



**AGENDA**

**OPEN SESSION**

**ACTION ITEMS**

1. **Approval of the Minutes of July 26, 2023**  
*David Boliek Jr., Chair*
2. **Approval of Designer Selection**  
*Nathan Knuffman, Vice Chancellor for Finance and Operations*
  - Caldwell Hall Accessibility Improvements
  - North Campus Elevator Modernizations
  - Academic Affairs Restroom Accessibility Upgrades
  - Fordham Hall Lab Process – Chilled Water System Replacement
  - Lineberger Cancer Research Center Air Flow Reduction
  - Morehead Chemistry Lab Renovation Phase II
3. **Approval of Advance Planning Spending Authority**  
*Nathan Knuffman, Vice Chancellor for Finance and Operations*
  - Pit Area Stormwater Improvements
4. **Approval of Construction Manager at Risk (CMAR) Selection**  
*Nathan Knuffman, Vice Chancellor for Finance and Operations*
  - Avery Residence Hall Renovation
5. **Land Sale to NCDOT (Chatham County)**  
*Gordon Merklein, Associate Vice Chancellor for Real Estate & Campus Enterprises*
6. **Self-Liquidating Debt**  
*Nathan Knuffman, Vice Chancellor for Finance and Operations*

**FOR INFORMATION ONLY**

**(No formal action is requested at this time)**

1. **FY 2023 UNC Investment Fund LLC Performance Update**  
*Jonathon King, CEO of UNC Management Company*
2. **Finance Update**  
*Nathan Knuffman, Vice Chancellor for Finance and Operations*

**UNC-CHAPEL HILL BOARD OF TRUSTEES  
BUDGET, FINANCE, AND INFRASTRUCTURE COMMITTEE MEETING  
Open Session Minutes**

**July 26, 2023**

Committee Chair John Preyer called the meeting to order at 10:06 a.m. in the Chancellor’s Ballroom at The Carolina Inn. Assistant Secretary Chris McClure called the roll. The following committee members were present:

Chair John Preyer  
Vice Chair Kotis  
Patrick Ballantine  
David L. Boliek, Jr.  
Ralph Meekins  
Vinay Patel  
Malcolm K. Turner (via Zoom)  
Ramsey White

**OPEN SESSION**

The following items were presented for action:

**Approval of May 17, 2023 Minutes**

The Committee reviewed and approved the open session minutes of May 17, 2023.

Trustee White made a motion for approval, which was duly seconded. The motion carried and the item was added to the Full Board’s consent agenda.

**Transfer to the University of the Endowment’s Distribution from the Investment Fund**

Vice Chancellor Knuffman presented the proposed transfer of the distribution from the Endowment to the University for expenditure during the 2023-2024 Fiscal year for approval.

Chair Boliek moved to approve the request, which was seconded, and the motion carried.

**Approval of Ordinance Regulating Traffic and Parking – Effective August 15, 2023**

Vice Chancellor Knuffman presented the Ordinance Regulating Traffic and Parking, effective August 14, 2023, for approval. Questions and comments were entertained.

Chair Boliek moved to approve the request, which was seconded, and the motion carried.

**Approval of Advance Planning Spending Authority and Designer Selection**

Vice Chancellor Knuffman presented 10 capital project items for approval.

Three requests for advance planning spending authority:

- Caldwell Hall Accessibility Improvements
- North Campus Elevator Modernizations
- Academic Affairs Restroom Accessibility Upgrades.

Seven designer selection projects:

- Brinkhous Bullitt and Lineberger Cancer Center Elevator Modernizations
- Tarrson Hall Envelope Repairs
- Environmental Health and Safety Building Roof Replacement
- Administrative Office Building (AOB) Roof Replacement
- Morrison Residence Hall Elevator Modernizations
- Baity Hill Residential Complex HVAC Replacement
- Carroll Hall and Dey Hall Elevator Modernizations (Design Build)

After discussion and questions, Trustee Patel moved to approve the 10 capital projects. The motion was duly seconded and passed.

#### **Design Approval**

Vice Chancellor Knuffman presented a design approval request for Carrington Hall Renewal. Questions and comments were entertained.

Trustee Ballantine moved to approve the request for design approval. The motion was duly seconded and passed.

#### **Approval of Lease of Excess Land**

Gordon Merklein, Associate Vice Chancellor for Real Estate and Campus Enterprises presented a request to approve a 10-year lease for property east of Boshamer Stadium. Questions and comments were entertained.

Chair Boliek moved to approved. The motion was duly seconded and passed.

Chair Preyer noted that all the approved items from this committee would be added to the Consent Agenda for a vote by the full Board.

Copies of the presentations are available in the Office of the Assistant Secretary and at [bot.unc.edu](http://bot.unc.edu).

The following item was presented for information:

#### **Finance Update**

The Committee heard a finance update from Vice Chancellor Knuffman on the fiscal year 2023 year-end close, the budget tool, and the FY 2023-24 All-Funds Budget.

### **ADJOURNMENT**

There being no further business for the committee, Committee Chair Preyer adjourned the meeting at 10:26 a.m. without objection.

**AGENDA ITEM***Action Item 2a*      ***Designer Selection – Caldwell Hall Accessibility Improvements***

**Situation:**            The Committee has for its consideration **DESIGNER SELECTION for the CALDWELL HALL ACCESSIBILITY IMPROVEMENTS capital project.**

**Background:**        Caldwell Hall was constructed in 1912 and contains a mix of classrooms, meeting spaces, and academic offices. This project will construct an addition to include a new ramp, stair, and elevator tower on the west side of the building. The project will also create accessible restrooms.

The \$200,000 advanced planning project was approved by the Board of Trustees on July 27, 2023. The budget is funded by University trust funds.

The project was advertised on August 3, 2023. Eight (8) proposals were received. Three (3) firms were interviewed on September 12, 2023. No members of the Board of Trustees participated in the interviews.

**Assessment:**        It is recommended that the Committee approve selection of the three firms in the following priority order:

1. XXX of XXX, NC
2. XXX of XXX, NC
3. XXX of XXX, NC

The firms were selected for their past performance on similar projects, strength of their HUB partnerships, and experience with campus projects and the State Construction Office.

**Action:**              This item requires a vote by the Committee and a vote by the full Board of Trustees to approve the three firms in the above priority order.

**AGENDA ITEM***Action Item 2b*      ***Designer Selection – North Campus Elevator Modernizations***

**Situation:**            The Committee has for its consideration **DESIGNER SELECTION for the NORTH CAMPUS ELEVATOR MODERNIZATIONS capital project.**

**Background:**        This project seeks to bundle the next group of elevator modernizations into a single capital project in order to more efficiently deliver this program.

The advance planning project authority was approved by the Board of Trustees on July 26, 2023. The \$200,000 budget is funded with University trust funds.

The project was advertised on August 3, 2023. Four (4) proposals were received. Four (4) firms were interviewed on September 13, 2023. No members of the Board of Trustees participated in the interviews.

**Assessment:**        It is recommended that the Committee approve selection of the three firms in the following priority order:

1. XXX of XXX, NC
2. XXX of XXX, NC
3. XXX of XXX, NC

The firms were selected for their past performance on similar projects, strength of their HUB partnerships, and experience with campus projects and the State Construction Office.

**Action:**              This item requires a vote by the Committee and a vote by the full Board of Trustees to approve the three firms in the above priority order.

**AGENDA ITEM***Action Item 2c*      ***Designer Selection – Academic Affairs Restroom Accessibility Upgrades***

**Situation:**      The Committee has for its consideration **DESIGNER SELECTION for the ACADEMIC AFFAIRS RESTROOM ACCESSIBILITY UPGRADES capital project.**

**Background:**      This project seeks to renovate restrooms in order to bring them into compliance with current accessibility codes across buildings that house general purpose classrooms.

The \$150,000 advance planning budget was approved by the Board of Trustees on July 27, 2023. The project is funded with University trust funds.

The project was advertised on August 3, 2023. Eight (8) proposals were received. Four (4) firms were interviewed on September 8, 2023. No members of the Board of Trustees participated in the interviews.

**Assessment:**      It is recommended that the Committee approve selection of the three firms in the following priority order:

1. XXX of XXX, NC
2. XXX of XXX, NC
3. XXX of XXX, NC

The firms were selected for their past performance on similar projects, strength of their HUB partnerships, and experience with campus projects and the State Construction Office.

**Action:**      This item requires a vote by the Committee and a vote by the full Board of Trustees to approve the three firms in the above priority order.

## AGENDA ITEM

*Action Item 2e*      ***Designer Selection – Fordham Hall Lab Process – Chilled Water System Replacement***

**Situation:**      The Committee has for its consideration **DESIGNER SELECTION for the FORDHAM HALL LAB PROCESS – CHILLED WATER SYSTEM REPLACEMENT capital project.**

**Background:**      Fordham Hall is a 70,000 square foot biology laboratory building which was opened in 1991. Within Fordham Hall there are twenty-eight (28) constant temperature rooms, all of which are original to the building. The mechanical, electrical, and controls for each of these rooms may need to be replaced. It is unclear if the structure of the rooms (insulated wall panels, ceilings, floors, doors) also requires replacement. The majority of the condensers for existing rooms are installed on top of the rooms which is no longer allowed for safety and maintainability. New equipment and controls must be installed at reasonable working heights in mechanical spaces which may require some change in use of and/or modification of the existing spaces. The process chilled water system with redundant pumps and city water backup will also require replacement.

This project budget of \$300,000 was approved by the Board of Trustees on January 26, 2023, and is funded with 1292 carryforward funds. The overall project budget is estimated at \$4M.

The project was advertised on July 17, 2023. Five (5) proposals were received. Three (3) firms were interviewed on September 8, 2023. No members of the Board of Trustees participated in the interviews.

**Assessment:**      It is recommended that the Committee approve selection of the three firms in the following priority order:

1. XXX of XXX, NC
2. XXX of XXX, NC
3. XXX of XXX, NC

The firms were selected for their past performance on similar projects, strength of their HUB partnerships, and experience with campus projects and the State Construction Office.

**Action:**      This item requires a vote by the Committee and a vote by the full Board of Trustees to approve the three firms in the above priority order.

**AGENDA ITEM**

*Action Item 2f*      ***Designer Selection – Lineberger Cancer Research Center Air Flow Reduction***

**Situation:**      The Committee has for its consideration **DESIGNER SELECTION of the LINEBERGER CANCER RESEARCH CENTER AIR FLOW REDUCTION capital project.**

**Background:**      This project will reduce ventilation requirements for the building, replace the general exhaust and fume hood exhaust system in the original wing of the building, replace the heating hot water system serving original wing air handling units AHU-1-2 and AHU-4-5, provide a new VFD for original wing AHU-3, Replace VFDs on new wing air handling units AHU-001 and AHU-002, convert two hot water heating systems from constant volume to variable volume (one each in the original wing and new wing), provide new VFDs for air handling units AHU-201, AHU-301, and AHU-003, original wing mechanical room ventilation improvements, and emergency generator improvements.

The project budget is \$2,700,000 and is funded with HB 1292 state carryforward budget.

The project was advertised on June 20, 2023. Fifteen (15) proposals were received. Three (3) firms were interviewed on September 12, 2023. No members of the Board of Trustees participated in the interviews.

**Assessment:**      It is recommended that the Committee approve selection of the three firms in the following priority order:

1. XXX of XXX, NC
2. XXX of XXX, NC
3. XXX of XXX, NC

The firms were selected for their past performance on similar projects, strength of their HUB partnerships, and experience with campus projects and the State Construction Office.

**Action:**      This item requires a vote by the Committee and a vote by the full Board of Trustees to approve the three firms in the above priority order.



**AGENDA ITEM***Action Item 2d*      ***Designer Selection – Morehead Chemistry Lab Renovation Phase II***

**Situation:**      The Committee has for its consideration **DESIGNER SELECTION for the MOREHEAD CHEMISTRY LAB RENOVATION PHASE II capital project.**

**Background:**      The project will renovate and convert existing laboratory and support areas into new teaching laboratories spread across two floors of the 1985 Morehead Chemistry Labs building. The aim of the project is to create a modern and functional teaching environment that meets the needs of students and faculty in the Department of Chemistry. An initial phase was completed in late 2021.

The project budget is \$3,490,000 and will be funded with University trust funds.

The project was advertised on July 17, 2023. Nine (9) proposals were received. Four (4) firms were interviewed on August 31, 2023. No members of the Board of Trustees participated in the interviews.

**Assessment:**      It is recommended that the Committee approve selection of the three firms in the following priority order:

1. XXX of XXX, NC
2. XXX of XXX, NC
3. XXX of XXX, NC

The firms were selected for their past performance on similar projects, strength of their HUB partnerships, and experience with campus projects and the State Construction Office.

**Action:**      This item requires a vote by the Committee and a vote by the full Board of Trustees to approve the three firms in the above priority order.

**AGENDA ITEM**

*Action Item 3      **Advance Planning Spending Authority – Pit Area Stormwater Improvements***

**Situation:**      The Committee has for its consideration **ADVANCE PLANNING SPENDING AUTHORITY for the PIT AREA STORMWATER IMPROVEMENTS capital project.**

**Background:**      Deterioration to subsurface infrastructure has led to inadequate stormwater drainage in the Pit area. Heavy rain events in the recent past have consistently resulted in standing water in the Pit, which is a significant hazard due to the quantity of pedestrian activity through the space. The advance planning phase of this project will determine the most effective course of action to upgrade the infrastructure and replace landscape elements within the affected area.

The project budget for advance planning is \$150,000 and will be funded by University trust funds.

**Assessment:**      It is recommended that the Committee approve spending authority for this project in the amount indicated.

**Action:**      This item requires a vote by the Committee and a vote by the full Board of Trustees to approve \$100,000 of spending authority for this project.

## AGENDA ITEM

*Action Item 4*      ***Construction Manager at Risk (CMAR) Selection – Avery Residence Hall Renovation***

**Situation:**      The Committee has for its consideration **CONSTRUCTION MANAGER AT RISK (CMAR) SELECTION of the AVERY RESIDENCE HALL RENOVATION capital project.**

**Background:**      The project will create an addition on the back of the building to add an elevator and additional student social spaces. Renovations to the existing building include finish upgrades to all residence rooms, building envelope repair and window replacement, a new centralized HVAC system, and reconfigured office and support space.

The project budget is \$32,250,000 and will be funded through housing receipts and self-liquidating debt that will be serviced by future housing receipts.

The CMAR solicitation was advertised on July 28, 2023. Ten (10) proposals were received. Three (3) firms were interviewed on September 7, 2023. No members of the Board of Trustees participated in the interviews.

**Assessment:**      It is recommended that the Committee approve selection of the three firms in the following priority order:

1. XXX of XXX, NC
2. XXX of XXX, NC
3. XXX of XXX, NC

The firms were selected for their past performance on similar projects, strength of their HUB partnerships, and experience with campus projects and the State Construction Office.

**Action:**      This item requires a vote by the Committee and a vote by the full Board of Trustees to approve the three firms in the above priority order.

# Facilities Services Update

Board of Trustees  
Budget, Finance, and Infrastructure Committee  
Sept. 27, 2023



# Board Approval

## ADVANCE PLANNING

### Pit Area Stormwater Improvements

- University Trust \$150,000

## CONSTRUCTION MANAGER

### Avery Residence Hall Renovation

- Self-Liquidating Debt, Housing Receipts  
Project Budget \$32,250,000

## DESIGNER SELECTION

### University-Funded Accessibility Projects, Allocated in FY 2024 All-Funds Budget

- Caldwell Hall Accessibility Improvements (University Trust, \$200,000)
- North Campus Elevator Modernization (University Trust, \$200,000)
- Academic Affairs Restroom Accessibility Upgrades (University Trust, \$150,000)

### University-Funded R&R Projects

- Fordham Hall Lab Process – Chilled Water (HB 1292 Carryforward, Advanced Planning Budget \$300,000)
- Lineberger Cancer Research Center Air Flow Reduction (HB 1292 Carryforward, Project Budget \$2,700,000)
- Morehead Chemistry Lab Renovation Phase II (S/L Debt, Budget \$3,490,000)

**AGENDA ITEM***Action Item 5      **Land Sale to NCDOT (Chatham County)***

**Situation:** This request is to sell an approximate 0.8 acre of State-owned and University allocated land located along the north side of a 78-acre parcel in Chatham County.

**Background:** The NC Department of Transportation is constructing the Chatham Park Way that will connect Highway 15/501 to Highway 64. The path of the Park Way crosses a small portion of a parcel of land owned by the State and allocated to the University where the University's Carolina Living and Learning Center operates. The CLLC is a residential program serving adults on the autism spectrum. As required by the State Property Office, the sale must take place at market value, as determined by an appraisal. The appraisal valued the property at \$50,575. The State will maintain all proceeds from the sale as required by NC GS Chapter 146. This sale requires approval by the UNC Board of Trustees and the Council of State.

**Assessment:** The 0.8 acre is currently unimproved and the University has no plans for future development in this area. Given the location of the proposed Park Way and the impacted parcel and in relation to CLLC operations, staff believes that the sale and resulting constructed improvements will have minimal to no impact on the University's use.

**Action:** This item requires a vote by the Committee and a vote by the full Board of Trustees to approve a motion for the sale of the 0.8 acre, subject to final survey.

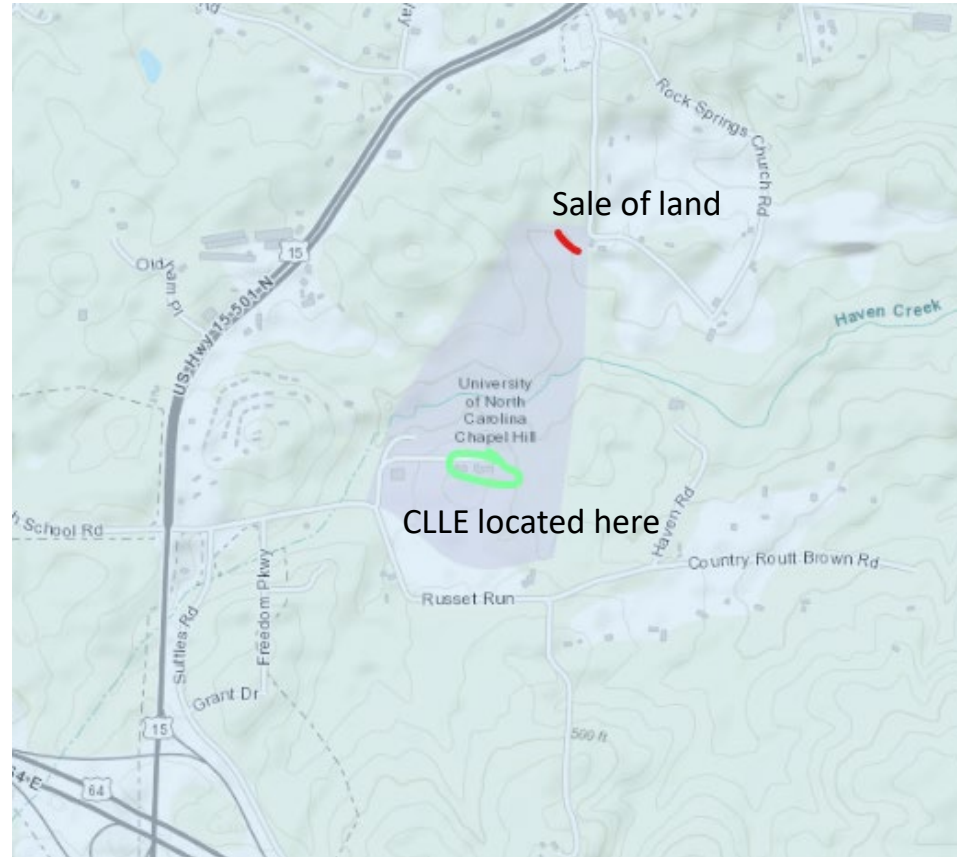
# Real Estate Operations Board of Trustees September 27, 2023

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- Land Sale to NCDOT

# Sale of Land

1. Approximately .8 acres of woods and scrub for ROW and a permanent drainage easement in Chatham County at the rear of the University controlled 78 acre parcel.
2. Buyer – NC DOT for construction of the Chatham Park Way.
3. Current University User: University's Carolina Living and Learning Center.
4. Impact – de minimis given location of parkway in relation to University's existing operations.
5. Sale Price: appraised at \$50,575; all proceeds go to State Treasury.
6. Requires BOT and Council of State Approval.





**AGENDA ITEM***Action Item 6      **Approve Issuance of Special Obligation Bonds for University Capital Projects***

**Situation:** The Committee has for its consideration **APPROVAL OF THE ISSUANCE OF SPECIAL OBLIGATION BONDS FOR THREE CAPITAL PROJECTS**. This approval is necessary for the University to move forward with the projects.

**Background:** Three capital projects are proposed to be financed with Special Obligation Bonds. The North Carolina General Assembly passed, and the Governor granted “Self-Liquidating” authority to issue debt for these three projects on June 30, 2023 (SL 2023-66).

The projects include:

*Avery Residence Hall Renovation* with a project budget of \$32M with \$30M in debt and \$2M in housing fund balance.

*Bingham Hall Comprehensive Renovation* with a project budget of \$18M with \$9M in debt and \$9M in university cash.

*Chilled Water Infrastructure Expansion Project Phase I* with an initial budget of \$15M in debt. We anticipate an additional request for debt funding in the 2024 Legislative Session.

The UNC Board of Governors approved the issuance of Special Obligation Bonds at its September 14, 2023 meeting.

Commercial Paper will be issued to fund construction initially with permanent financing to occur as the projects are completed.

**Assessment:** It is recommended that the Committee approve the issuance of Special Obligation Bonds to fund the capital projects.

**Action:** This item requires a vote by the Committee and a vote by the full Board of Trustees to approve the issuance of Special Obligation Bonds.

**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 certain of the projects approved by the North Carolina General Assembly in Session Law 2023-66, AN ACT TO AUTHORIZE THE FINANCING, WITHOUT APPROPRIATIONS FROM THE GENERAL FUND OR THE STATE CAPITAL AND INFRASTRUCTURE FUND, OF CERTAIN CAPITAL IMPROVEMENT PROJECTS OF THE CONSTITUENT INSTITUTIONS OF THE UNIVERSITY OF NORTH CAROLINA AND TO AUTHORIZE THE TRANSFER OF PERSONAL PROPERTY BETWEEN CONSTITUENT INSTITUTIONS OF THE UNIVERSITY OF NORTH CAROLINA, including Avery Residence Hall Renovation, Bingham Hall Comprehensive Renovation, and Chilled Water Infrastructure Expansion – Phase 1 (collectively, the “*Special Obligation Bond Projects*”) 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 \_\_\_\_ day of \_\_\_\_\_, 2023.

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

By: \_\_\_\_\_  
Assistant Secretary

STATE OF NORTH CAROLINA            )  
  )  
COUNTY OF ORANGE                    )            SS:

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 \_\_\_\_\_, 2023 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 \_\_\_\_\_, 2023 was sent to each member of the Board, and (3) a quorum was present at the meeting on \_\_\_\_\_, 2023 at which time the foregoing Resolution was adopted.

**WITNESS**, my hand and the seal of the University of North Carolina at Chapel Hill this \_\_\_ day of \_\_\_\_\_, 2023.

[SEAL]

\_\_\_\_\_  
Assistant Secretary

# Budget, Finance, and Infrastructure Committee Board of Trustees The University of North Carolina at Chapel Hill September 27, 2023

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- Self-Liquidating Debt

# Financing Capital Projects

## **Approve a resolution authorizing the University to issue debt to finance Avery Residence Hall Renovation, Bingham Hall Comprehensive Renovation and Chilled Water Infrastructure Expansion Phase I**

- This resolution authorizes the University to request the issuance of debt by the UNC System Board of Governors to finance capital improvements for Avery Residence Hall Renovation, Bingham Hall Comprehensive Renovation and Chilled Water Infrastructure Expansion Phase I. Descriptions of the projects follow.
- The North Carolina General Assembly approved these projects in the 2023 Session under S.L. 2023-66.
- These projects are necessary and expedient to the operations of the University.
- It is determined that sufficient revenues are available to repay the debt associated with these projects.

# Project Descriptions

## **Avery Residence Hall Renovation (\$30,000,000)**

The Avery project is a comprehensive building renovation to upgrade the student resident experience and to bring the building into current building code compliance. The improvements needed include replacement and upgrades to the existing HVAC systems, new elevator, plumbing upgrades, window replacement, accessibility improvements, and renovation to existing storage/office areas.

## **Bingham Hall Comprehensive Renovation (\$9,000,000)**

This project will address extensive deferred maintenance throughout the building. Scope to include abatement, complete replacement of mechanical, electrical, plumbing, and fire protection systems, roof and window replacement, masonry repair, modest repartitioning for programmatic upgrades, new architectural finishes.

## **Chilled Water Infrastructure Expansion Project Phase I (\$15,000,000)**

This project is a multi phase project of the utility's strategy to provide capacity to perform necessary significant renovations and continue to meet increasing campus cooling demands. This project phase calls for renovations and upgrades at the East Chiller Plant installation of 3 chillers. This phase also includes the replacement of the deteriorated cooling towers at the North Chiller plant.

# UNC Investment Fund, LLC

## Fiscal Year 2023 Review

Presentation to The Board of Trustees of The University of North Carolina at Chapel Hill

September 27, 2023

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**UNCNCMC**

UNC MANAGEMENT COMPANY, INC

# Agenda

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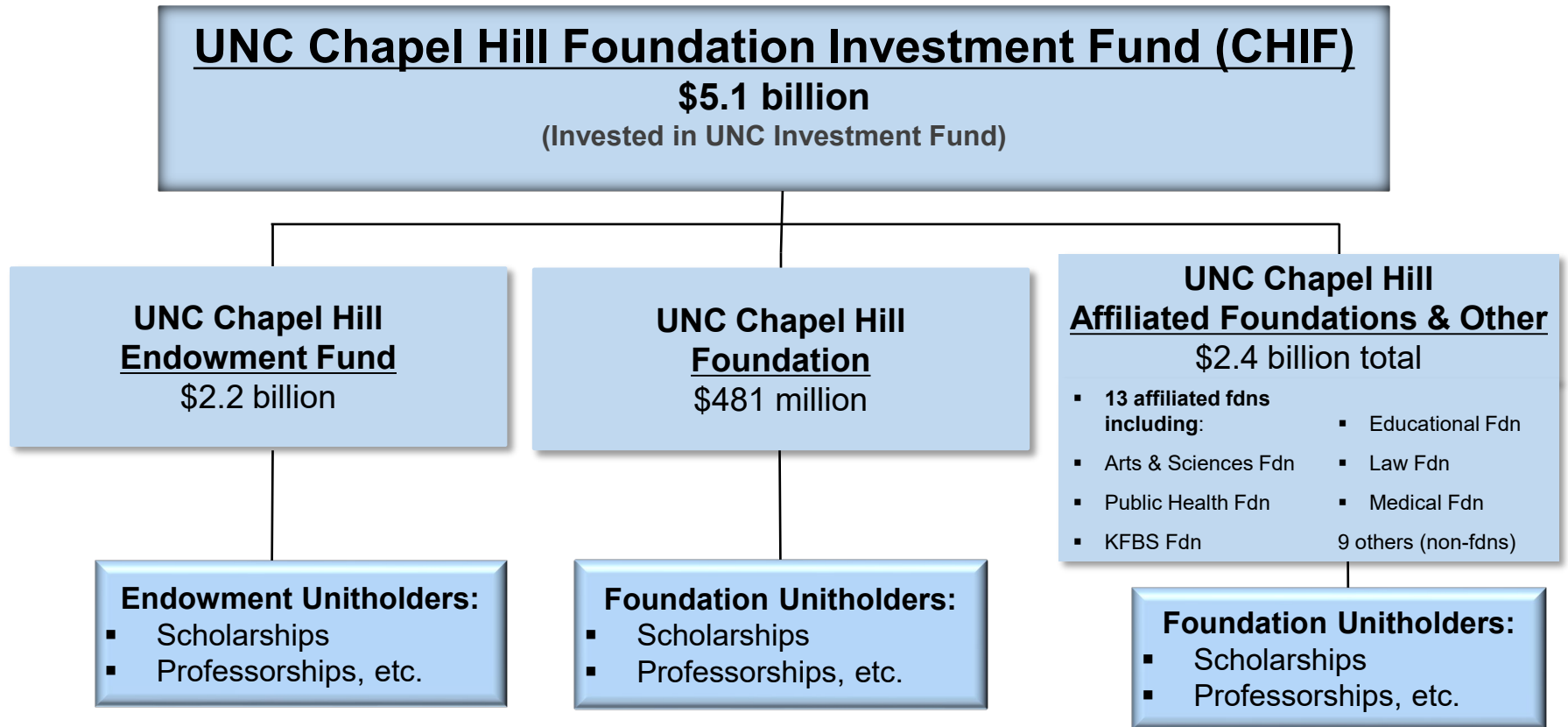
## ▪ **Overview of UNC Investment Entities**

- Primary Investment Objective and Implementation
- FY 2023 Investment Results
- Longer-Term Investment Results
- Chapel Hill Investment Fund Endowment Spending Distribution
- Wrap-Up / Questions



# Chapel Hill Investment Fund (“CHIF”)

Member Composition (as of June 30, 2023)



CHIF, a 501(c)(3) corporation, was formed in 1995 to pool the university’s endowment and foundation funds for investment purposes

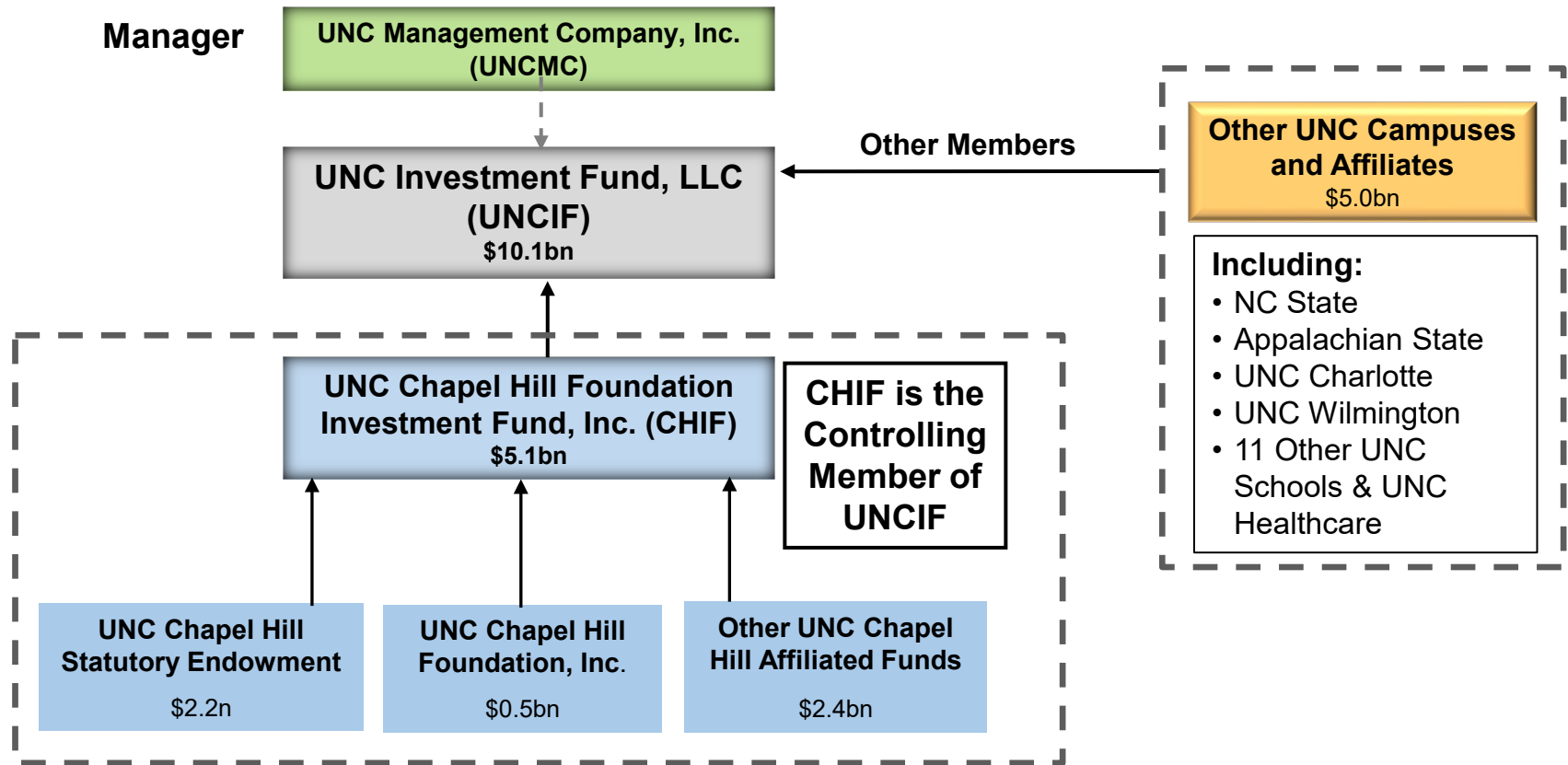
# UNC Investment Fund, LLC (“UNCIF”)

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- Established in 2002 to allow other UNC System Schools and affiliated entities to invest alongside CHIF in a single (commingled) fund
- UNCIF’s members are limited to the University of North Carolina System and its eligible affiliates
- CHIF is UNCIF’s Controlling Member: CHIF’s Board of Directors is responsible for UNCIF’s governance
- UNC Management Company, Inc. serves as UNCIF’s investment manager under an Investment Management Agreement
- June 30, 2023 market value: \$10.1 billion

# UNC Investment Fund, LLC (“UNCIF”)

## Entity Structure



UNCIF was established in 2002 to allow other UNC System Schools (and affiliates) to invest alongside CHIF in a single, commingled fund

Note: As of June 30, 2023

# UNC Management Company, Inc. (“UNCCMC”)

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- Established in 2002 by UNC Chapel Hill to manage the UNC Investment Fund, LLC (UNCIF)
- UNCCMC is a nonprofit organization that provides investment management services to the UNC System, its constituent institutions, and their affiliated endowments and foundations
- Governed by UNC Management Company’s Board of Directors
- UNCCMC has 36 employees:
  - Investment team of 14 professionals dedicated to portfolio management, strategy, and risk management
  - Support functions include:
    - Investor Relations & Communications
    - Investment Compliance & Legal Affairs
    - Investment Operations & Finance
    - Human Resources

# Agenda

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- Overview of UNC Investment Entities
- **Primary Investment Objective and Implementation**
- FY 2023 Investment Results
- Longer-Term Investment Results
- Chapel Hill Investment Fund Endowment Spending Distribution
- Wrap-Up / Questions

# UNC Investment Fund

## Primary Objective

- Preserve the inflation-adjusted purchasing power of the endowment while providing a predictable and growing stream of spending distributions to support University programs
- To accomplish this objective - - the endowment must earn an annualized net return exceeding the spending rate + inflation over **rolling 5- to 10-year (and longer) periods**
- **UNCIF's stated return objective is 5.5% + CPI**
- Managing the return volatility of the endowment helps to stabilize the annual spending distribution

$$\begin{array}{|c|} \hline \text{Spending} \\ \hline 5.5\% \\ \hline \end{array} + \begin{array}{|c|} \hline \text{L-T Inflation} \\ \hline \sim 2.5\% \\ \hline \end{array} = \text{L-T Return Objective} > 8.0\%$$

# UNC Investment Fund

## Investment Implementation

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### To achieve its return objective, UNCIF's investment process:

#### 1. Starts with asset allocation

- Asset allocation targets are established by UNCIF's Board of Directors
- UNCIF has a significant allocation to alternative strategies

#### 2. Manager research and selection conducted by UNCCMC

- External investment management firms are used to implement UNCIF's overall investment strategy
- Once UNCCMC commits to an external manager, that manager assumes control/discretion over how those funds are invested in financial markets

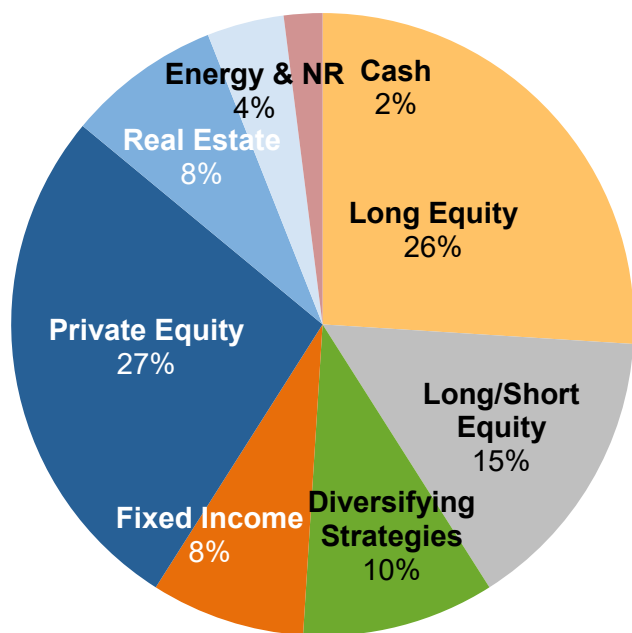
#### 3. Board of Directors / Executive Committee approval

#### 4. Ongoing manager review

#### 5. Risk management is embedded throughout the investment process

# Strategic Investment Policy Portfolio (“SIPP”)

## Target Allocations & Ranges



**SIPP is UNCIF's primary benchmark**

Asset Class	Target	Range
Long Equity	26%	20 - 32%
Long / Short Equity	15%	10 - 20%
Diversifying Strategies	10%	6 - 14%
Fixed Income	8%	5 - 12%
Cash	2%	(-2) - 8%
<b>Private Equity</b>	<b>27%</b>	<b>20 - 34%</b>
Real Estate	8%	5 - 12%
Energy & Natural Resources	4%	2 - 8%

Public Portfolio

Private Portfolio



# Agenda

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- Overview of UNC Investment Entities
- Primary Investment Objective and Implementation
- **FY 2023 Investment Results**
- Longer-Term Investment Results
- Chapel Hill Investment Fund Endowment Spending Distribution
- Wrap-Up / Questions

# UNCIF Fiscal Year 2023 Performance

Weak performance following two very strong years

**UNC Investment Fund (“UNCIF”) returned -0.4%  
for FY 2023 (12 months ended June 30, 2023)**

▪ **Significant underperformance relative to equity-based indices:**

- S&P 500 +19.6%
- MSCI ACWI +16.5%
- U.S. 70/30 Index<sup>(1)</sup> +13.3%
- Global 70/30 Index<sup>(2)</sup> +11.2%

- **UNCIF’s underperformance was driven mainly by the -12.3% return on the Fund’s Private Equity portfolio in FY 2023**

**UNCIF underperformed in FY 2023 due to weakness and reporting lags in the Private Equity asset class**

1) U.S. 70/30 Portfolio: 70% S&P 500 index, 30% Bloomberg U.S. Aggregate Bond Index

2) Global 70/30 Portfolio: 70% MSCI All Country World Index (ACWI), 30% Bloomberg U.S. Aggregate Bond Index

# FY 2023 UNCIF Return

Private Equity losses were the primary factor in Fund's underperformance

- **In FY 2023, there was an extraordinarily wide performance gap between public equity vs. private equity:**
  - MSCI ACWI: +16.5%
  - S&P 500: +19.6%
  - Cambridge Associates Private Equity (buyout) Index: -2.1%
  - Cambridge Associates Venture Capital Index: -18.3%
- **The wide performance gap in FY 2023 reflects two primary factors:**
  1. Reporting time lag - - the -12.3% FY 2023 Private Equity return (& benchmarks):
    - includes the June 2022 quarterly valuations, a quarter when the MSCI ACWI and S&P 500 Index were down -15.7% and -16.1%, respectively
    - and excludes the June 2023 valuations, a quarter when the MSCI ACWI and S&P 500 Index were up +8.7% and +6.2%, respectively
  2. Private Equity managers tend to be slow to mark valuations up in rising public equity environments and correspondingly slow to decrease valuations when public equity prices are falling

Declines in public equity markets happen relatively quickly - - changes in private valuations are more drawn out and are recorded with time lags

# FY 2023 UNCIF Return

Private Equity losses were the primary factor in Fund's underperformance

The following table shows the UNCIF investment returns:

- 1) as reported
- 2) adjusted for the one-quarter lag in the recording of valuation changes in the Fund's "private" asset classes

UNCIF Returns	FY 2023	3 Years Ended 6/30/23 (annualized)	5 Years Ended 6/30/23 (annualized)
Reported	-0.4%	+13.9%	+10.3%
Adjusted for Lagged Private Valuations	+4.4%	+14.0%	+10.3%

- The quarterly lag in recording private valuation changes can have a significant impact on short-term returns
- This impact tends to "wash out" over longer time periods

# UNCIF Private Equity

Private Equity has been UNCIF's strongest performer over the long-term

UNCIF's Private Equity portfolio has significantly outperformed public equity indices over long-term time horizons

	Annualized Returns for Periods Ended June 30, 2023			
	FY 2023	5 Years	10 Years	20 Years
<b>UNCIF Private Equity (net of all fees)</b>	<b>-12.3%</b>	<b>+22.6%</b>	<b>+20.1%</b>	<b>+16.9%</b>
S&P 500	+19.6%	+12.3%	+12.9%	+10.0%
MSCI ACWI	+16.5%	+8.1%	+8.8%	+8.2%
NASDAQ	+26.1%	+12.9%	+15.0%	+11.3%

Despite weak performance in FY 2023, Private Equity has been UNCIF's best performing asset class over the long term and has significantly outperformed public equity indices

# Equity Markets: A Tale of Two Years

Domestic Equities: S&P 500 Index

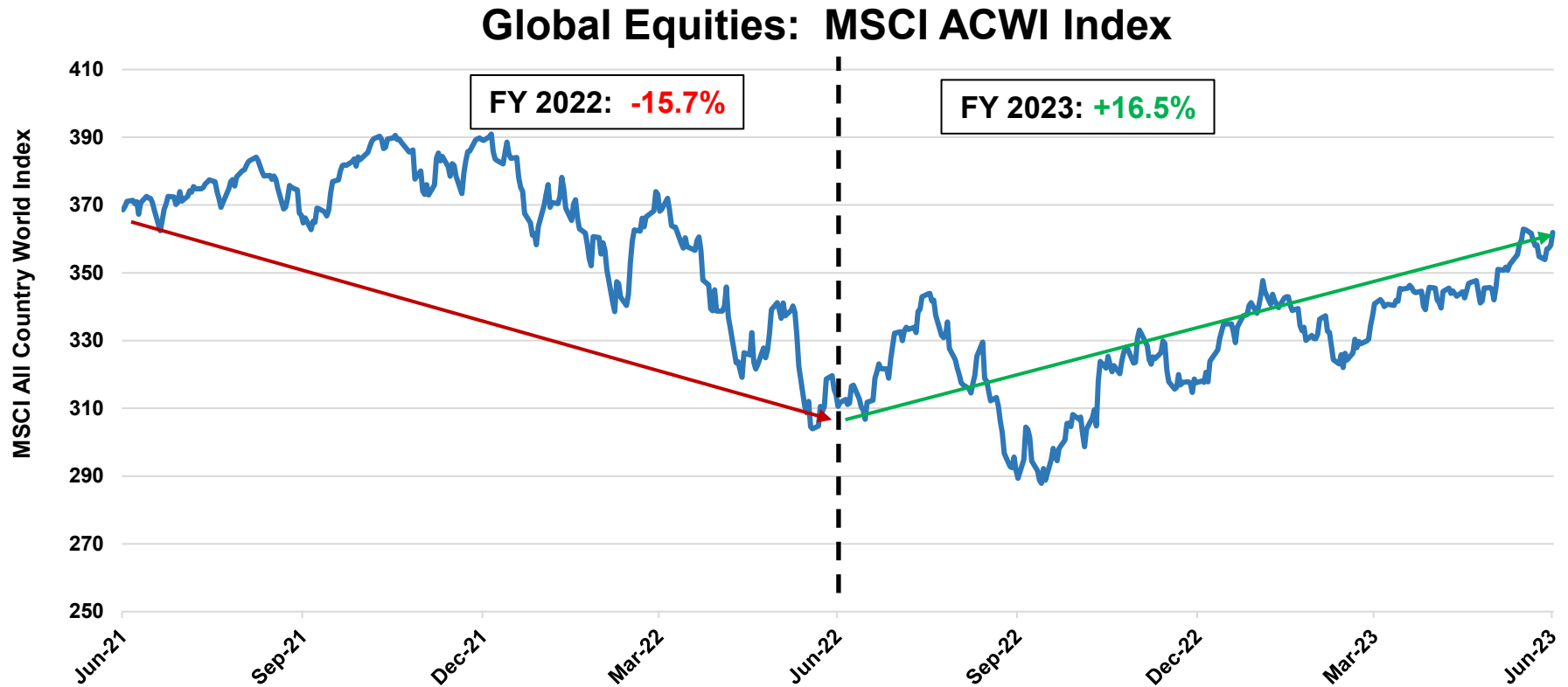
Domestic Equities: S&P 500 Index



FY 2022 and FY 2023: Near opposite equity market performance...  
...leads to a 2-year annualized return of +3.4%

# Equity Markets: A Tale of Two Years

Global Equities: MSCI All Country World Index (ACWI)

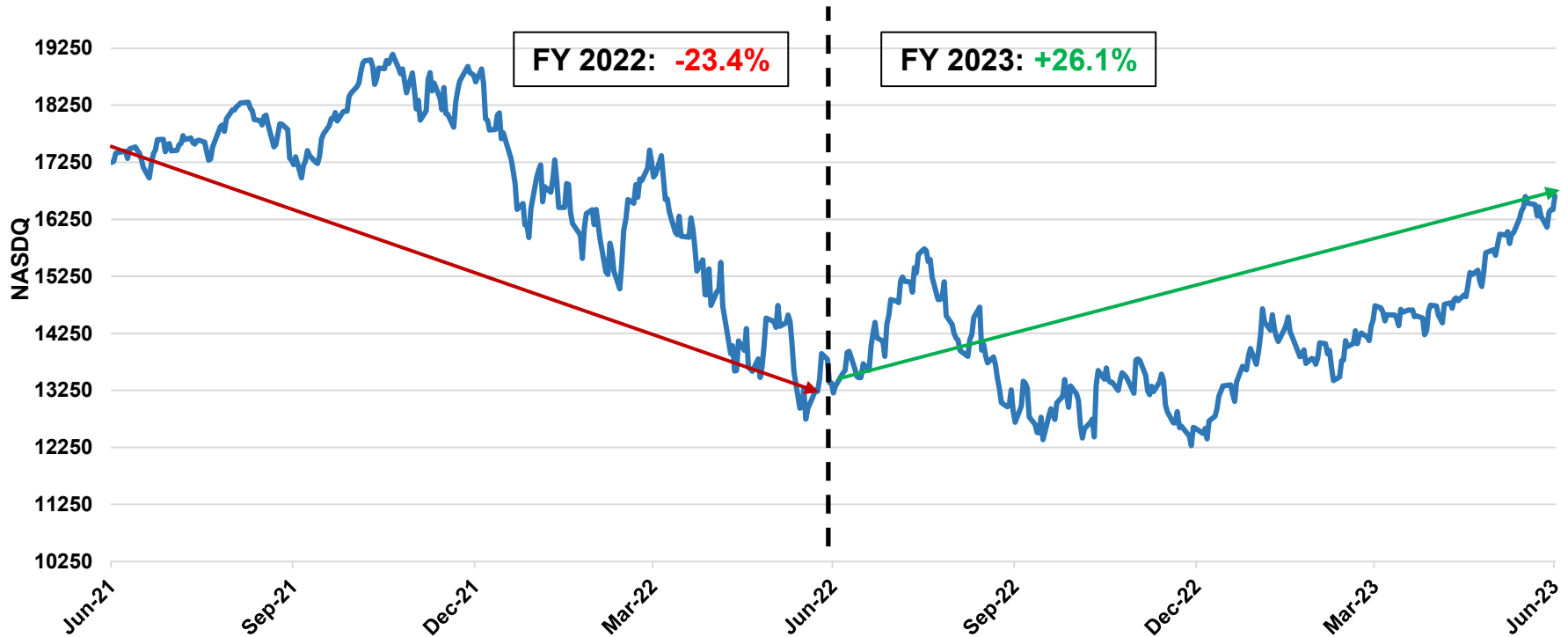


FY 2022 and FY 2023: Near opposite equity market performance...  
...leads to a 2-year annualized return of -0.9%

# Equity Markets: A Tale of Two Years

Technology Equities: NASDAQ

## Technology Equities: NASDAQ Index



FY 2022 and FY 2023: Near opposite equity market performance...  
...leads to a 2-year annualized return of -3.4%



# FY 2022 and FY 2023: A Tale of Two Years

UNCIF's returns are uncorrelated with public markets

	FY 2022	FY 2023	2-Year Annualized Return
<b>UNCIF</b>	<b>4.4%</b>	<b>-0.4%</b>	<b>2.0%</b>
SIPP	0.1%	3.6%	1.8%
U.S. 70 / 30 Index	-10.3%	13.3%	0.8%
Global 70 / 30 Index	-14.0%	11.2%	-2.2%
Domestic Equities: S&P 500	-10.6%	19.6%	3.4%
Global Equities: MSCI ACWI	-15.7%	16.5%	-0.9%

- Some of UNCIF's low correlation to public equities is by design
- In the last two years, private valuation lags further reduced UNCIF's correlation to public markets

# CHIF Market Value

## Components of FY 2023 Change in Market Value

Chapel Hill Investment Fund	
\$ in millions	
<b>Market Value: June 30, 2022</b>	<b>\$5,242.3</b>
+ Net Investment Gain / (Loss)	(8.0)
+ Net Additions	132.9
- Annual Spending Distribution and Development Support	(266.6)
<b>Market Value: June 30, 2023</b>	<b>\$5,100.6</b>

CHIF's market value decreased by \$141.7 million in FY 2023 after distributing \$266.6 million to support University programs and development

Note: Totals may not sum due to rounding and are unaudited.

# Agenda

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- Overview of UNC Investment Entities
- Primary Investment Objective and Implementation
- FY 2023 Investment Results
- **Longer-Term Investment Results**
- Chapel Hill Investment Fund Endowment Spending Distribution
- Wrap-Up / Questions

# Return Summary

UNCIF has generated top decile performance across time periods

Annualized Performance Periods ending June 30, 2023	1 Year	3 Years	5 Years	7 Years	10 Years
<b>UNC Investment Fund</b>	<b>-0.4%</b>	<b>13.9%</b>	<b>10.3%</b>	<b>10.8%</b>	<b>9.7%</b>
<i>Primary Benchmark: SIPP</i>	3.6%	11.2%	8.4%	8.9%	7.9%
Traditional Portfolio: Global 70/30 <sup>(1)</sup>	11.2%	6.5%	6.1%	7.2%	6.7%
Peer Universe: BNY Mellon E & F <sup>(2)</sup>					
Median	7.1%	9.2%	6.8%	8.2%	7.5%
Top Quartile	9.8%	11.4%	8.2%	9.0%	8.3%
Top Decile	11.8%	13.2%	10.1%	10.7%	9.4%

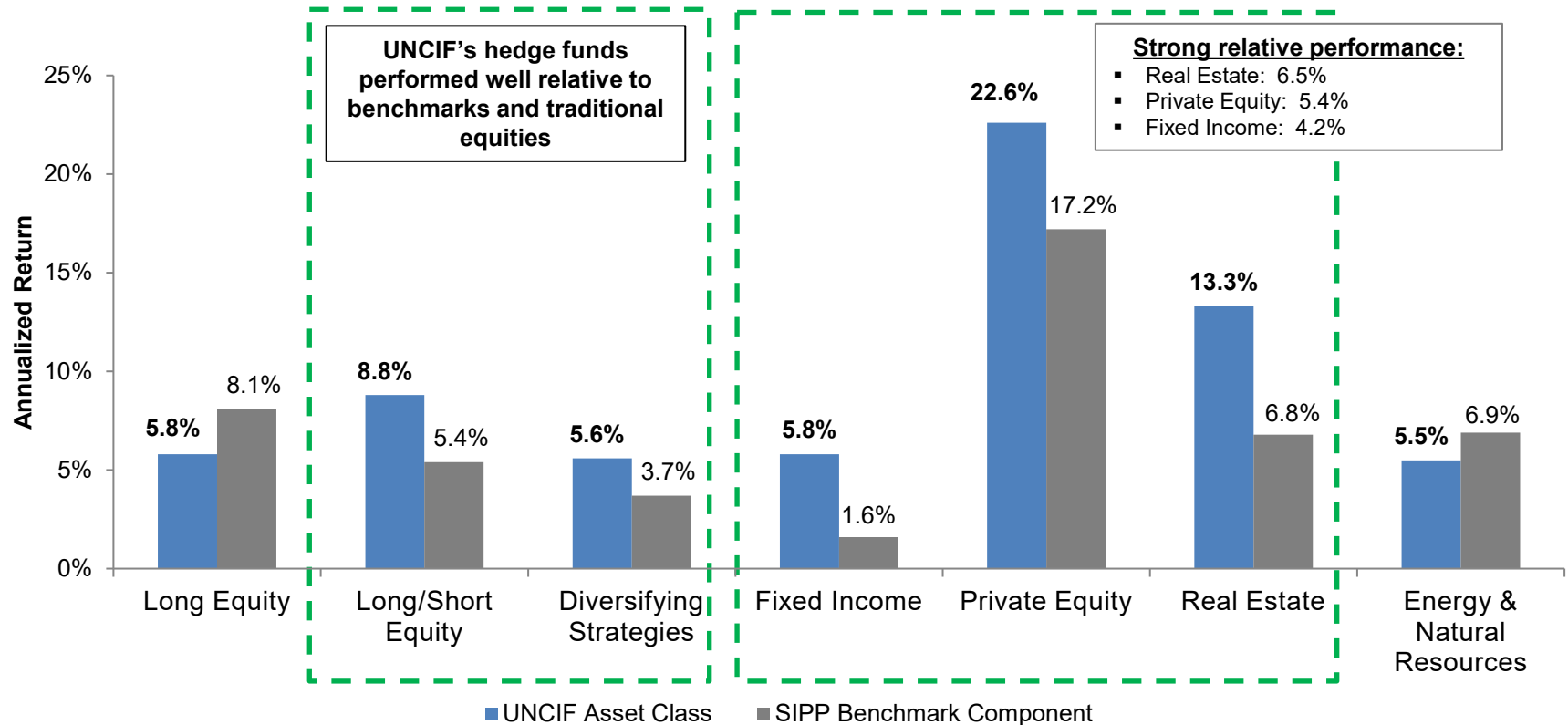
**Top Decile Performance**

UNCIF has produced 9.7%+ annualized returns and top decile performance over the medium- and long-term

1) Global 70/30 Portfolio: 70% MSCI All Country World Index (ACWI), 30% Bloomberg U.S. Aggregate Bond Index  
 2) BNY Mellon Endowment & Foundation universe adjusted for internal fees

# UNCIF Asset Class Returns: 5 years

Performance driven by exposure to private investments



- All asset classes positive, 5 of 7 beat their benchmark
- Fund's +10.3% 5-year return (top decile<sup>(1)</sup>) beats SIPP's +8.4%

Note: Annualized performance for five-year period ending June 30, 2023

(1) BNY Mellon Endowment & Foundation universe adjusted for internal fees

# UNCIF: Top Decile Performance across Time Periods

## Strong Track Record & Downside Protection

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### Top performer among peers (endowments & foundations)

- 3-, 5-, 7- and 10-year returns<sup>(1)</sup> rank in the **top decile** of the BNY Mellon Endowment & Foundation universe

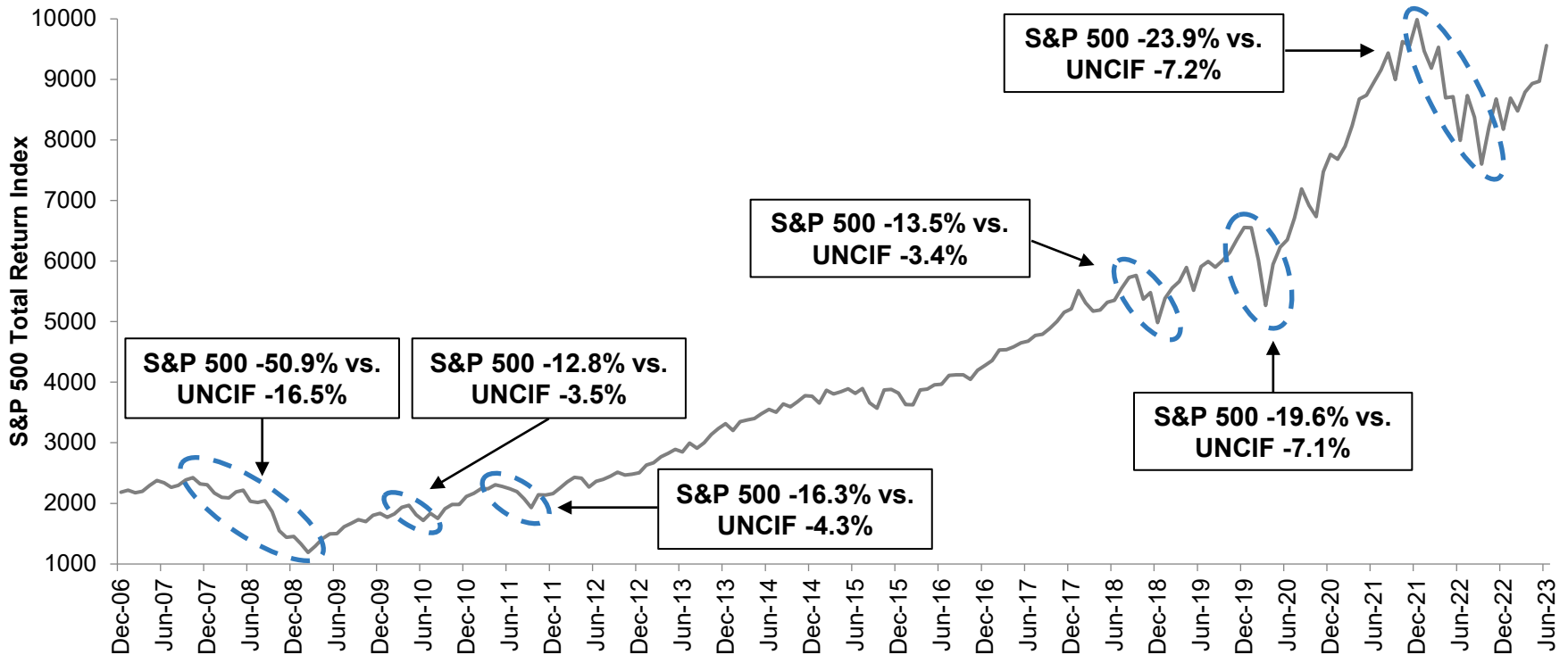
### Significant downside protection during periods of market stress

- Volatility is less than half that of the S&P 500 Index (domestic equity) and the MSCI ACWI (global equity)
- In significant down months (S&P 500 down > -5%) UNCIF, on average, loses **less than one-third** as much as the S&P 500

1) Periods ending June 30, 2023

# Drawdown Protection

Protecting capital allows UNCIF to achieve its investment objectives

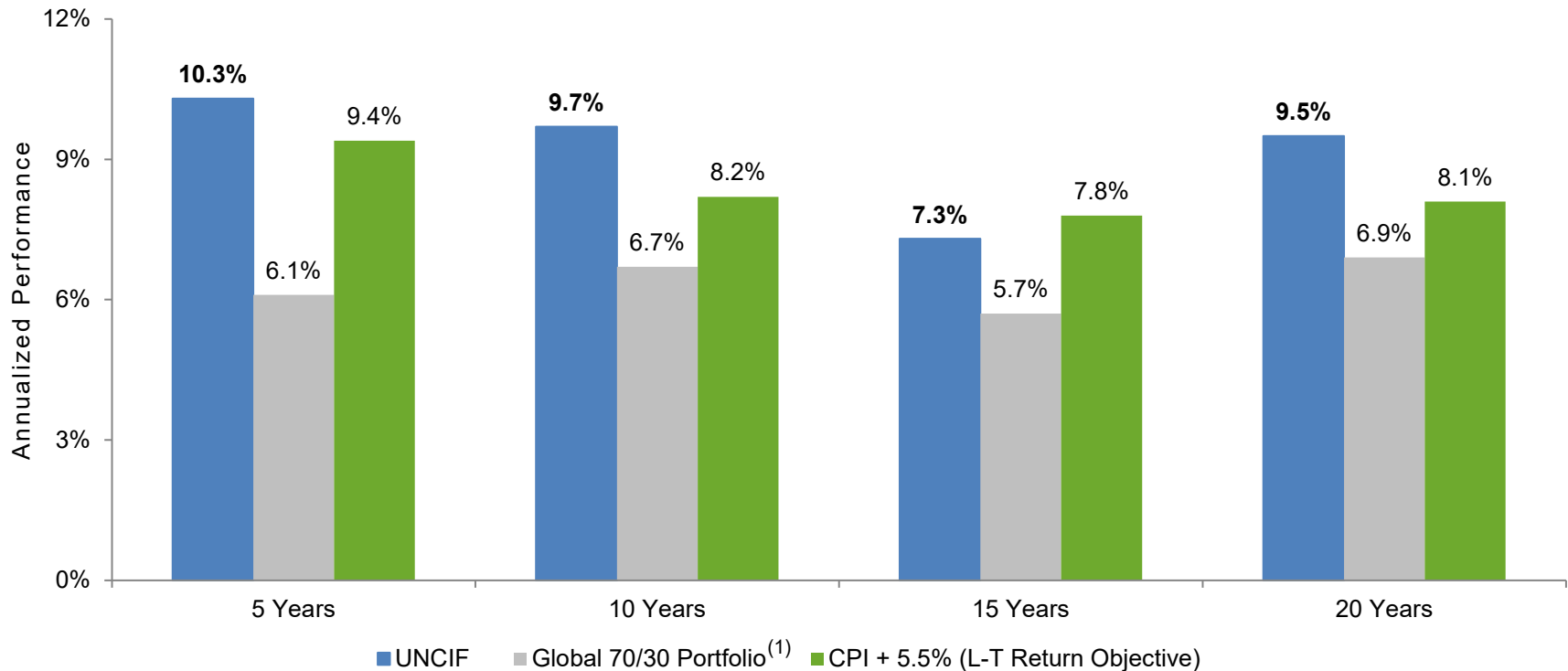


UNCIF has provided significant drawdown protection during periods of market stress

Note: Data through June 30, 2023

# Relative Long-Term Performance

UNCIF has achieved its return objective over the long term



Diversification & private investments required:  
a traditional equity/bond portfolio fails to meet its objective

Note: Annualized performance for periods ending June 30, 2023

1) Global 70/30 Portfolio: 70% MSCI All Country World Index (ACWI) / 30% Bloomberg U.S. Aggregate Bond Index



# CHIF Market Value

## 10-Year Change

Chapel Hill Investment Fund \$ in millions	
<b>Market Value: June 30, 2013</b>	<b>\$2,337.9</b>
+ Net Investment Gains	3,383.2
+ Net Additions	1,297.8
- Annual Spending Distributions and Development Support	(1,918.4)
<b>Market Value: June 30, 2023</b>	<b>\$5,100.6</b>

Over the past 10 years, CHIF's market value has increased by \$2.8 billion after distributing ~\$1.9 billion to support University programs and development

Note: Totals may not sum due to rounding and are unaudited.

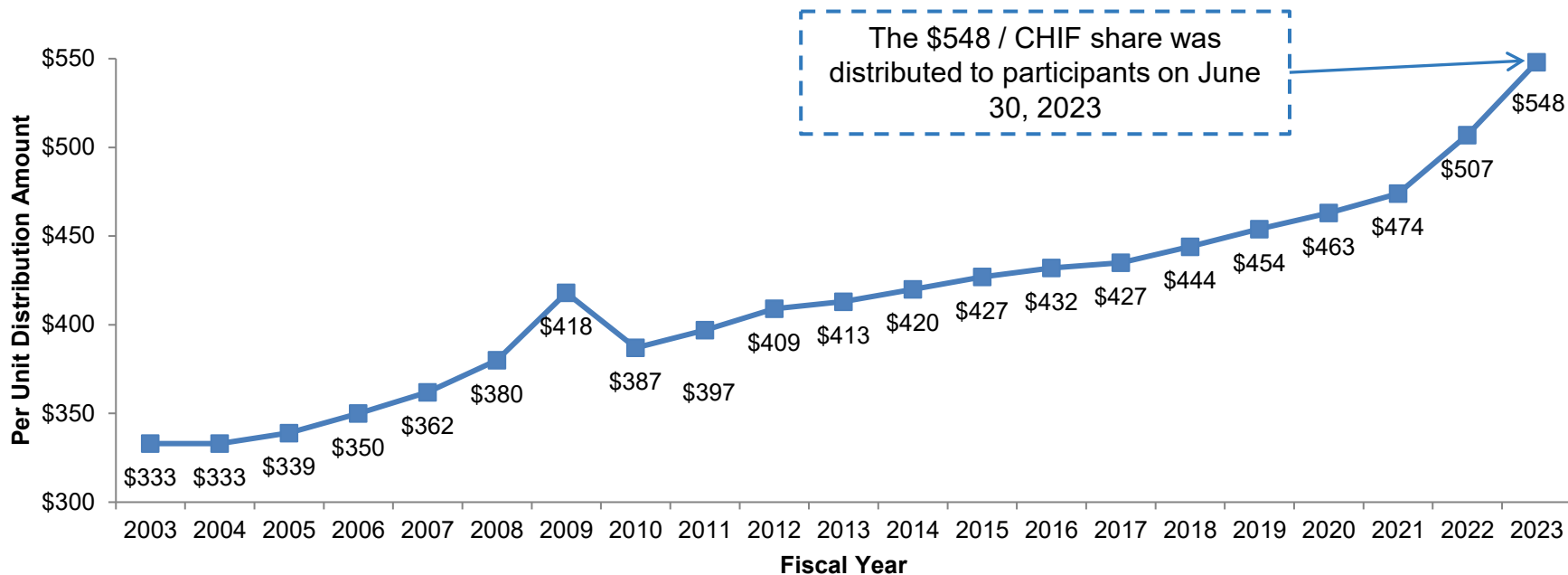
# Agenda

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- Overview of UNC Investment Entities
- Primary Investment Objective and Implementation
- FY 2023 Investment Results
- Longer-Term Investment Results
- **Chapel Hill Investment Fund Endowment Spending Distribution**
- Wrap-Up / Questions

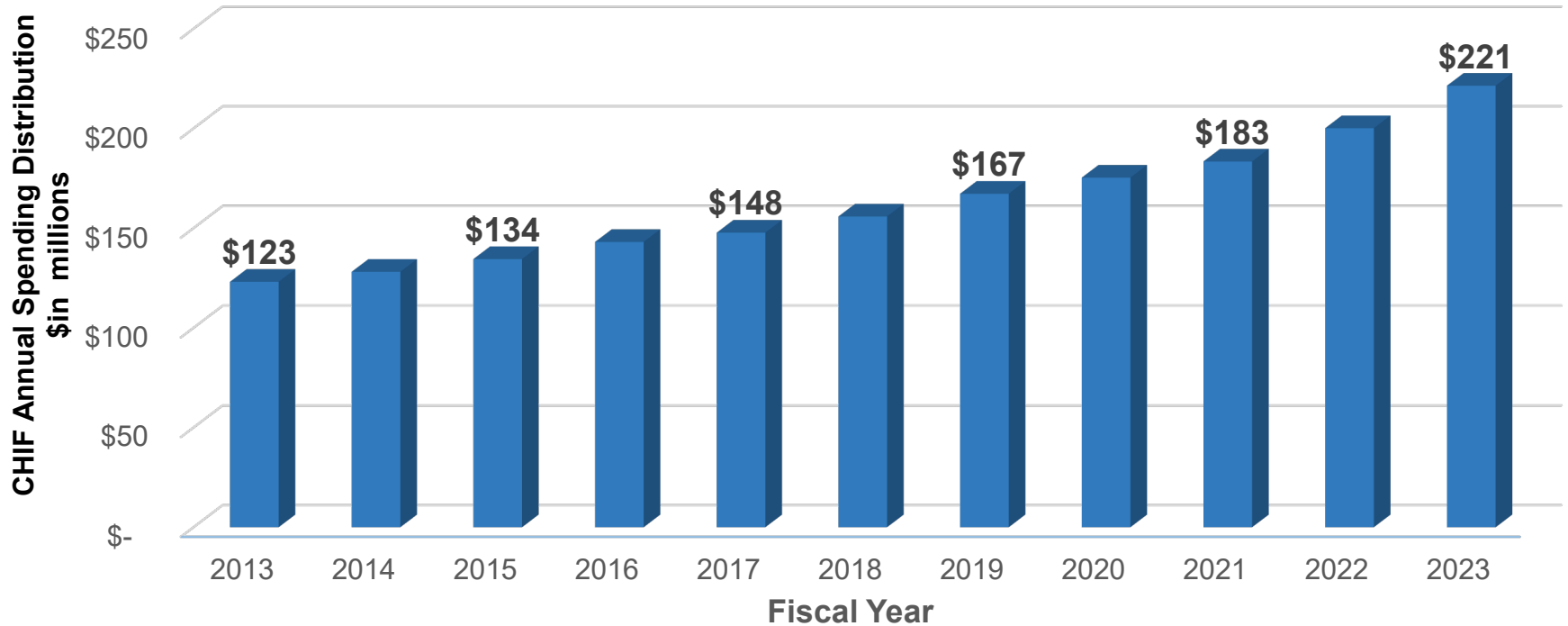
# Historical Per Unit Distribution Amount

## Chapel Hill Investment Fund



Growth Rates		
	Per Unit Distribution Amount	Inflation (CPI)
1 Year	8.1%	7.1%
3 Years	5.8%	3.5%
5 Years	4.3%	2.9%
10 Years	2.9%	2.1%
15 Years	2.5%	2.2%

# CHIF Annual Spending Distribution



The annual amount distributed to support programs has grown from \$123 million to \$221 million over the past 10 years

# Agenda

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- Overview of UNC Investment Entities
- Primary Investment Objective and Implementation
- FY 2023 Investment Results
- Longer-Term Investment Results
- Chapel Hill Investment Fund Endowment Spending Distribution
- **Wrap-Up / Questions**

# Our Fundamental Beliefs

Over the long term, UNCIF has achieved its objectives

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## Maintaining conviction in our investment approach and philosophy has led to UNCIF achieving its long-term objectives

- Maintain a long-term time horizon
- Portfolio diversification is a key component in managing risk
- Focus assets with our highest conviction investment managers
- Alternative asset classes play a significant role
- Tactical portfolio shifts can be utilized selectively to capture shorter-term opportunities
- Downside protection matters

The most important and difficult challenge remains striking the proper balance between upside participation and downside protection

# CHIF and UNCIF Annual Reports

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For further information, the FY 2022 CHIF and UNCIF Annual Reports are available on the UNC Management Company website [uncmc.unc.edu](https://uncmc.unc.edu)

- Chapel Hill Investment Fund (CHIF) Annual Report (FY 2022):  
<https://uncmc.unc.edu/wp-content/uploads/sites/478/2023/02/FY-2022-CHIF-Annual-Report-FINAL.pdf>
- UNC Investment Fund (UNCIF) Annual Report (FY 2022):  
<https://uncmc.unc.edu/wp-content/uploads/sites/478/2023/02/FY-2022-UNCIF-Annual-Report-FINAL.pdf>

# Wrap-Up

FY 2023: A lackluster year following two strong years

**UNCIF returned -0.4% in FY 2023...**

**...underperforming primarily due to weakness and reporting lags in the Private Equity asset class**

- **UNCIF's 3-, 5-, 7-, and 10-year returns:**
  - **Are close to or exceed 10% annualized**
  - Beat SIPP benchmark
  - Significantly beat the Global 70/30 Portfolio<sup>(1)</sup>
  - **Top decile relative to peers**<sup>(2)</sup>
- **UNCIF has achieved its primary return objective across time periods**

**UNCIF's medium- and long-term performance remains strong**

(1) Global 70/30 Portfolio: 70% MSCI All Country World Index / 30% Bloomberg U.S. Aggregate Bond Index

(2) BNY Mellon Endowment & Foundation universe adjusted for internal fees



# Finance Update

## Board of Trustees Budget, Finance, and Infrastructure Committee

Nathan Knuffman, Vice Chancellor for Finance and Operations

Sept. 27, 2023

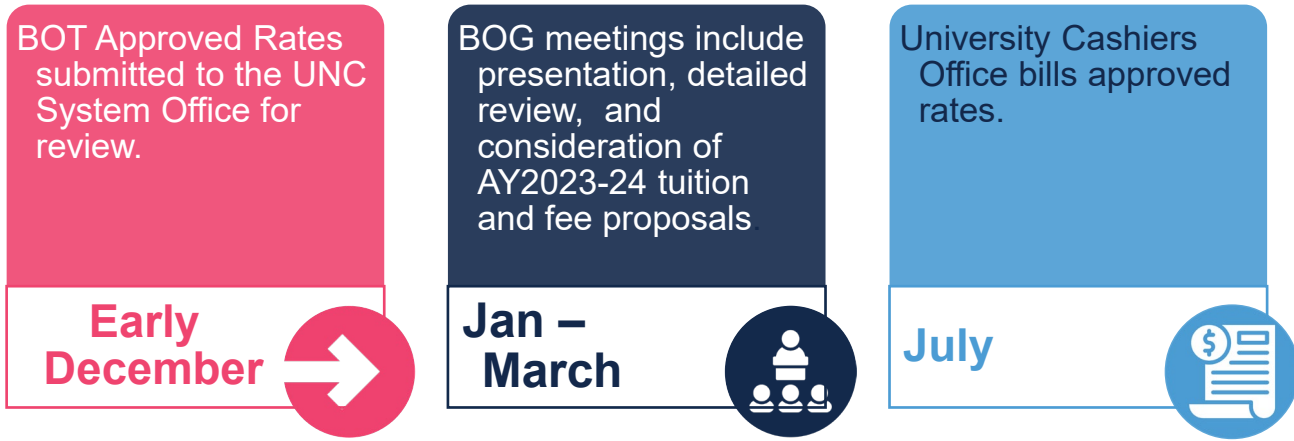
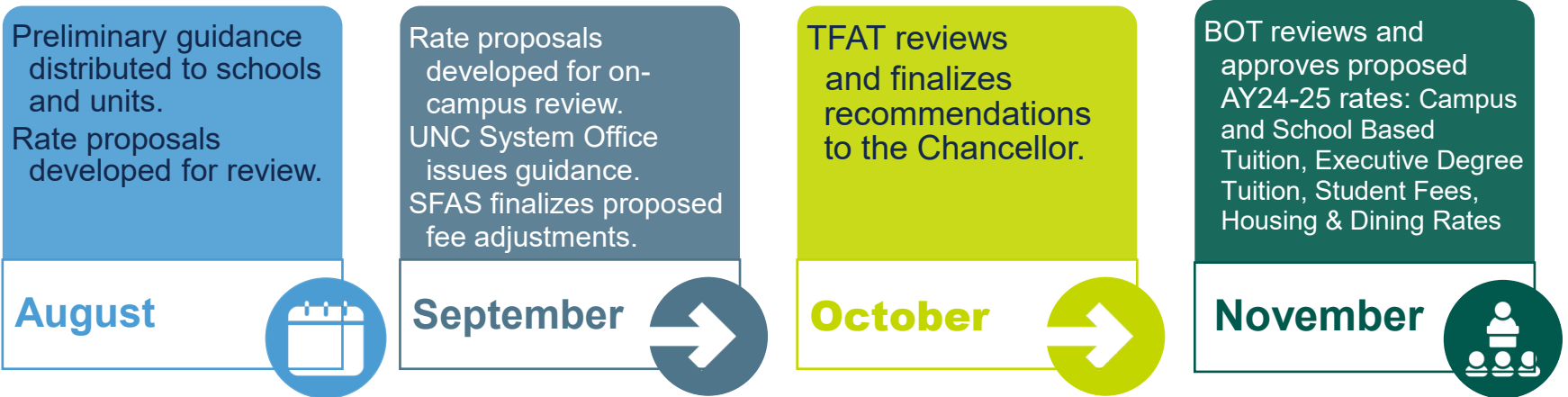


# Agenda

- Tuition and Fees Overview
- Budget Update
- Capital Programs Update
- Return on Investment Study

# Tuition and Fees Overview

# Approval Process Milestones



**Committees**

TFAT: Tuition & Fee Advisory Task Force

SFAS: Student Fee Advisory Subcommittee

# Tuition & Fees Guidance from UNC System Office

- **Mandatory Fees:**

- Increases may be proposed only if critical to maintaining core activities. BOG will closely scrutinize.
- Increases may be proposed that are offset by a commensurate decrease to another fee.
- Total Increases subject to 3% cap.

- **Special Fees:**

- Increases may be proposed only if critical to cover inflationary increases associated with an existing fee. BOG will closely scrutinize.
- New fees may only be proposed for newly approved programs.

- **Application fees** may not be proposed.

- **Tuition:** increases may only be considered for nonresident undergraduates and graduate students.

# Definitions

- Campus Based Tuition



Applies to all students by type: UG, Grad, Res, NR



Resident rates remain in the bottom quartile of public peers



Nonresident rates are market-driven and reflect full cost

- School Based Tuition



Only applies to grad and prof programs



Differentiated for unique markets and program requirements



Typically the same rate for R and NR

- Student Fees



Rates are identical for R and NR. UG, Grad rates may vary



Every unit must keep fees as low as possible while supporting needs



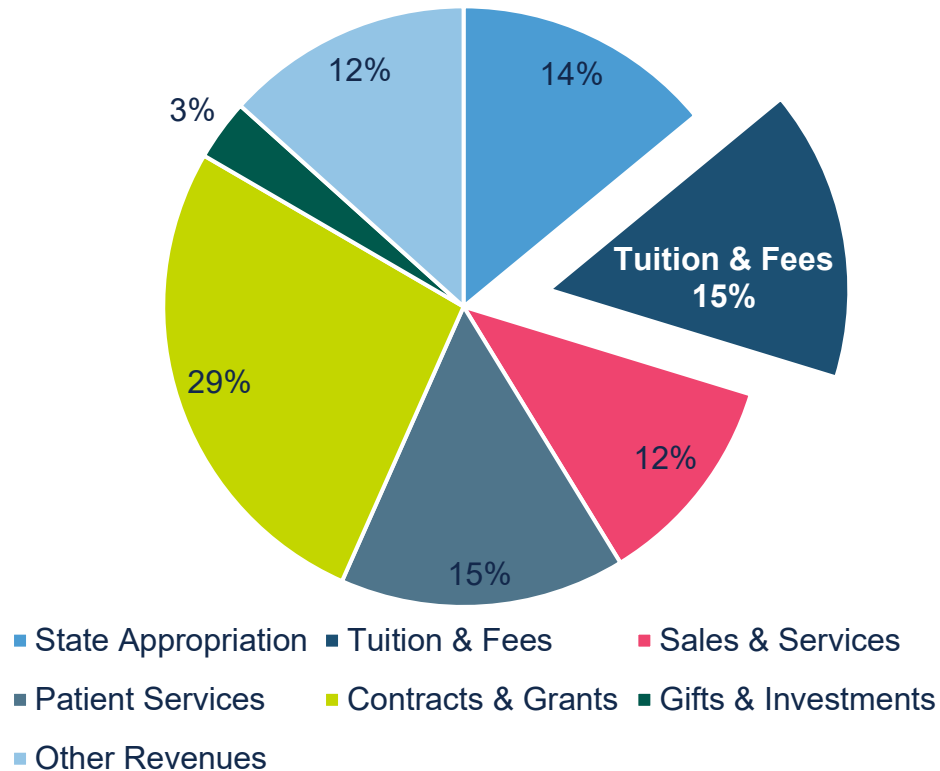
Statutory and System policies and guidance limit adjustments

# Historical Tuition and Fee Adjustments

	Tuition Increases								Student Fee Increases			
	Undergraduate Resident	% increase	Undergraduate Non-resident	% increase	Graduate Resident	% increase	Graduate Non-resident	% increase	Undergraduate	% increase	Graduate	% increase
<b>5 yr change</b>	\$0	0%	\$3,162	9%	\$0	0%	\$566	2%	\$3	0%	\$3	0%
<b>AY23-24</b>	\$7,019	0%	\$37,360	5%	\$10,552	0%	\$28,844	0%	\$1,970	0%	\$1,948	0%
<b>AY22-23</b>	\$7,019	0%	\$35,580	2%	\$10,552	0%	\$28,844	0%	\$1,970	-2%	\$1,948	-2%
<b>AY21-22</b>	\$7,019	0%	\$34,882	2%	\$10,552	0%	\$28,844	2%	\$2,009	2%	\$1,987	2%
<b>AY20-21</b>	\$7,019	0%	\$34,198	0%	\$10,552	0%	\$28,278	0%	\$1,969	0%	\$1,947	0%
<b>AY19-20</b>	\$7,019		\$34,198		\$10,552		\$28,278		\$1,967		\$1,945	

# Rate Setting Considerations

FY 2023-24 Budgeted Revenue



- Great value; High demand
  - Top ranked university
  - Strong applicant pool
- Limits on certain rate adjustments
  - Fixed Tuition Guarantee
  - Statutory cap on mandatory student fees
- Market-rate adjustment potential for nonresident and graduate programs
- Upcoming tuition and fee rate setting process
- Prime opportunity to develop strategy aligned with the All-Funds Budget
- Inflationary pressure and impacts
- UNC System Funding Model changes
  - Tuition no longer offsets enrollment funds
  - Nonresidents excluded from the new model



# Rate Setting Considerations

## Undergraduate Tuition and Fees Peer Comparison

UNC-Chapel Hill AY22-23 Rates compared to UNC System Defined Peer Rates

	Resident	Nonresident
<b>UNC-Chapel Hill 2022-23 Rates</b>	<b>\$8,989</b>	<b>\$37,550</b>
<b>Public Average without UNC-CH</b>	<b>\$14,507</b>	<b>\$42,456</b>
<b>UNC-CH Difference from Public Average (\$)</b>	<b>-\$5,518</b>	<b>-\$4,906</b>
<b>UNC-CH Difference from Public Average (%)</b>	<b>61.3%</b>	<b>13%</b>
<b>Public Peers</b>	<b>2022-23 Rates</b>	<b>2022-23 Rates</b>
Florida	\$6,381	\$28,658
Illinois	\$17,138	\$35,110
Pittsburgh	\$21,080	\$37,320
Wisconsin	\$10,796	\$39,427
Washington	\$12,242	\$40,740
Texas	\$11,752	\$40,996
UCLA	\$13,801	\$44,827
Berkeley	\$14,795	\$45,821
Virginia	\$20,352	\$56,327
Michigan	\$16,736	\$55,334
<b>Private Peers</b>		
Emory	\$57,948	\$57,948
Vanderbilt	\$58,130	\$58,130
Johns Hopkins	\$60,480	\$60,480
Duke	\$62,688	\$62,688
Northwestern	\$62,391	\$62,391

## Graduate Tuition and Fees Peer Comparison

UNC-Chapel Hill AY22-23 Rates compared to UNC System Defined Peer Rates

	Resident	Nonresident
<b>UNC-Chapel Hill 2022-23 Rates</b>	<b>\$12,527</b>	<b>\$30,819</b>
<b>Public Average without UNC-CH</b>	<b>\$17,547</b>	<b>\$33,303</b>
<b>UNC-CH Difference from Public Average (\$)</b>	<b>-\$5,020</b>	<b>-\$2,484</b>
<b>UNC-CH Difference from Public Average (%)</b>	<b>40%</b>	<b>8%</b>
<b>Public Peers</b>	<b>2022-23 Rates</b>	<b>2022-23 Rates</b>
Florida	\$12,737	\$30,130
Illinois	\$18,512	\$34,106
Pittsburgh	\$26,142	\$43,504
Wisconsin	\$12,251	\$25,577
Washington	\$18,057	\$31,530
Texas	\$12,050	\$22,944
UCLA	\$13,322	\$28,424
Berkeley	\$14,476	\$29,578
Virginia	\$21,692	\$34,782
Michigan	\$26,226	\$52,456
<b>Private Peers</b>		
Emory	\$46,700	\$46,700
Vanderbilt	\$53,722	\$53,722
Johns Hopkins	\$62,962	\$62,962
Duke	\$61,522	\$61,522
Northwestern	\$53,024	\$53,024

# Budget Updates

# Budget Updates

- North Carolina's new budget ratified Sept. 22.
  - 7% salary increases
  - Significant funding to North Carolina Collaboratory
  - Extensive capital investment funds
  - Generous repairs and renovations funds
- UNC-Chapel Hill Capital item funding:
  - Kenan-Flagler McColl Addition
  - Nursing School Carrington Hall Redevelopment
  - Gardner Hall Renovation
- UNC-Chapel Hill Operating budget priorities:
  - School of Data Science (\$7.5M R and \$2.5M NR in FY24)
  - School for Civic Life & Leadership (\$2M NR in FY24 and FY25)
  - Enrollment Funding (\$1.7M R and \$5.9M NR in FY24)

# Capital Programs Update

# Capital Programs Update

## COMPLETED

### Roper Medical Education Building

- School of Medicine
- *Completed  
Summer 2023*
- Budget \$108.6M

## IN CONSTRUCTION

### McColl Addition and Renovation

- Kenan-Flagler Business School
- Expected Completion 2025
- Budget \$194.25M

## IN PLANNING

### Carrington Hall Renewal

- School of Nursing
- Expected Completion 2026
- Budget \$97.9M

### Translational Research Building

- Office of Sponsored Research
- Expected Completion Fall 2028
- Budget \$228.6M

### Bingham Hall Renovation

- College of Arts and Sciences
- Expected Completion 2025
- Budget \$15M

# Coates Hall: Renovation Options Summary

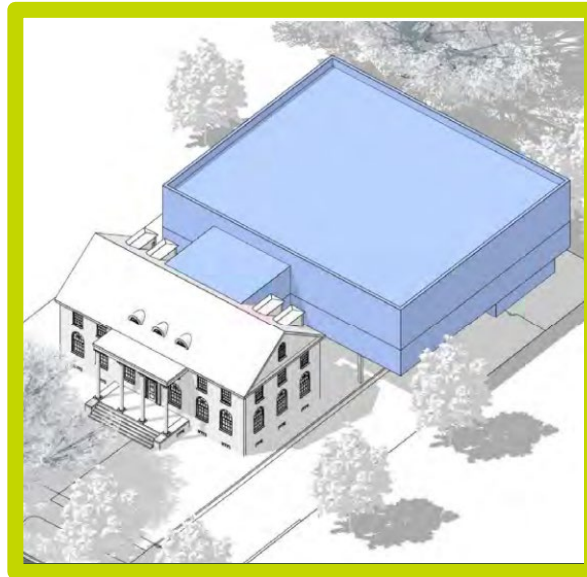


Coates Hall:  
Renovation  
Only

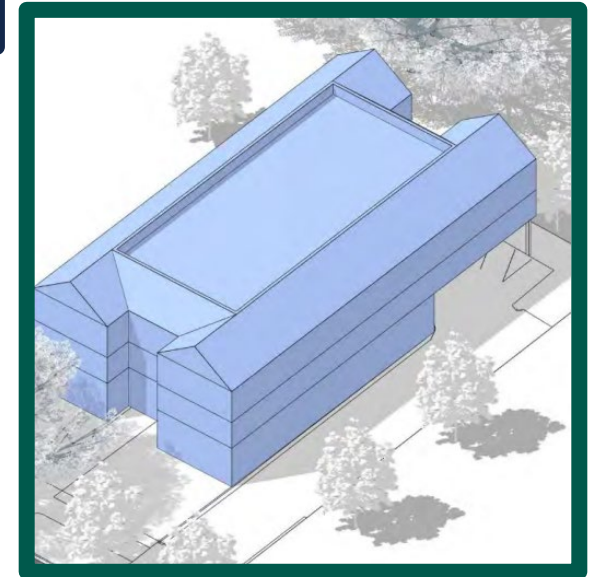


Coates Hall:  
Renovation  
+ 3 - Story  
Addition

Coates Hall:  
Relocate,  
Renovate + 3  
- Story  
Addition



Coates Hall:  
Demolition  
+ New  
Construction  
Summary



# Coates Hall: Renovation Options Summary

## Square Footage and Cost Estimates

Coates Renovation Option	Square Footage	Cost High Est.	Cost High Est./Sq. Ft.	Cost Low Est.	Cost Low Est./Sq. Ft.
Renovation of existing building	10,858	\$9,570,806	\$881.45	\$7,056,143	\$649.86
Renovation + three-story addition	20,508	\$16,833,360	\$820.82	\$12,185,026	\$594.16
Relocation and renovation of existing building (toward Franklin Street) + three-story addition	20,508	\$22,690,917	\$901.72	\$18,739,532	\$744.70
Demolition of existing building and new construction	28,730	\$22,967,412	\$799.42	\$18,202,882	\$633.58

# Return on Investment Study

Andrew Kelly,  
Senior Vice President for Strategy and Policy  
UNC System Office



# ROI Measurement Basics

## Return

### Basic: Graduate earnings

- Measure:
  - Absolute earnings or “wage premium” (college grads compared to non-graduates)?
  - Income or wealth?
  - Economic mobility?
  - All grads? Or by degree program?
- Timing:
  - Lifetime earnings?
  - At what discount rate?
  - Or annual snapshot at key junctures (3, 5, 10 years out of college)?

## Investment

### Basic: Cost of attending college

- Measure:
  - Total cost of attendance?
  - *Net* price of attendance (after grants & scholarships)?
- Timing:
  - Up-front costs only? Or costs of student debt (interest accrual, etc)?
  - Include opportunity costs of enrolling?

# What does ROI look like in the UNC System?

The **2021 Budget** called on the Board of Governors to contract with a third-party to conduct a study of the return on investment associated with every degree program in the System. Over the past two years, the System Office has worked with Deloitte Higher Education and associated partners to execute the study, the results of which **will be released in November 2023**.

## Legislative Mandate

Mandate	Dashboard
1. The number of students in each program	Student ROI
2. The number of faculty and other staff employed for each program	Institutional Context
3. The related costs to operate each program	Institutional Context
4. A detailed correlation between degree of study and career roles and associated expected starting compensation, as well as expected career earnings	Student & State ROI
5. A detailed ROI for each program	All ROI Analyses
6. ROI for State funding expenditures	State ROI
7. ROI for student funding expenditures	Student ROI

# The Boundaries of this ROI Study

## *Included Measures*

- ✓ **Contextual data about each program** including number of students, faculty, and staff
- ✓ **Cost analysis** including costs of instruction, costs to student, and state funding appropriation
- ✓ **Student outcomes** including completion rates, career outcomes, social mobility, and earnings
- ✓ **Institutional outcomes** including credit hours and degrees produced
- ✓ **State outcomes** including alignment with labor demand and retention of talent in-state

## *Excluded Measures*

- ✗ **Student perceptions** of career readiness and value of degree
- ✗ **Civic outcomes** including community engagement, volunteerism, and voting participation
- ✗ **Physical and mental wellbeing** outcomes for students and graduates
- ✗ **Institutional connectedness** including alumni engagement and giving

*In future iterations of the ROI study, the UNC System may consider collecting data and including metrics that capture the above measures.*

# ROI Dashboards | The Concepts



## ROI TO STUDENTS

- Measures the **costs to students** of completing an academic program in relation to the **impact of that program**
- Uses **2- and 6-digit CIP** to illustrate outcomes across academic programs
- Allows for filtering across student demographic characteristics where feasible
- Divides metrics across 4 tabs:
  1. Summary
  2. Investment
  3. Return
  4. ROI



## ROI TO STATE

- Measures **government investment** and the **impact** to the state through labor and income tax **contributions to the state economy**
- Uses **2- and 6-digit CIP** to illustrate outcomes across academic programs
- Divides metrics across 3 tabs:
  1. Summary
  2. Government Investment
  3. ROI

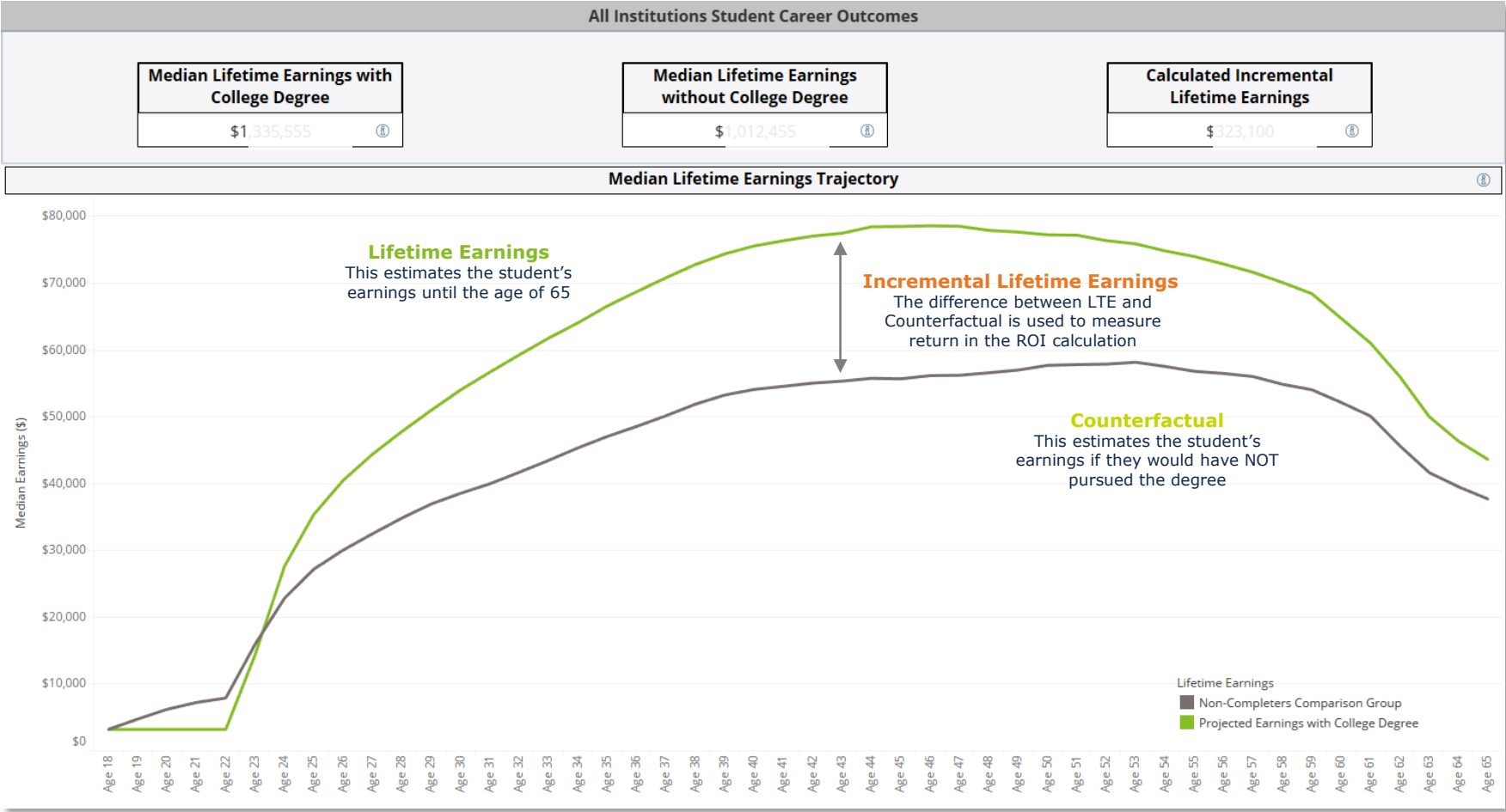


## INSTITUTIONAL CONTEXT

- Provides context about the **operational costs** associated with delivering academic programs in relation to the **activity and production** of those programs
- Divides metrics across 3 tabs:
  1. Summary
  2. Operating Costs
  3. Academic Production

# Student ROI | Projected Lifetime Earnings

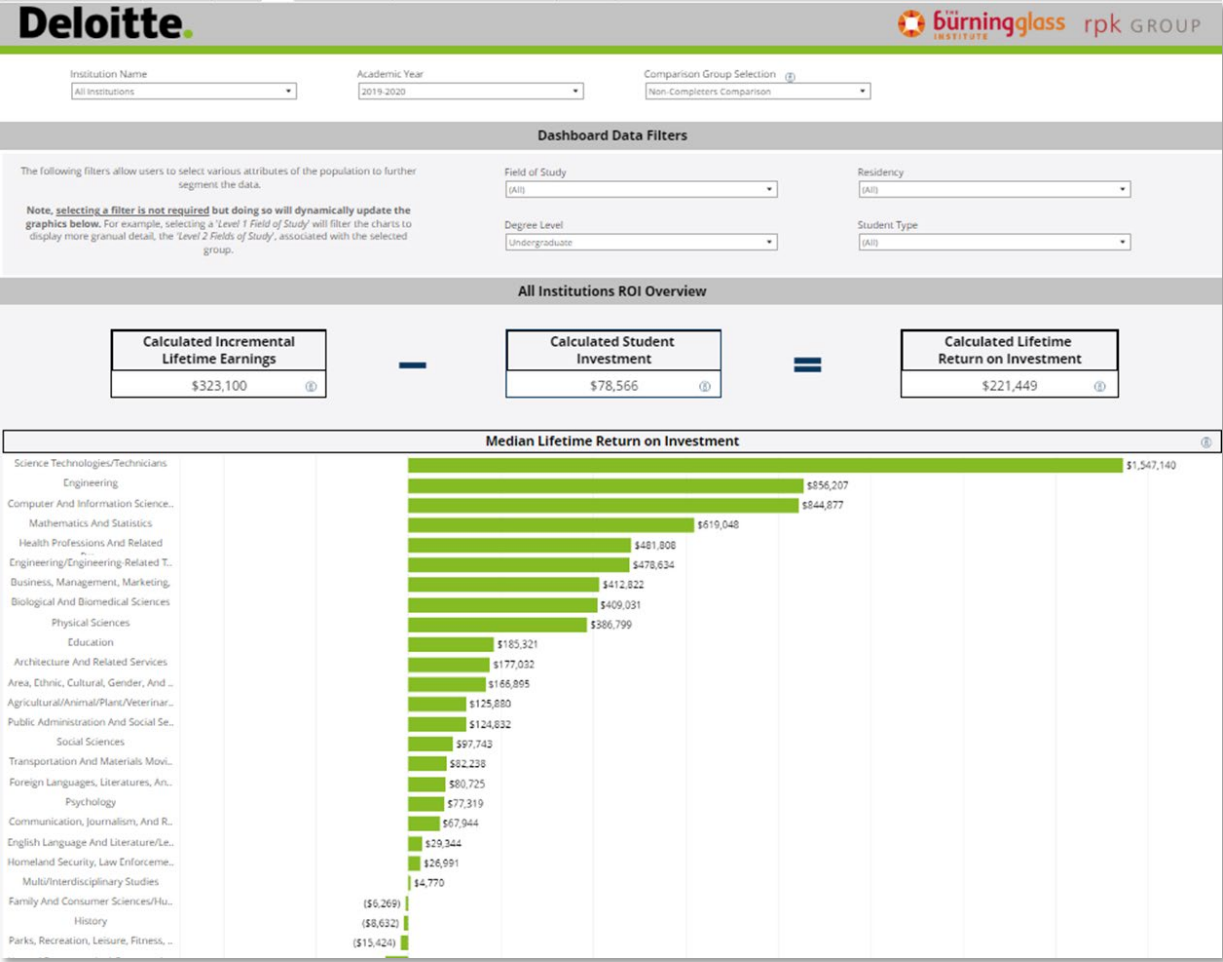
## Illustrative Example



Not UNC data: Note that the represented information is for illustrative purposes only and not based on actual UNC data

# Student ROI | Student Return on Investment

## Illustrative Example



### Incremental Lifetime Earnings

The difference between predicted lifetime earnings of graduates as compared to the counterfactual earnings of those that do not complete their degree

### Student Investment

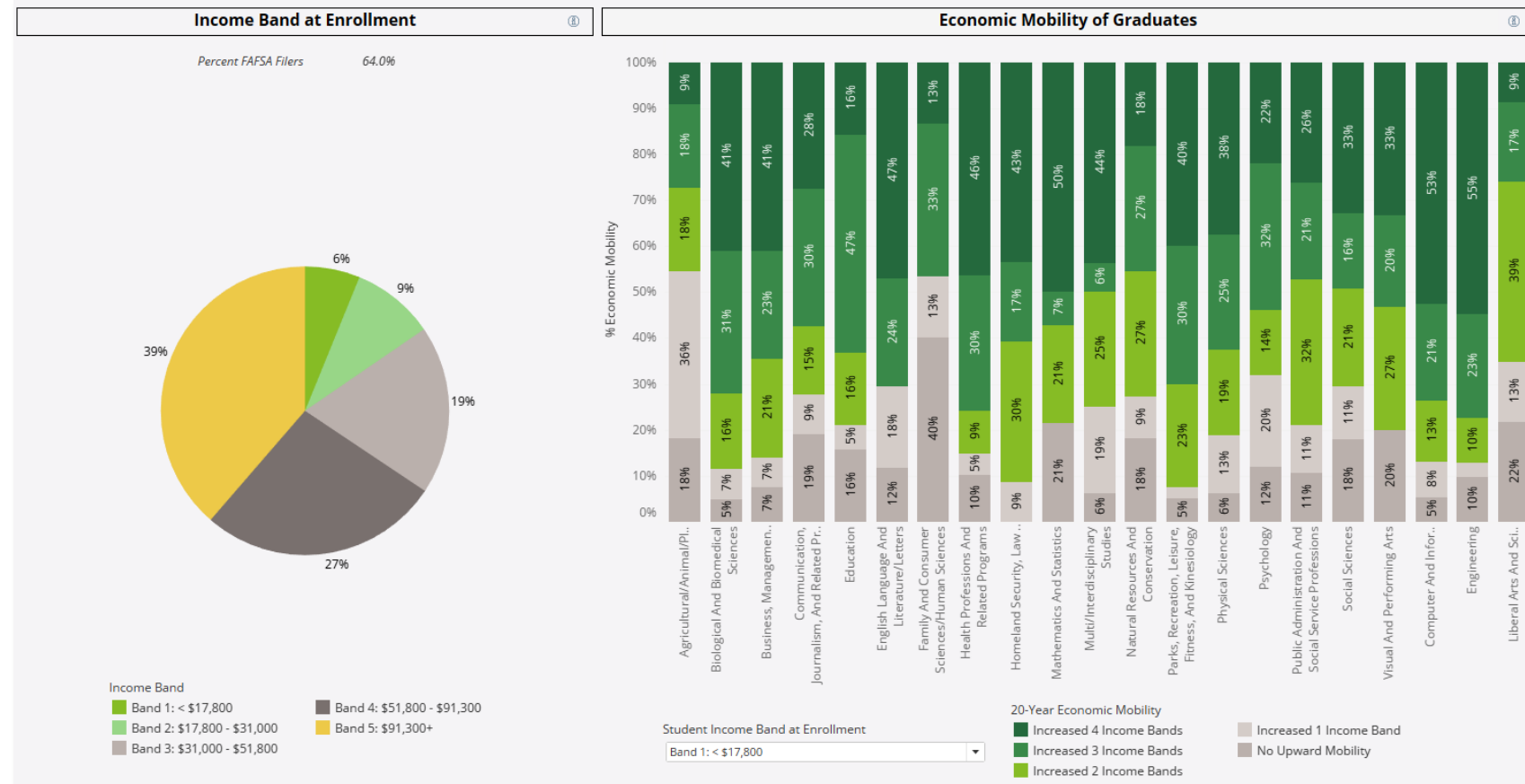
Measures the imputed sticker price for students by program, career, residency, and number of years to complete less any gift aid.

Not UNC data: Note that the represented information is for illustrative purposes only and not based on actual UNC data

# Student ROI | Economic Mobility

*Understanding all students start at different economic points, in order to best illustrate the economic and social mobility mission we can compare household income at the time of enrollment to wages at various points of the post-graduation earnings curve.*

## Illustrative Example



Not UNC data: Note that the represented information is for illustrative purposes only and not based on actual UNC data

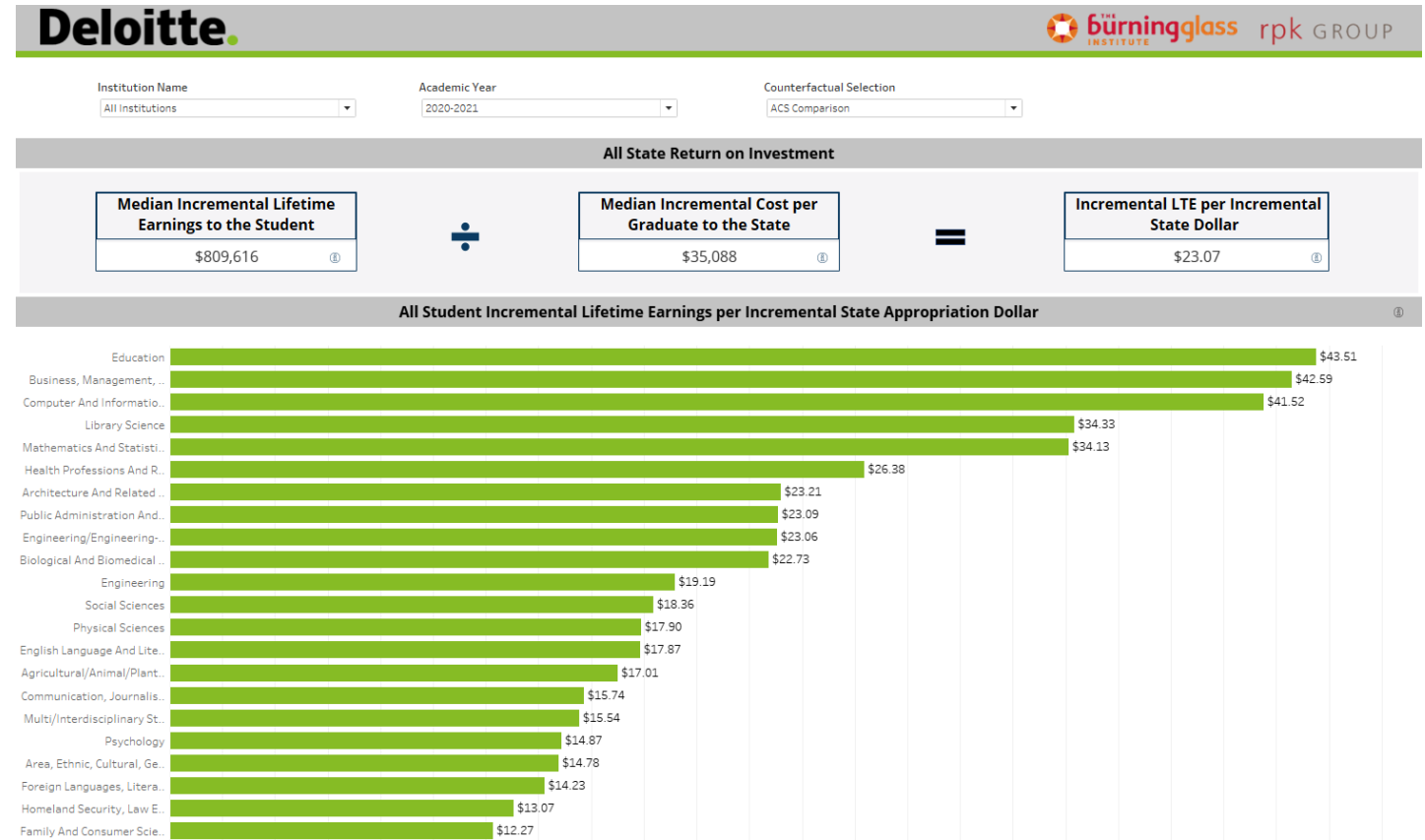
# State ROI | Incremental Earnings per State Dollar

**1 Incremental Lifetime Earnings**  
The difference between predicted lifetime earnings of graduates as compared to the counterfactual earnings of those that do not complete their degree

**2 Cost per Graduate to the State**  
Using the state funding per incremental credit hour from the funding formula, the analysis assumes the cost to the state of producing each additional graduate in state appropriations.

**3 Earnings per State Dollar**  
Dividing the ROI to the student by the cost of an additional graduate to the state, we are able to assess the additional earnings generated per state dollar.

## Illustrative Example



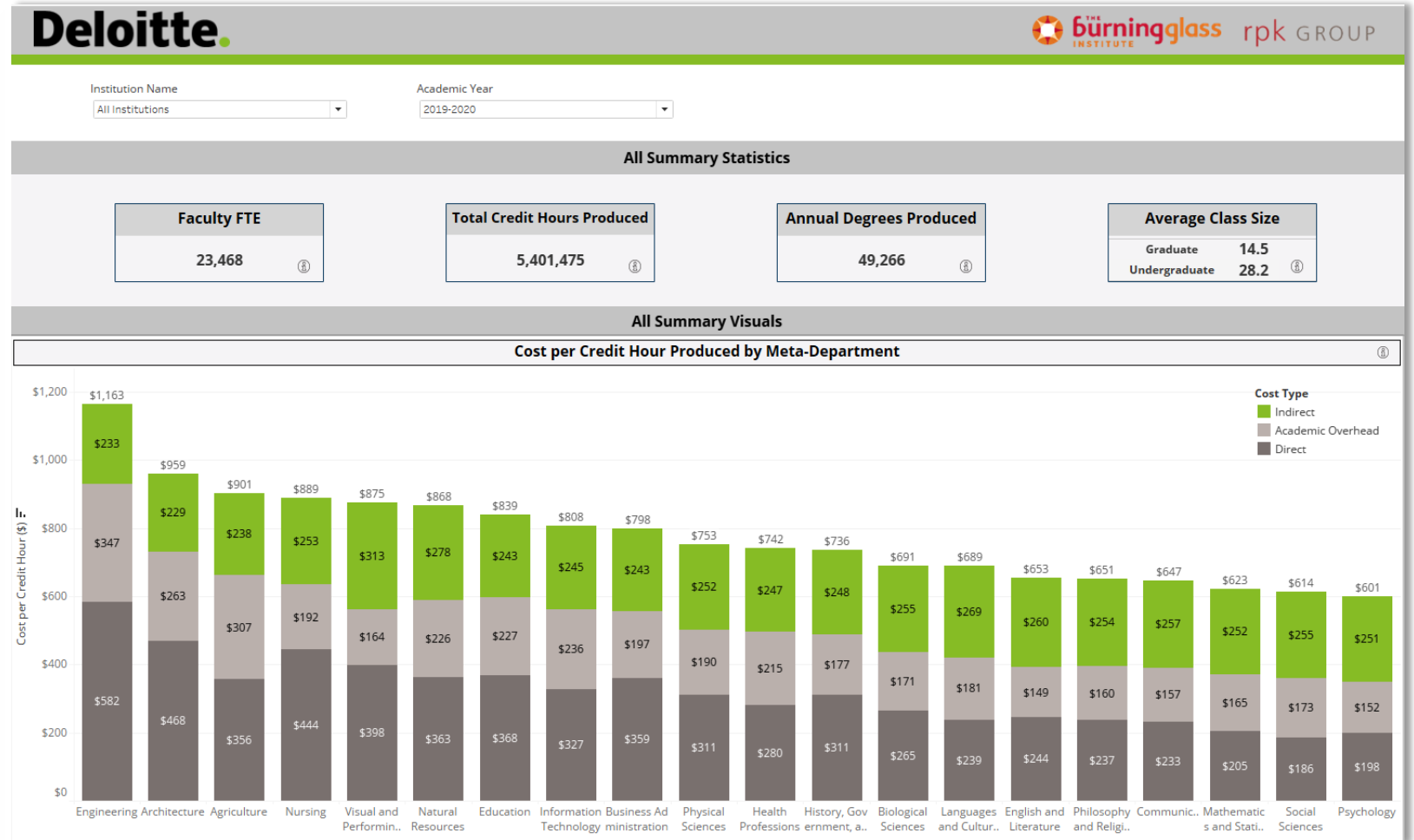
Not UNC data: Note that the represented information is for illustrative purposes only and not based on actual UNC data



# Institutional Context | Cost per Credit Hour

*Cost per Credit Hour*  
 UNC's finance data mart enabled us to examine the cost for each institution and the system to deliver a credit hour by meta-department. These costs can be examined by cost type: indirect, academic overhead, and direct costs.

## Illustrative Example



Not UNC data: Note that the represented information is for illustrative purposes only and not based on actual UNC data

# Policy Implications

## Key Questions

How should measures of ROI factor into academic program planning, approval, and review?

Should measures of ROI factor into performance metrics related to incentive compensation and performance weighted funding?

How, if at all, should the System and constituent institutions use this information to inform students and families about pathways?

## Examples



Federal Department of Education's draft "Gainful Employment" rule included proposed "financial value transparency framework," which would **measure debt-to-earnings ratio** and **wage premium** associated with degree programs.



Florida's performance funding metrics include: median earnings one year after graduation and the percentage of graduates working full-time earning at least \$40,000 or enrolled in further education



University of Texas System's "seekUT" effort is designed to inform prospective students about 1<sup>st</sup>, 5<sup>th</sup>, and 10<sup>th</sup> year earnings for each program at each campus in the System.

