**METROPOLITAN STATE UNIVERSITY of DENVER**

**BOARD OF TRUSTEES**

Finance Committee Meeting

February 7, 2019

**I. CALL TO ORDER:**

The meeting was called to order at 7:59 a.m. by Trustee Wendy Dominguez.

**Board of Trustees Present:**

Chair Jack Pogge, Vice Chair Barb Grogan, Trustee Elaine Berman, Trustee Jeff Shoemaker, Trustee Wendy Dominquez, Trustee Michelle Lucero, Faculty Trustee Chris Harder, Student Trustee Lacey Hyde, Alumni Trustee Joe Rice, Trustee Candidate Barbara Brohl, and Trustee Candidate Russell Noles.

**MSU Denver Personnel Present:**

Janine Davidson, President; Vicki Golich, Provost and Vice President for Academic and Student Affairs; Cathy Lucas, Vice President for Strategy and Chief of Staff; Deputy General Counsel Nicholas Stancil; Jinous Lari, Director of Budgets; George Middlemist, Associate Vice President of Administration and Controller, Interim Vice President Administration; Ann Murphy, Dean, College of Business; Nate Grimm, Deputy Budget Director; Cipriana Patterson, Deputy Budget Director; Liza Larsen, Director of Accounting Services; Elizabeth Hinde, Dean, School of Education; Arlene Sgoutas, Dean, College of Letters, Arts and Sciences; Jennifer Capps, Dean, College of Professional Studies, and other various staff members.

**II. APPROVAL OF MINUTES:**

A **motion** was made by Trustee Jeff Shoemaker to approve the December 6, 2018, Finance Committee minutes, and was seconded by Trustee Barb Grogan. The motion was **unanimously approved**.

**III. DISCUSSION ITEMS:**

 **A. FY2019-20 State Budget Update – George Middlemist**

The fiscal year 2019-20 Governor’s budget proposal includes a request to increase the General Fund allocated to Higher Education by $120.9 million. The intention is to address affordability for students by covering inflationary and healthcare benefit costs for institutions of higher education, mitigating any need for a tuition rate increase. The proposal includes:

* $97.7 million (a 12.9% increase) for Governing Boards
* $23 million for Financial Aid
* No increase in resident tuition

Governor Polis has kept Governor Hickenlooper’s original proposal, which for MSU Denver would result in approximately $7 million in additional state funding. However, the current projected needs for MSU Denver’s mandatory costs and to keep faculty and professional staff salaries is $9.2 million, which is a shortfall of $2.2 million if we keep tuition rates flat.

The University is in ongoing conversations with the state to obtain additional state funding or approval to increase tuition rates, as well as to obtain other funding to improve student outcomes and strengthen the University’s financial position.

 **B. Update on the PE Building Financing – Tina Wells and Liza Larsen**

Perkins & Will has been hired as the Architect to design the PE/Event Center Locker Room remodel project.  The design committee is made up of two representatives each from Campus Recreation, Athletics, Human Performance and Sports, Auraria Higher Education Center, and Tina Wells.

The Schematic Design drawings are scheduled to be received for review and approval on January 31st.  This phase of design includes rough drawings of the floor plans, elevations, mechanical, electrical, plumbing, and technology systems.  Construction is scheduled to start at the end of the Spring Semester with a scheduled completion on November 1st.

The University has locked in the $8.25 million loan with Vector Bank at a fixed interest rate of 2.68%. The projected closing date is March 21, 2019, and our first interest payment would be due on June 1, with our last principal payment due December 1, 2025. The total interest paid over the life of this bond would be about $840,000, or less if we paid it off early, which we could do with no prepayment penalty. Closing costs are estimated to be about $70,000, which will be taken from bond proceeds.

**C. FY2018-19 Budget Update – George Middlemist**

In December 2018, the Board of Trustees approved an updated FY2018-19 budget based on the fall 2018 enrollment. The following provides an update on the General Fund as well as the Business Enterprises.

FTE:

Census fall 2018 decreased by 0.97% or 70.67 FY FTES. Resident FTES decreased by 1.28% or 90.17 FY FTES, and non-resident FTES increased by 7.02% or 19.5 FY FTES.

Headcount:

Total undergraduate headcount was down 1.47% or 287 students; resident undergraduate headcount is down 1.79% or 335 students, non-resident undergraduate headcount is up by 6.15% or 48 students.

We recommend adjusting the budget down in the auxiliaries by about $2.3 million. We had originally projected about 11% increase in growth, but now think it will be closer to 9%, primarily due to the DIME program. We are adjusting DIME revenues down, based on the current performance of the DIME classes.

Correction to Online Program Fee

In May 2018, we received approval from the Board to charge a new online program fee ($20 per online credit hour), which was implemented in fall 2018. The approval did not specifically exclude graduate students, which could cause the University’s graduate programs to be less competitive. The University is analyzing the fees charged to graduate students, and until the analysis is completed, graduate students will not be charged this fee. Graduate students who were charged the fee have been refunded, totaling approximately $20,000.

 **D. HLC@Metro, Inc. Update – Jinous Lari and Nate Grimm**

In 2010, MSU Denver commissioned the incorporation of HLC@Metro, Inc. to function as a separate nonprofit corporation in association with MSU Denver to finance, own, and operate the Hospitality Learning Center (HLC) as a public-private partnership. Later in 2010, approximately $54 million in bonds were issued to develop and construct the HLC, which includes approximately 100,000 sq. ft. 150 room Marriott-flagged hotel, a 25,000 sq. ft. parking structure, and 29,000 sq. ft. of academically-utilized space. Two years later, the Marriott Springhill Suites opened for business and currently continues to outperform competitors.

Beginning in fall 2018, HLC@Metro, Inc. entered into several agreements for architects, project managers, and purchasing agents to complete a Marriott-required 7-year refresh of the hotel to begin in fiscal year 2019. The total budget of the refresh is $3.195 million and will be paid out of the Renewal and Replacement Reserves.

We selected JNS, the original architects of Springhill Suites. The scheduled completion date is January 2020. We are including the Industrial Design department to supply some fixtures for the first-floor lobby and are getting students involved to commission art for the Hotel.

There will be a full remodel of the guest rooms, bathrooms, conference space, and the first-floor lobby in 2025. A bond refinancing was completed last year in order to rebuild the reserve fund. Through a forward-starting swap, or refinancing, we locked in a rate of 3.1%. (Our original rate was about 4.5% with a discount through the federal government’s Build America Bonds.) It is anticipated that there will be a net present value savings of just under $5.5 million over the life of the bonds, which translates to $340,000 annually that can either be put toward refilling reserves or transferred to the Foundation for scholarships.

 **E. DIME Update – Nate Grimm**

Although the program has not met early financial or enrollment expectations, the University has put in place several measures to grow this program. Perhaps the most important measure has been moving the operations to the Individualized and Lifelong Learning (I&LL) branch. We anticipate that the DIME project will become profitable by fiscal year 2021.

**IV. INFORMATIONAL ITEMS:**

 **A. FY2018-19 Second Quarter Financial Statements**

 **B. Admin Branch Update**

**V. ADJOURNMENT:**

A **motion** was made at approximately 9:31 a.m. by Trustee Jeff Shoemaker and seconded by Trustee Barb Grogan to adjourn. The motion was **unanimously approved**.