OPEN SESSION

FOR ACTION

1. Spending Authority
   • Marsico Hall 9.4T MRI Advance Planning
   • Fetzer Hall Racquet Sports Renovation
     Anna Wu, Associate Vice Chancellor for Facilities Services

2. Self-Liquidating Debt
   Nathan Knuffman, Vice Chancellor for Finance and Operations & CFO

FOR INFORMATION ONLY (No formal action is requested at this time)

1. Development Report
   David Routh, Vice Chancellor for University Development

2. Review of Comprehensive Annual Financial Report
   Nathan Knuffman, Vice Chancellor for Finance and Operations & CFO

3. Budget Update
   Nathan Knuffman, Vice Chancellor for Finance and Operations & CFO
   Fouad Abd-El-Khalick, Dean, School of Education

COMMITTEE MEMBERS
Haywood D. Cochrane Jr., Chair
John P. Preyer, Vice Chair
Richard Y. Stevens, ex-officio
David L. Boliek Jr.    Jefferson (Jeff) W. Brown
R. Gene Davis Jr.     Charles (Chuck) G. Duckett
Allie Ray McCullen   G. Munroe Cobey

Administrative Liaison:
Nathan Knuffman, Vice Chancellor for Finance & Operations
David Routh, Vice Chancellor for University Development
SPENDING AUTHORITY – MARSICO HALL 9.4T MRI ADVANCE PLANNING

This project will renovate 2,000 square feet in the UNC Biomedical Research Imaging Center (BRIC) to house a new 9.4T MRI and the associated control and equipment rooms. As part of this renovation, the project will renovate an underutilized server room to house procedure spaces displaced by the new 9.4T MRI. The renovation includes the associated construction, design and soft costs for enabling projects as required. A recently awarded NIH grant will fund the MRI equipment separately from this funding request.

The budget for advance planning is $300,000 and will be funded from School of Medicine clinical receipts. At the conclusion of the advance planning phase, a request will be made to the Board of Governors for spending authority for the complete project cost.

RECOMMENDED ACTION:

Approval for spending authority.
SPENDING AUTHORITY – FETZER HALL RACQUET SPORTS RENOVATION

This scope of this project is to renovate twenty existing racquet courts, including conversion of four existing racquetball courts to international squash courts and replacement of front wall systems and flooring, restripe floors and walls for international competition and provide new rear glass wall system to shorten court to proper depth; convert two existing racquetball courts to multi-purpose fitness rooms and two existing squash courts into ergometer/cardiovascular rooms.

The project budget is $590,000 and will be funded from gifts.

RECOMMENDED ACTION:

Approval for spending authority.
RESOLUTION OF THE BOARD OF TRUSTEES OF
THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL
APPROVING THE ISSUANCE OF SPECIAL OBLIGATION BONDS

WHEREAS, under Article 3, Section 116D General Statutes of North Carolina (the “Act”) the Board of Governors (the “Board of Governors”) of the University of North Carolina System (the “UNC System”) may issue special obligation bonds, payable from obligated resources to pay the costs of acquiring, constructing or providing a special obligation project at one of the constituent institutions of the UNC System or refunding any obligations previously issued by the Board of Governors;

WHEREAS, the University of North Carolina at Chapel Hill (“UNC-Chapel Hill”) will request the Board of Governors to issue its special obligation bonds in one or more series to be known as “The University of North Carolina at Chapel Hill General Revenue Bonds” or “The University of North Carolina System Commercial Paper Bonds (UNC at Chapel Hill/NC State)”, with appropriate series designations for each series (collectively, the “Bonds”), the proceeds of which will be applied to (1) financing the costs of the projects approved by the North Carolina General Assembly in S.L. 2020-66, AN ACT TO AUTHORIZE THE ACQUISITION OR CONSTRUCTION AND THE FINANCING, WITHOUT APPROPRIATIONS FROM THE GENERAL FUND, OF CERTAIN CAPITAL IMPROVEMENT PROJECTS OF THE CONSTITUENT INSTITUTIONS OF THE UNIVERSITY OF NORTH CAROLINA (S.B. 733) (collectively, the “Special Obligation Bond Projects”), including (a) the Morehead Chemistry Laboratory HVAC Upgrades and (b) Campus-Wide Life Safety Upgrades – Phase 1 and (2) the costs of issuing the Bonds; and

WHEREAS, Section 116D-26(b) of the Act requires the Board of Trustees of UNC-Chapel Hill to approve the issuance of the Bonds for the Special Obligation Bond Projects;

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the University of North Carolina at Chapel Hill as follows:

Section 1. Approval of Issuance of Bonds. The issuance of the Bonds for the Special Obligation Bond Projects is approved.

Section 2. Effective Date. This Resolution is effective immediately.

ADOPTED AND APPROVED this 24th day of March, 2021.

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL

By: _____________________________
   Assistant Secretary
I, __________________________, the duly elected Assistant Secretary of the Board of Trustees of the University of North Carolina at Chapel Hill, DO HEREBY CERTIFY that (1) the foregoing is a full, true and correct copy of the Resolution adopted by the Board of Trustees of the University of North Carolina at Chapel Hill at its meeting of March 24, 2021 and appearing in the minutes of such meeting, (2) notice of the meeting of the Board of Trustees of the University of North Carolina at Chapel Hill held on March 24, 2021 was sent to each member of the Board, and (3) a quorum was present at the meeting on March 24, 2021 at which time the foregoing Resolution was adopted.

WITNESS, my hand and the seal of the University of North Carolina at Chapel Hill this 24th day of March, 2021.

[SEAL]

________________________________
Assistant Secretary
Financing Capital Projects

Approve a resolution authorizing the University to issue debt to finance Morehead Chemistry HVAC Renovation and Campus Safety Infrastructure Improvements.

• This resolution authorizes the University to request the issuance of debt by the UNC System Board of Governors to finance capital improvements for the Morehead Chemistry HVAC Renovation and Campus Safety Infrastructure Improvements. Descriptions of the projects follow.

• The North Carolina General Assembly approved these projects in the 2020 short session under S.L. 2020-66.

• These projects are necessary and expedient to the operations of the University.

• The financing will be achieved in conjunction with a refunding of existing university debt that will result in cost savings and reduction in risk.

• It is determined that sufficient revenues are available to repay the debt associated with these projects.
Project Descriptions

Morehead Chemistry HVAC Renovation ($22,000,000)
• Existing and outdated HVAC equipment is unsuitable to maintain acceptable indoor environmental quality.

Campus Safety Infrastructure (two scopes)

Radiomesh Network ($3,250,000)
• Replacement of UNC’s Central Alarm Communicator System for University fire alarms with a radiomesh network system

Energy Management Controls Systems ($3,250,000)
• Replacement of obsolete Energy Management Controls Systems (EMCS) on the campus that were installed starting in the 1980s.
David S. Routh
Vice Chancellor for Development
The Campaign for Carolina

Campaign Dashboard

Data as of March 8, 2020

$3,179,174,510
Total Campaign Activity

Percent to Goal: 75%
Time Elapsed: 65%
Total Donors: 183,854
Alumni Participation: 25%

Campaign Pillars

- The New Graduate: $1.13B
- The 21st Century Professoriate: $469M
- A Culture of Innovation: $1.58B
- Signature Initiatives: $1.16B

Acronyms key available online at: https://unc.live/acronyms

Goal

- Ack: $250M
- ASD: $700M
- Ath: $500M
- Cas: $750M
- Ccps: $6M
- CPA: $25M
- Edu: $35M
- Esop: $175M
- Gov: $50M
- Grad: $110M
- Gsgph: $200M
- Health: $1B
- Hsjm: $750M
- IE: $12M
- Kfbs: $400M
- Law: $75M
- Lib: $50M
- Mcf: $75M
- Mpsc: $20M
- NcBG: $30M
- NRI: $3M
- Nurs: $22M
- Ossa: $400M
- Saf: $115M
- Sils: $20M
- Ssw: $23M

Has met goal.
$3,678,478,761
TOTAL CAMPAIGN ACTIVITY

- PERCENT TO GOAL: 87%
- TIME ELAPSED: 77%
- MONTHS AHEAD: 9.0
- TOTAL DONORS: 192,372
- ALUMNI PARTICIPATION: 25%

- Campaign Pillars:
  - THE NEW GRADUATE: $1.31B
  - THE 21st C. PROFESSORIATE: $519M
  - A CULTURE OF INNOVATION: $1.85B
  - SIGNATURE INITIATIVES: $1.64B

- Acronyms key available online at: https://unc.live/acronyms

DATA AS OF March 8, 2021

Acronyms key available online at: https://unc.live/acronyms
Signature Initiatives

PROGRESS TO GOAL as of 3.8.2021

CAROLINA EDGE
- 73% RAISED
- $1B GOAL

CONVERGENT SCIENCE
- 85% RAISED
- $350M GOAL

ARTS EVERYWHERE
- 53% RAISED
- $350M GOAL

GLOBAL MINDSET
- 90% RAISED
- $300 GOAL
New Cash & Commitments Totals  \textit{As of 3.8.2021}

- FY16: $206
- FY17: $257
- FY18: $351
- FY19: $334
- FY20: $358
- FY21: $323

Amounts in millions

-9.7%
New Cash & Commitments Totals  As of 3.8.2021

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<tr>
<th>Year</th>
<th>Amount (in millions)</th>
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<tr>
<td>FY16</td>
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<td>FY20</td>
<td>$358</td>
</tr>
<tr>
<td>FY21</td>
<td>$323</td>
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Amounts in millions

-3.3%  -9.7%
Give
UNC
3·30·21
TOTAL DOLLARS
In Millions

<table>
<thead>
<tr>
<th>Year</th>
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<tr>
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From FY18 to FY20, the number of new donors increased significantly. The first ever gift to UNC was made in FY19. In FY18, there were 412 new donors. In FY19, the number increased to 919. In FY20, despite limited marketing due to the pandemic, the number of new donors was 519.

*Limited marketing due to pandemic.*
Impact

Student Aid Support
$3M from Roy and Wanda Williams
David S. Routh
Vice Chancellor for Development
Audit Summary

For the fiscal year ended June 30, 2020 (FY2020), the University successfully received a clean and unqualified opinion from the North Carolina Office of the State Auditor.

- No audit findings, management comments or material misstatements were recorded
- No accounting adjustments suggested by auditors
- Audit testing and analysis was conducted entirely remotely for UNC-CH Financial Reporting and Office of State Auditor teams without issues
- Received the GFOA “Certificate of Achievement for Excellence in Financial Reporting”
UNC’s overall financial results for the fiscal year ended June 30, 2020 were significantly impacted by the Global Pandemic in Q4 FY2020.

- **Operating revenues decreased by $69 million, or 3.0 percent**, to $2.2 billion. Revenue decline was primarily driven by decreases of $53 million in sales and services, $24 million in tuition and fees, and $16 million in patient services offset by an increase of $21 million in grants and contracts.

- **Covid-19 direct impacts** to revenue in FY2020 year over year include $45 million decrease in patient services, $26 million decrease in sales and services and $13 million decrease in tuition and fees due to cancelled executive education programs.

- **Operating expenses increased by $138 million, or 4.5 percent**, to $3.2 billion, driven predominately by increases of $85 million in salaries and benefits, including pension expense, in the beginning of the fiscal year. Most operating expenses were curbed immediately following the pandemic.

- **UNC Investment Fund FY2020** return of 2.3 percent was below the FY2019 return of 7.7 percent which drove a decrease in investment income of $111 million year over year.

- **Capital gifts decreased $41.9 million** driven by one-time large gifts for Athletics received in FY2019.

- **Net Position remained steady at 2.3 billion**, with a slight increase of $12M or 0.5 percent, growth from previous year.
Monitoring Fiscal Health in Two Ways

Annual Budget

• The annual budget is generally a cash-based plan of activities of the proposed income sources and expenditures for the upcoming year, following both State and internal financial policies
• An all-funds budget, with a focus on selected operating funds (state, central receipts, F&A, auxiliaries)
• No adjustments for accrued liabilities, deferred revenue etc.
• Inter-departmental billings included between units to reflect full transactional activity
• Uses recent trends as a predictor of future performance
• Budget targets set and monitored at campus unit level (e.g., all of F&O)


• The Annual Report is a comprehensive review of financial activity in the previous year and includes several additional items such as agency funds, associated entities and long-term future liabilities. The Annual Report follows generally accepted accounting principles set by Governmental Accounting Standards Board (GASB) used by all state and local governments
• All fund types, including capital activities and donated funds
• Full accrual accounting (includes depreciation expense, estimated post employment and other long-term liabilities, etc.)
• Asset, liabilities, revenue, expenses, and net position focused
• Used to benchmark to financial peers and industry

Understanding both views provides a full picture of UNC Chapel Hill’s finances
University Budget Update

March 2021
UNC-Chapel Hill has operated with a structural budget deficit – a permanent gap between expenditures and recurring revenues – for several years. The projected structural deficit for the current year is ~$100 million.

Athletics, Housing, Transportation & Parking, the Faculty Practice of the School of Medicine, and other units could realize revenue losses approaching $200 million this fiscal year.

Carolina’s deferred maintenance backlog is estimated to total $850 million, primarily concentrated in academic and administrative buildings.
Structural Deficit: March 2021 Update

- **Nov-Dec 2020**: Extensive budget discussions and engagement with unit leadership and finance leads
- **Jan 2021**: Campus-wide memo on central fund budget reductions (1.5% personnel and 7.5% operating) distributed
- **Feb 2021**: All units submitted budget reduction plans aligned to principles; Finance leadership met with every unit on campus; leadership carefully reviewed plans
- **March 2021**: Plans approved and returned to units
Structural Deficit: March 2021 Update

- **Fiscal Responsibility**: Eliminate $100 M structural deficit by end of FY21-22

- **Reduction Plans**: Units largely eliminating vacant positions, including senior leadership positions; consolidating programs; optimizing space

- **Strengthen Governance**: VC F&O implementing more frequent reviews to monitor progress

- **Protect Mission**: Avoided large-scale reductions-in-force and broad, across-the-board furloughs; prioritized VITAE and opportunity hires; revamped revenue streams (F&A); positioning University for strategic reinvestment
COVID-19 Revenue Losses: March 2021 Update

• Carolina received additional $25.5M and estimated $45M through additional rounds of Higher Education Emergency Relief Fund (HEERF)

• Congress expanded usage for HEERF II & III institutional portion to defray COVID-related expenses, including revenue loss

• Relief funds help to offset pandemic impacts and expenses, but insufficient to cover substantial revenue losses ($200M+)

• State of North Carolina received est. $9B in state fiscal relief through the American Rescue Plan
Deferred Maintenance: March 2021 Update

- State of North Carolina FY21 revised forecast shows an expected **15% increase** in revenue over FY2020 (~$4B)
- Revised forecast and unallocated balances could create **one-time funding opportunities**
- Carolina well-positioned to receive state support for deferred maintenance
- **Not a permanent solution**, but short-term strategy
Questions
Recurrent Budget Reduction Process

Fouad Abd-El-Khalick, Dean & Professor
School of Education, University of North Carolina at Chapel Hill

UNC-CH Board of Trustees Meeting | Carolina Inn | March 24, 2021
“. . . a 1.5% reduction to personnel funds and 7.5% reduction to operating funds for FY20-21, followed by another 1.5% reduction to personnel funds and 7.5% reduction to operating funds in FY21-22 . . . These combined reductions . . . will enable the University to eliminate the $100 million structural deficit in central funds by the end of FY21-22.”

- budget management guidelines, January 13, 2021
UNC Board of Trustees addresses budget shortfall

Trustees say it's time to address the previous $100 million deficit as well as the anticipated COVID-related $200 million budget shortfall.

Susan Hudson, The Well, Friday, September 25th, 2020
Strategic Plan 2018-2022

Goal 1
Lead in research, teaching, and public engagement to earn our position as one of the nation’s preeminent schools of education.

Goal 2
Reimagine and transform the preparation of educators, professionals, and scholars for the 21st century in both formal and informal learning settings and institutions.

Goal 3
Identify and cultivate core, distinctive initiatives to tackle persistent and emerging local, state, and national public challenges.

Goal 4
Achieve financial stability and sustainability to ensure substantial and lasting impact.

Goal 5
Foster shared understanding and commitment to the School’s stated goals, and nurture a community that promotes the well-being, professional growth, and productivity among faculty, staff, and students.
- We made hard and strategic decisions to
  - Place some academic programs with low enrollments on hiatus
  - Invest in newer and new academic programs
inaugural associate dean for research and faculty development

assistant dean for finance & operations

research coordinator

director of finance

accounting technician

accounting technician

research administrator

research administrator
Instructional Units Taught

- 2015: 14,193
- 2016: 15,329
- 2017: 15,329
- 2018: 20,887
- 2019: 47%

Overall increase from 2015 to 2020.
Total Research Expenditures (millions)

2015: 5.73
2016: 11.64
2017: 13.83
2018: 14.58

Increase by 154%
US News & World Report Rankings


- 2015/17: 35
- 2016/18: 25
- 2017/19: 20
- 2018/20: 24
- 2019/21: 14

11 ranks
How much new recurrent funds did we invest to achieve this progress in the School of Education?
2016/17 permanent recurrent funding

2019/20 permanent recurrent funding
Faculty retirements
Reconfiguring staff positions
Increased research funds
Fundraising
Lean.

Efficient.

Running at capacity.
1. Reductions should be consistent with . . . *Carolina Next: Innovations for Public Good* . . . diversity, equity, and inclusion goals . . . activities that are central to Carolina’s mission.

2. Reduce budgets **strategically**, not across the board, by prioritizing . . . and . . . consolidating programs and services.

3. Reduce expenditures, eliminate redundancies, and mitigate impacts on staff workload . . . identify opportunities to invest existing resources to achieve efficiency and better service.

4. Convert non-recurring reductions into **recurring** adjustments . . . consider savings from not filling vacancies and retirements . . . to more significant personnel changes.

5. Consider the impact on **revenue generation** and seek to safeguard or expand revenue-producing activities.

6. . . . shifting costs to other areas will **not** be permitted.

7. Consult **broadly** about reductions to determine the best options . . . communicate openly, honestly and frequently.

8. Balance personnel reductions across **all layers** . . . with a focus on reducing the number of senior administrators.
Timeline

- Received budget memo on January 13, 2021
- Needed to respond to campus with our conceptual plan by February 3, 2021
- Launched a school-wide consultative process on January 15
First faculty and staff meetings

- Held first faculty (January 20) and staff (January 21) meetings
- Focused on
  - Nature of reductions
  - Possible magnitude and implications
  - Budget reduction principles
- Engaged in conversations about a process to move forward with planning
Area and office conversations

- Week of January 25
- Area chairs convened faculty in respective academic programs
- Assistant deans convened staff in respective offices
- Discussed academic, research, and service priorities, budget reduction principles and impacts, ideate solutions
- Feedback shared with school leadership
Second faculty and staff meetings

- Held second faculty (January 27) and staff (January 28) meetings
- Shared summary of input, feedback and ideas to date
- Engaged in more specific conversations about priorities and budget reduction principles
Anonymous online survey
- January 22 to 27, faculty and staff completed online survey
  - What do you see as the most essential parts of the mission of our School, and how can we protect those parts in the budgeting process?
  - What values or principals should govern our budgeting considerations?
  - What other questions should be asked/considered as we go through the process?
  - Do you have other comments or thoughts that you would like to share?
- February 5: Survey results shared
What we heard: Priorities

- Strong consensus about safeguarding resources in service of our core missions of teaching and research
- Prioritizing sense of our community and school responsibility to serve North Carolina
- Some variation in prioritizing undergraduate, professional, and doctoral education
What we heard: Principles

- Transparency, timely information, and opportunities for community to inform decision-making
- Equity, attention to well-being of least highly-paid colleagues, and school community
- Alignment of budget priorities and school’s mission to prepare educational leaders across all levels and disciplines
- Preserving, building in areas where school is well-positioned to lead and serve the state, nation, and world
- Attention to efficiencies, strategies to reduce expenses without impacting school’s core goals
- Respect for existing commitments to students, staff, and faculty
Elements of budget reduction plan

- Budget reductions are extremely difficult and will impact people, their jobs and their livelihoods
- Ensure all faculty and staff in various tracks and classifications, and all programs and operations contribute to meeting budget reduction goals
- Minimize, to every extent possible, impacts on personnel
- Make difficult and strategic decisions—including personnel decisions, to
  - Guard core mission
  - Focus on revenue generation
  - Position school for continued future growth, instead of curtailing growth
Budget reduction actions

- Optimize space use and reduce leasing costs
- Reduce recurrent professional travel budget for all faculty
- Streamline administrative structures to recover funds
- Reduce course offerings
- Take limited personnel actions
Questions?