Administrative Leadership Meeting

Tuesday, May 9, 2017
Chancellor Randy Woodson
Upcoming ALMs

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<tr>
<th>Date</th>
<th>Title</th>
<th>Presenter</th>
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<td>July 11, 2017</td>
<td>Global Engagement</td>
<td>Titmus</td>
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<td>September 12, 2017</td>
<td>Campus Capacity Planning</td>
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<td>November 14, 2017</td>
<td>Strategic Plan Report Card</td>
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<td>January 9, 2018</td>
<td>Strategic Plan – Looking Forward</td>
<td>Titmus</td>
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StateView Hotel and Conference Center

Side view
StateView Hotel and Conference Center

Rear, interior views

http://www.stateviewhotel.com

Code: NQA
Graduation

• 5,633 Graduating Students
  – 98 NC Counties
  – 42 States and Territories
  – 84 Countries

• 6,067 Degrees Conferred
  – 97 Associates Degrees
  – 3,844 Bachelor’s Degrees
  – 1,658 Master’s Degrees
  – 183 Doctoral Degrees
  – 95 Professional Degrees
  – 190 Certificates
Incoming Freshman Class

4,803 Enrolled in Class of 2021

- 26,431 Applications
- Average SAT: 1310; ACT: 29
- Weighted GPA: 4.50; Average Class Rank: Top 14.05%
- Represents 98 NC Counties, 41 States, 43 Countries
Legislative Update

• SL 2017-4: Reset of SL 2016-3 (HB2 Repeal)

• H527: Campus Free Speech

• S521: UNC/Equal Opportunity Officer

• S467: NC Retirement

• Budget Update
Questions?
Office of Finance and Administration
What happened in the last year?
What did OF&A look like on 12/31/15?
What did OF&A look like after the reorganizations?
What’s different within OF&A?

OF&A groups have been rearranged:

- 9 groups reorganized into 7 groups
  - Business Operations group disbanded
  - Centennial Campus and Real Estate groups merged
- Treasury & Controller functions consolidated into a single Finance group
- Budget group focused on allocation decisions & analysis
- Facilities restructured into four -- coherent -- operational groups

What else is different?

- HR emphasizing “problem solving” versus compliance
- 5 new senior leaders
- OF&A created a management team
- Leads Group morphed into the Operations Group
- My “perspective” has changed
Overarching assumption:
The University is a decentralized organization with many individuals having significant authority over spending. To match accountability with such significant authority, financial responsibility is coupled with decision-making authority by a series of incentives and disincentives to ensure the best results.

Primary operating rules:

1. Resource distribution model:
   - If a unit generates more revenue, they keep the majority of it
   - If a unit generates less revenue, their budget is cut proportionately
   - Units are responsible for all deficits
   - Financial resources & costs are distributed according to known rules
   - Valued activities that are not “profitable” can be subsidized
   - The Provost is the referee regarding academic “fair play”

2. University controls tuition & fee pricing

3. University determines the size of its reserve balances
Focus in an Incentive-Based Environment:

▪ Current fiscal year.
▪ **Next 1 to 3 Out-Years**
▪ **Out-years 4 & 5**
▪ The future... 6th year and beyond

Emphasize long-term forecasting and strategy in order to:

- Generate increased revenues
- Maximize effective use of resources and
- Make investments that will provide future resources

**Rule #1:** Make hard decisions early... better for the organization and its finances.
Focus in Incentive-Based Environment:
- Current fiscal year.
- **Next 1 to 3 Out-Years**
- Out-years 4 & 5
- The future and beyond

Focus at NCSU:
- **Current fiscal year**
- Out-year 1
- Out-year 2
- The future...

**Budget Routine Group**
**Focused On:**
- Forecast of SAF carry-forward (2.5% = $10M)
- Uses of SAF carry-forward:
  - Colleges
  - Other units
  - Central
- Other available funds… primarily Federal Grant Overhead

**On the Horizon:**
FY18 & FY19 Enrollment Targets
- Enrollment Management
Focus in Incentive-based Environment:
- Current fiscal year.
- Next 1 to 3 Out-Years
- Out-years 4 & 5
  - The future year and beyond

Focus at NCSU:
- Current fiscal year
- Out-year 1
- Out-year 2
- The future....

Why the difference at NCSU?
- State funding model -- 12 cell matrix -- & policies.
- Lack of reserves to bridge shortfalls.

Impact:
- Constraints dictate short-term strategies
- Risk-averse options
- Less than optimal decisions
- Limited funds to “invest”

Focus is NOW!
Rule #1 supremely important
Looking Forward. . .
Options to address different challenges:

1. Improve Access to Resources and Build Reserves
2. Invest in Our People
3. Manage Smarter
4. Maintain and Improve Assets
5. Transition Centennial Campus
6. Transform Our Corporate Relationships
1. **Improve access to resources and build reserves.**

1. **Traditional Options.**
   - Increase class size
   - Tuition & fee increases
   - Budget & Staff reductions
   - Working capital

2. **Manage Better.**
   - Improve planning & coordination
   - Invest in our people
   - Employ data in decision-making

3. **Other People’s Money:**
   - Monetize assets
   - P3 Development
   - Advancement

4. **Be Entrepreneurial.**
   - Incentive-based resource allocation
   - Corporate Partnerships
   - Start “high margin” programs
### Traditional Financial Levers Available...

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"AutoSum aside, these numbers just don't add up."
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2. Invest in our People

Attract & retain a diverse staff:
- Train hiring committees
- Behavioral assessments
- Improve on-boarding
- Performance assessments
- **Staff training:**
  - Job duties
  - Basic skills
  - Compliance
- **Supervisory training**
- Management development

Tools & Processes:
- Upgrade core legacy IT systems
- Improve business processes
3. Manage Smarter

Better Decision-Making & Communication:

- OF&A Management Group
- Budget Routine
- The Operations Group

Managerial Data & Analysis:

- Graduate Admissions Report
- Improve financial reporting
- Improve business processes
- Transparent workflow metrics
- Benchmarking
- Best practices
- Market Analysis

“Gentlemen, we have run out of money; now we have to think” (attributed to Churchill)
4. Maintain and Improve Assets

NCSU has a beautiful campus . . .
this is also NCSU’s campus.
Campus Capacity Plan:
A Process that Aligns the Physical Campus with its Mission and Programs

STRATEGIC PLAN
WHAT

CAPITAL PLAN
HOW

FRAMEWORK PLAN
WHERE

RESULTS
Shared vision that guides development
Sustained Implementation
Develop a Campus Capacity Plan

Key questions plan will address:

▪ How can the campus be more connected?
▪ How can the physical campus build community and improve student success?
▪ What connections and facilities support problem-solving at a grand scale?
▪ What cultural or operational changes will make physical investment successful?
▪ How can the physical campus support future partnerships?
▪ What financial models are needed moving forward?
NCSU has great facilities . . .
... but not all are in prime condition.
Existing Facilities: 9.7 M SF
Deferred Maintenance: $500M

Sources of funds:
- Athletic & auxiliary facilities
  - Revenue-based debt
  - Gifts
- Academic and research buildings
  - State bond funds
  - F&A funds
  - Gifts
  - Year-end Funds

Annual expenditure: $100-120M
Problem: In an era of limited tuition and fee increases, "deferred maintenance" now competes for funding with:

- Faculty growth & retention costs
- Faculty “start-up” costs
- Core facilities infrastructure

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Solution…
- Improve capital planning
- Alternative funding sources
5. Transition Centennial Campus

**Centennial Campus:**
An asset that can -- over the long run -- generate opportunities for the University

*However:*
- Research campuses are evolving into Innovation Districts. How can we keep up with the market as well as generate more funding for NCSU?
- Centennial requires an “investment” before it can generate opportunities for the University. How do we finance the critical evolution?
Expectations of Innovation Districts:

- Synergy between corporate & academic research.
- Opportunities for faculty and students.
- Entrepreneurial culture and ecosystem.
- Supported by “Live, Work, Play” community lifestyle that’s 24/7.
- Expand university relationships with corporations
Centennial Campus Study:

- Move away from “build it and they will come” strategy
- Move to comprehensive, phased development strategy with team of development partners
  - RFP… summer 2017
- Corporate Retention & Attraction Strategy
  - Raleigh-scale Urban Mixed-Use development.
  - Programmatic & activation strategy
  - Emphasis is on research partnership, not attractive real estate pricing
6. Leverage Corporate Relationships

Expand the number of corporate sponsorships and continue to transition to more robust corporate partnerships...

**Corporate Sponsorship**
- Corporation gains customers and brand awareness
- University receives compensation and incremental philanthropic support

**Relationship:** TRANSACTIONAL

**Corporate Partnership**
- University activities impact development of corporate strategies & products
- University receives transformational level of support

**Relationship:** ALLIANCE
The Value of a Corporate Relationship to NCSU

SCOPE
- NCSU-wide Agreement
- Single-Entity Agreement

DEPTH
- Sponsorship
- Partnership

$
What Drives Corporate Engagement?

SCOPE

NCSU-wide Agreement

Single-Entity Agreement

DEPTH

Sponsorship

Partnership

MULTI-COLLEGE PARTNERSHIP

FACULTY

Sponsorships:
- PNC
- Coca Cola

Partnerships:
- Eastman
- LexisNexis
Corporate decisions: The “Alum Factor!”

- SCOPE
  - NCSU-wide Agreement
  - Single-Entity Agreement

- DEPTH
  - Sponsorship
  - Partnership

- MULTI-COLLEGE PARTNERSHIP
- FACULTY
Conclusion:
We have access to a variety of resources and strategies...

1. Use Traditional Options.
   - Increase UG class size
   - Tuition & fee increases
   - Budget reductions

2. High Value Traditional Options:
   - Improve management & planning
   - Invest in staff

3. Use Other People’s Money:
   - Monetize assets
   - P3 Development
   - Invest in Advancement!

4. Be Entrepreneurial.
   - Incentive-based model
   - Corporate Partnerships
   - Start “high margin” programs
Options are available that will allow us to begin to solve our challenges. We can maximize the benefits of those opportunities if… we effectively couple the authority to make decisions with the accountability for those decisions.