Report of University Priorities Committee Activities 2022-23

The University Priorities Committee (UPC) is appointed by President Vincent Price, chaired by a member of the faculty, and convened by Executive Vice President Daniel Ennis and Rachel Satterfield, Vice President, Finance and Treasurer. The membership of the committee includes several faculty members, Senior Administrators, some of whom report to the Provost and others to the President, one undergraduate and one graduate student, and two Deans. The full list of members can be found here.

The UPC is charged with "… assessing university and academic priorities, ensuring that the University's annual and long-term budgets reflect these priorities, and making recommendations to the President." This committee provides an important venue for faculty governance, and for collaboration between faculty leaders and the senior administration.

UPC does not vote, but provides an opportunity for furnishing guidance and feedback on major issues confronting the university, serves as an important faculty sounding board for administration proposals as they are being developed, and provides faculty review of key spending decisions by the University. UPC participates in the discussion of key ongoing business of the University, and identifies areas of interest to the faculty that should be elevated for discussion within the charge of the UPC. During the academic year, we have eight scheduled meetings. The agendas prioritize issues as they arise, e.g., facilities renewal, climate initiative, etc.

Below are the highlights of our activities this year.

Highlights of 2022-23 activities:

- **Assessment of Research IT Needs**

  Tracy Futhey, Vice President for Information Technology and CIO, reported in October on the first phase of a three-phase effort aimed at better aligning IT and IT-related support with the needs of researchers. She shared a preliminary six-page report describing phase one, a compressive assessment of Duke faculty IT needs that began in February and resulted in six findings and ten recommendations in the areas of People, Process, and Technology. Futhey invited feedback and guidance from UPC before finalizing the report; UPC members expressed support for the process and for the report's preliminary findings, including citing cases where the experience of UPC members or their colleagues mirrored or supported the report's observations. UPC expressed interest in hearing more about this effort as it moved through its second and third phases.

- **Recruitment and Retention Initiatives**

  Parking subsidy proposal for DUHS and University

  In November 2022, Russell Thompson and Paul Grantham in Operations met with the University Priorities Committee to review a pilot program to provide subsidized parking permits for employees making $80,000 or less, to promote a more affordable and equitable environment for employees working on-site. The program was developed to address the recruitment and retention of healthcare and other frontline employees. The program would subsidize up to $30 per month in parking permit fees for 11,100 eligible employees. The annual projected cost of the subsidy in FY2024 is expected to be about $3.5M, which will be covered through the fringe benefits pool. The program is expected to be introduced in February 2023. Questions discussed included adjusting the salary threshold for eligibility based on annual pay increases, ways to continue promoting alternative transportation, and the benefits of direct pay adjustments vs. a subsidy model.

Retirement contribution for postdoctoral associates and house staff

Antwan Lofton and Joyce Williams from Human Resources asked to hear the committee's thoughts as to whether providing a modified contribution formula and vesting schedule for certain salaried positions that are not currently eligible for Duke's contribution to the Faculty and Staff Retirement Plan would be of assistance in recruiting and retaining staff in these positions. The committee provided thoughtful feedback for consideration as the two evaluate next steps and talk further with University leadership.

- **Facilities Renewal Plan for Research and Science**

In February 2023, Adem Gusa, Director of Planning & Design, provided the following update on this topic:

Scope of Facility Renewal Plan:
A detailed planning effort to improve a select group of critical science and engineering facilities for the Trinity College of Arts & Sciences and the Pratt School of Engineering is currently underway. The plan encompasses the following three major tasks:

1. **Programming –**High-level programming, quantifying the University's science and engineering departments' current and future space needs.
2. **Facility Renewal Planning –**Develop renewal strategies related to full mechanical, electrical and plumbing system replacements, as well as exterior envelope restoration, roof replacements, code compliance, life safety and accessibility upgrades, and interior finish enhancements. In addition to that, Duke will be exploring select programmatic upgrades where opportunities present themselves as a result of renewal interventions.
3. **Implementation Planning –**Logistics plans, on-and-off-campus swing space, schedules and cost estimates to meet the needs identified by the above two tasks.

Current Status of Planning Effort:
- Leadership is honing in on renewal strategies and the associated impacts to the buildings.
- These renewal strategies lend themselves to a phased renovation approach for Bio-Sci, Physics and Hudson.
- The Collegiate Gothic classroom/office buildings on the Quad will each be renovated in single phases.
- In the coming weeks leadership will be refining the phasing approach, swing space needs, schedules and cost and final recommendations.

- **Climate & Sustainability – 2024 Carbon Neutrality Goal Update**

  Tavey Capps, Executive Director of Climate and Sustainability, joined the committee in March to provide an update on Duke's progress on the 2024 carbon neutrality goal and questions facing senior leadership surrounding this ambitious goal. The total GHG emissions footprint for the University in 2007 (baseline year) was approximately 339,000 MTCO2e. With the work of numerous campus stakeholders, significant investment in on- and off-campus initiatives, and the recent impacts of the pandemic, the emissions footprint in 2022 has been reduced 43% from 2007, even as the campus footprint and related operations have grown by over 3 million gross square feet.

  As Duke nears the target date of 2024, in the aftermath of a global pandemic, Duke finds itself celebrating progress to date and facing a number of complicated realities that must be addressed in the near future. Some of these include –

  - Delays and challenges on several important emission reduction projects that were expected to significantly contribute to the 2024 reduction portfolio
  - Difficulties in reliably predicting future employee commuting or air travel emissions as we emerge from unprecedented reductions in these areas due to the pandemic
  - The reality that overreliance on carbon offsets could jeopardize the spirit of Duke's carbon neutrality goal and pose significant financial implications

  Discussion centered around many details of the Climate Action Plan and how different strategies (such as increasing biking infrastructure, and influencing choices around limiting air travel) would impact the future goals. Although UPC members expressed a range of views on how Duke should focus its carbon neutrality efforts, there was broad agreement on the need to seek creative solutions in response to changing circumstances.

  As part of Duke's broader Climate Commitment leadership, the way forward could mean meeting the institutional commitment of 2024 with offset projects, combined with a renewed commitment to develop an aggressive plan to significantly reduce reliance on offsets by 2030.

- **Other Items**

  - **School of Medicine 5-year financial plan update**

    The School of Medicine, which typically has a total funds and GAAP (generally accepted accounting principles) operating surplus, has experienced an internal structural imbalance for many years, resulting in a depletion in the resources available to the Dean for important research infrastructure support. A quasi-endowment was established in 2006 – and renewed by a $335 million transfer in 2017 -- by Duke University Health System to provide a fixed level of central support to the SOM through FY2036. However, largely due to the pace of research growth, settlement of a research compliance case, and the resulting costs of facilities, compliance and information technology, the Dean's component of that quasi endowment is now projected to last only through 2026.

Scott Gibson, Executive Vice Dean, SOM, presented a plan which was accepted by the Board, to add approximately $100 million to the Dean's component of the DUHS quasi endowment, taken from market earnings in excess of plan in other quasi endowments, along with other Chancellor-directed funds already in the SOM. This recapitalization of the quasi endowment will result in an extended life of the quasi endowment through 2030, giving the SOM time to right-size operations, implement additional internal financial structure changes, evaluate potential changes to academic sizing in certain areas, and improve efficiency.

- **Capital project updates**

  Adem Gusa, Director of Planning & Design, provided updates to the UPC in February on the following Board approved projects:

  - Lemur Center Master Plan –a new master plan for the Lemur Center. The master plan addresses two areas of priority focus: 1) a new Discovery Center building to house the Division of Fossil Primates, including a classroom and visitors center, and 2) additional animal housing to meet the growing needs for adequate living conditions, as well as reconfigured/expanded natural habitat enclosures in the existing forest areas.
  - Nasher Art Museum Sculpture Garden –the design and authorization to proceed into construction documents. The Sculpture Garden will provide a setting for the enjoyment of outdoor art by creating sites at various locations around the museum for the display of curated items, along with interconnected accessible pathways.
  - East and West Campus Residence Hall Sprinklers –the initiation and funding for the design of phase 1 of a multi-year sprinkler project that is currently envisioned as having 4 phases. Phase 1 of the project focuses on 3 of the 17 residence halls in total that are in need of sprinklers, as well as the necessary utility enabling projects. The construction logistics plan will spread the work across multiple summers to avoid the need for swing space and ensure affordability.

- Financial updates – Leadership provides current financial dashboards for both the University and Health System at every meeting.

  - **Duke University Financial Updates**- The latest financial update was through January 31, 2023, reflecting a year-to-date investment return of 2.3%, and an increase in net assets of $252 million. The University reported a $114M operating surplus, excluding unplanned investment support, a $61M decline from the same period of fiscal 2022. These results reflect a 9% increase in operating expenses, primarily in compensation and non-salary spend, due to salary increases and overall inflation, offset in part by a 4% increase in operating revenues, most notably within grants and contracts and other operating revenues, which include auxiliary units and licensing revenues. The fiscal year 2023 top-down projections reflect a $20M deficit by year end, slightly worse than the budget, driven by higher than anticipated expense growth. Capital spend is projected to be well below the budget due major projects still in design phase or pending additional philanthropic support before moving on to construction.

- **Duke University Health System Financial Update** - The year-to-date investment return for the Health System was 1.5%, which is reported on a one-month lag. Returns through January were 3.3%, closer to University's investment return year-to-date. The Health System reported an operating deficit of $174 million compared to a $57 million deficit for the same period of last year. This decline is attributable to an 11% increase in operating expenses, most notably within compensation, particularly temporary labor, nurse retention and wage inflation. Operating revenues are up 9% compared to last year, primarily net patient revenue, although still below the FY23 budget due to lower than expected inpatient volumes. Health System leadership is projecting a $270M deficit by year-end, slightly better than the monthly run rate, taking into account modest performance improvement for the remainder of the fiscal year.

Respectfully Submitted,

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