



AGENDA

OPEN SESSION

ACTION ITEMS

1. Consent Agenda

David Boliek Jr., Chair

- a. Approval of the Minutes of November 8, 2023
- b. Lease Renewal – School of Medicine

FOR INFORMATION ONLY

(No formal action is requested at this time)

1. Review of Annual Comprehensive Financial Report

Nathan Knuffman, Vice Chancellor for Finance and Operations

2. Budget Update

Nathan Knuffman, Vice Chancellor for Finance and Operations

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

November 8, 2023

Committee Chair David Boliek called the meeting to order at 2:31 p.m. in the Chancellor's Ballroom at The Carolina Inn. Assistant Secretary Chris McClure called the roll. The following committee members were present:

Chair David L. Boliek, Jr.
Vice Chair Marty Kotis
Jim Blaine
Brad Briner
Perrin Jones
Ralph Meekins, Sr.
Vinay Patel
John Preyer
Malcolm K. Turner
Ramsey White

OPEN SESSION

The following items were presented for action:

Consent Agenda

The Committee reviewed and approved the open session minutes of September 27, 2023, as well as considered and approved two capital projects on its consent agenda, including one request for advance planning spending authority for the Chapman Hall CryoEM renovation and one designer selection for the Pit stormwater improvements.

Chair Boliek noted a request to move the Porthole Alley Redevelopment item to the discussion portion of the open session agenda. Chair Boliek then called for a motion to approve the consent agenda.

Trustee Evans moved to approve the items on the consent agenda. The motion was duly seconded and carried.

Endowment Fund Annual Report

Jonathon King, CEO of UNC Management Company presented the Endowment Fund Annual Report.

At the conclusion of the presentation, Chair Boliek called for a motion for approval to submit the report to the Board of Governors. Trustee Meekins moved to approve the report. The motion was duly seconded and carried.

Lease Renewal and Property Acquisition by Lease

Gordon Merklein, Associate Vice Chancellor for Real Estate and Campus Enterprises presented a lease renewal request for the Renaissance Computing Institute (RENCI) as well as a request for property acquisition by lease for Frank Porter Graham.

Trustee Preyer moved to approve the requests. The motion was duly seconded and passed.

Designer Selection

Vice Chancellor Knuffman and Vice Chancellor for Research Penny Gordon-Larsen presented a request for designer selection for the Translational Research Building for approval.

After discussion and questions, Trustee Turner moved to approve the request for designer selection. The motion was duly seconded and passed.

Advanced Planning Spending Authority

Vice Chancellor Knuffman presented one request for an increase in advance planning spending authority for approval:

- Porthole Alley Redevelopment

After discussion and questions concerning Ackland Art Museum, Trustee Preyer moved to approve the requests for advanced planning spending authority. The motion was duly seconded and passed.

Tuition and Fee Proposals

Vice Chancellor Knuffman presented the proposed tuition and fees for the 2024-25 academic year for approval.

After discussion and questions, Chair Boliek proposed that the Committee consider each item in turn:

Trustee Patel moved to approve the Campus-Based Tuition Plan proposal. The motion was duly seconded and carried.

Trustee Blaine moved to approve the Dining and Housing Plan proposal. The motion was duly seconded and carried.

Trustee Meekins moved to approve the School-Based Tuition Plan proposal. The motion was duly seconded.

Upon further discussion, Trustee Pryer moved to consider the School-Based Tuition Plan proposal at a later date. The motion was duly seconded and carried.

Copies of the presentations are available in the Office of the Assistant Secretary and at bot.unc.edu.

The following item was presented for information:

Use of Executive Search Firms

The Committee heard an informational update on the use of executive search firms. After discussion and questions, the Committee requested Vice Chancellor Knuffman to provide further information on this topic in January.

Trustee Boliek also shared that the UNC Board of Trustees was presented the Jerry L. Martin Prize for Excellence in College Trusteeship by the American Council of Trustees and Alumni (ACTA) at a ceremony in Washington D.C. last week.

UNC-Chapel Hill Board of Trustees
Budget, Finance, and Infrastructure Committee Meeting
Open Session Minutes
November 8, 2023

Chair Boliek called for a motion to move the approved items from this committee to the Consent Agenda for a vote by the full Board. Trustee Pryer moved to approve. The motion was duly seconded and carried.

ADJOURNMENT

There being no further business for the committee, Committee Chair Boliek adjourned the meeting at 4:10 p.m. without objection.

CONSENT AGENDA ITEM

Action Item 1b ***Lease Renewal – School of Medicine***

Situation: This request is to renew the lease for approximately 6,000 square feet of rentable office space at 104 Market Street, Chapel Hill, NC for use by the Women’s Health Research and the Department of Psychiatry in the School of Medicine.

Background: Women’s Health Research and the Department of Psychiatry within the School of Medicine, currently occupy the premises at 104 Market Street. Their lease expired on November 30, 2023. There is no space on campus for the Women’s Research group. Furthermore, the Department of Psychiatry collaborates closely with Primary Investigators that occupy the adjacent building. The landlord responded to the RFP with the following terms for an additional three years. The building is conveniently located on the free Chapel Hill bus line.

Term:	Three (3) years
Renewal Option:	Three (3) two-year renewal options
Expiration:	January 31, 2027
SF:	5,840
Rate:	\$157,680.00/annually or \$27.00 psf
Operating Expenses:	Included
Occupancy:	Currently occupying

Assessment: The School of Medicine has occupied this space since 2013. In order to meet the needs of the School of Medicine it is recommended that the Committee approve the lease for execution by the University.

Action: This item requires a vote by the Committee and a vote by the full Board of Trustees to approve a motion for the acquisition of Women’s Health Research and the Department of Psychiatry space by lease at 104 Market Street, Chapel Hill, North Carolina on terms described above.

Real Estate Operations Board of Trustees, January 2024

- Renewal – Lease at 104 Market Street, Chapel Hill, for the School of Medicine

Lease Renewal – School of Medicine

Current Terms

Lease	Lessor	Lessee	Department	Lease Expiration	SF	PSF	Annual	Terms	Plan
104 Market Street	Atlas Development Company	State of North Carolina, UNC-CH	School of Medicine and Department of Psychiatry and Women's Health Research	11/31/23 currently month-to-month	5,480	\$31.97 psf	\$187,704.80	2% annual increase Modified Gross	renew

Proposed Terms

Lease	Lessor	Lessee	Department	Proposed Expiration	SF	PSF	Annual	Terms
104 Market Street	Atlas Development Company	State of North Carolina, UNC-CH	School of Medicine and Department of Psychiatry and Women's Health Research	1/31/27 (3-year term)	5,480	\$27.00 psf	\$157,680 (saves \$30K annually)	2% annual increases Modified Gross

UNC Department of Psychiatry

The UNC Department of Psychiatry is committed to excellence in its missions of clinical service, teaching, and research, and we are national leaders in each of these domains.

Works with a passion for innovation, cutting-edge discovery, training the next generation of leaders in psychiatry and advocating for policy that improves the lives patients.

Center for Women's Health Research

The Center for Women's Health Research (CWHR) is dedicated to learning more about diseases, disorders, and conditions that affect women only, women predominantly, and women differently than men. Leverages existing resources to bring research dollars to the University – more than \$30M in grants, contracts, and clinical trials in the past five years.

Works across departments, schools, centers, institutes, and colleges to identify new areas for research and facilitate proposal development and submission. New areas of research translate into increased potential for research dollars for the University.

Review of Annual Comprehensive Financial Report

Budget, Finance, and Infrastructure Committee

UNC-Chapel Hill Board of Trustees

Nathan Knuffman, Vice Chancellor for Finance and Operations

Jan. 17, 2024



Audit Summary

- For the fiscal year ended June 30, 2023 (FY2023), 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 in a timely manner, within budget and entirely remotely for UNC-Chapel Hill Financial Reporting and Office of State Auditor teams without issues.
- Team received the GFOA “Certificate of Achievement for Excellence in Financial Reporting” for the Annual Report presentation.

FY 2023 Net Position and Financial Highlights

The Net Position for FY 2022-23 grew to \$4.4B, with an increase of \$414.4M, or 10.5%, from previous year.

- Operating revenues increased \$186M, or 7.2%, to \$2.8B.
 - Primarily driven by an increase of \$85.5M in grants and contracts, \$47.1M in sales and services, and a \$34.9M increase in patient services.
- Operating expenses increased by \$241.4M, or 7.3%.
 - Largely driven by a \$127.4M, or 11.5%, increase in supplies and services and a \$114.7M, or 6.3%, increase in salaries and benefits.
- State appropriations increased \$34.4M, or 5.9%.
 - Driven by increase in salary and benefits of \$24.4M for LSI, enrollment growth of \$11.5M and new state aid for Opioid Abatement of \$5.5M, offset by a decrease in Collaboratory funds of \$4.0M.
- COVID-19 support decreased \$82.7M, or 75.9%.
- Investment income increased \$207.7 million, or 326.7%.
 - Driven by the change in fair value for private equity investments held within the UNC Investment Fund.

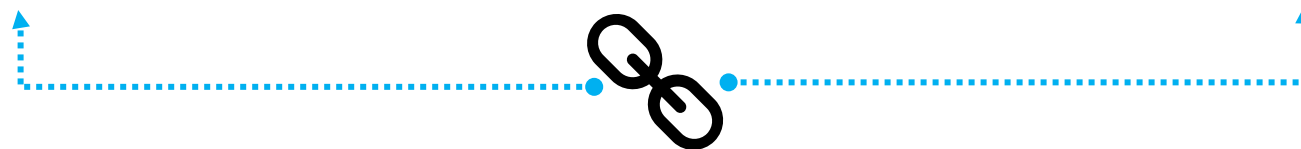
Monitoring Fiscal Health in Two Ways

Annual Operating Budget

- The Annual Operating Budget is generally a cash-based description of activities of the proposed income sources and expenditures for the upcoming year, following both State and internal financial policies.
- Includes all operating funds.
- No adjustments for accrued liabilities, deferred revenue etc.
- Intercompany billings are included between units to reflect full transactional activity.
- Reflects planned funding for top, strategic campus priorities.
- Enables budget monitoring at the unit level.

Annual Comprehensive Financial Report (ACFR)

- The ACFR (or 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 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 with peers.



Understanding both views provides a full picture of UNC Chapel Hill's finances



**FINANCE AND
OPERATIONS**

Budget Update

Nathan Knuffman, Vice Chancellor for Finance and Operations

Jan. 17, 2024



FY 2024-25 Budget Process

Oct. 25, 2023	Instructions for developing FY24-25 budget submission sent to major campus units (MCU).
Oct. 25 to Nov. 17, 2023	Major campus units develop budgets. Budget and Reporting teams available for support.
Nov. 17, 2023	FY24-25 budget submission due from all MCUs.
Dec. 8, 2023	Compilation of MCU budget requests.
Dec. 4, 2023, to Jan. 26, 2024	Review and discussion of requests with each MCU and the Chancellor.
Feb. 9, 2024	Final budget decisions.
Feb. 23, 2024	Final budget documents completed.
March 27-28, 2024	Board of Trustees review and approval of budget.
May 22-23, 2024	Board of Governors review of budget.

Status Update

- All units have submitted budget materials
 - Total requests: \$125M
 - More than 40% concentrated in three units
- Budget meetings scheduled between Dec. 6 and Jan. 20
- Feedback on PlanCarolina tool has been positive

What's New?



New Budget Tool: PlanCarolina

- Increase consistency, ease of use, transparency



New Focus Areas

- Space allocation
- Contextual metrics
- Efficiencies
- Enrollment allocation



Institutional Priorities

- Solidifying investments
- Addressing state priorities
- Enhancing campus safety and accessibility
- Supporting Carolina's excellence

External Environment

- State fiscal situation remains strong
- State's commitment to student affordability remains paramount
- Enrollment challenges across UNC System
- New UNC System enrollment funding formula that provides funding for both enrollment change and performance
- UNC-Chapel Hill's governance bodies are asking for – and expecting – greater financial and operational transparency and accountability (e.g., All Funds Budget, ROI Study)

Revenue Availability

- Limited revenue available for investment
 - Enrollment growth
 - Nonresident undergraduate and graduate tuition increases
 - Research growth
- Refining tuition and F&A expectations
- Modest strategic reserves accumulated from conservative budgeting in recent years

Budget Considerations

- Pace of hiring and support in School of Data Science and Society and School for Civic Life and Leadership
- Level of investment in campus safety and accessibility
- Startup funds
- Support for new programs
- Graduate student support
- Research equipment and support
- System Office and legislative requests
- Efficiency opportunities

Questions?



