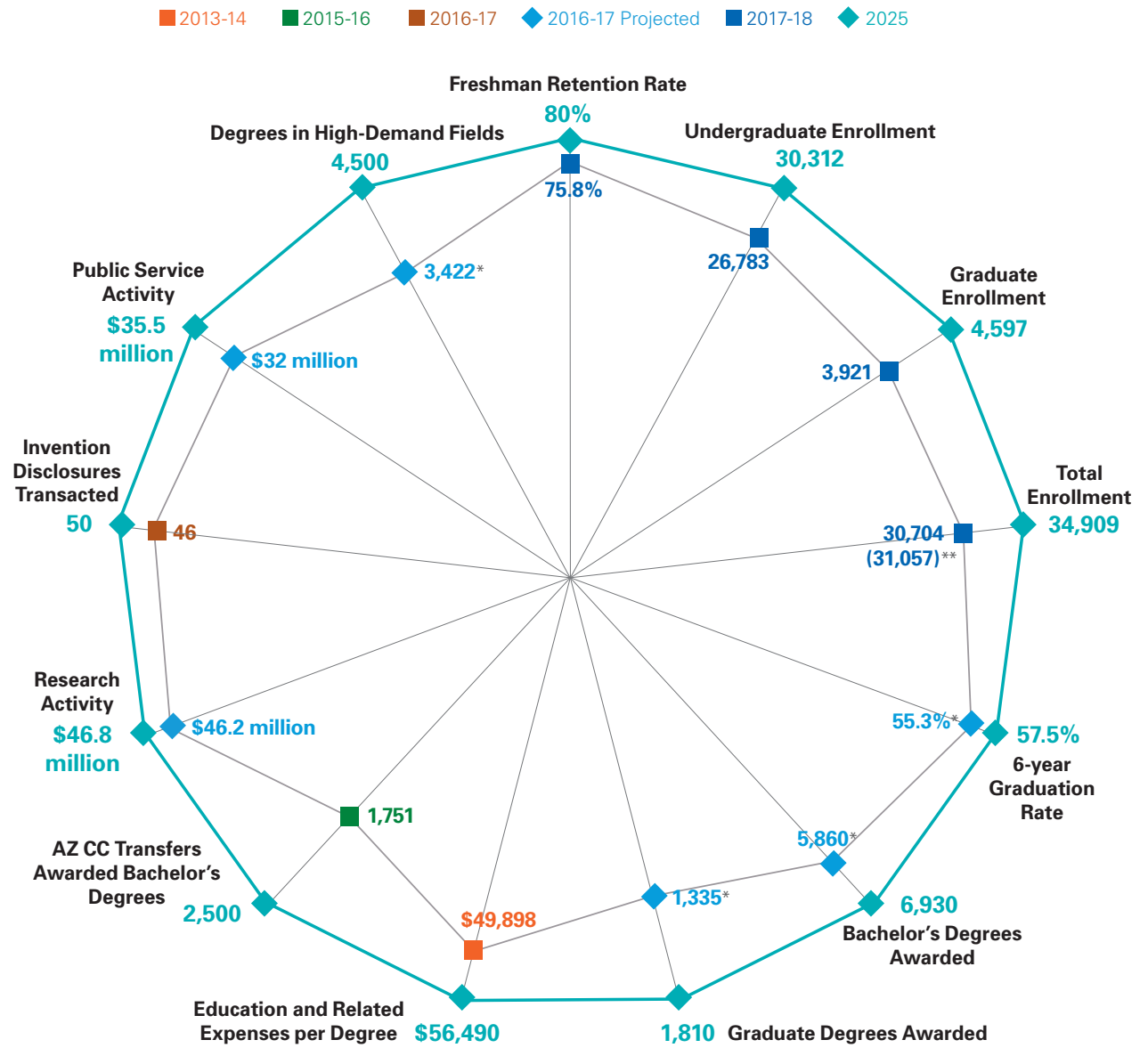
NORTHERN ARIZONA  UNIVERSITY

INTRODUCTION

Northern Arizona University's Operational and Financial Review (OFR) last year featured our outlook and emerging brand of Possibilities in Every Direction. This signified the return to a structurally balanced budget and strong financial footing. This year's report provides an update on the progress we've made during the past year and details how this university is actively turning possibilities into reality. The framework presented during last year's OFR continues to represent the blueprint for NAU's pathway toward achieving the 2025 ABOR metrics. To be successful in achieving these goals, our activities remain consistent with our mission where we focus on the personal relationships and commitment to innovation that have long been defining characteristics for NAU. Turning possibilities into results is everything that our students, faculty and staff and state deserve and expect.

METRICS

NAU is committed to achieving the 2025 Enterprise Metrics that were developed in conjunction with the Board in 2015. Just two years into measuring progress on these metrics, we are pleased to report positive progress, positioning NAU well moving into the upcoming year. We've generated significant momentum in the research measures and have continued steady progress in the enrollment and student success areas. We recognize that progress in all categories is desired as collectively they reflect an institution's components that intersect and work together to move the institution forward. It is realistic, however, to expect some areas to shine brighter in any given year depending on the timing of new hires, new initiatives and stages of investments. Below are highlights from FY 2017 that supplement the OFR background data report and last year's OFR business plan.



*Preliminary as of 9/19/2017

**IPEDS/All Enrolled Headcount

RESEARCH / PUBLIC SERVICE

NAU maintains our commitment to the classification as higher research in the Carnegie system. We are ambitiously pursuing a ranking in the top 200 universities in the U.S. based on research expenditures as ranked annually by the National Science Foundation. Our investment in research attracts premier faculty to NAU, connects to undergraduate experiential learning and positively impacts the communities we serve. While the descriptions of the activities may often seem abstract, the impacts are not and they reach much beyond the external resources brought into the university. NAU's research mission is reflected in our research expenditure total which is currently projected to reach \$46M in FY17. This represents single year growth greater than \$6M. NAU's strategy remains targeted and strategic to build upon our well known areas such as microbiology and build out areas such as informatics and health equity. This is reflected in our strategic hiring plan that resulted in over forty established research hires that started in FY17 or FY18 and in the formation of the Pathogen and Microbiome Institute in September 2016.

With NAU's growing research base, tech transfer activity in the form of invention disclosures is increasing. In FY16, NAU had its highest invention disclosure number and in FY17 we realized 46 disclosures. NAU Innovations provides the mechanism through which the research conducted by faculty and students is disseminated to spur innovation that contributes to the intellectual and economic development of the state and beyond.

Public service expenditures at NAU will exceed \$32 million in FY17 and reflect the strong ties that NAU has to the communities in northern Arizona and throughout the state. Our teacher education programs continue to have a very strong impact throughout Arizona K-12 schools and will increase in this upcoming year with the development of NAU's Teacher Academy which is expected to serve approximately 70 students during the initial year. NAU has finalized MOU's with Federal and local agencies which allow the university to not only expand our Federal funding portfolio, but also expand our public health research regionally in partnership with Arizona's Native American communities to further address health disparities in rural areas across the state.

ENROLLMENT

NAU's total enrollment for this fall continues a trend of significant enrollment growth since 2006, exceeding 31,000 students this fall, largely driven by serving an increasing number of Arizona resident undergraduate students, primarily on the Flagstaff Campus with targeted graduate student growth over the last five years on the Phoenix Biomedical Campus. To remain competitive with high achieving AZ resident students, we proposed and were approved to move forward with the development of an Honors College and Living and Learning Community. At the same time, NAU has remained committed to the Pledge guaranteed tuition program for this upcoming year to address the needs students and their families have for predictability in planning for college costs and to optimize financial aid resources in support our students.

METRICS TARGETS

NAU's strategy to reach the 2025 ABOR metric enrollment target, however, will include significant diversification of our future enrollment growth as compared to the recent past. In particular, NAU's comprehensive enrollment strategic plan includes an online enrollment growth component which will be integral to our success with over half of the projected enrollment growth driven by online headcount. Over the last year NAU completed efforts establishing the foundation for this effort, including modifying and simplifying our online pricing structure for FY18 to align with the online tuition practices of institutions across the nation. It is also why a new organizational structure has been established and we are launching a search for a new Dean of NAU Online and Innovative Educational Initiatives to oversee our online and Personalized Learning programming.

INTERNATIONAL STUDENTS

While international student expansion faces numerous policy and competitiveness challenges in the future, NAU has successfully integrated our model of building relationships in an expanded way throughout the world. Through this outreach and personal touch, NAU expects to see an increase in the number of international students attending our campus and a greater number of countries represented. For Fall 2017, this means that we will expect to exceed 1,300 international students for the first time with the largest international enrollment on record and over 80 countries represented.

NEW PH.D PROGRAMS

With the launch of new PhD programs in 2017 in informatics, bioengineering and astronomy and the buildout of graduate programs at the Phoenix Biomedical Campus, NAU is expanding the breadth of graduate program offerings. These programs build upon NAU's areas of strength and expand the foundation necessary to support NAU's goals to increase its research activity. This effort also highlights the interconnectedness of the individual metrics and investment strategies and how the university's research mission positively impacts Arizona's workforce with its graduates from high demand degree programs.

COMMUNITY COLLEGE PARTNERSHIPS

Community college partnerships have been a historical strength of NAU which required a closer look over the last year. NAU's mission of access to a broader population of students has been aided by these efforts and targeted strategies have been employed to reenergize this area of NAU's enterprise with renewed focus. NAU's most recent web-based degree planning tool, JacksPath, is a premier example of a revitalized system underway for community college relationships and support of transfer students. This is also evident in NAU's portion of the Arizona Teachers' Academy which is based on Grow Your Own Programs in several communities in this state in partnership with community colleges and school districts.

STUDENT SUCCESS

Student success remains at the core of NAU's mission and underscores many of our significant investments in technology. Our Learning Management System (LMS) and recent implementations of Civitas and Salesforce allow for NAU's personal touch to continue with a growing student enrollment. Additionally, we have reorganized our efforts related to advising and other student support areas, including establishing an Office of First Generation Initiatives to support our growing number of students who are the first in their family to attend college. Student employment on campus has undergone streamlining efforts to instill consistency of experience, practices and compensation and we have encouraged departments to consider our students first when temporary or seasonal positions are required. Targeted retention action plans are being utilized to focus efforts and attention on areas of struggle, including the first year.

DEGREES AWARDED AND RETENTION RATES

When NAU's final 2017 degree numbers are posted in October, the undergraduate degrees awarded will be the highest in NAU's history at over 5,700. This reflects the successful implementation of the strategies identified above, to impact both NAU's recruitment and retention efforts. Retention continues to steadily improve and this is the first step in achieving the graduation outcome goals.

We expect the retention rate of our first year, full time cohort increase to reach 76% this upcoming fall representing another step toward achieving the 80% 2025 retention metric.

Identified as a leading change agent, NAU is one of 31 colleges and universities selected by the Bill and Melinda Gates Foundation for the Frontier Set to share ideas about lowering costs and improving student success. This includes improving retention and reducing institutional costs through the use of technology.

NAU has also received many gifts to support and enhance our retention efforts. The John and Sophie Ottens Foundation has provided significant support of student success, health promotion, and clinical services for Native American students. This gift supports recruitment and retention of Native American students studying to become health professionals and funds key nursing and dental hygiene program efforts. The Suder Foundation investment of approximately \$1 million for first generation student success scholarships established NAU as an affiliate university in the Suder Foundation's signature First Scholars Program.

BUDGET/FINANCES

NAU's fiscal position continued to improve in 2017 heading into FY18. Days cash on hand met the projection for year end 2017 at an estimated 151 days, which is well within the board guidelines for cash liquidity. NAU is also projected to see an increase in net position which will reflect an improvement versus FY16 of approximately \$10 million. Generating these financial results in conjunction with modifications to our organizational structures and improved business processes drive our efforts to have the operational efficiency and agility to fund and implement the strategic initiatives necessary to reach the ABOR 2025 metrics.

Investments in people and infrastructure were at the core of our investment priorities in FY17 and this will continue to be a priority. NAU dedicated one time state appropriation funding in FY17 to address critical infrastructure needs and is focused on investing in classroom technology with IT fee funding. We implemented a merit based mid-year salary adjustment for both faculty and staff in 2017. To remain competitive in attracting and retaining employees, NAU will continue to invest in both to continue to address salaries that lag comparable market rates and a deferred maintenance backlog of \$128 million.

NAU operates at a lower funding level per FTE than in 2008, using state appropriations and net tuition and fees. In order to deliver the quality education we promise our students on the Flagstaff campus and have the resources to innovate, NAU remains focused on being efficient. That expectation is built into the budget framework for 2018 and

will be critical to reallocate resources in order to fund investments in areas such as faculty hiring that is necessary to be successful over the period through 2025. NAU fully supports the state's resident FTE funding model and the importance of base funding additions to support an increased number of students. Maintaining our PLEDGE tuition program is based on the ability to set a new four year rate for each incoming class on the Flagstaff campus, state base funding investments and maximizing the outcomes we realize from all of our resources. The state's upcoming investment in infrastructure that begins in FY19 is an important funding source and we are developing plans to bring forward to address our North Campus Science Corridor.

As part of NAU's focus on using resources effectively and efficiently, a number of initiatives were implemented this past year and will continue into this upcoming year. We implemented a framework for data governance in FY17 that focuses on the use of data as an institutional resource and is bringing together stakeholders together to discuss the intersections of data usage, business processes and systems. NAU also has launched a significant initiative to review and update campus policies to ensure they are relevant to today's campus operations.

NAU is thriving across our programs and our campuses. The success of our students and our graduates reflects this. Recent data from the Department of Economic Security showed that 82% of our 2016 Arizona resident graduates went to work in our state last year. As is the case with higher education institutions across the country, we face a variety of opportunities and challenges.

In last year's OFR business plan, several challenges were outlined ranging from intensifying competition for student recruitment to addressing our infrastructure's deferred maintenance and offering competitive salaries for faculty and staff. These challenges still exist and drive our continued efforts to find operational efficiencies and cost savings in order to build financial resources needed to address our most critical needs. Through deliberate and proactive steps, we will continue to target our recruitment efforts, optimize our financial aid resources, maximize our existing building spaces, and utilize a merit based compensation program to retain our talented faculty and staff. Our efforts in each of these areas will be integral to the overall success that we expect to achieve.

CLOSING/SUMMARY

As noted in last year's OFR, NAU remains well positioned to meet the goals and expectations set before us. We have demonstrated our ability to adapt and innovate to ensure that increasing numbers of our students succeed, our growing research activity is impactful, and that communities are enriched through our activities. We have made progress in each of these areas during the past year and our students, faculty, staff and communities have benefited from that progress. We will pursue the many opportunities that we see in front of us during this upcoming year knowing that our success delivers a positive impact throughout Arizona and beyond.