

Multi-Year Financial Scenarios Fiscal Years 22 - 27

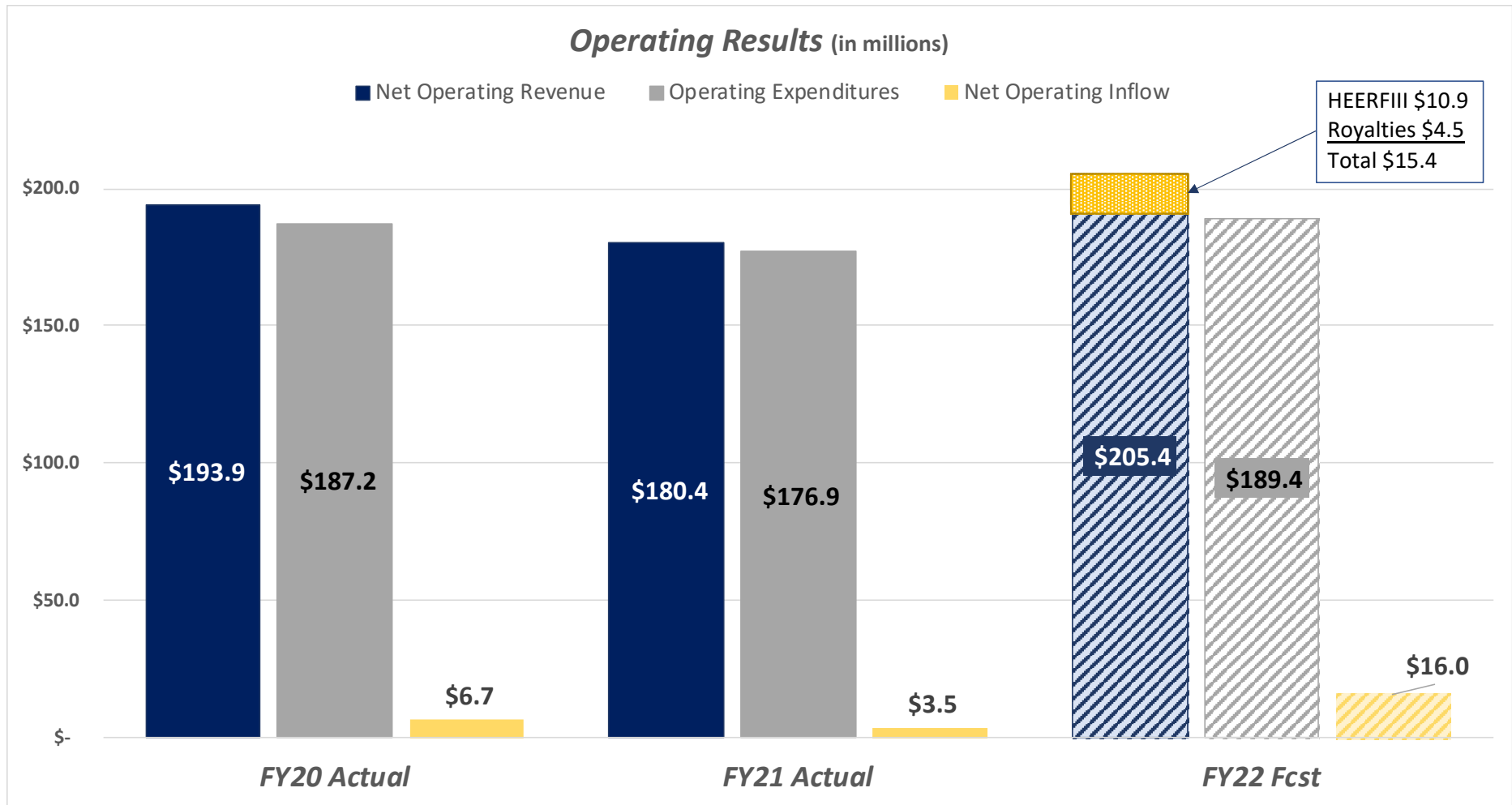


UNC

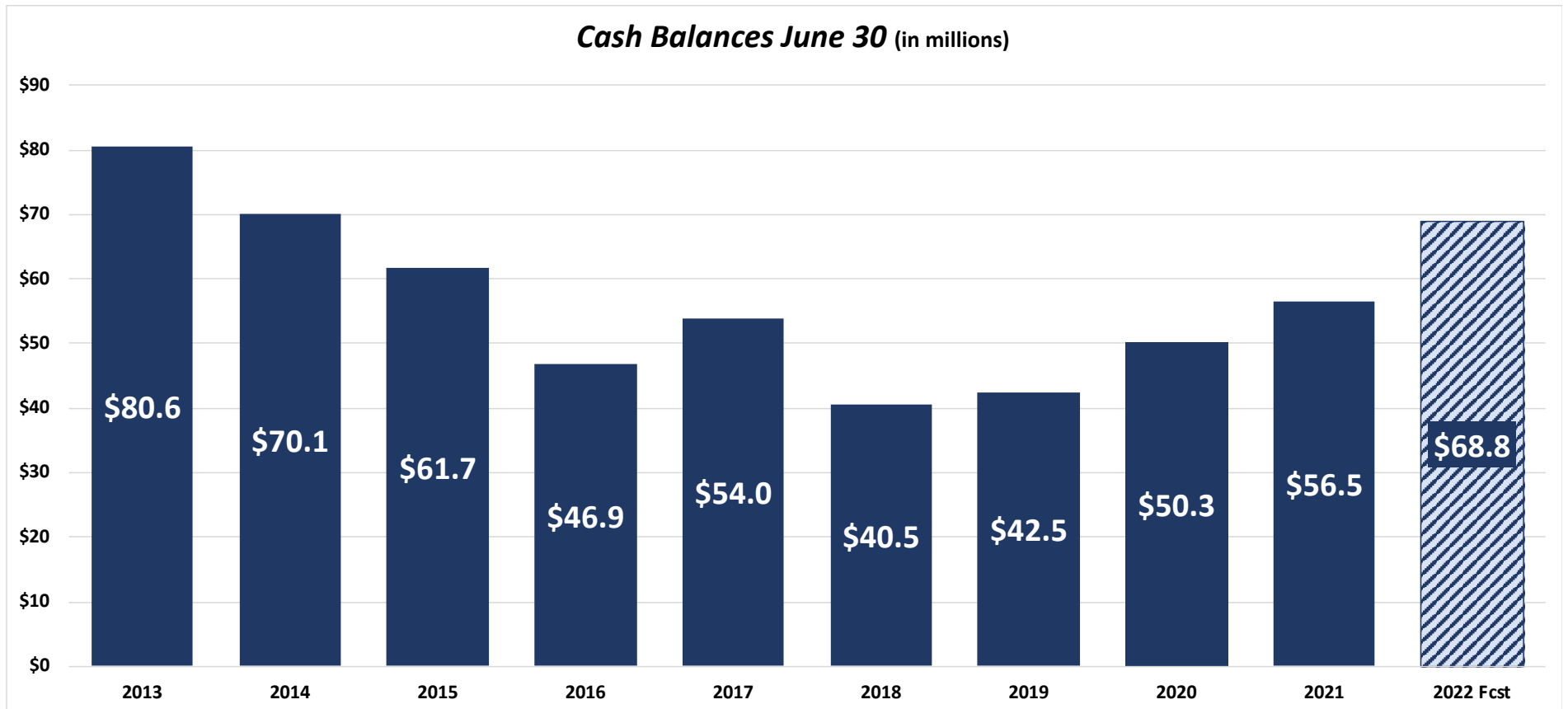
Purpose / Agenda

- **Discussion Purpose:** Initial review of multi-year financial scenarios
- **Agenda**
 - FY22 Forecast
 - 5-Year Scenarios - Baseline Assumptions
 - Objectives / Example Adjustments
 - 5-Year Scenarios – adjusted with examples of resources / tactics
 - Other Revenue and Strategic Considerations
 - Other Potential Benefits & Risks

FY22 Forecast



FY22 Forecast



5-Year Scenarios – Baseline

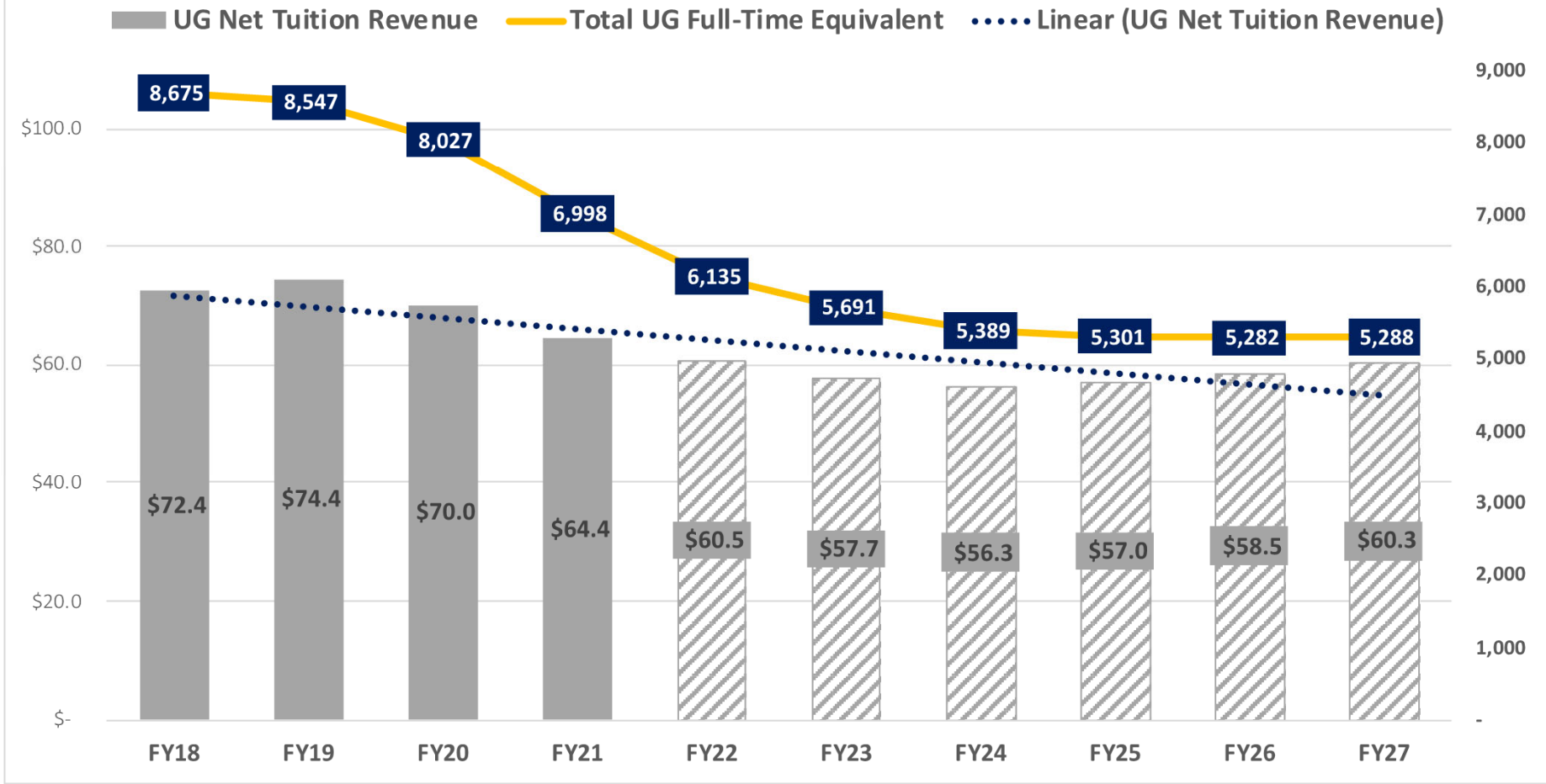
Basic Assumptions:

- New First Time and New Transfer enrollment equal to Fall '21
- Continuing enrollment based on 70% NFT and 77% NTR retention rates
- UG Tuition rates increasing at 3% per year
- GR Tuition increasing at 2% per year
- Student Fee rates increasing at 3% per year
- Room & Board rates increasing at 3% per year*
- State funding increase of 4% for FY23 and 2% thereafter
- Personnel Expenses include 2% compensation increase per year and 1% increase in fringe benefits per year
- Non-Personnel Expenses increase by 1% per year

*Sodexo implications for financial scenarios not included

5-Year Scenarios – Baseline

UG Enrollment & Net Tuition Revenue
with no NFT increase and 3% Tuition & Fees Increase (in millions)



5-Year Scenarios – Baseline

| Operating Budget Summary | | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | FY22 Budget | FY22 Fcst | FY23 | FY24 | FY25 | FY26 | FY27 |
| Undergraduate Net Tuition & Fee Revenue | \$ 62.1 | \$ 60.5 | \$ 57.7 | \$ 56.3 | \$ 57.0 | \$ 58.5 | \$ 60.3 |
| Graduate Net Tuition & Fee Revenue | \$ 30.7 | \$ 29.4 | \$ 30.0 | \$ 30.6 | \$ 31.2 | \$ 31.8 | \$ 32.5 |
| Net Room & Board Revenue | \$ 21.7 | \$ 22.0 | \$ 23.7 | \$ 25.3 | \$ 27.0 | \$ 28.9 | \$ 28.9 |
| Subtotal Student Revenue | \$ 114.5 | \$ 111.9 | \$ 111.4 | \$ 112.2 | \$ 115.2 | \$ 119.3 | \$ 121.7 |
| State Support | \$ 51.7 | \$ 51.7 | \$ 53.8 | \$ 54.8 | \$ 55.9 | \$ 57.1 | \$ 58.2 |
| Federal CARES Act Support | - | - | - | - | - | - | - |
| HEERF II Funds | 5.6 | 5.8 | - | - | - | - | - |
| HEERF III Funds | - | 10.9 | - | - | - | - | - |
| Foundation Support | 7.2 | 8.1 | 5.8 | 5.9 | 6.0 | 6.1 | 6.2 |
| Other Revenue | 15.6 | 12.5 | 15.2 | 15.3 | 15.7 | 16.2 | 16.6 |
| Oil & Gas Royalties | - | 4.5 | - | - | - | - | - |
| Subtotal Other Revenue | \$ 80.2 | \$ 93.5 | \$ 74.7 | \$ 76.0 | \$ 77.6 | \$ 79.4 | \$ 81.0 |
| Net Operating Revenue | \$ 194.6 | \$ 205.4 | \$ 186.2 | \$ 188.2 | \$ 192.9 | \$ 198.7 | \$ 202.7 |
| Expenditures | | | | | | | |
| Personnel Expenses | \$ 126.0 | \$ 123.6 | \$ 128.6 | \$ 130.9 | \$ 133.3 | \$ 135.7 | \$ 138.1 |
| Non-personnel Expenses | 43.7 | 42.0 | 42.5 | 42.9 | 43.3 | 43.7 | 44.2 |
| Debt and Lease Payments | 11.3 | 11.3 | 11.2 | 11.9 | 11.9 | 11.9 | 11.9 |
| Multiyear Projects | 3.8 | 3.9 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Total Operating Expenditures | \$ 184.9 | \$ 180.9 | \$ 185.3 | \$ 188.7 | \$ 191.5 | \$ 194.3 | \$ 197.2 |
| Capital Transfers | 6.5 | 6.7 | 5.8 | 6.0 | 6.3 | 6.7 | 6.7 |
| Total Expenditures | \$ 191.3 | \$ 187.6 | \$ 191.0 | \$ 194.7 | \$ 197.8 | \$ 201.0 | \$ 203.9 |
| Total Operating Inflow/(Outflow) | \$ 3.3 | \$ 17.8 | \$ (4.9) | \$ (6.5) | \$ (4.9) | \$ (2.3) | \$ (1.2) |
| Balance Sheet Changes/Timing | (0.4) | (1.8) | (0.2) | (0.2) | (0.2) | (0.2) | (0.2) |
| Baseline Scenario Operating Inflow/(Outflow) | \$ 2.9 | \$ 16.0 | \$ (5.1) | \$ (6.7) | \$ (5.1) | \$ (2.5) | \$ (1.4) |

5-Year Scenarios – Objectives / Examples

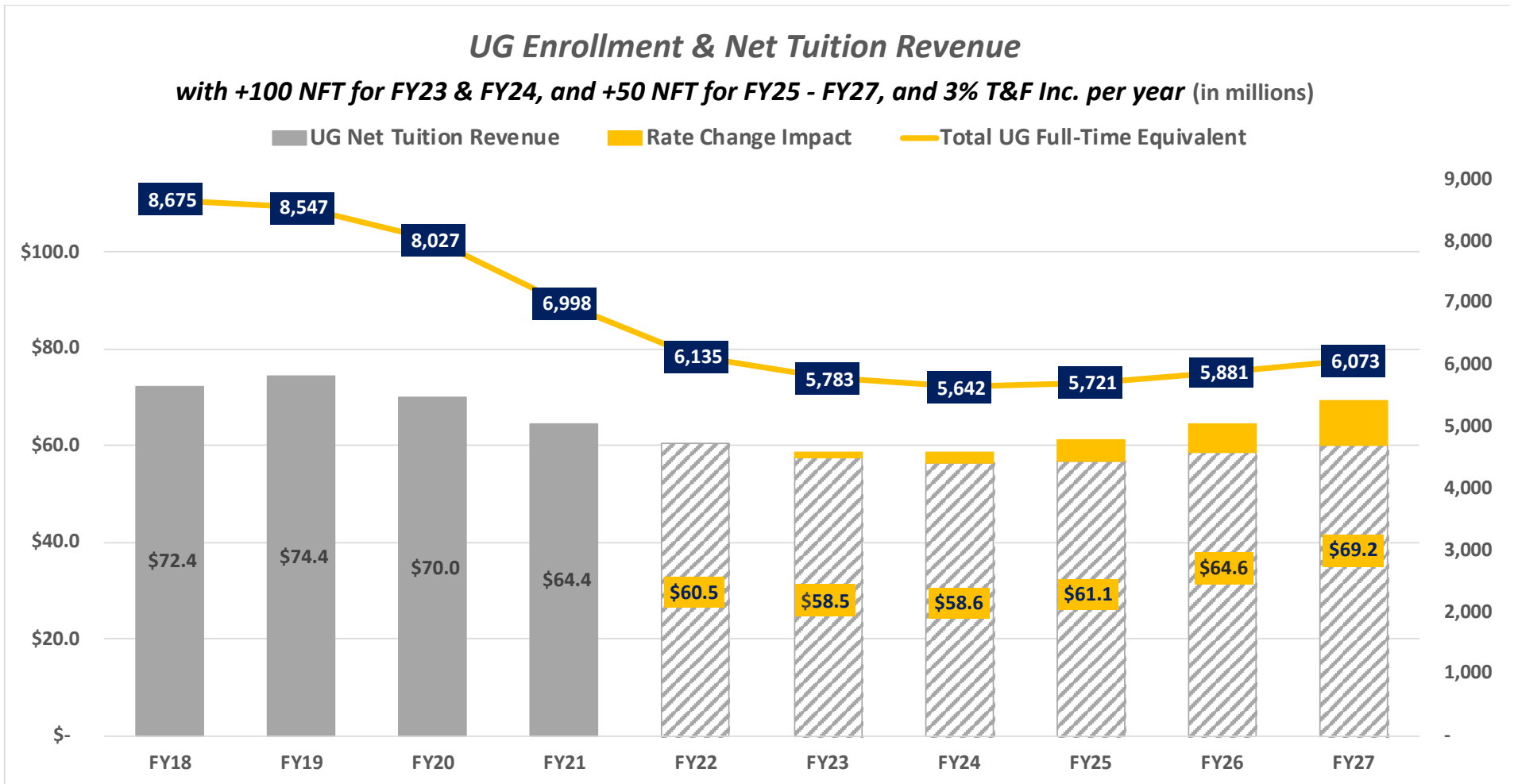
Objectives:

1. Address pressure on Cash from Operations
2. Fund critical strategic investments

Examples of resources/tactics:

- Enrollment Improvements (e.g. +50 in Fall 22 = \$1.5 million over 5 years)
- Additional Oil & Gas Royalties
- Bond Refinancing
- Expense Management (slower growth / attrition / optimization)
- Property Sales
- Use of Operating Reserves

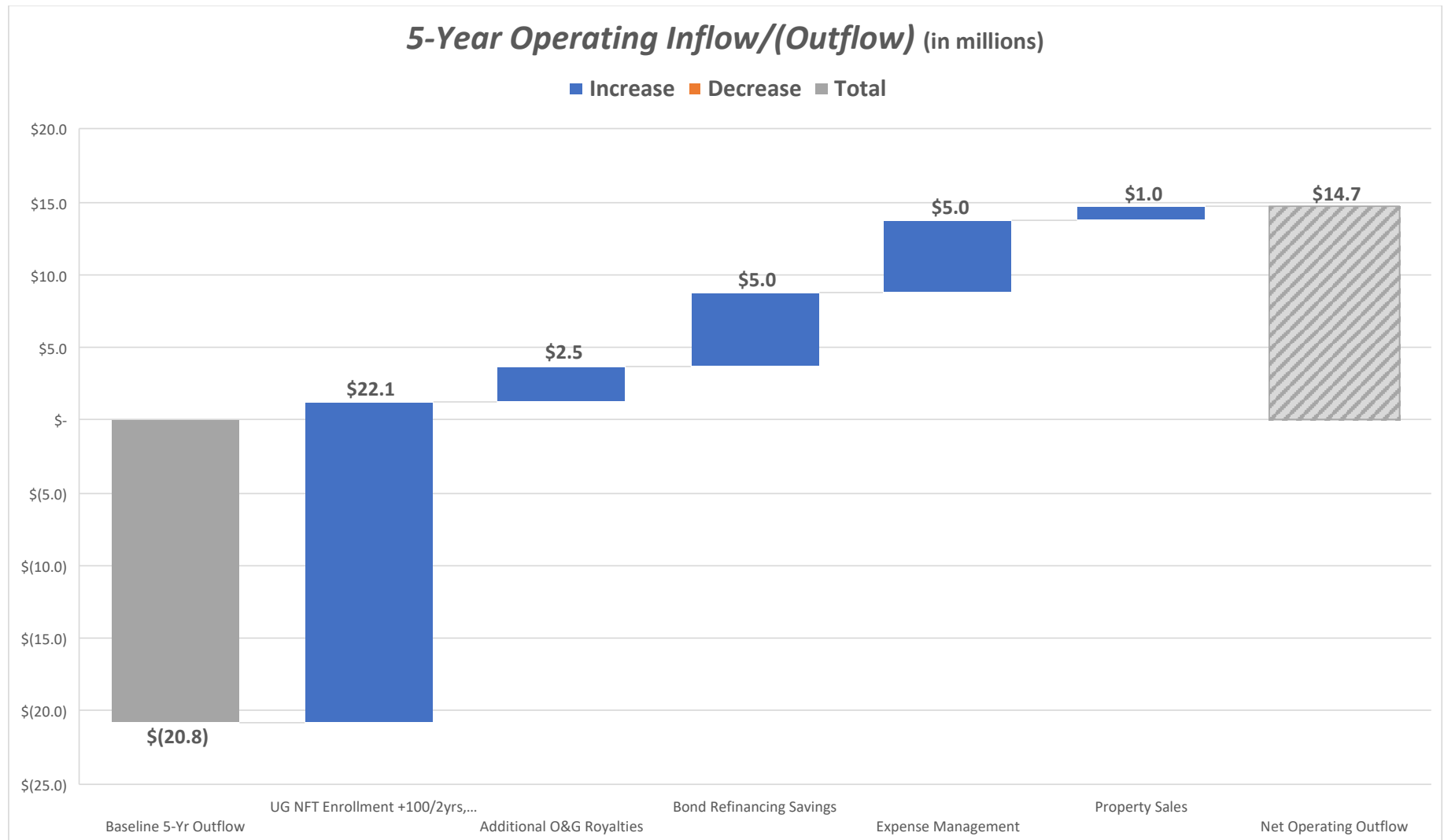
5-Year Scenarios – Adj. Enrollment/NTR



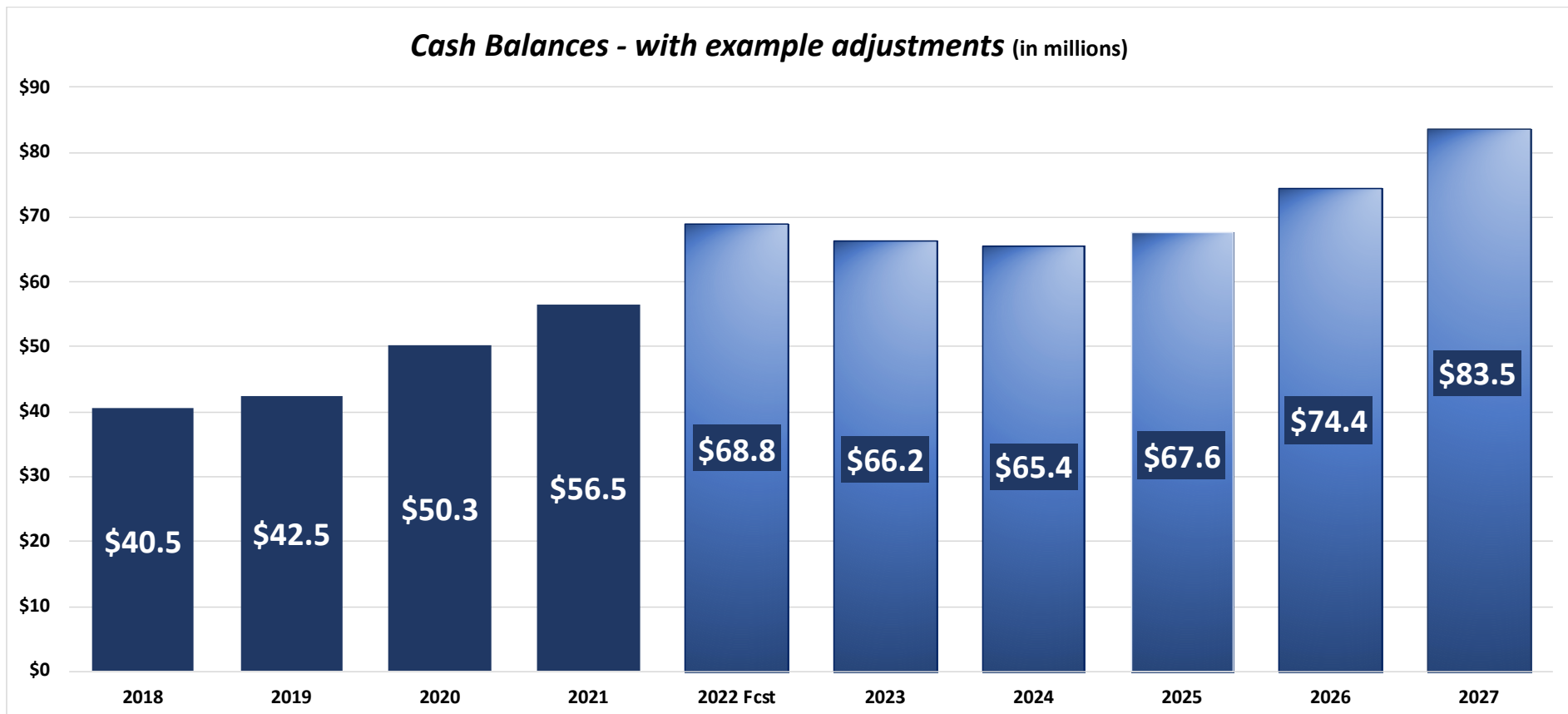
5-Year Scenarios – Adj. Operating Cash

| Operating Budget Recap | | | | | | | | |
|---|----------------|--------------|----------|----------|----------|----------|----------|--------------|
| | FY22 Budget | FY22 Fcst | FY23 | FY24 | FY25 | FY26 | FY27 | 5-Year Total |
| Baseline Scenario Operating Inflow/(Outflow) | \$ 2.9 | \$ 16.0 | \$ (5.1) | \$ (6.7) | \$ (5.1) | \$ (2.5) | \$ (1.4) | \$ (20.8) |
| UG NFT Enrollment: +100/2yrs, +50/3yrs | | | 0.8 | 2.3 | 4.1 | 6.1 | 8.9 | 22.1 |
| Additional Oil & Gas Royalties | | | 0.8 | 0.6 | 0.5 | 0.4 | 0.2 | 2.5 |
| Bond Refinancing Savings | | | 0.5 | 1.3 | 1.2 | 1.0 | 1.0 | 5.0 |
| Expense Management (Attrition/Optimization) | | | - | 1.5 | 1.5 | 1.5 | 0.5 | 5.0 |
| Property Sales | | | 0.4 | 0.3 | | 0.3 | | 1.0 |
| Subtotal Adjustment Impacts | | | \$ 2.5 | \$ 6.0 | \$ 7.3 | \$ 9.3 | \$ 10.6 | \$ 35.6 |
| Adjusted Operating Inflow/(Outflow) | | | \$ (2.6) | \$ (0.7) | \$ 2.1 | \$ 6.8 | \$ 9.2 | \$ 14.7 |
| Cash Balance | | \$ 68.8 | \$ 66.2 | \$ 65.4 | \$ 67.6 | \$ 74.4 | \$ 83.5 | |

5-Year Scenarios – Adj. Operating Cash

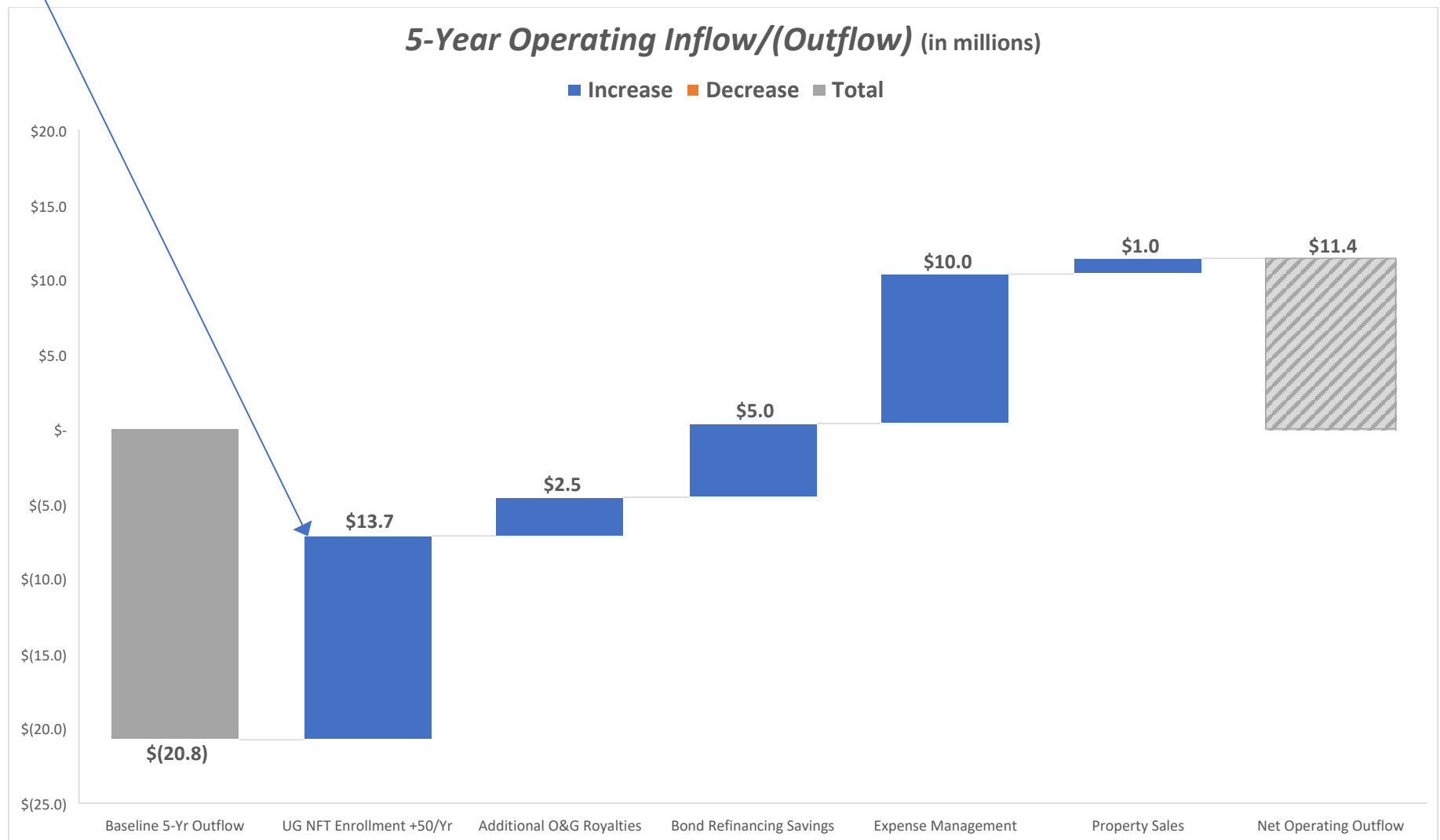


5-Year Scenarios – Adj. Cash Balances

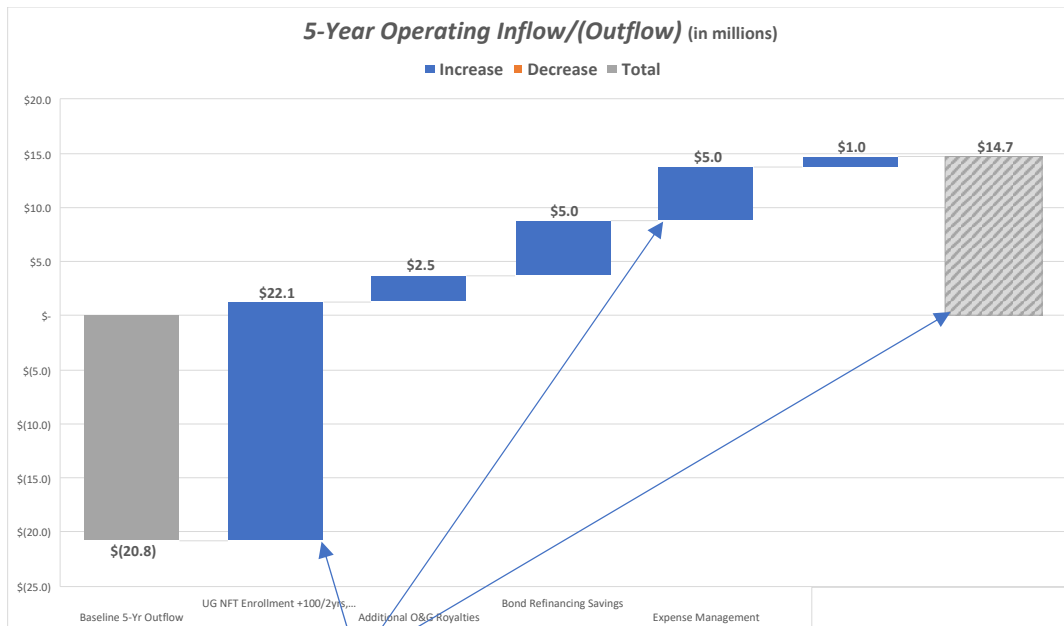


5-Year Scenarios – Adj. Operating Cash

What if we have +50 NFT in FY23 & FY24, instead of +100:

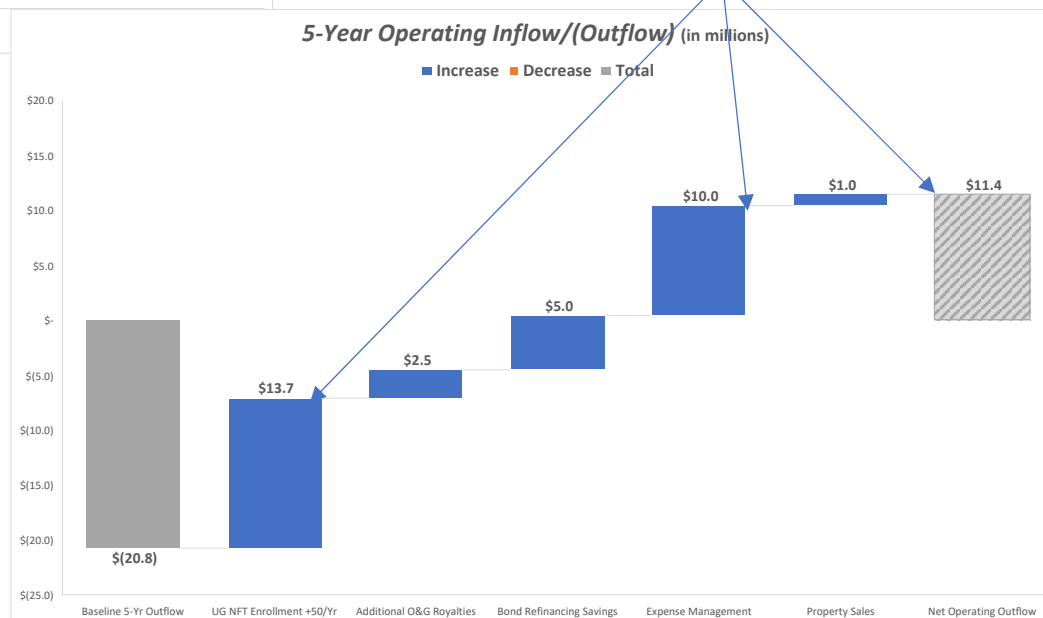


5-Year Scenarios – Adj. Operating Cash



With +100 NFT in FY23 & FY24

With +50 NFT in FY23 & FY24



Other Considerations

Revenue considerations:

- Tuition and Fee rates
- Institutional Aid (Discounting) model
- State funding model allocations increasingly influenced by Equity Gap performance metrics (e.g. recruiting, retention, completion for 1st-Gen, Pell, URM students)
- Decreasing population of traditional-age first-time, first-year students (i.e. upcoming demographic slope or cliff)
- Possible changes to on-campus living policy for second-year students

Strategic Considerations:

- Employee morale and retention
- Balance cost-saving initiatives with maximizing quality of educational experience and service
- Needed investments in facilities and infrastructure
- Rowing not Drifting, 2030 initiatives and investments needed

Other Potential Benefits & Risks

Potential Benefits:

- Sodexo investments / campus improvements
- Room & Board Revenue from Enrollment/Occupancy Improvements
- School of Osteopathic Medicine
- HSI benefits to enrollment / retention / funding
- State funding impacts
- Federal legislative impacts – Pell grant increases, etc.

Potential risks:

- Smaller long-term trend for student population
- State funding impacts
- COVID-19 impacts (outbreaks, restrictions, athletic schedules, events, etc.)
- Legislative impacts – community college incentives, rise of certificates in lieu of degrees, etc.
- Other competitive shifts in higher education

Summary & Questions



UNC