FINANCE COMMITTEE
TRUSTEES OF METROPOLITAN STATE COLLEGE OF DENVER

Tuesday April 28, 2009
1:30 p.m. – 4:30p.m.
Administration Building, Room 570/575
Auraria Campus

A. CALL TO ORDER

PRESENT: Trustee Ellen Robinson; Trustee Antonio Esquibel; Trustee Dawn Bookhardt; Trustee Bill Hanzlik; Trustee Adele Phelan; Student Trustee, Kailei Higginson; President Stephen Jordan; Vice President Administration and Finance, Natalie Lutes; Internal Auditor, Steve Gonzales; Vice President for Institutional Advancement, Carrie Besnette; Interim Provost/Vice President Academic Affairs, Linda Curran; Vice President for Student Services, Kathy MacKay; Vice President for Information Technology, Carl Powell; Associate to the President of Diversity; Faculty Senate President, Lynn Kaersvang; Associate Vice President for Administration and Controller, George Middlemist; Director of Accounting Services, Liza Larson; Budget Director, Stephanie Moran; Student Services Fiscal Manager, Robert Bowles; LAS Dean, Joan Foster; Assistant Vice President of Communications, Cathy Lucas; Director of Internal Communications, Donna Fowler; Assistant Professor of English, Tat Sang So; Associate Vice President for Retirement Plan Administration for the Four State Colleges in Colorado, Tim Greene; Associate Vice President for Student Services, Emilia Paul, and Financial Advisor, Stephanie Chichester from North Slope Capital Advisors.

APPROVAL OF MINUTES

A motion was made to approve the minutes from the March 10, 2009 Trustee Finance Committee meeting. The motion was seconded and approved.

B. DISCUSSION ITEMS

A. Capital Construction Financing

Financing options for Student Success Building:

Federal Stimulus will allow for some additional financing options that were not available before, and one of those is the "Build America Bond (BAB)." There are two different forms that the subsidy can take; a direct subsidy or tax credit. The direct subsidy approach allows the issuer to receive a cash subsidy equal to 35 percent of interest. The tax credit approach allows taxable bondholders to receive a tax credit equal to 35% of the interest payable on the BAB bonds. This approach may result in a yield benefit less than the 35% achieved under the subsidy approach. In the near term, it appears that the subsidy approach will generate greater yield benefit for municipal issuers. Last year, Higher Education initiated the Intercept program, which has the State Treasury standing behind the bond issue of the institution. This allows the institution to get AA rating, which brings the interest rate down. There is enabling legislation that allows Build America Bonds to qualify for the Intercept program.

Hotel:
The foundation board has been considering the options and methods for financing the hotel/hotel learning center (HLC). The foundation board decided that the best financing option for the building was to have the Metro State Foundation own the building, finance and manage the hotel/HLC, and partner with the developer/hotel flag to construct the project and manage the hotel/conference space. This option appears to provide the most protection to the Foundation and the College by ensuring short and long-term control over the project. To receive the optimal investment grade rating, letter of credit and/or bond insurance a backstop guarantee from the College is necessary. There are several different options for providing the backstop guarantee. A motion was made and approved to support the concept of the Metro State Board of Trustees guaranteeing the HLC project via a backstop. This approval is subject to the Metro State Board of Trustees review and approval of the final backstop proposal.

B. Budget

Auxiliary - The auxiliary budgets were reviewed. Revenue budgets were adjusted upward in the fee areas to account for increases in enrollments. All of the auxiliary areas were affected by cost containment measures, however many of the student fee areas continued with planned projects and equipment purchases as they were considered essential and directly related to students. These revised budgets will be used to build the FY10 budgets that will be brought forward at the next meeting for approval.

State Appropriated – Since the last finance committee meeting, the state budget has gone in a very different direction. The state is now reducing Metro's base in the current year by $9.9 million, which takes the college back to the FY05-06 state support level. The reduction will be accomplished by reducing the COF stipend rate from $92 credit hour to $68 a credit hour. The college will receive one-time federal stimulus money in the same amount as the COF reduction for the current and following two fiscal years. The college is currently estimating $101 million before the cut and that number is the same after the cut, the difference is between base and one-time funds. The Commission on Higher Education is currently looking through the guidelines in order to direct the institutions on how the stimulus money can be spent.

The college has identified $9.6 million in the tier reductions, which will go toward the $9.9 million in base cuts the college received in FY2008-09. If tuition is increased by 7% in FY2010, using flat enrollment, the college would generate $3.6 million in new tuition. $300,000 could be used to meet the rest of the reduction, leaving $3.3 million to distribute in new base. The college does plan on reevaluating the tier reductions and allowing some of the cuts to be "bought back" with the new tuition money. The tuition increase on flat growth is conservative. In initial estimates, the college estimated enrollment growth of 6% for residents and 10% for non-residents. Due to the budget challenges, the college may need to consider capping enrollment in some form, but probably not until the spring 2010 semester. If the college were to realize the full estimate of the enrollment growth we could generate another $3.6 million. The long bill authorizes institutions to increase tuition up to 9%. If the college increased tuition by 9% instead of 7% it would result in another $1 million.

The college is implementing the new bond fee to support the Student Success Building. The RTD, Clean Energy, and AHEC bond fee are also increasing. The committee must decide whether to implement a 7% or 9% tuition increase and whether the CPI increase should be applied to any of the student fees. After review of the supporting analysis that showed the various dollar and percent increases, it was decided that the committee would support a 9% tuition increase and a 3.9% CPI increase on the Athletics, Student Affairs, Health, and Information Technology fees. Staff will incorporate the recommended increases into the models for presentation at the May meeting.

C. DCPP Performance Review

Statutory requirements state that defined contribution pension plans must conduct a periodic performance review of the plan with the findings presented to all institutional board members. The review was completed by Gallagher Benefit Services. The full report was presented to the committee for review and discussion.

D. Internal Audit Update

Reports provided for information, but not discussed due to time constraints.

E. FY2008-09 Third Quarter Unaudited Financial Statements

Reports provided for information, but not discussed due to time constraints.

F. <u>ADJOURNMENT:</u>

At approximately 4:30p.m. A motion was made and seconded to adjourn the Finance Committee Meeting. The motion passed unanimously.