FINDING THE RIGHT PARTNER:

Due Diligence Support for Exploring Strategic Partnerships

February 7, 2025

TABLE OF CONTENTS

EXECUTIVE SUMMARY

SUMMARY RECOMMENDATIONS

- New Jersey City University (NJCU) serves a critical mission by providing a public 4-year higher education to citizens of Hudson County and surrounding region, the majority of whom are under-represented and minoritized individuals. While the school has historically struggled with lower retention and graduation rates, it is also clear that it strives to provide its students with the academic, financial, and mental health support needed especially for lower-income first generation students.

- Due to a series of unfortunate events and decisions by former university leaders, exacerbated by the COVID-19 pandemic, NJCU took the bold step to declare fiscal exigency in June 2022 to address a multi-year operating budget deficit. Since then, new leadership has been working diligently to address these challenges, including reducing underperforming academic programming, right-sizing staffing, controlling expenses, and generating additional revenue from various sources including from non-essential real estate sales.

- NJCU has adopted a refreshed mission and vision statement with institutional values, an academic master plan, a strategic student enrollment plan, and a student development and community engagement plan that has been remarked upon by the Middle States Commission on Higher Education (MSCHE) and global rating agencies, including Moody's and Fitch.

- NJCU needs additional staff and resources to serve out their strategic sustainability work and to mitigate potential operational risks for the institution.

- NJCU must continue to address deferred capital maintenance needs estimated by SPH to amount to over $120 million, most of which is urgently needed. The institution is additionally facing significant debt and lease costs, with bond debt payment alone currently consuming approximately $7M annually. An amount that is set to increase to ~$10M by 2026 and ~$12M by 2031. Further, the institution, as publicly noted, has effectively exhausted its capacity to acquire any additional debt.

- Financial modeling by SPH did not reveal a realistic path forward for NJCU as a sustainable and wholly independent enterprise able to provide the quality and extent of the services their core student population and their community and state need and deserve without extraordinary State support

- A number of immediate institutional restructuring initiatives have been deployed and should continued to be be considered, including downsizing, developing shared partnerships for academic programming, administrative services, or facilities, or merging with another institution, either completely, into a system, or as type of an affiliation. However, in choosing restructuring options NJCU needs to consider the objective of maintaining a tangible public 4-year higher education presence in Hudson County and the greater surrounding region, while also acknowledging NJCU's critical need to immediately address various challenges, including declining enrollment demographics, structural financial shortfalls, strategic staffing gaps, and decades-long capital needs -- all while ensuring a quality and meaningful higher education to its core constituents (students primarily from the surrounding population).

- In this setting, the restructuring tactics that present the greatest potential include 'Scaling Down/Downsizing', 'Shared Facilities', and 'Complete Mergers'. While the first two options primarily would leverage relationships with institutions that are proximate to NJCU, a merger will require identifying a willing and able partner with a complementary mission

- At least two 4-year New Jersey public institutions of higher education that currently compete for students with NJCU could serve as potential merger partners. A potential merger with one of these institutions should be readily explored.

Further, the need for the State to provide support to these strategic merger efforts is <u>critical</u> to the success of any such initiative.

- Finally, it should be noted that the State of New Jersey needs to meet the relatively high level of urgency that NJCU has acknowledged in addressing any major institutional restructuring option. An urgency driven by the current financial situation, the time it will take to negotiate the initiative and receive the necessary state and federal approvals, leadership bandwidth limitations in needing to address both the current institutional challenges and the change process, tangible resources that these initiatives would take, even in the best of circumstances, and continuing progressive challenges to the higher education environment in general.

BACKGROUND AND DUE DILIGENCE

Like many other regional public comprehensive institutions of higher education, NJCU has been experiencing decreasing enrollment. The declining enrollment, along with various historical managerial and governance decisions, exacerbated by the COVID-19 pandemic, resulted in the strategic declaration of fiscal exigency in June 2022, with a reported significant multi-year multi-million dollar structural operating budget deficit. Investigations by the State Comptroller's Office and the appointment of a State Monitor followed.

Current leadership and staff at NJCU, in collaboration with the State Monitor, have been working tirelessly to address the fiscal challenges, the extensive deferred maintenance needs, and the significant debt and lease burden, while reducing academic programming, decreasing staff counts by approximately 30%, and striving to continue to meet the ongoing needs of their students and faculty. Significant progress on all these fronts has been made with a dedicated focus on the long-term sustainability of NJCU's distinctive and important mission.

The higher education environment in the U.S. is currently characterized by a continuing decline in the population of individuals that traditionally sought higher education, increasing costs and regulatory burden, and massive excess teaching capacity. Which in any sector would call for significant consolidation. Consequently, the need for NJCU to consider major institutional restructuring to ensure the sustainability of its mission to its core students, primarily individuals from the Hudson and surrounding counties, in whatever form necessary, was articulated. A merger was suggested as a potential restructuring option. A Request-for-Proposals (RFP) was issued to identify a firm specializing in mergers in higher education and SPH Consulting Group responded and was selected.

The report that follows stems from this engagement and addresses the due diligence and the partner identification portions of the engagement. SPH understood that a rapid timeline was necessary to meet the milestones of the state's budgetary process, and that the objective was to assist NJCU leadership in identifying a path forward to sustainable, ongoing, and quality operations at NJCU, so that the institution could continue to successfully serve its core student population. SPH strived to focus its analysis on what would be best for the students traditionally served by the institution, and to provide an external and objective perspective. Information that would assist NJCU and New Jersey (NJ) state leaders in their decision-making. SPH observations are current as of November 2024, although we understand NJCU leadership has continued to address many of the areas addressed in this report. Following, we provide a summary of our findings to date.

- ➢ **Governance/Corporate** - NJCU is considered, for all intents and purposes, a 'state agency' whose public voting-members are appointed by the Governor subject to the advice and consent of the Legislature.

  - **Opportunities**
    - o Despite the clear commitment of current NJCU board members to the institution, its students, and its mission, it is also clear that most are only able to be engaged with board operations to a modest degree.

Table B. Projections of job growth by industry sector by county surrounding NJCU

	Healthcare	Computers	Business	Education	Psychology Soc. Svcs.
Bergen					
- Base Population	121,950	36,828	257,161	27,148	21,207
- Total Change	15,267	3,520	(4,439)	1,245	2,075
- Annual % Growth	1.3%	0.6%	0.0%	0.6%	0.8%
- Total % Change	13.6%	7.1%	0.5%	5.7%	8.8%
Essex					
- Base Population	85,120	27,617	189,160	30,276	19,184
- Total Change	85,120	27,617	189,160	30,276	19,184
- Annual % Growth	1.0%	0.5%	-0.1%	0.6%	0.6%
- Total % Change	10.9%	5.5%	-0.4%	5.9%	6.5%
Hudson					
- Base Population	50,186	28,095	193,709	16,073	12,598
- Total Change	5,993	4,218	6,531	590	1,098
- Annual % Growth	1.1%	1.1%	0.6%	0.5%	0.8%
- Total % Change	12.0%	12.3%	6.2%	4.9%	8.3%
Middlesex					
- Base Population	90,455	40,047	252,515	27,545	19,273
- Total Change	13,049	6,506	13,441	1,698	2,467
- Annual % Growth	1.5%	1.3%	0.7%	0.7%	1.2%
- Total % Change	15.9%	14.0%	7.8%	7.1%	12.6%
Union					
- Base Population	55,107	18,151	130,055	14,871	11,615
- Total Change	7,002	1,876	(582)	428	953
- Annual % Growth	1.3%	0.7%	0.1%	0.4%	0.8%
- Total % Change	14.5%	8.2%	1.1%	4.0%	7.9%
5-County Total					
- Base Population	402,818	150,738	1,022,600	115,913	83,877
- Total Change	49,601	18,215	10,641	5,427	7,808
- Annual % Growth	1.2%	0.8%	0.3%	0.5%	0.8%
- Total % Change	**13.4%**	**9.4%**	**3.0%**	**5.5%**	**8.8%**

The appointment of additional board members with sufficient time to become more engaged in the necessary functions and responsibilities of the board, and with the necessary breadth of experience and expertise to undertake the needed change management, represents a potential opportunity.

o Merger with another institution would also provide an avenue for board rejuvenation and restructuring.

- **Challenges**

o The coming need to consider major institutional restructuring options, including a merger, requires a fully committed, active and effective Board. In fact, the commitment and preparedness of the governing board has been identified as the most single important element determining the success of institutional mergers.[1] There currently appears to be insufficiently experienced Board members in order for the Board to function properly or effectively.

o The state (regulatory and political) environment presents added difficulties to the operations of NJCU, with little tangible incentive for public institutions of higher education in NJ to collaborate or to become more effective.

➢ **Market** - For any organization providing a complex public service there are at least three factors critical to success: (1) Where it is located vis-à-vis the population it seeks to attract; (2) The unique socio-demographic profile that defines the community it serves; and (3) Who it is competing with to provide their services. Located in Jersey City, NJCU's geographical location, the unique socio-demographic profile of the market area population, and the heavy concentration of competing schools, creates both significant challenges along with some potential strategic opportunities (**Table A**).

- **Opportunities** – Despite its recent financial and operational challenges, the market in which NJCU operates could provide a number of strategic opportunities for the school. As a provider of post-secondary education, seeking to

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[1] Azziz et al. Strategic Mergers in Higher Education. Johns Hopkins University Press, 2019.

attract students in a highly competitive market, NJCU needs to offer the right academic programs that meet the specific needs of its prospective students. At the same time, NJCU needs to offer academic programs that prepare their students to compete for jobs and find career success following graduation.

Meeting Industry Needs – According to the US Bureau of Labor Statistics, in New Jersey there are five industry sectors that are projected to have substantial growth in demand for trained professionals over the next 10 years: (1) healthcare; (2) computers and information; (3) business, marketing and management; (4) education, and (5) psychology and social services (**Table B**). NJCU has undergraduate and graduate programs in each of these disciplines. Focusing their available resources to strengthen these programs will enable NJCU to offer programs that ensure their own market relevance (**Table C**).

o **Identifying Prospective Partners** – Currently, while NJCU offers degrees in each of the five aforementioned industry sectors, they are only producing a small percentage of graduates in each of these disciplines. Using degrees granted as a proxy for market share, it is evident that NJCU is not capturing a significant portion of the potential student market. Regarding undergraduate degrees granted, among the five industry sectors with the largest growth, in 2022 NJCU's most impactful program in healthcare only granted 4.4% of all bachelor's degrees recorded. At the graduate level, NJCU granted only 7.5% and 5.5% of all master's degrees in education and healthcare, respectively, in the entire state of NJ. As a standalone institution NJCU's impact on graduates in these high demand fields is limited. Partnering or merging with another institution or institutions could result in significantly increased market share.

- **Challenges –** An analysis of NJCU's market, in particular the needs of its students and its own position compared to those schools against which it competes for students, finds several unique challenges that need to be managed.

  o **Academic Performance –** NJCU offers academic programs across a wide array of disciplines. Unfortunately, the university is struggling to complete with those schools with which it directly competes for students. Key indicators used to assess performance include: (1) 4-year graduation rate for first-time full-time freshmen; (2) 6-year graduation rate for first-time full-time freshmen, and (3) 2022 undergraduate student retention. In each of these categories, NJCU is either the lowest or second lowest among a group of 12 other competing schools. In 2022, NJCU reported a 20%, 4-year graduation rate and only a 39% 6-year graduation rate. Its student retention rate was only 73%. In 2024, NJCU developed and began to implement a strategic enrollment plan and student development and community engagement plan that builds on its new academic master plan that identified ways in which to improve on these key performance indicators. A strategic partnership and/or merger with a mission aligned four-year public institution would exponentially enhance the resources necessary to realize significant improvements.

  o **Supporting Non-Academic Needs** – A review of NJCU's market area identified a population with a diverse demographic and economic profile. The community served is home to a significant immigrant population, with a high percentage of food insecurities, high unemployment, and varied median household income. The students coming to NJCU from this diverse community have additional needs that go beyond a classroom experience. From housing to mental health services to food insecurity, these are all basic requirements that NJCU is dealing with to support its students. **Supporting their student's needs in these areas requires allocation of additional resources that are not easily available for NJCU.**

  o **Remedial Academic Support** – According to NJCU's academic administration, many of the students that come to the school require remedial support to complete their classes. This situation is substantiated by the demographic data which shows that in 13% of Hudson and Union Counties, and 9% of Essex County households report limited English spoken in the home. This is 3 times higher than the nation average [4%] and nearly 2 times higher than the statewide average [7%].[2] **The student population attending NJCU has its own unique needs, and the school is challenged to allocate robust support services from its limited resources that would enable many of their students to find academic success.**

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[2] (4) https://www-doh.nj.gov/doh-shad/indicator/view/Dem_Ed.County.html - See Table #3, NJCU Market Area – Socio-Economic Summary, Page 12

| Table C. NJCU and competitors in five key employment fields	Sum of 2022 Bachelors	Sum of 2022 Masters
Biology	**1029**	**48**
Kean University	218	10
Montclair State University	189	22
New Jersey City University	**79**	
Rowan University	372	6
Saint Peter's University	62	
William Paterson University	67	10
Bus.-Mkt-Mgmt	**2643**	**900**
Kean University	560	46
Montclair State University	684	349
New Jersey City University	**262**	**95**
Rowan University	658	112
Saint Peter's University	140	79
William Paterson University	288	219
Comms-Journ	**996**	**51**
Kean University	128	10
Montclair State University	351	12
New Jersey City University	**24**	
Rowan University	316	14
Saint Peter's University	21	10
William Paterson University	135	5
Education	**713**	**1577**
Kean University	195	258
Montclair State University	74	551
New Jersey City University	**1**	**228**
Rowan University	322	223
Saint Peter's University	37	71
William Paterson University	84	219
Health Programs	**1358**	**506**
Kean University	133	66
Montclair State University	201	108
New Jersey City University	**246**	**35**
Rowan University	283	150
Saint Peter's University	84	46
William Paterson University	393	99
Psychology	**1615**	**300**
Kean University	371	108
Montclair State University	423	84
New Jersey City University	**138**	**29**
Rowan University	432	33
Saint Peter's University	34	12
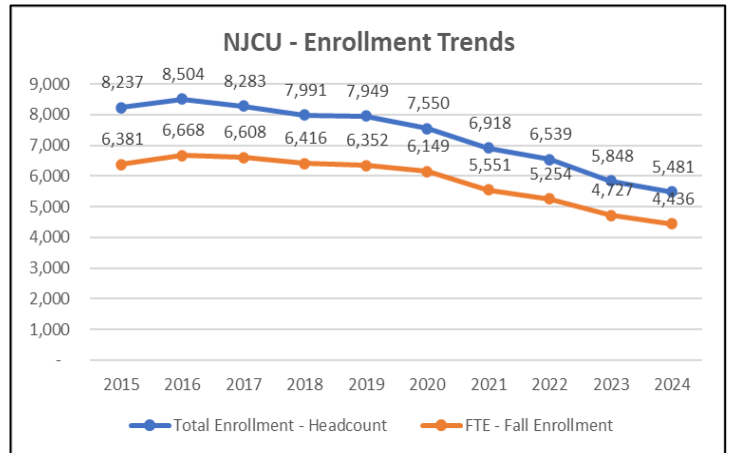
Fig. A. NJCU enrollment: 2015-2024 (sources: 2015 to 2022 – IPEDS Database, 2023-24 – NJCU Internal
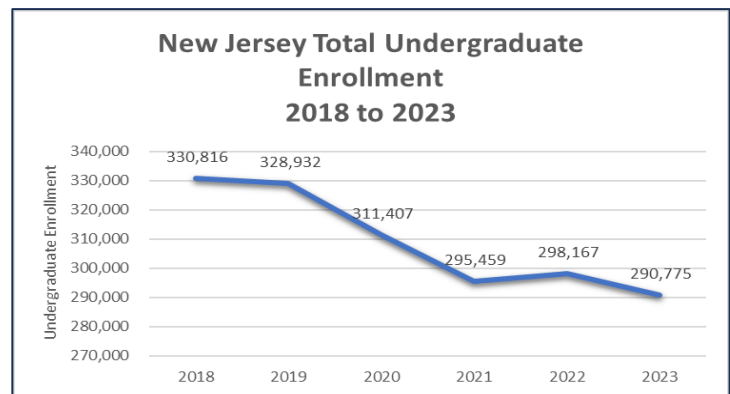

Fig. B. New Jersey total undergraduate enrollment.

➤ **Enrollment** - Like most colleges and universities across the country, securing student enrollment is perhaps the most basic core challenge that NJCU faces. **Overall, New Jersey's statewide market for total student enrollment has failed to show signs of recovery as compared to other states**. While some schools have managed to buck the statewide trend and increase their enrollment, NJCU's overall enrollment trajectory has continued downward (**Fig. A**). New Jersey has also experienced a general decline in undergraduate enrollment (**Fig. B**). In addition, New Jersey leads the country in outmigration of college-bound students to other states (**Fig. C**), posing a significant challenge for all institutions of higher education in the state. Between 2015 and 2022, NJCU reported an 18% decline in its fall FTE enrollment. Other schools who directly compete with NJCU for the same population of students, with the exception of Kean University which had a 5% decline, experienced growth in their student enrollment (**Table D**).

Fig. C. Number of first-time degree/certificate-seeking undergraduate students at Title IV institutions who migrate into and out of the state or jurisdiction: Fall 2018
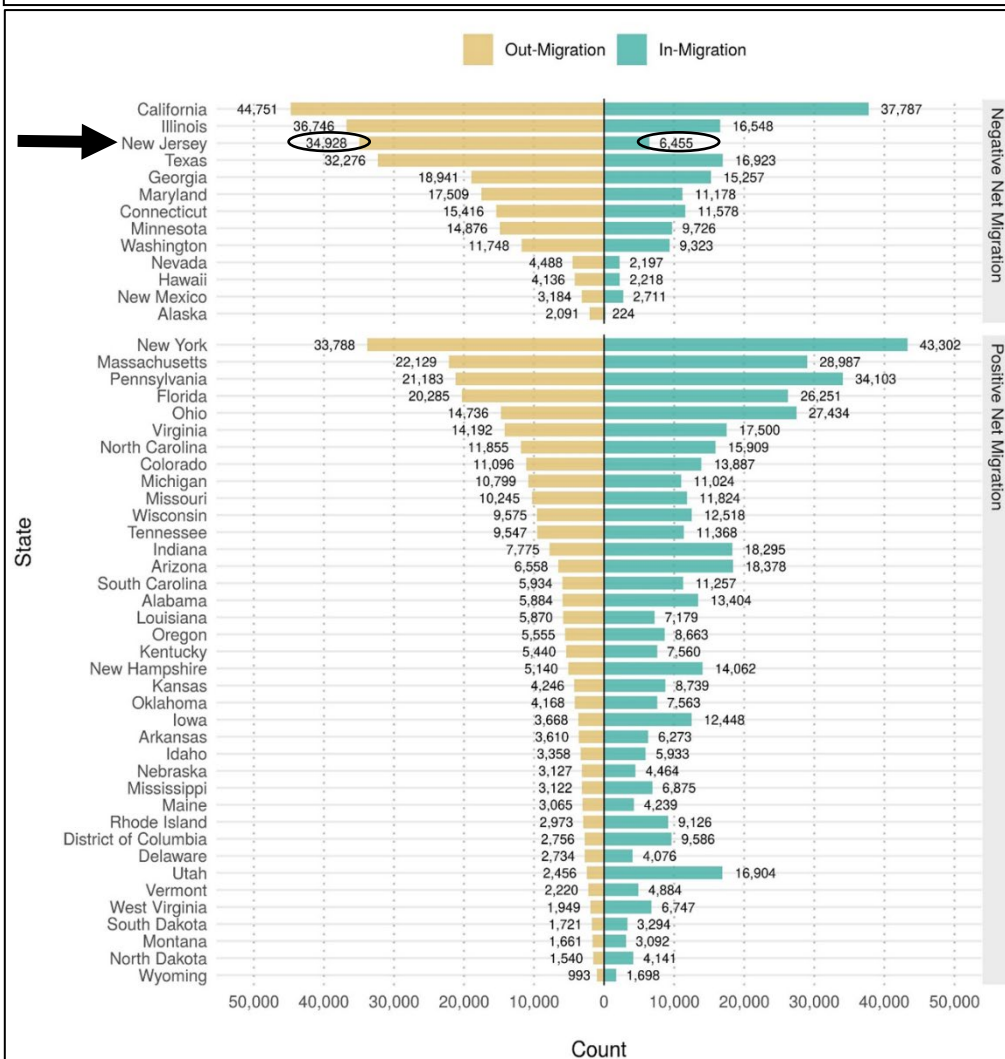
Source: NCES BLOG – National Center for Education Statistics, The "Where" of going to College, Residence Migration and Fall Enrollment, 5/28/20. By Roman Ruiz.

• **Opportunities –** NJCU finds itself in a difficult position with the overall demand for entrance into universities and colleges declining, an overabundance of capacity among local and regional competitors, and an absence of available resources to mount an active campaign to capture more students. Despite this seemingly "perfect storm" of factors working against them, there are several options NJCU can pursue to stabilize its enrollment.

  ○ **Consolidating Academic Programs –** As a liberal arts university with a history of supporting the varied educational interests of its market area population, NJCU has developed and offered a wide array of different academic programs. Despite recent efforts to reduce the number of its program offerings, NJCU still offers classes with minimal enrollment across a broad array of different degrees. Based on the available data and trends observed, NJCU needs to again examine its academic program offerings and eliminate some while also bolstering others (see 'Academic Programming Assessment' section below). Part of NJCU's educational mission is to prepare students for what comes next, helping them to find upwardly mobile employment and build a successful career. Based on trends for future demand by industry sector, NJCU is well positioned to build on certain degree majors that meet employment trends in their local market and across the region especially through a strategic alignment with partner institution.

Table D. Competitor Analysis – Enrollment Trends

| | FTE - Fall Enrollment | | | | | | | | Chg. 2015-2022 | |
	2015	2016	2017	2018	2019	2020	2021	2022	Amt.	Perct.
Kean University	11,625	11,683	11,972	11,990	12,208	11,936	10,734	10,990	(635)	-5%
Montclair State University	17,615	18,146	18,162	18,277	18,145	18,036	17,801	18,886	1,271	7%
New Jersey City University	**6,381**	**6,668**	**6,608**	**6,416**	**6,352**	**6,149**	**5,551**	**5,254**	**(1,127)**	**-18%**
New Jersey Institute of Technolog	9,428	9,372	9,471	9,675	9,658	9,870	10,055	10,687	1,259	13%
Rowan University	14,239	15,420	16,415	17,124	17,303	17,283	16,663	17,197	2,958	21%

- o **Identifying New Teaching Models –** Technology has evolved enabling schools to offer a wide array of distance learning programs. NJCU has built capacity and demonstrated some success with offering distance learning options to its students. Currently, NJCU attracts ~85% of its students from within a relatively small 5-county geographical area. Current technology offers NJCU the opportunity to expand its reach and connect with a wider prospective population of potential students.

- o **Identifying New Partnerships –** NJCU has already taken steps with new and creative partnerships with such programs as the one it launched with Caucus University, in the country of Georgia. According to NJCU staff, this partnership will generate ~$360k of additional revenue.[3] This is but one example of a unique relationship that will yield a new source of students. Other similar opportunities may be available that could build on this idea of attracting entirely new sources of students. In addition, studies have identified industry sectors that will require competent and trained professional over the next 10+ years. From healthcare to computers and data science, NJ has organizations that will see growth in demand for services and require additional well-trained graduates. Potentially, NJCU could identify and partner with some of these organizations to build targeted training programs that directly address the future employment needs of these companies.

  NJCU has also begun to harness its geographic relationship with its largest feeder high schools. In 2024, NJCU and the Jersey City Public Schools (the third-largest school district in the State of New Jersey) have launched a dual credit on-campus program to house the Jersey City Visual and Performing Arts Program.

- o **Community Colleges –** NJCU already has a working relationship with Hudson County Community College, including early success of the HCCC|NJCU CONNECT Program. Many students who graduate from HCCC move on to complete their bachelor's degree at NJCU. In response, NJCU has reformed its general education curriculum which has seen an exponential growth to new undergraduate transfers. Other similar partnerships are in development. More can be done to expand that partnership, which could include greater sharing of classes, improving the systems in place that allow HCCC graduates to transfer seamlessly to NJCU. It would be of value to explore an even closer bridge between HCCC and NJCU in which virtually all lower division classes are held at HCCC and NJCU would focus strictly on upper division [3rd and 4th year] classes and graduate programs.

- o **Identifying a Merger Partner –** Though most difficult to identify and execute, the best option for NJCU might be to identify the right organization with which it can merge its entire operation into a single organization. There are at least two 4-year public universities that are geographically positioned with the operational structures necessary to provide some or all the academic programs currently offered at NJCU. There are numerous difficult decisions that would be required but, if structured correctly, a consolidation would benefit both organizations and provide a path forward to serve the needs of NJCU, its students, and the local community.

- **Challenges –** In its current state, NJCU faces significant challenges to rebuilding its student enrollment back to levels that were sustained because of aggressive institutional discounting to drive headcount enrollment. With the general decline in high school age students, changes in the market regarding future various industry sectors, and training opportunities offered for career development outside the traditional track of a college degree, NJCU faces numerous pressures to maintain a viable level of student enrollment.

  - o **Changing Demographics** – Studies show that enrollment in colleges and universities will continue to decline over the next decade. *"Colleges expect a drop in enrollment in the coming years due to a decline in birthrates during and after the Great Recession… the demographic trend could cause a 10% statewide drop in enrollment by 2035."[4]* The market has already seen growing consolidation with the closure of

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[3] NJCU is expecting to receive between 26 and 27 students per semester which will generate ~$150K in tuition & fees, which with the addition of room and board [$210K], the program should produce $360K of incremental revenue.

[4] University leaders urge state oversight, financial support to keep colleges afloat, by Nikita Biryukov, New Jersey Monitor, 10/16/24

many colleges and universities. As did healthcare over the past three decades, which experienced severe declines in hospital capacity due to demographic, technologic, and care models trends, so are higher education institutions experiencing similar stressors. As our population continues to age, and there are fewer high school graduates, higher education will experience its own broad-based reduction in the number and size of colleges and universities needed. NJCU now finds itself in the midst of a changing landscape.

o **Competitors –** it is well documented that higher education sector is struggling with overcapacity and a shrinking demand for services. This condition is not unique to New Jersey and the schools located therein. Enrollment across New Jersey has been hard hit with a decline in student enrollment which will ultimately produce a natural consolidation in the number of schools that can continue to operate. Unfortunately, despite its critical mission of supporting a unique population of potential students, NJCU is in the difficult position of trying to compete with larger schools that have deeper resources, better facilities, and far less debt. These competitor schools see NJCU's current challenges as an opportunity for themselves to absorb additional market area and further expand their own student enrollment.

Table E. NJCU Proforma Scenarios - FY 2025-29 (proj.) - Summary

| NJCU - 5 Year Proforma Scenarios - Summary | | | | | | |-----Chg. 2025 - 2029-----| |
Revenue	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	Amount	Perct.
- Best Case	$ 146.9	$ 149.4	$ 151.5	$ 153.6	$ 155.9	$ 9.0	6.1%
- Anticipated Case	$ 145.3	$ 147.2	$ 149.0	$ 150.7	$ 152.4	$ 7.1	4.9%
- Worst Case	$ 145.3	$ 146.6	$ 147.4	$ 148.2	$ 149.0	$ 3.7	2.5%
Expenses							
- Best / Anticipated / Worst	$ 144.8	$ 148.9	$ 154.0	$ 159.2	$ 164.5	$ 19.7	13.6%
Change in Net Position							
- Best Case	$ 2.1	$ 0.5	$ (2.5)	$ (5.6)	$ (8.6)	$ (10.7)	-509.5%
- Anticipated Case	$ 0.5	$ (1.7)	$ (5.0)	$ (8.5)	$ (12.1)	$ (12.6)	-2520.0%
- Worst Case	$ 0.5	$ (2.3)	$ (6.6)	$ (11.0)	$ (15.5)	$ (16.0)	-3200.0%
Cash & Investments							
- Best Case	$ 19.1	$ 23.3	$ 27.0	$ 30.3	$ 31.1	$ 12.0	62.8%
- Anticipated Case	$ 17.6	$ 19.7	$ 21.0	$ 21.3	$ 18.7	$ 1.1	6.2%
- Worst Case	$ 17.6	$ 18.9	$ 18.5	$ 16.4	$ 10.4	$ (7.2)	-40.9%

➢ **Financials** - From a financial perspective, NJCU finds itself in a very difficult situation relative to its ability to maintain viable operations. Based on three potential financial models analyzed (i.e., anticipated growth, and best- and worst-case scenarios), given the current institutional and market conditions, there is no case in which the school is able to remain a fully independent operation and generate adequate revenue to support a thriving mission without substantial State support. (**Table E**).

There is recognition by some of the individuals interviewed that for NJCU to survive in some form and continue meeting the needs of its current and future students, outside assistance in some form will be needed. The degree to which NJCU "merges" into another larger organization may vary depending upon who the partner is and what financial and/or operational resources they can bring to bear to leverage existing infrastructure and reduce the cost of NJCU's operating infrastructure.

In addition, given NJCU's extensive CapEX needs and its inability to take on any additional long-term debt to finance those needs it seems likely that New Jersey will also need to provide additional support. Whichever course of action is taken, current leadership has stressed that the status quo that led to fiscal exigency cannot be preserved. For NJCU to best serve its distinctive mission, some configuration of external participants along with changes to academic

programming (see 'Academic Program Assessment' section below), and the continuing identification of opportunities to further reduce the school's administrative infrastructure will be required for NJCU to chart a path forward that meets the needs of its core students.

- **Opportunities** – NJCU is not without various options to assist in realigning itself into a financially viable organization. These opportunities may include:

  o **Debt Management:**
    - NJCU may choose to refinance its debt in some manner as to reduce the coming increase in debt burden. For example, refinancing Series 2016D bonds, which otherwise will add an additional $2M a year in debt service payments beginning in 2026. This is something that current leadership, in collaboration with the State Monitor, have been studying.

    - NJCU could work with state agencies and legislators to help identify approaches to leverage state credit rating and capacity to support debt service and balance reductions.

  o **Leased Space Reduction:**
    - NJCU's work to vacate its long-term capital lease obligations at its Fort Monmouth campus should continue. The planned novation, which will reduce annual operating expenses by over $2M a year and remove approximately $22 million in long-term lease debt obligations from the balance sheet.

    - The Harborside lease first began in December 2014 with a 20-year term in addition to a second lease amendment in 2021 for additional space. Total annual costs are over $3M a year which does not include operating expenses for the location. Furthermore, NJCU is responsible for the costs of remodeling and building out the space. The location appears to be grossly underutilized and only 50% of leased space is built out. NJCU should continue to work on mitigating its liabilities at Harborside.

  o **Real Estate Monetization:**
    - NJCU should continue to actively pursue monetization efforts of underutilized or excess properties in an effort to generate unrestricted cash, using the real estate sales cash proceeds to fund capital improvements and/or to start building necessary operating cash reserves.

    - In the near term (through FY 26) NJCU may want to accelerate the monetization of none-core real estate interests. To date, NJCU's leadership has or is in the process of effectuating Board authorized transactions, including

        - Block 7 sale and lease back

        - Ground lease monetization.

        - The total potential unrestricted cash generated through these transactions ranges from $36M to $44M.

    - In the longer term (beyond FY 26) NJCU may choose to:

        - Continue to assess entire real estate and facilities portfolio for repurposing or liquidation.

        - Assess all main campus properties and identify what facilities would be required to maintain the school at an enrollment of about 4000 student FTEs.

        - Align future academic program offerings to reflect current projections for future employment across New Jersey as well as the primary 5-county NJCU market area

- Align capital and capacity needs with those of a strategic or merger partner, aiming to ensure that the student population of Jersey City and surrounding area continue to be well served.

- **Challenges** – NJCU is currently operating at a significant disadvantage since its financial needs are so acute and immediate. Time is also limited regarding the extreme cost and timing to engage with campus deferred maintenance.

  o **CapEx Prioritization** – Deferred CapEx maintenance needs, estimated to exceed $128M (**Table F**), would be challenges for any organization to support, much less in an organization where cash reserves are so limited and capacity to borrow has been exhausted. Significant debt restructuring will be needed before the school can enter a long-term plan for managing these facility needs. Given the urgent nature for some of the upgrades and the need for modernization (see 'Facilities Assessment' section), time to plan and execute is extremely limited.

  o **Union Support** – Hard conversations with labor leadership will be needed to generate the level of support that will be required. This support would be needed no matter what course of action NJCU's Board and the State ultimately decides is most appropriate

  o **Operating Support Staff** – Hard decisions will need to be made regarding NJCU's

Table F. Summary of Deferred Maintenance Needs – Facilities & IT	
Deferred Maintenance - .Cost Estimate	**Allowance**
Plumbing/HVAC/Fire/Electrical	75,091,445
Roof Replacement	
- Immediate	185,000
- Long Term	18,720,120
Other Facility Repairs	7,385,000
Subtotal (Facilities only)	**101,381,565**
Information Technology (IT)	15,000,000
Subtotal (Facilities + IT)	**116,381,565**
Contingency - Estimated @ 10%	11,638,157
TOTAL	**128,019,722**

Source: Limited Visual Roof and Façade Report, CBRE, 2/29/24

strategic direction. This would include the choice between attempting to maintain complete independence or seeking a partner who would either merge with NJCU or become a very active participant in the school's continuing operations. Without this type of singular commitment and focus to a new vision for the school, the challenging steps that will be required ahead by NJCU will be further complicated.

  o **Achieving Operational Break-Even** –SPH estimates that at its current level of enrollment, achieving operational break-even would be difficult if not impossible in light of structural and systemic challenges to the sector. SPH evaluated what level of enrollment would NJCU need to be to operate at break-even

Table G. NJCU Proforma Scenarios for Operational Independence - FY 2025-29 (proj.)							
	Scenario For Operational Independence [Break-Even}					|-----Chg. 2025 - 2029------|	
	FY 2025	**FY 2026**	**FY2027**	**FY 2028**	**FY 2029**	**Amount**	**Perct.**
Breakeven Scenario - Enrollment	4,500	5,000	5,500	6,000	6,500	2,000	44.4%
Year over Year % Change	1.4%	11.1%	10.0%	9.1%	8.3%		
Net Tuition & Fees	$ 41.7	$ 47.2	$ 53.0	$ 59.0	$ 65.1	23.4	56.1%
Other Revenue	104.5	106.6	108.3	110.2	112.6	8.1	7.8%
Total Revenue	$ 146.2	$ 153.8	$ 161.3	$ 169.2	$ 177.7	31.5	21.5%
Total Expenses	$ 144.8	$ 152.3	$ 161.2	$ 169.2	$ 177.6	32.8	22.7%
Change in Net Position	**$ 1.4**	**$ 1.5**	**$ 0.1**	**$ -**	**$ 0.1**	**(1.3)**	**-92.9%**

and which would enable NJCU to remain fully independent. Using the same expense model as was applied to the three scenarios outlined above, for this to occur SPH projects that NJCU enrollment would, at a minimum, need to be increased from its current level (~4,500 FTE students) by 44% up to ~6,500 (**Table G**).

To achieve this NJCU's enrollment would need to increase by ~9% each year throughout the 5-year period of the proforma. In the scenario as defined (enrollment +9%/year), Cash and Investments would increase but not to the level recommended where NJCU would have up to 6 months of operating cash or ~$80M. This scenario also assumes that despite the increased enrollment operating costs would remain relatively unchanged.

Based on current market conditions, including the state of college enrollment across New Jersey and the competitive nature of this market with all of the other public and private schools competing for students, SPH finds this scenario to be highly unlikely. In the scenario as defined [Enrollment +9%/Year], Cash and Investments would increase but not to the level recommended where NJCU would have up to 6 months of operating cash or ~$80M. **Therefore, even with this high level of growth in enrollment, retaining operational independence would seem difficult to achieve.**

➢ **Facilities** - If stabilizing the decline and re-building student enrollment represents NJCU's more significant concern, the condition of the campus and its physical plant is a close second. Decades of neglect and an absence of regular planned maintenance have left NJCU with significant risks to its facilities. The future of NJCU will depend on finding a path forward in which some of the long-term debt it has accumulated can be eliminated and a viable plan to finance significant capital improvements can be identified.

- **Opportunities –** While its student enrollment has been declining over the past 8-years, NJCU's former leadership pursued a strategy of acquiring a significant amount of property and buildings both adjacent to the campus and in alternate remote locations. This acquisition strategy has created a significant financial and operational burden on the school with substantial long-term debt and capital expenditures. At the same time, it has neglected maintenance of its main campus leaving virtually all buildings in a state of disrepair. Despite this situation, there are several opportunities for NJCU to create a viable path forward.

    o **Divest of Real Estate –** Completing the sale of the various off campus properties represents a significant opportunity to substantially reduce outstanding long-term debt and obtain cash to offset some of the potential costs associated with addressing deferred maintenance and reducing annual operating expenses. **Table C** provides a summary of potential savings through real estate transactions. Each transaction represents a real opportunity for NJCU to improve its annual operating position, potentially retire some of its long-term debt and thereby improve its balance sheet. Currently, realistically NJCU has an opportunity to realize between $34-42M.

    o **Consolidate Campus Facilities** – With an enrollment of ~4000 to 4,500 FTE's [Undergraduate + Graduate], NJCU should re-consider how many buildings it really needs to serve this student population. With further planning, NJCU should consider closing some of the facilities on the main campus, consolidating academic programs and reducing their current physical capacity to a level that is more appropriate and reflective of its current student enrollment and needs.

    o **Undertake a Comprehensive Capital Financing Plan** – If NJCU is to complete all the upgrades and deferred maintenance that it needs, it will require participation and input from several different sources. This situation is certainly a challenge but even more an opportunity to garner support for a turnaround and a longer-term "re-birth" of this school. If it is to survive, this need for Capital Expenditures (CapEx) investment is an opportunity to make some hard decisions around what facilities to fix and maintain versus what can be either closed and/or sold. It is also an opportunity to build a coalition of support by engaging partners including the State of NJ along, with another school partner, to invest financial

resources into a well-crafted plan that will bring most needed elements of the NJCU campus back up to an appropriate level of operational safety.

- **Challenges –** As challenges for NJCU go, the current state of the NJCU campus along with the number of condition of properties it has acquired, represents perhaps the greatest threat to the sustainability of the school's mission.

  - **Adequate Capital –** In its current financial state, even if the current estimate of $128M is off by 20%, it still leaves ~$100M in CapEx investment required to achieve a proper state of building safety. In short, there is no way for NJCU to finance all the deferred maintenance that will be required to ensure a path forward for the school. Despite some changes in day-to-day operations to improve their cash flow and financial position, NJCU still lacks the capacity needed to cover its capital needs. Hard decisions will need to be made regarding what maintenance is engaged, when it can be started, and how quickly it can be completed. **Without external assistance, the amount of deferred maintenance needed is virtually insurmountable for the school to manage.**

  - **Timing of Maintenance –** The list of deferred maintenance projects is long and represents a set of technically complex work that will require significant time to plan, mobilize for, and execute. Moreover, many of the projects will involve removing and replacing older hardware, including boilers, plumbing and electrical systems that are deeply imbedded within the infrastructure and foundations of buildings that are in the center of the campus. This will likely result in disruption to the day-to-day operation of the campus, especially during the school year when students are in those buildings. Many of the larger issues identified could, if not attended to expeditiously, bring down the entire operation of the campus, making it impossible to hold classes, and/or provide student support services. In short, as NJCU's current leadership has publicly argued much of NJCU's campus is operating on "borrowed time" and the institution needs to continue aggressively addressing its decades-long critical deferred maintenance needs.

- ➢ **Campus Security** - Overall, campus security appears to be adequate and well managed, and the NJCU campus is reportedly safe and well secured. Changes to the composition of the population who use the campus will require changes to the operation of campus security and the training of security person. Combining campus security with several risk and safety management functions has oriented the risk and risk mitigation efforts of the campus to be focused primarily on physical safety.

- **Opportunities**

  - The campus's implementation of an extensive camera system creates the opportunity to expand the use of remote monitoring, potentially leveraging a growing Artificial Intelligence (AI) capacity. With appropriate training, the use of technology could allow NJCU to expand service at lower cost.

  - University leadership should consult with campus security leadership as they contemplate opening the campus to populations that are different from the typical college campus population, to ensure that security has what it needs to do its job.

  - NJCU should expand its conception and operationalization of risk management beyond physical security.

  - NJCU should ensure that a clear leader succession plan in this area is in place.

- **Challenges**

  - Staffing levels are relatively scant, and the emergency, risk, and environmental health and safety component of the unit is under-resourced.

  - The unit lead has a high number of hats to wear and functions to oversee, which may result in greater risk if an event requiring focused attention were to occur.

➢ **Information Technology (IT)** - The IT department at NJCU is currently providing adequate services to the campus, although having most servers in-house and the staffing reductions occurring in the past two years have created serious areas of potential risk and less optimal services to the campus.

- **Opportunities**
  - o The institution should fully invest in internal staffing to support cyber security needs or better, consider moving most of the functions to the cloud and/or outsourcing the IT services.
  - o The institution should continue to focus on protecting its IT networks and data through working with 3rd party firms who provide monitoring, testing, and best practices advising for the institution.
  - o Continued training of all staff, faculty, and students at the institution on cyber security awareness and best practices should be a mandatory and recurring activity.
  - o The institution should prioritize capital spending to the most critical IT needs, such as end-of-life hardware which has the potential to open the institution up to additional cyber risks.
  - o More system developers, cyber security administrators and a storage area network (SAN) administrator would be helpful.
  - o The institution should develop a policy and multi-year schedules for all major hardware and software, and for end-user equipment, which assigns end-of-life dates and average useful life expectancy, so there is continuing more awareness of needs. Anticipated replacement costs should be part of the schedules so that they can be added to the institutional capital expenditure planning no less than on an annual basis and preferably during the annual budget planning cycle.

- **Challenges**
  - o Currently many of the IT servers are located on campus and potentially putting the system at risk to environmental events.
  - o Staff has been reduced, consistent with NJCU's Recovery & Revitalization Plan. However, prolonged understaffing may place the unit at additional risk.
  - o The paucity of comprehensive data on software providers and the absence of a contemporary IT strategic plan is a challenge to adequate planning of IT needs.

➢ **Human Resources (HR)** - NJCU should be an attractive employer. It has an appealing refreshed mission and vision, and their benefits package should be competitive with that of other public universities in New Jersey and with other employers in the area. However, the financial challenges of the past several years have left them understaffed in many key areas. As a result, NJCU is surviving – not thriving. That situation will prove challenging as the institution tries to either scale up to remain independent or tries to engage in organizational change as they develop a partnership or undertake a merger.

- **Opportunities**
  - o NJCU's lean staffing situation could allow it to think strategically about what the university truly needs to operate well.
  - o A shared services arrangement in specific areas might be attractive to NJCU. Such a shared service arrangement could potentially, although not always, allow the university to acquire needed FTEs and expertise at a lower cost.
  - o Benchmarking data could help NJCU identify the true cost of its operations and add some of the necessary detail to its various strategic planning efforts.

- The HR team should use the great work that has been done lately to get the university back on track to further build out their employee recognition and engagement efforts. Recognition programs can be beneficial as the campus builds its culture and thinks about how to engage a partner in ways that will be consistent with institutional values.

- **Challenges**
  - A number of functions at NJCU are so leanly staffed that they will struggle in assisting the university's efforts at change management.
  - There are areas where the staffing is at such low levels that the campus experience is impacted.
  - HR operates at a very transactional level. There is little in the way of cultural formation or employee engagement. Those functions will be important to help the institution in any change management efforts moving forward.

- **Auxiliary Services** - The current state of housing and food services would have to be described as being uncertain, while its bookstore operations are outsourced and budget neutral. Importantly, NJCU does not currently have control over its housing facilities but is financially responsible for their maintenance and any funding deficit. Only one of the three residence halls is currently operational. The situation with food services is similar, although less cumbersome financially than housing, in that the current contract requires a minimum volume that is not being met by current demand. The institution is currently responsible for this gap, although it is beginning to explore alternative food service options.

  - **Opportunities** – Despite the current situation with facilities needing significant capital investment, there could be several opportunities for NJCU to capture.
    - **International Collaborations** – Leadership at NJCU has taken some initial steps in building international collaborations with other universities to bring over students to take advantage of NJCU academic programs. While only in their early stages, these programs could be a source of incremental revenue that leverages available housing facilities.
      - Caucus University (CU) - NJCU's partnership with CU is for a 2+1 agreement for a B.S. in Cybersecurity is live. Students take their first 2 years in Georgia with CU faculty. Their fifth semester is taught online by NJCU faculty while the students are still in Georgia. They take their sixth and final semester at NJCU. The 1st cohort has 25 students who will arrive in person starting January 2025. These students pay full price for housing and is a recurring agreement.
      - Jilin International Studies University, China (JISU) – Though only in the planning stages, this would be an institutional partnership. SPH have had cohorts for Finance, BS and the PhD in Educational Technology. The programs and terms of the agreement are being renegotiated.
    - **Hudson County Community College (HCCC) –** HCCC may also represent an opportunity to bring back housing occupancy on the NJCU campus and make it a revenue positive opportunity. HCCC does not own dormitories. NJCU is entertaining an agreement that would give HCCC students access to NJCU dorms, in particular Vodra Hall. General terms have been agreed, and the document is undergoing final legal review.
    - **Permanent Closure of Dorms** – In one scenario, NJCU could significantly reduce the number of buildings it operates on its campus. As a campus of 4000-4,500 students, one strategic option would be to substantially downsize its campus footprint and permanently close some of its buildings. The school could determine that due the size of its enrollment, the need and demand for housing is too small to justify maintaining any of its dorms. The majority of the student population comes from within a relatively small 5-county area, with 84% of students coming from two adjacent counties [Hudson and Essex]. Permanently closing of both dorms (Vodra and Co-oP) would eliminate both the need for CapEX investment to bring the dorms back online and the operating expenses associated with maintaining them.

- **Challenge**s

    o NJCU's most significant challenge related to auxiliary services is the ownership/relationship between it and its foundation around student housing. The current agreement has NJCU saddled with the cost of repairs and maintenance and covering all operational gaps, while lacking any actual control or upside benefits that might be possible.

    o It is unclear whether there is sufficient separate accounting of the actual expenses and revenues of auxiliaries to allow for the development of effective strategies and decision-making regarding these services.

➢ **Legal Affairs** - The University Counsel (UC)'s function is quite lean, as are many other functions with NJCU. The UC provides mostly directional assistance and may insert themselves into processes, as needed. There does not seem to be a single source of information and planning on risk management. The current leadership has supplemented its legal services by retaining and appointed special outside counsel in a cost-effective manner.

● **Opportunities**

    o Potentially expand the Risk Management function of NJCU, including creating a single source and place for related data and planning.

    o Engage the campus community further in identifying, prioritizing, and monitoring risk management items

    o Enhanced familiarity of the UC with the various approvals required for institutional restructuring by the various governmental and private accrediting agencies would be helpful in the coming debate, although understanding that these are principally the responsibility of the Provost's office.

● **Challenges**

    o The institution would benefit from the establishment of a single-source risk management process and dashboard, involving both executive leadership and the campus community, to ensure that all responsible parties can identify, prioritize, and monitor all campus risk factors, not just physical threats, in order to maximize risk mitigation.

➢ **Academic Programming** - NJCU has developed an Academic Master Plan Strategy which speaks to major high impact initiatives in *undergraduate research*, *diversity and global learning*, and *service learning and internships*. NJCU has also made a clear commitment to stabilizing enrollment in two ways.

First, the new enrollment management plan anticipates recruiting more community college students, a greater percentage of the students in Hudson County, and attracting more students from across the State. Second, the Academic Master Plan identifies strategies for retaining more of the first-time full-time freshmen that enroll at NJCU. In this regard, NJCU has revised its gen-ed program to more efficiently serve its first-time full-time freshmen and to be more transfer friendly.

The data indicates that six specific majors are most appealing to the NJCU student population. Those programs meet student goals for a good job upon graduation and they meet the economic needs of the State. In turn, NJCU has excess capacity in many of its degree programs, a capacity could represent an opportunity for innovation, by NJCU alone or with a partner.

- **Opportunities**

    o NJCU's location in a growing area of the State and its proximity to New York City are assets in developing the relationships necessary to build attractive academic opportunities.

Table H. NJCU number of degrees and certificates awarded, by level and program: July 2022-June 30, 2023

Program	Certificates	Bachelor's	Master's	Doctoral
Grand total	8	993	382	43
Area, Ethnic, Cultural, Gender, and Group Studies		1		
Communication, Journalism, and Related Programs		17		
Computer and Information Sciences and Support Service		76	1	
Education		1	196	40
Foreign Languages, Literatures, and Linguistics		9		
English Language and Literature/Letters		22		
Biological and Biomedical Sciences		77		
Mathematics and Statistics		16		
Parks, Recreation, Leisure, Fitness, and Kinesiology		8		
Philosophy and Religious Studies		2		
Physical Sciences		11		
Psychology	8	141	11	
Homeland Security, Law Enforcement, Firefighting and F		135	24	3
Social Sciences		56		
Visual and Performing Arts		81	23	
Health Professions and Related Programs		126	36	
Business, Management, Marketing, and Related Support	0	186	91	
History		28		

U.S. Department of Education, National Center for Education Statistics, IPEDS, Fall-2022-23

o   NJCU could form a partnership with an institution that already has a robust student success infrastructure. Such a partnership would help NJCU avoid the costs required to build a permanent infrastructure for their programming.

o   Outside of six degree programs (Biology, Management, Psychology, Criminal Justice, Computer Science and Nursing) (**Table H**), the institution has significant excess capacity in facilities, in tenured faculty, and in degree programs. NJCU should evaluate potential partnerships with an emphasis on finding an arrangement that could make that excess capacity financially profitable.

o   NJCU has academic capacity in faculty, facilities, and academic programs. Much of that capacity will be challenging to capitalize upon. As a result, leadership should consider more creative opportunities to leverage that capacity as it assesses partnership opportunities. For example:

- NJCU could decide to become a center of excellence in its most productive areas and accelerate its sunsetting process in the remaining areas.
- NJCU has invested in dual credit programs with area high schools and community colleges. The Triple Connect program with HCCC served ~100 students last fall. In addition, over the last year, it has developed leasing arrangements to give K-12 institutions access to its existing facilities. Given the relationships that these connections create, NJCU could consider becoming a new higher education model that explicitly bridges the educational experience between high schools, community colleges, and its four-year programs.
- NJCU's extensive connection to community colleges, particularly Hudson County Community College (HCCC), might argue for NJCU as a hub or destination of choice for community college students.
- NJCU's programs with excess capacity may be complementary with programs on other nearby campuses. It is possible that, short of a full merger, a joint department could be created by merging programs at two institutions.
- As NJCU sunsets courses or programs, it may find that a collaboration with another campus is beneficial. This is particularly true if NJCU can build course offerings that capitalize on its location. Programs in the arts, business or health care might be good candidates for such a multi-campus administered degree program.
- To leverage its excess facilities capacity, NJCU could provide a location to serve programs from multiple institutions. Institutions for whom experiential or internship opportunities exist in Jersey City, or who might serve learners in Jersey City, could utilize a single location.

- NJCU has several corporate and community connections. In areas of capacity and local interest, NJCU could develop niche or commissioned programs that could provide important continuing education (building toward a degree, a certificate, or another credential) for company employees in their geographic market area.
  - o NJCU should continue its thorough, holistic curriculum review or risk losing the opportunity to respond to the current financial situation in the most strategic manner.

- **Challenges**
  - o The NJCU academic master plan establishes a new baseline that a strategic partnership can resource and scale.
  - o An ongoing challenge is that the Student Affairs staff has been depleted over the past two years.
  - o NJCU's historic low retention, progression and graduation rates will be of concern to any potential partner. Addressing student success will require a commitment of resources. And for a potential partner, there will be concerns about the impact of the inclusion of the NJCU student population on their own student outcomes.
  - o Student success at NJCU must be addressed whether they remain independent or in collaboration with a potential partner. NJCU's strategic plans should identify clear targets for improvement and hold leaders accountable for progress toward those targets.
  - o Given the level of tactical detail and financial resourcing, the current student success efforts are serving more as pilot studies. For the proposed programming to be truly meaningful it must be resourced adequately with staff and other support and integrated into the long-term budget at scale with recurring, not one-time, funding.

➢ **Faculty Affairs** - NJCU has a large cohort of long-time faculty who are invested in the institution's mission (**Table I**). Greater attention needs to be paid to how programs are evaluated and how faculty FTEs are deployed in the new financial realities of the institution. Greater work should be done to ensure that the faculty have the tools and the accountability to connect their work with the student success goals the institution requires. The financial realities at NJCU may require the processes contemplated in the Academic Master Plan to move at a faster pace than were originally contemplated.

- **Opportunities**
  - o Per 2022 IPEDS data, NJCU has a much larger than average percentage of tenured faculty. Many faculty possess terminal degrees and are very experienced. Such a large percentage of senior faculty makes it difficult for the institution to make large curriculum changes nimbly.
  - o NJCU must connect student success to faculty performance in a meaningful way in the context of their evaluative criteria.
  - o Faculty development efforts must accelerate to help faculty acquire and maintain the skills to align with strategic student success initiatives.

- **Challenges**
  - o The faculty are very committed to the culture of NJCU. Significant work will need to be done to prepare the campus for any contemplated partnership.

Table I. Faculty ranks of NJCU and closest 4-year public competitors (source: IPEDS 2022)

Institution Name	Professors (S2022_SIS, All full-time instructional staff)	Associate professors (S2022_SIS, All full-time instructional staff)	Assistant professors (S2022_SIS, All full-time instructional staff)	Intructors (S2022_SIS, All full-time instructional staff)	All ranks (S2022_SIS, All full-time instructional staff)	Lecturers (S2022_SIS, All full-time instructional staff)	No academic rank (S2022_SIS, All full-time instructional staff)
Kean University	40	64	149	0	372	119	0
Montclair State University	208	223	110	0	640	0	99
New Jersey City University	71	88	39	0	203	5	0
New Jersey Institute of Technology	134	106	92	0	491	147	12
Rowan University	148	223	243	51	799	134	0

➢ **Student Life and Student Affairs** - Student Affairs provides many on campus activities for students and is funded through student fees. There are currently 23-27 student organizations/clubs and 13 Greek organizations active on the campus. Centralized tracking of attendance and a centralized calendar of events is not currently available for campus events. A budget is awarded to the SGA for sponsoring activities.

Recreation is managed by the athletics department, who coordinates with Student Life for many student events. Recreation activities share space with athletics. Overall, the availability of staff is limited for budgetary reasons. As the John J. Moore Athletics and Fitness Center (JMAC) facilities are shared with athletics and a local charter high school, usage for recreation purposes is limited. Outdoor activities also occur at the Gerrity Athletic Complex, although these are also shared with athletics and city events, and transportation of students to the facility can be problematic. Nonetheless, we should recognize that having students return to campus for activities in pre-COVID numbers is a challenge across the country.

- **Opportunities**
    - A centralized tracking system to track attendance participation, efficiency, and effectiveness of student life events would be beneficial for planning purposes.
    - A centralized calendar of all student-related events would be helpful to better inform and encourage participation by the community.
    - Extending the hours of the student union and JMAC would benefit students who are on-campus and those commuters who come to campus for activities.
    - Additional staff is an important opportunity to enhance student life services, although it does represent a budgetary challenge. Adding at least one position to focus on coordinating and overseeing student activities and intramurals would be beneficial.
    - The university provides free housing to SGA members which reduces potential university revenue.
    - Providing predictable transportation to those recreation facilities that are off campus would help increase student participation in those activities.

- **Challenges**
  - Budgetary and staffing limitations limits facility hours and activity opportunity.
  - The website needs updating and needs to be maintained so that the information presented is accurate and up to date.
  - Limited facilities for student activities and recreation is a continuing issue due to the need to share space, the paucity of staff, and limited hours of operation.
  - Budgetary constraints have required significant reductions in student affair staff.

- **Collegiate Athletics** - Athletics has seen significant reduction since reaching a high of 18 teams and $3.6M budget in AY 2018-19 to the current 15 teams and $1.24M annual budget. Currently, there are a total of 271 student-athletes of which 10.33% are from out-of-state. Overall, athletic facilities are in good condition but are shared with student life for student recreation activities and intramural sports. JMAC is also shared with a high school who rents the facility, as well as certain academic programs, which limit the time available for all.
  - **Opportunities**
    - Athletics could increase the number of student-athletes on some rosters as most, but not all, are below the maximum postseason roster limits for the current year.
    - E-sports is an area for potential growth.
    - Recruiting out-of-state athletes is a potential growth opportunity, facilitated by the fact that NJCU charges the same tuition for in and out of state students.
    - Creating a compliance officer position, separate from the Director of Athletics position, rather than having a single assistant compliance officer position, is important to ensure compliance with all regulations. A compliance officer could also handle Title IX reporting for the department.
    - The web site is the front door to athletics and needs updating and consistency. A full website review should be completed to correct/update the information presented, broken links, etc.
  - **Challenges**
    - The hours of operation at the JMAC are limited and limit access for students and student-athletes, particularly for students living on campus.
    - The budget was reduced by just over 50% in the past two years, 66.1% in the past five years, while the number of student-athletes has only decreased by 10% in the past two years. This has created stressors across the unit.
    - The JMAC has some facility-related issues which need to be addressed, including issues related to ventilation in the mechanical rooms and insufficient storage space. As the department has grown, storage areas have been taken over by new teams, such as wrestling. Portable storage buildings are helpful and can be made climate controlled to provide additional storage and return space to the JMAC, such as locker rooms, which are currently being used as unsecured storage areas for equipment.
    - The agreement for the use of JMAC by the charter high school should be reassessed. The use of the gym by other parties limits the time available to the student-athletes and the general student population.
    - The Gerrity Athletic Complex is also a shared space, although the distance from campus and the lack of consistent transportation is a more significant barrier to its use for recreational activities.

➢ **Advancement, Philanthropy, and Alumni Affairs** - The Advancement and Alumni Engagement function at NJCU has operated at very minimal levels. New leadership has breathed life into the operation, but it is going to take time and resources to build an advancement operation that can contribute meaningfully to NJCU. There are opportunities for productive relationships among corporate partners, foundations and alumni. However, it will take time and intentionality to cultivate those relationships. As philanthropy grows, the Foundation will need to build a mature financial management division to ensure that they meet all obligations.

- **Opportunities**
  - The NJCU Foundation should conduct a strategic plan for building an advancement and alumni engagement function that aligns with the university's path forward.
  - Greater levels of philanthropy are required. NJCU's current endowment is small and not growing. Given past fundraising activity and its lack of infrastructure, it is unlikely that NJCU could raise sufficient funds in a timely manner to address its current budget challenges.
  - The Foundation has had to reduce its contributions to campus over the past several years, particularly in the area of scholarships.
  - Greater strategic alignment between the Foundation and the university should be sought to align interests and ensure that the Foundation is supporting the institution's most important strategic goals going forward. NJCU will need to assess alumni's needs and wants and intentionally design an alumni engagement program in combination with a partner that leverages these strengths and diminishes the potential for silos or identity loss.
  - NJCU would benefit from a partnership with an institution that:
    - Currently supports a much more robust philanthropic program that more closely reflects best practices.
    - Possesses a broader geographic base from which to fundraise
    - Offers a more robust campus culture that could provide more ways to engage alumni
  - NJCU's community and corporate relationships are an asset to its fundraising activity and could be an asset to a partner.

- **Challenges**
  - The Foundation and the nascent alumni organization do not have many regular channels with alumni, donors, and friends to help the university with change management and brand management.
  - The Foundation does not have an up-to-date and accurate database of donors and alumni
  - There are questions about the current pledges to the Foundation. That ambiguity must be addressed.
  - The lack of an institutional strategic plan will make it challenging to create a compelling campaign
  - The current ambiguity about the future of the university will make it hard to raise large gifts.

➢ **Communications** - The Communication unit at NJCU is small, operates with limited resources, and has had a limited scope of responsibility. Currently internal resources are almost exclusively focused on internal communication and student recruiting. While this has gotten NJCU through COVID and their immediate situation, it is not sufficient to help them move to the next phase of their development. Whether they remain independent or seek to manage the change of a partnership, they will need to develop a more robust strategic communication function.

- **Opportunities**
  - o NJCU should consider making the chief communication officer a direct report to the President during any change management effort to ensure that there is a direct line between communication and strategy.
  - o NJCU's communication function is not resourced in a way that is currently sustainable, nor is it resourced to scale up if the institution made the decision to grow. NJCU does not have the resources or expertise currently to manage the evolution in communication technology that is being driven by AI.
  - o NJCU's enrollment communication unit is understaffed and under-resourced. It has evolved in important ways under the strategic enrollment plan but will need additional resources to fully implement that plan. They are able to recruit students with their current budget because they are focused on their immediate geographic area and because they are heavily using face to face and digital techniques If NJCU decides to remain independent and increase its recruitment activity out of its traditional area, it will require a significant increase in funding in order to compete with other institutions that are established, and spending more in the market for advertising.
  - o NJCU should utilize its communication platforms to assist the Foundation in creating a stronger culture of philanthropy on campus and in the community. The Foundation will continue to evolve but the university has a larger and more robust communication presence that could be leveraged.
  - o AS NJCU makes plans for its future, it should integrate communications into its strategic plan with a focus on reputation management. Those efforts will position the university more effectively to acquire resources and make the brand more resilient in times of crisis.
  - o NJCU should consider investing in technology-based solutions to extend its enrollment marketing resources. Automation, AI, and Customer Relationship Management systems could be long-term cost-effective ways to scale up their capabilities. Leapfrogging old technology could result in cost avoidance.
  - o NJCU could benefit from a partnership with an institution that already has a robust communication operation.

- **Challenges**
  - o NJCU's minimal university communication infrastructure is currently being stressed and will likely be unable to manage the communication needs of a significant institutional change.
  - o It is unclear whether the in-house team has the bandwidth or the expertise to effectively manage a large number of outside consultants. An assessment should be done to determine whether it is more cost effective in the long term to outsource key functions or to build them in-house.

- ➢ **Regulatory** - NJCU is in good standing with its regulatory accreditors. Its regional accreditor already has experience working through a merger involving a NJ 4-year public institution (i.e., the merger of Bloomfield College with Montclair State University).

- **Opportunities**
  - o The most likely potential merger partners (see 'Restructuring Options' section below) are accredited by the same regional accreditor and by the same state agency as NJCU, and are in good standing, as is NJCU. This should facilitate review of the process and approval of a merger.
  - o The merger process is being explored sufficiently in advance of NJCU being in full financial distress (i.e., being unable to meet payroll in the near future), which also bodes well for approval of a merger.

- **Challenges**
  - o The new guidance issued by the U.S. Department of Education (ED) and the associated Middle States Commission on Higher Education (MSCHE) policies, create a greater complexity for the merger process and a potential delay to accomplishing a merger, if this pathway is chosen.
  - o The political environment and related influences in NJ can be daunting to address.

INSTITUTIONAL RESTRUCTURING OPTIONS

In the conversations SPH had with various NJCU stakeholders, varying opinions were expressed regarding what would be the preferred course of action or the most realistic scenario for how NJCU should continue to operate. Some stakeholders expressed a desire for NJCU to continue operating as a fully independent school without entering into any new significant partnerships or entertaining a merger with another institution.

Representatives of faculty and staff expressed a foundational goal of "retaining jobs", although during these conversations there was no real expression of what NJCU might be able to do to preserve operational independence in its current state. Overall, stakeholder opinions varied widely as to the potential future of the institution, although all individuals queried expressed a strong recognition of the value that NJCU provides to their students, and the strong desire and goal of ensuring the presence and availability of a 4-year public higher education in Jersey City and Hudson County, whatever the form this might take. The State Monitor's report[5] suggests various potential avenues forward including the development of joint academic programs, shared administrative services, a system model, and a merger.

At this time various institutional restructuring options exist including downsizing, developing shared partnerships for academic programming, administrative services, or facilities, or 'merging', either completely, into a system, or as type of an affiliation.

Considering NJCU's critical need to address various challenges, including declining enrollment, financial shortfalls, staffing gaps, and capital needs, while ensuring a quality education to its core constituents (students primarily from the surrounding population), the restructuring tactics that present the greatest potential include 'scaling down/downsizing', 'shared facilities', and 'complete mergers'. While the first two options primarily would leverage relationships with institutions that are proximate to NJCU (, a merger will require identifying a willing and able partner.

While various entities could be considered potential merger partners, at least two 4-year NJ public institutions of higher education that compete for students with NJCU could serve as potential merger partners.

- **Opportunities**
  - o **Highlight NJCU's assets:** Regardless of what path is taken, it is important to highlight and maximize NJCU's assets and positives, which could include:
    - ▪ Its locations, including at Harborside.[6]
    - ▪ Its facilities, many of which are in good conditions and are being improved.
    - ▪ Its unique and refreshed mission addressing the needs of urban/under-represented America.
    - ▪ The available state 'Salary Cap', such that currently NJCU has 200+ more authorized State-approved positions (with fringe reimbursed by the State) than are being used.
    - ▪ Its unique and highly prized academic programs.
    - ▪ The number of passionate, knowledgeable, and dedicated staff.

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[5] https://newjerseymonitor.com/wp-content/uploads/2024/03/NJCU-Monitoring-Report.pdf
[6] Harborside 2, 200 Hudson Street, Jersey City, NJ 07311

- Its current and ongoing efforts to reduce operating deficits, address deferred maintenance issues, and generate available cash from the sale of various properties.

- **The potential to significantly capture greater market share:** As discussed previously (see 'Market Assessment' section) in New Jersey there are five industry sectors that are projected to have substantial growth over the next 10 years[7]: (1) healthcare; (2) computers and information; (3) business, marketing and management; (4) education; and (5) psychology & social services. Peer institutions offer small programs in the same five disciplines. Alone, no school is able to capture a significant fraction of the market. A consolidation = with NJCU offers an opportunity to substantially increase the market share in academic areas where industry has identified a high demand for graduates.

- **Challenges**

  - Considering the degree of debt of NJCU, and its capital and staffing needs, financial assistance from the State will be essential to ensure the success of any restructuring tactic undertaken, especially a merger. The degree to which this support is forthcoming is unknown.

  - The readiness-to-change of NJCU faculty, staff, and leadership is unclear and needs to be developed.

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[7] Source: U.S. Bureau of Labor Statistics

ABOUT STRATEGIC PARTNERSHIPS IN HIGHER EDUCATION (SPH) CONSULTING GROUP

SPH Consulting Group (SPH) is ready to serve as the partner of choice for advising, guiding, and assisting college and university governing boards, executives, and policymakers as they consider major future-oriented institutional restructuring strategies, including mergers, acquisitions, consolidations, closures, and major strategic partnerships. SPH provides a variety of services that will help ensure full and complete consideration and decision-making regarding strategic options for major institutional restructuring, and the successful execution and implementation of the chosen strategy. SPH consultants understand and know how to navigate the complexity, unique requirements, and sensitivities that major institutional restructuring in higher education requires.

Ricardo Azziz, Principal of SPH Consulting Group, is a recognized thought leader in mergers, consolidations, acquisitions, strategic partnerships and other major restructuring in higher education. Ricardo's book '_Strategic Mergers In Higher Education_' (JHU Press, 2019); contributions to the TIAA Institute ('_Mergers in Higher Education: A proactive strategy to a better future?_' in 2017, and '_Critical competencies for leading major institutional restructuring in higher education (aka Big Scary Change)_' in 2023), and his regular column ('_Merger Watch_') in Higher Ed Dive are widely used as reference materials for the subject. His next book, '_Leading Existential Change In Higher Education: Mergers, Closures and Other Major Institutional Restructuring_' will be published shortly (JHU Press, Fall 2025).

Understanding the growing need for mergers and consolidation in a sector with declining demand, increasing costs, and excess capacity, and the general lack of understanding of what is required to successfully accomplish these institutional restructuring initiatives, Ricardo established SPH Consulting Group in 2019. The company has been certified by the Southern Region of the National Supplier Development Council (NMSDC) as an official Minority Business Enterprise (MBE).

Uniquely, Ricardo aimed to establish a consulting group of individuals that have actually experienced and managed through mergers, consolidations, closures, and other major institutional restructuring. In fact, SPH team members represent some of the nation's most recognized thought leaders in major institutional restructuring, including mergers, in higher education. SPH consultants have served in leadership or implementation roles or as consultants in major transactions, including closures, mergers, consolidations, and strategic partnerships.

SPH CONSULTING GROUP NJCU ENGAGEMENT

The State Monitor proposed a 'Fiscal Accountability Plan' to achieve turnaround of NJCU's financial instability through eleven recommendations, including those to promote the institution's financial stability and solvency (5 recommendations), and improve its governance capabilities (six recommendations). Key to the present RFP was Recommendation #1. In essence, this recommendation suggested that there be consideration "*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.*" Consequently, RFP #24-004 "Higher Education Consultant for New Jersey City University" was issued May 31, 2024, by the University, to which SPH Consulting Group responded.

Regarding the timeline, SPH understood that a shorter, more immediate timeline for completing the initial scope of work by November 2024, to meet the State's budgetary process, and to complete all work by January 2025, was required. Our response considered the urgency of the situation at NJCU and the likelihood that it may take 18-24 months for final planning and regulatory approval of any proposed complex substantive change to an accredited institutional structure. .

Based on the scope of work provided by NJCU in RFP #24-004, SPH offered an organized and well-tested 4-phased approach which can address the strategic challenges that have been identified in the RFP: a) PHASE 1: Project Alignment, b) PHASE 2: Discovery, c) PHASE 3: Strategic Direction, and d) PHASE 4: Implementation Planning. SPH's approach aimed to provide the critical insights needed to make hard decisions regarding the future of NJCU as it seeks to navigate the evolving market that is higher education in the nation, the region and finally its local market.

Above all, this analysis was designed to fulfill two distinct purposes. First, provide the State of NJ, various legislative constituents, the Board of Trustees, and the University's administration with a fresh and unbiased review of the current state and standing of NJCU. Second, and equally as important, offer a type of investment prospectus that can be offered to organizations that might be interested in considering acquisition or some other type of partnership with all or part of NJCU.

SPH assumed the following objectives for this engagement:

1) Focus on what is best for the students served by the institution.

2) Help identify a path to sustainable, ongoing, and quality operations at NJCU, so that the institution can continue to successfully serve its core student population.

3) Provide an external and objective perspective to assist NJCU and NJ state leaders in their decision-making.

The process that SPH pursued to date to prepare this report included review of approximately 170 documents containing over 2600 pages provided by NJCU staff, review of a myriad of external documents and sources, undertaking over 50 interviews and multiple other conversations, and four in-person campus visits. To the extent possible, SPH attempted not to repeat the work that others have already done including the State Comptroller Office, the State Monitor, CBRE, the university's current leadership, and others

Overall, when the data was available, NJCU staff were helpful in providing it and SPH did not encounter any major issues with staff responsiveness. Unfortunately, not in all instances was the data requested available or obtained, which limited some of the assessments made. Nonetheless, SPH strived to supplement these information gaps with conversations with staff and the review of external sources.