



# Administrative Leadership Meeting

Tuesday, May 9, 2017  
Chancellor Randy Woodson

## Upcoming ALMs

|                    |                                  |        |
|--------------------|----------------------------------|--------|
| July 11, 2017      | Global Engagement                | Titmus |
| September 12, 2017 | Campus Capacity Planning         | Titmus |
| November 14, 2017  | Strategic Plan Report Card       | Titmus |
| January 9, 2018    | Strategic Plan – Looking Forward | Titmus |

# 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

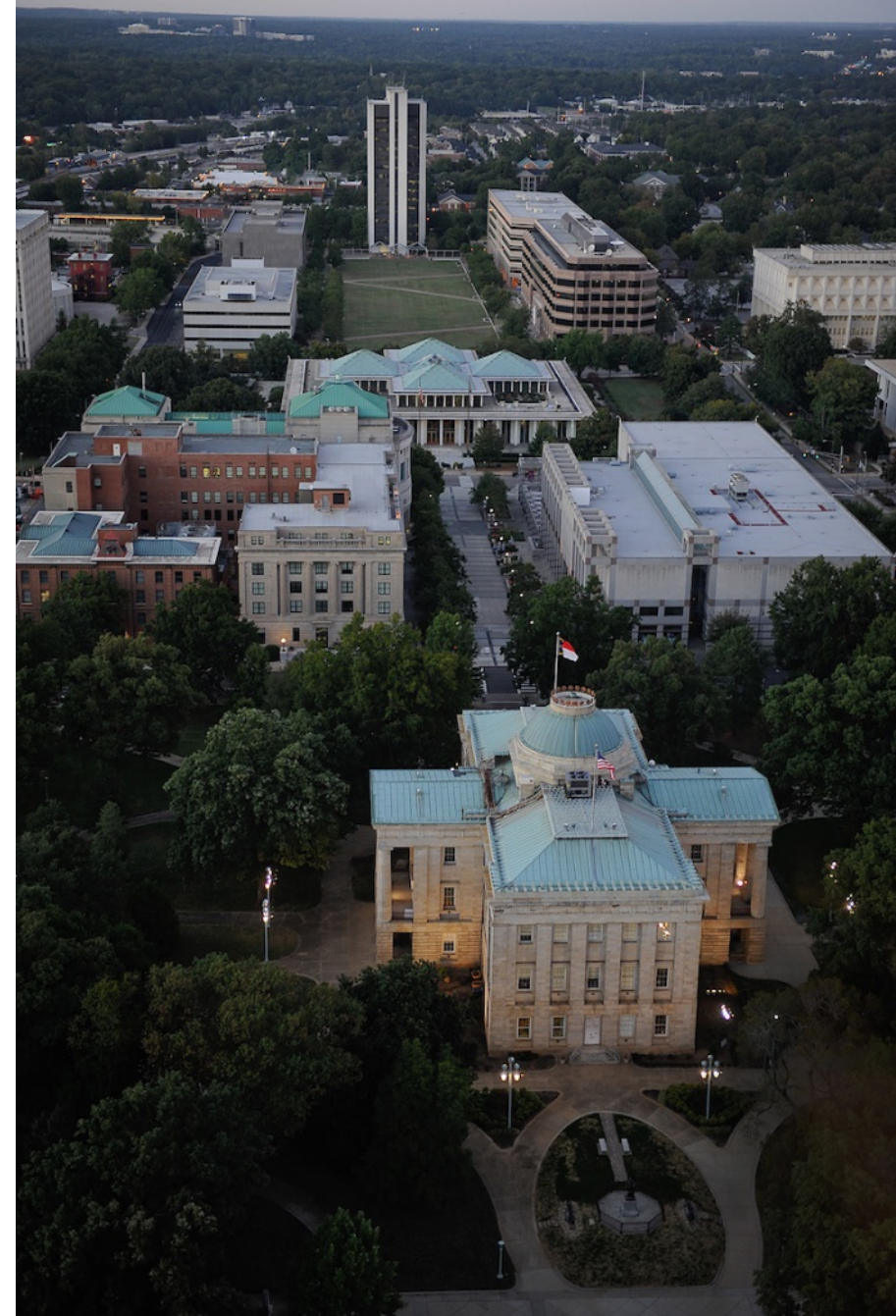
- 26,431 Applications
- Average SAT: 1310; ACT: 29
- Weighted GPA: 4.50; Average Class Rank: Top 14.05%
- Represents 98 NC Counties, 41 States, 43 Countries





# 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?**

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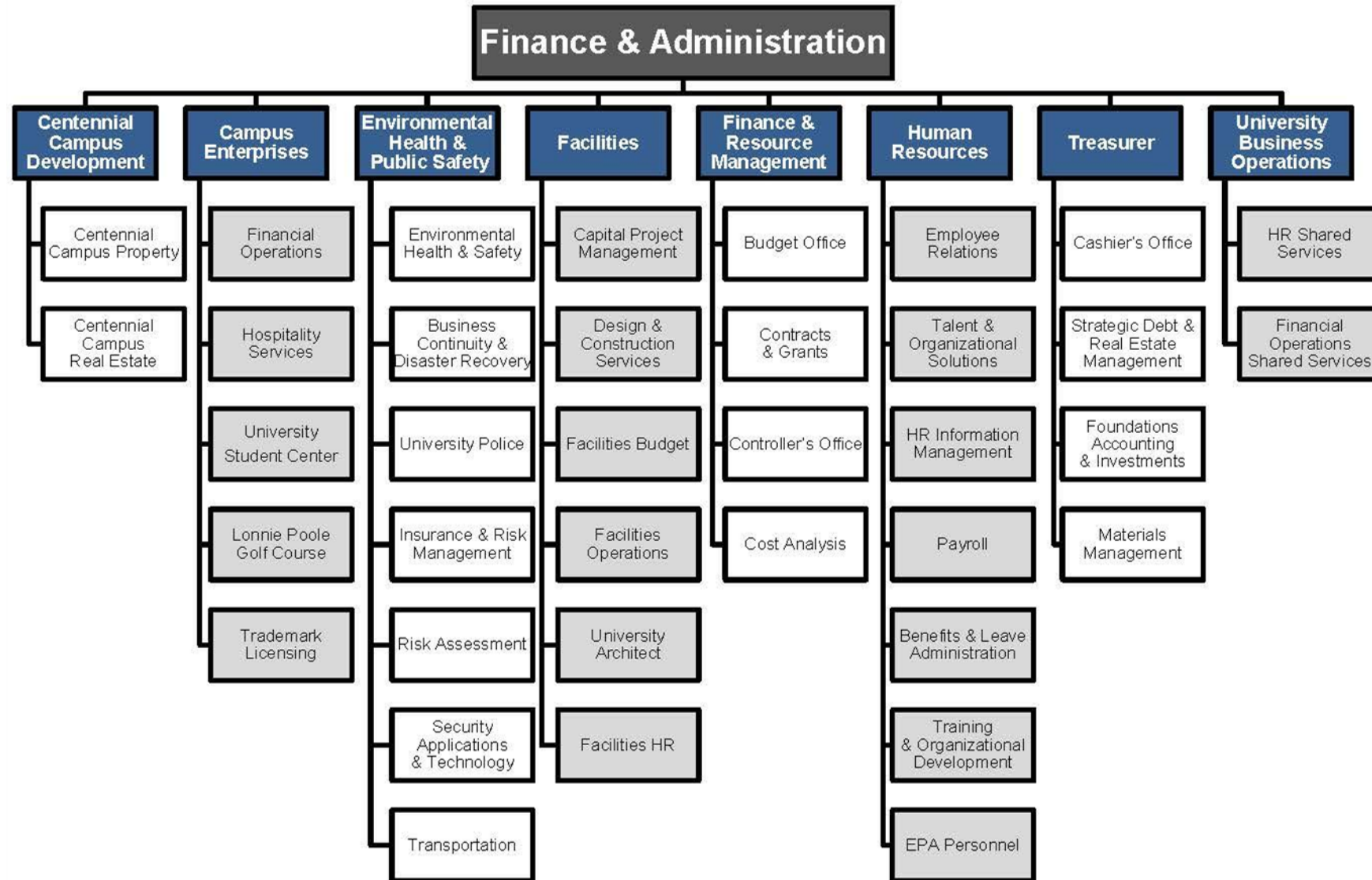


# **Office of Finance and Administration**

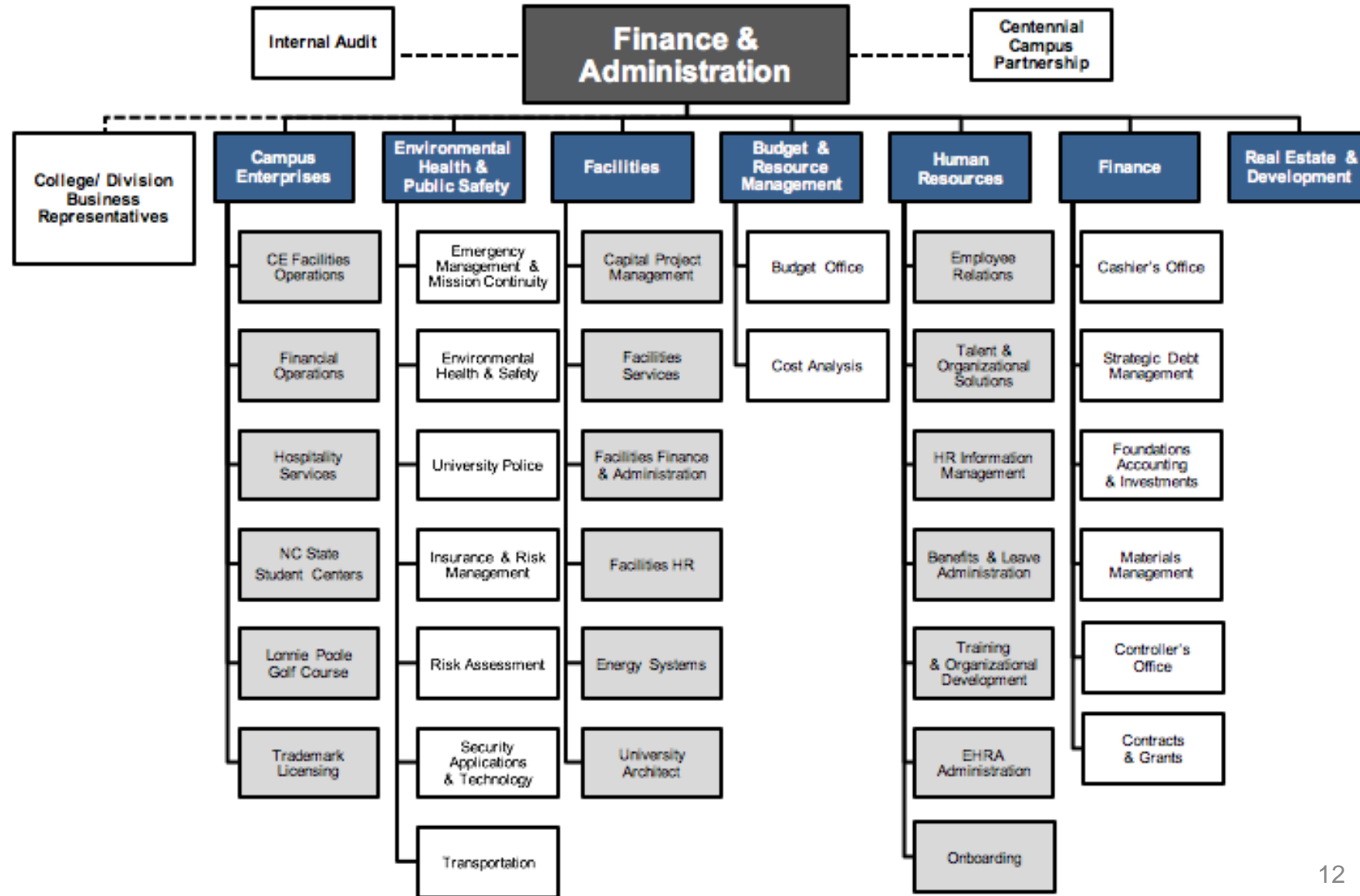
***What happened in the last year?***



# 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

## *Prior Experience: University Accountability Model*

### **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 year and beyond



## Focus at NCSU:

- **Current fiscal year**
- **Out-year 1**
- Out-year 2
- The future....

## Budget Routine Group

### Focused On:

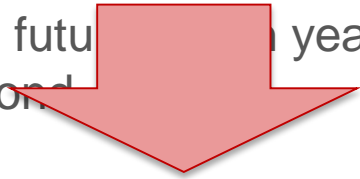
- Forecast of SAF carry-forward (2.5% = \$10M)
- Uses of SAF carry-forward:
  - Colleges
  - Other units
  - Central
- Other available funds... primarily Federal Grant Overhead

**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**
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## 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. . .

| Type:                 | Decision Controlled by: | <div>© MAZIE ANDERSON</div> <div>WWW.ANDERSTOONS.COM</div>  <div>ANDERSON</div> |  |
|-----------------------|-------------------------|---|--|
| State Appropriation   | State                   |   |  |
| Increase Tuition/Fees | State/BOG/NCSU          |   |  |
| University Bonds      | NCSU                    |   |  |
| State Bond Proceeds   | State                   |   |  |
| Increase Class Size   | NCSU & Colleges         |   |  |
| Start new programs    | NCSU                    |   |  |
| Research F&A          | Federal Government      |   |  |
| Budget Cuts           | Universal               |   |  |



## *Traditional Financial Levers Available . . .*

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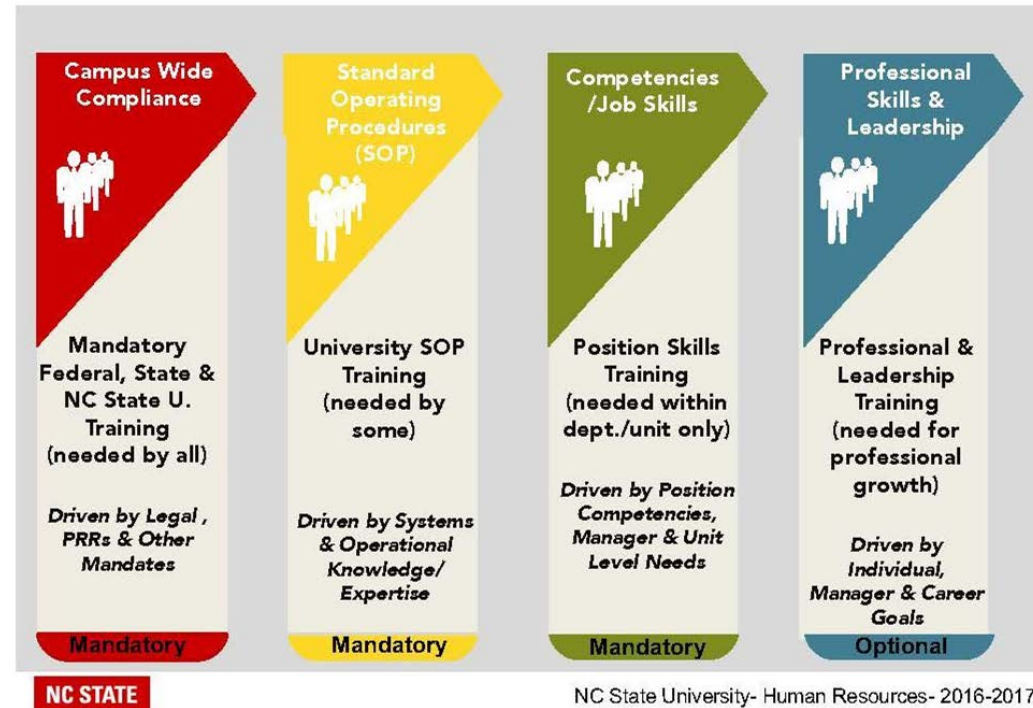
**LITTLE GROWTH,  
LESS CONTROL!**

## 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**

NC State University: Job Skills Training Model



NC State University- Human Resources- 2016-2017

### Tools & Processes:

- Upgrade core legacy IT systems
- Improve business processes

### 3. Manage Smarter

## Better Decision-Making & Communication:

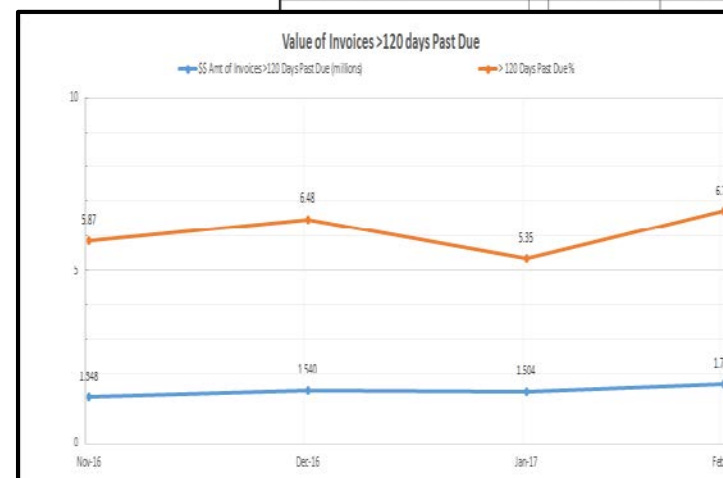
- OF&A Management Group
- Budget Routine
- The Operations Group

## Managerial Data & Analysis:

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

FY 2017 Statements 2nd Quarter\_2 (7)

| North Carolina State University<br>Statement of Net Position<br>December 31, 2016 and 2016 |                                      |                                      |                   |
|--|--------------------------------------|--------------------------------------|-------------------|
|  | Fiscal Year 2017<br>As of 12/31/2016 | Fiscal Year 2016<br>As of 12/31/2015 | Increase/Decrease |
| <b>ASSETS</b>  |                                      |                                      |                   |
| Current Assets   |                                      |                                      |                   |
| Cash and Cash Equivalents  | 356,963,856.28                       | 303,432,130.81                       | 53,531,725.47     |
| Receivables  | 154,452,594.14                       | 150,376,555.00                       | 4,076,039.14      |
| Short-Term Investments   | 225,437,076.56                       | 211,359,440.46                       | 14,077,636.10     |
| Total Current Assets   | 736,853,526.98                       | 665,168,126.27                       | 71,685,400.71     |
| Noncurrent Assets  |                                      |                                      |                   |
| Capital Assets Depreciable Net   | *1 1,900,955,635.53                  | 1,882,257,010.17                     | 18,698,625.36     |
| Capital Assets Non-Depreciable   | *1 124,372,655.83                    | 94,949,858.22                        | 29,422,797.61     |
| Notes Receivable   | 11,893,214.34                        | 12,547,445.05                        | (654,230.71)      |
| Other Long-Term Investments  | 210,672,522.00                       | 168,111,046.26                       | 42,561,475.74     |
| Total Noncurrent Assets  | 2,247,894,027.70                     | 2,157,865,359.70                     | 90,028,668.00     |
| Total Assets   | 2,984,747,554.68                     | 2,823,033,485.97                     | 161,714,068.71    |
| <b>LIABILITIES</b>   |                                      |                                      |                   |
| Current Liabilities  |                                      |                                      |                   |
| Accounts Payable And Accrued Liabilities   | 15,609,405.17                        | 12,847,450.55                        | 2,761,954.62      |
| Short-Term Debt  | 50,000,000.00                        | 20,000,000.00                        | 30,000,000.00     |
| Unearned Revenue   | 5,787,631.86                         | 3,999,610.88                         | 1,788,020.98      |
| Total Current Liabilities  | 71,397,037.03                        | 36,847,061.43                        | 34,449,975.60     |
| Noncurrent Liabilities   |                                      |                                      |                   |
| Deposits Payable   | 3,600,522.56                         | 2,761,545.64                         | 838,976.92        |
| US Government Grants Refundable  | 4,302,449.83                         | 6,608,095.83                         | (1,305,646.00)    |
| Long-Term Liabilities  | 541,097,649.16                       | 559,387,048.65                       | (18,289,399.49)   |
| Unearned Revenue   | *2 75,436,487.00                     | 0.00                                 | 75,436,487.00     |
| Total Noncurrent Liabilities   | 624,437,104.55                       | 567,753,680.12                       | 56,683,424.43     |
| Total Liabilities  | 695,834,141.58                       | 604,700,741.55                       | 91,133,400.03     |
| <b>NET POSITION</b>  |                                      |                                      |                   |
| Net Assets - December 31   |                                      |                                      |                   |
| Beginning Net Position   | 2,130,596,804.20                     | 2,082,061,994.37                     | 57,534,809.91     |
| Increase In Net Assets   | 149,316,608.82                       | 136,270,750.05                       | 13,045,858.77     |
|  |                                      |                                      | 70,580,668.68     |



*"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 . . .





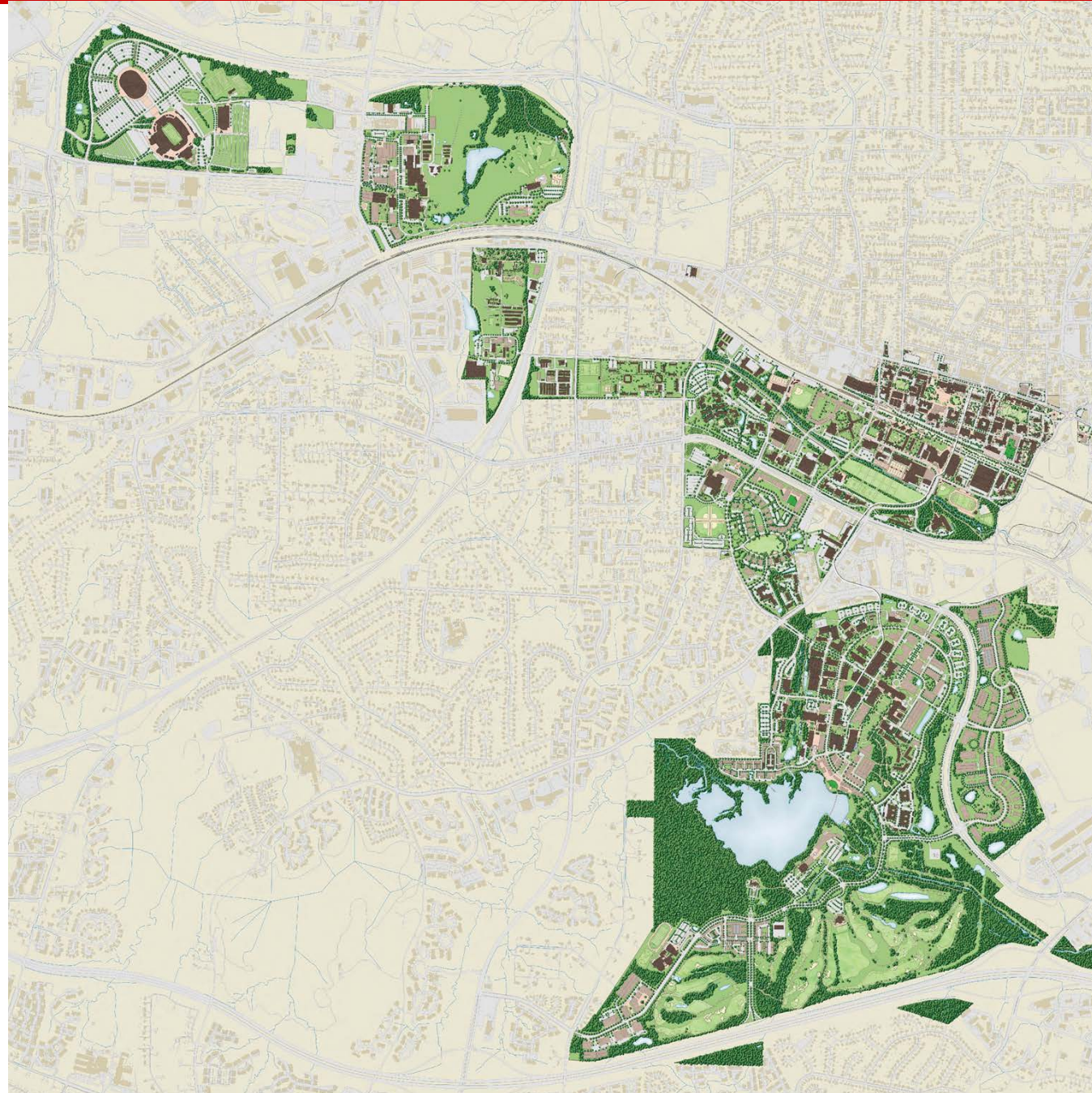




... this is also NCSU's campus.







## 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

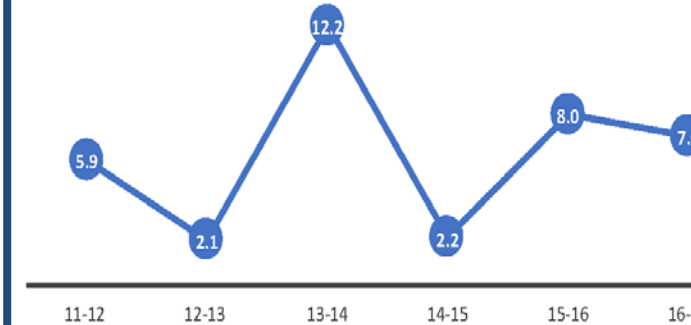
Annual expenditure: \$100-120M

6-Year Capital Plan (2017-2019 Budget Request)

DRAFT

| Priority | Project                                  | Assign-able Square Feet (ASF) | Gross Square Feet (ASF) | Cost Amount (Incl. Escalation) | Appropriated Running Total | Notes  |
|----------|--|-------------------------------|-------------------------|--------------------------------|----------------------------|--|
| 1        | Mann Hall Renovation and Addition        | 48,000                        | 81,700                  | \$ 55,400,000                  | \$ 55,400,000              | 1 Color shading indicates Blue related to Broughton Chemistry. Orange related to basic moving to EB Oval. Purple related to Data Center. Green related to backfill (depts.) moving to Plant Gray related to new En Nuclear Engineering (e Ergonomics Center, En 2 All costs are rounded up 3 All ASF & GSF number 4 Academic Space Anal 5 Page Hall Renovation |
| 2        | Polk Hall Renovation                     | 55,000                        | 91,800                  | \$ 56,500,000                  | \$ 111,900,000             | Completely vacated the-art research lab ASF) to support the sciences as part of north campus infra- utilities nearing end  |
| 3        | Chemistry Building (Broughton Hall Site) | 99,600                        | 162,700                 | \$ 149,800,000                 | \$ 206,300,000             | Relocates the Cher- condition building w with a new chemist wings (vacated at tl 115,844 GSF lab a- Includes north cam (\$19.4M). Includes   |

Funds Spent for R&R on Research and Academic Facilities



|                         |   |
|-------------------------|---|
| 86,200,000              | Occupants: COE: F Engineering Online Services (ITECS); 2 floors vacated at th vacated on 1st fl r replacements (\$110 |
| 82,900,000              | Occupants: Data C data center operati (CCUP plant expan separate funding.)  |
| 107,300,000             | Occupants: COE (h Industrial Extension ITECS, 5,000 ASF; expansion of the Ct (\$17.2M); parking d                     |
| 50,100,000              | Occupants: CVM.   |
| 127,200,000             | Occupants: PCOM Centennial Campus programmatic need to backfill 36,000 A;   |
| 138,200,000             | Occupants: COT, Ir efficiencies and rep   |
| 186,600,000             | Occupants: CNR in campus research si of new building.   |
| 158,200,000             | Occupants: COD, h classrooms, parking infrastructure (\$13M   |
| 191,800,000             | Occupants: College includes life safety   |
| 1,001,900,000           | Occupants: Internal auditorium.   |
| 1,018,400,000           | Occupants: OIT, Pr  |
| 1,043,300,000           | Occupants: COE & Nuclear reactor pro  |
| 1,054,300,000           | Occupants: Facilit supporting facilities  |
| <b>\$ 1,054,300,000</b> | <b>TOTAL</b>  |

**Existing Facilities: 9.7 M SF**

**Deferred Maintenance: \$500 M**

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

**Solution...**

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**A miracle occurs!**

**Solution...**



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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:

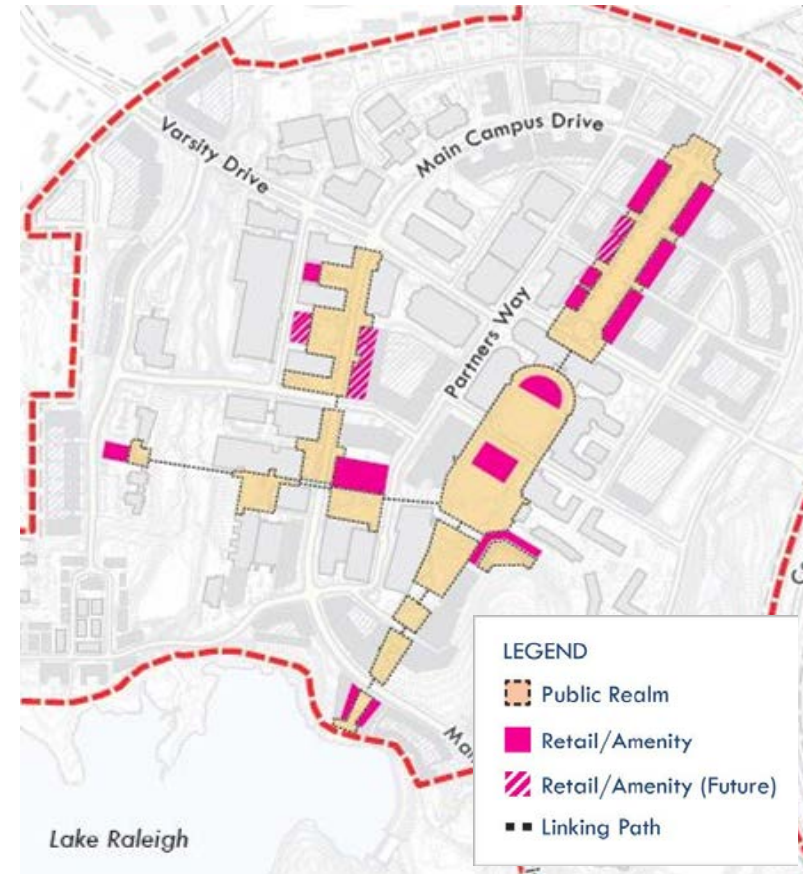
- Synergy between corporate & academic research.
- Opportunities for faculty and students.
- Entrepreneurial culture and ecosystem.
- Supported by “Live, Work, Play” community lifestyle that’s 24/7.
- **Expand university relationships with corporations**





## 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**





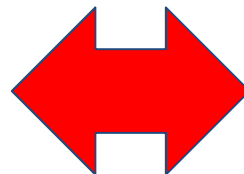
## 6. Leverage Corporate Relationships

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

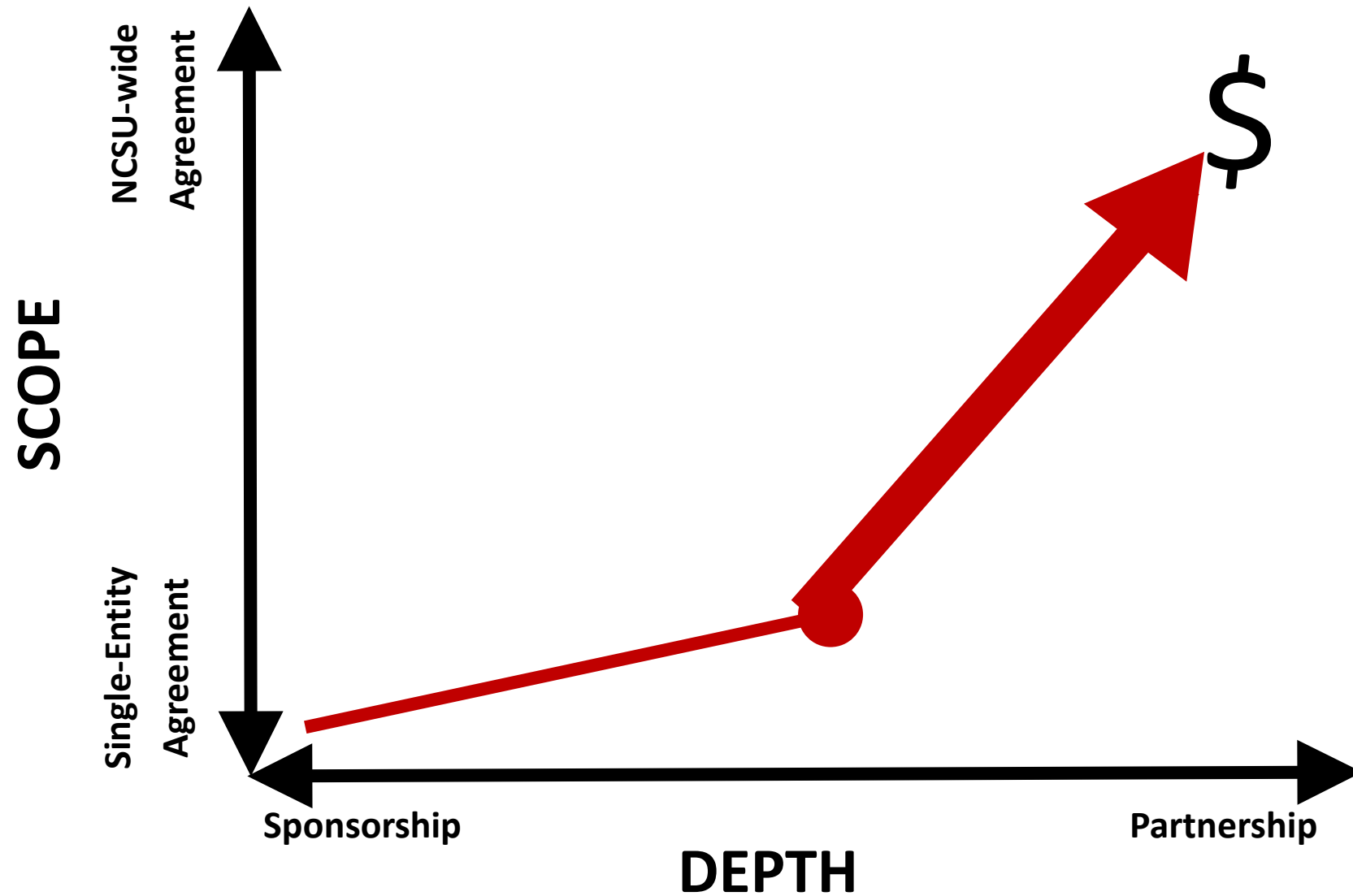


### Corporate Partnership

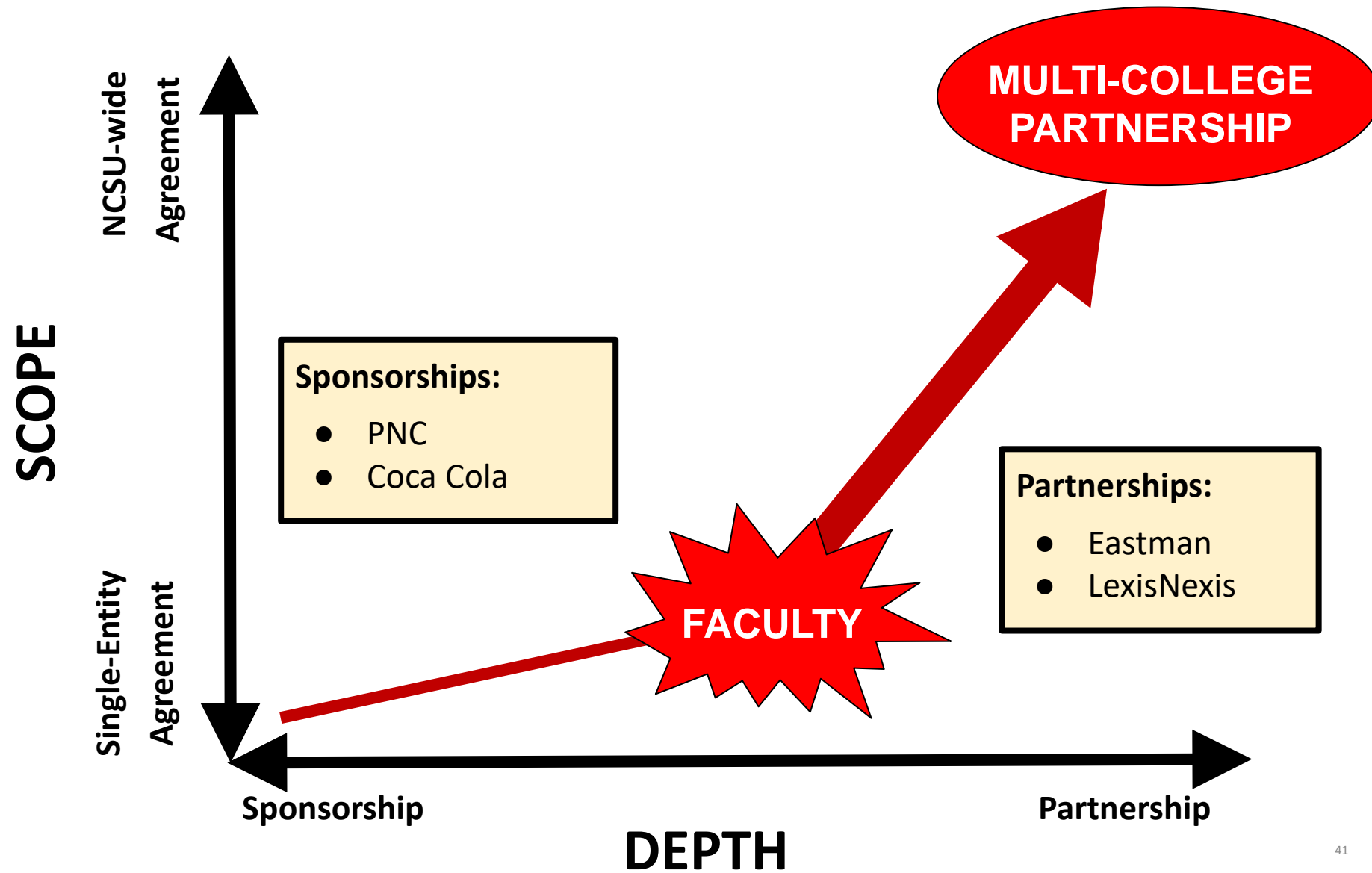
- University activities impact development of corporate strategies & products
- University receives transformational level of support

**Relationship:**  
ALLIANCE

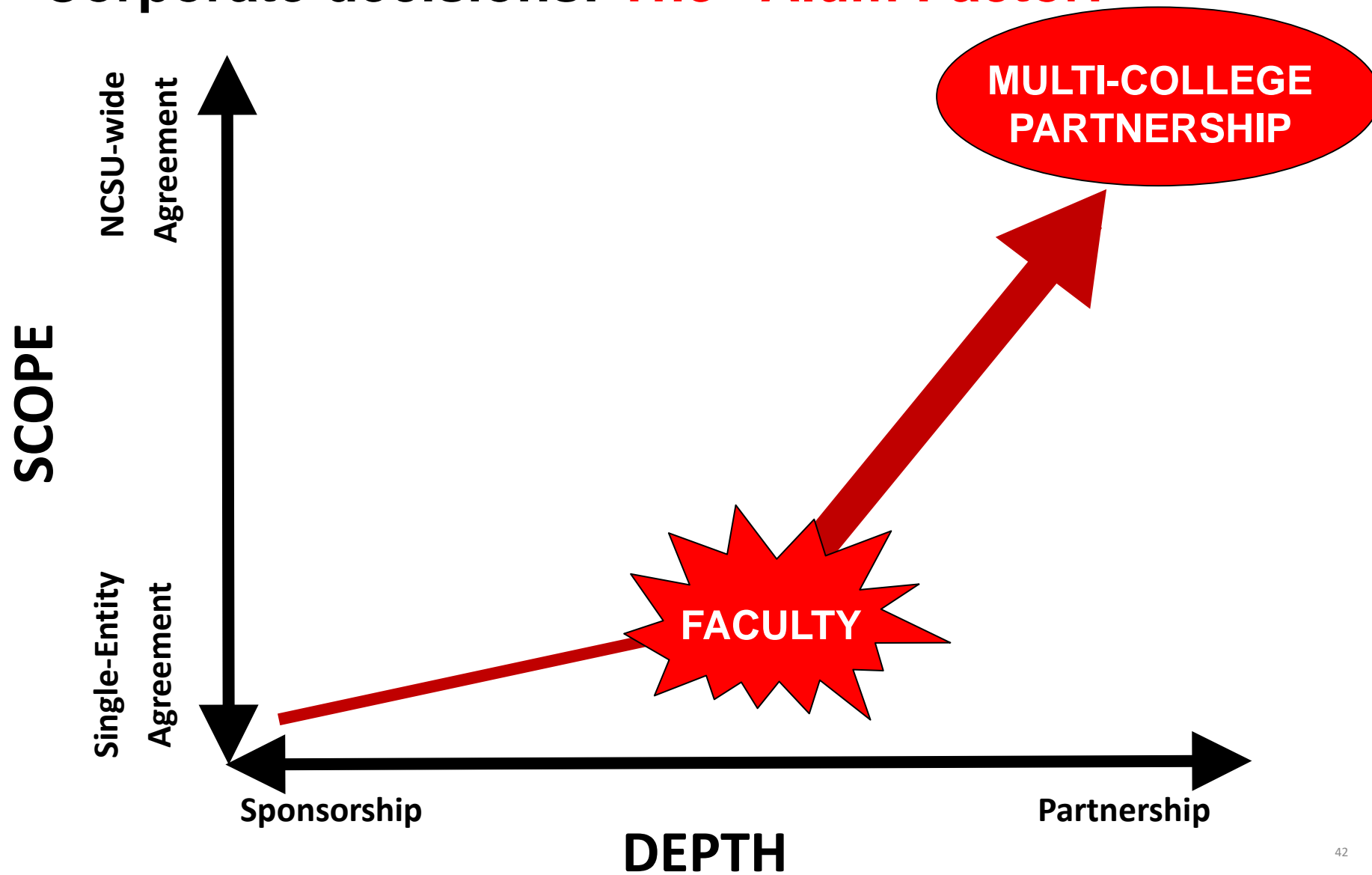
## The Value of a Corporate Relationship to NCSU



## What Drives Corporate Engagement?



## Corporate decisions: The “Alum Factor!”





## ***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

## *Our Way Forward . . .*

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.**

The logo consists of a red rectangular box containing the text "NC STATE UNIVERSITY" in white, bold, sans-serif capital letters. The text is arranged in two lines: "NC STATE" on the top line and "UNIVERSITY" on the bottom line.

**NC STATE  
UNIVERSITY**

**THINK AND DO THE  
EXTRAORDINARY**

# QUESTIONS?

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