



MINUTES

Trustees Present: Maia Babbs (*chair*), Dick Monfort, Greg Anton, Patricia Barela Rivera, Prateek Dutta, Steve Jordan, Annette Martinez, Jazmin Martinez, Angela Vaughan

University Staff Present: Andy Feinstein, Jennifer Almquist, Chris Bowers, Darren Dunn, Kirsty Fleming, Tobias Guzmán, Cedric Howard, Leila McCamey, Dale Pratt, Lori Riley, Dan Satriana, Dawit Senbet, Allie Steg Haskett

Invited Guests: Neal Kessler (Smith Group, *via Zoom*)

I. Call to Order

Finance & Audit Committee Chair Maia Babbs called the meeting to order at 1:32 p.m. Chair Babbs shared that this would be her last meeting chairing the committee and Trustee Anton would assume the role of chair.

II. Welcome and Update

President Feinstein provided opening remarks and outlined agenda items beginning with the work of SmithGroup to help update the university's facilities comprehensive plan. He noted that the full plan would be presented to the Board in February for approval. Feinstein also highlighted the university-wide risk assessment process currently underway and spoke about the FY24 budget forecast and early planning for FY25, including enrollment trends. He noted that the committee would also hear an update on the financing structure for the proposed College of Osteopathic Medicine.

III. Discussion Items

A. Facilities Comprehensive Plan

Neal Kessler with SmithGroup provided a summary of the firm's work to help the university complete an updated facilities comprehensive plan. He provided an overview of the planning process, space needs aligned with enrollment projections, building conditions, and research

needs before outlining the recommended projects, noting a focus on renovating existing facilities.

Vice President Pratt noted that it was time for the university to complete a new comprehensive plan to serve as a guiding vision for decisions and prioritization of campus facilities. Trustees discussed alignment of the space utilization plan with enrollment and initiative prioritization.

B. Internal Audit Risk Assessment Update

Vice President Pratt outlined the university-wide risk assessment process and noted that UNC engaged with the external audit firm Eide Bailly to help prioritize areas of concern in university operations, financial performance, reputation, and compliance with laws and regulations. The result of the risk assessment will be to develop a proposed internal audit work plan to address areas of critical importance to the university. The final risk assessment report will be shared with the trustees at the February Board of Trustees meeting.

C. FY23 Preliminary Financial Statements

Assistant Vice President McCamey presented the unaudited financial statements for FY23 and provided an overview of several notes in the preliminary reports. She noted that UNC ended the year with \$71.2M in cash with a change in net position of \$3.2M. McCamey noted the statements are preliminary but currently show no areas of concern.

D. FY23 Annual Debt Management Report and Composite Financial Index

Assistant Vice President McCamey reviewed the annual debt report, noting a total decrease in outstanding debt of \$2.2M. McCamey reviewed the ratio analysis and comparisons and provided an update on the Composite Financial Index, which is a tool used by the state and other organizations, including the university's accrediting body, as an indicator of financial health.

E. FY24 Q1 Forecast

Vice President Pratt noted that the financial outlook for the year has been updated to include a projected shortfall. Pratt identified the primary sources as a fall enrollment below budget projections and the stabilization in turnover rates, which impacted vacancy savings. Other factors include increased medical premiums, classified staff increases mandated by the state, a fluctuation of energy prices, and an increase in services and supplies. Pratt noted that work is underway with leaders across campus to address the projected budget shortfall.

F. Fiscal 2024-25 (FY25) Financial Drivers and Outlook

Vice President Pratt began by providing context that is informing budget planning, noting trends in personnel factors, including staffing and compensation levels. Pratt said that the FY25 budget process is underway and will continue over the next several months, noting several outlook assumptions that are being considered in budget planning. Trustees discussed the trends, drivers, and improvement opportunities to be considered as staff continue planning for FY25.

G. College of Osteopathic Medicine Proposed Financing Structure

Vice President Pratt provided an overview of the funding needs for UNC's proposed College of Osteopathic Medicine. He spoke about the funds needed for capital construction of a building, a temporary cash reserve required by the accrediting body, and estimated start-up costs. Pratt noted that, in addition to philanthropy, the university is seeking financial support from the state, and he outlined next steps to prepare to introduce legislation during the 2024 session. He concluded by saying that a broader update on the College of Osteopathic Medicine would be provided by President Feinstein during the December 8, 2023, Board of Trustees meeting.

IV. Adjournment

With no other discussion or business Chair Babbs adjourned the meeting at 4:46 p.m.