**METROPOLITAN STATE UNIVERSITY of DENVER**

**BOARD OF TRUSTEES**

Thursday, December 3, 2020

Special Finance Committee Meeting: 2:00 p.m. – 5:30 p.m.

Zoom Meeting

**I. CALL TO ORDER:**

The meeting was called to order at 2:23 p.m. by Chairman Russell Noles.

**Board of Trustees Present:**

Chairman Russell Noles, Trustee Albus Brooks, Trustee Mario Carrera, Trustee Mike Kopp,

Trustee Emily Renwick Garnett, Trustee Barb Grogan, Trustee Kristin Hultquist, Trustee Mike Johnston, Trustee Marissa Molina, and Trustee Jim Mulligan.

MSU Denver Personnel Present:

#### Janine Davidson, President; Bill Henry, Interim Provost and Vice President for Academic and Student Affairs; Will Simpkins, Vice President for Student Affairs; Thad Spaulding, Interim Associate Vice President of Enrollment; Cathy Lucas, Vice President for Strategy and Chief of Staff; Deputy General Counsel Nicholas Stancil; George Middlemist, CFO/Associate Vice President of Administration and Controller; Larry Sampler, COO/Vice President of Administration; Liza Larsen, Controller; and other various staff members.

**II. APPROVAL OF MINUTES:**

A **motion** was made by Trustee Carrera to approve the September 3, 2020, Finance Committee meeting minutes, and was seconded by Trustee Mulligan. The motion was **unanimously approved**.

**III. ACTION ITEM**

 **A. Approval of 2025 Strategic Plan – Cathy Lucas, Vice President for Strategy and External Affairs**

Vision Statement: We are a nationally recognized leader for social mobility where students of all ages and backgrounds build a better, more equitable Colorado through innovative and transformative education.

First pillar dealing with students, front and center in this Strategic Plan.

* First goal: Recruitment, we want to call attention to our commitment to a robust service learning, internship, and undergraduate research agenda.
* Second goal: the attainment gap, state prioritized and 66% rate of post-secondary completion, level of post-secondary completion for Colorado citizens.
* The third goal: to have more transfers in than out; to provide a smooth, welcoming transition to you and we need to dedicate structures, resources, people, and continuous thought to that endeavor.

Second pillar is student-centered academic excellence.

* Will work to continually improve our curriculum processes to create new courses fast.
* Will dedicate resources to creating more on and off ramps, micro credentials, certifications, badges and flexible opportunities for students to join.
* Will grow our experiential and service-learning opportunities, never forgetting this robust cross-disciplinary academic experience for our students.

Third pillar is for civic and economic catalysts.

* The first goal is to provide talent and skill that drives Colorado’s economy. By creating a pipeline for students, to leverage alumni, develop, increase, and enhance partnerships with industry, embrace economic-impact opportunities.
* The second goal is to be the convener for problem-solving and forecasting community needs through civic discourse, by leveraging amazing expertise of faculty and staff, the inclusive community that has been developed, and welcoming physical space. Additionally, going to build and enhance a culture that will value civic leadership and drive change.
* The third goal is to enrich the surrounding community through lifelong learning and engagement. To elevate our role as an anchor institution by offering excellent programs to the community, excellent programs in Art and Athletics and culture. To build broad and diverse relationships along the way.

Continue to invest in our HSI status, to become a model HSI institution. To be Colorado’s most desired place of employment, through ongoing improvement to our benefits, our infrastructure backbone, while enhancing diverse workforce and inclusive leadership environment. To diversify and grow the University’s revenue streams for long-term sustainability. Champion the reinvestment and development of the Auraria Campus.

**MOTION:**

The recommendation from the Finance Committee is to approve the 2025 Strategic Plan.

A **motion** was made by Trustee Noles to approve the actions recommended by the Finance Committee, moved by Trustee Grogan, and was seconded by Trustee Mulligan. The motion was **unanimously approved**.

 **IV. DISCUSSION ITEMS**

1. **Internal Audit Report - Laura Coffman, Student, and George Middlemist, AVP of Administration/CFO**

Shawn Tebben is the new faculty member in Accounting and has taken over this class from Joe Giordano. Audit of Human Resources’ process to select a new HRIS system. Objectives and overview of the internal audit:

* First objective - constructed a heat map prioritizing risk.
* Second objective - the process to select a new HRIS system, results and recommendations.
* To prioritize and identify the risks associated with the current HRIS module within Banner.
* To evaluate the process used to support the decision to change to a new HRIS system. Interviewed stakeholders, conducted surveys to rate the risks, identified the risks.
* Developed a heat map based on the results, gained an understanding of the system selection process and developed recommendations related to the selection process used. Departments interviewed included HR, IT, Payroll, AHEC, Purchasing, Finance, and Budget.
* Issues with Banner:
	+ Does not allow for the completion of necessary tasks by itself, satellite and bolt-on programs that are attached to Banner to allow for HR to complete all of their tasks and functions.
	+ Taking up an increasing number of broad resources, including financial for upkeep. HR spends a lot of time unnecessarily dealing with the quirks or glitches of Banner, heavily reliant on data-entry and swimming in paper files.
	+ Struggled to support faculty and staff with Banner, issued an RFP to select a new system.
* Risks
	+ Highest impact risk was resource allocation, Banner may become increasingly difficult or impossible to maintain and may require additional resources in the future. It is eating up more and more servers.
	+ Privacy and security, paper documents cause potential privacy compromise issues. It’s better to have it in an encrypted, digital system.
	+ Digital data integrity, Banner is forcing HR to generate bad data, idea of constantly getting lost in translation in between the systems or through the paper files from person to person, it loses integrity through each generation.
	+ The process to select a new system, other departments may need to unwillingly adopt HR’s new HRIS system called Workday and not all stakeholders had adequate input into selecting that system.
* Recommendations
	+ To develop a process to ensure stakeholder involvement is more robust on large-scale projects. Any departments reasonably impacted by a change should have representative input.
	+ The University should implement a mechanism to take into consideration financial constraints and require an analysis on what change will have on other departments.
	+ Consider a formal budget review after bids are received to ensure bids are aligned with the funding allocation. Not a failure of HR in this process, more a weakness that exists in the University as far as checkpoints and gates.
1. **FY2019-20 Financial Overview – Liza Larsen, Controller**
* $8 million loss because of the asset transfer that we had from HLC. Increase in our net position of $18.4 million for FY’20.
* Closed the tuition window by 50%, more tuition revenue coming than expected. Raised Metro Bond Fee and closed that Metro Bond Fee window. $3.2 million more of fee-for-service money come in in FY’20 than what we had in ’19, and we had additional money in our investment income because of unrealized gains. So those are some kind of unique transactions that happened in FY’20 but are not likely to happen in ongoing years.
	+ $34 million of extra cash sitting on balance sheet this year, deferred revenue CARES money. Coronavirus Relief Fund came from the state, meant for operations in FY’21, sitting in cash.
	+ The days’ cash on hand, says we can operate for 151 days, or about five months, if for whatever reason we could no longer process payments coming in.
	+ We have four times as many current assets as we have current liabilities.
	+ Change in net position looking quite well, increase of 8.85%, is a one-time event. In FY’21 currently deficit spending, planning on spending more than bringing in.
	+ The debt coverage ratio of 3.2, not at any kind of significant risk. Due to the pandemic, the Hotel’s revenues are only able to cover their own operations; not making enough money to start paying debt service.
	+ The CFI is a ratio, intended for larger picture on financial position. The only ratio that includes the financial operations of our component units, the Foundation and the HLC. The JBC uses this score to evaluate financial performance, this Board and senior management can use this score as well. It helps to determine if strategic decisions are in line with resources. Current 3.3 CFI score, directing our resources towards transformation and should be investing in programs to help grow and bring in additional dollars. NACUBO says that a CFI of 3 is considered moderately financially healthy, that is the bar that institutions are being measured against.
	+ Fiscal year ’21 is going to look significantly different, unless enrollment changes significantly or unrestricted money from the federal government is received, the University is going to have to make hard choices with what it has, what it can do with its resources.
1. **Enrollment Update – Mary Sauceda, AVP of Enrollment Management**

36.5% down in enrollment for FTE and 6.26% down in head count. Not much change in these numbers since last Fall’s census date, not anything significant to report. To break even for Spring would need to meet these numbers:

* Early for Spring, as of Tuesday down 18.85% in FTEs, the state-funded, and 17.7% down in head count. Year-over-year comparison need to take into consideration last year currently didn’t have a national election, pandemic, or economic crisis. The trend of students who wait until the very last moment to register for classes, a new phenomenon, however it is amplified by the pandemic. Numbers collected from other Colorado universities this past week: UNC reported 15% down in enrollment, and CU Denver reported 20% down in undergraduate enrollment as of last week.
* Interim Provost Henry led efforts to increase eight-week accelerated Spring courses that started in March, working with faculty and the Registrar.
* Marketing and advertising campaigns in collaboration with enrollment management target areas that push information out to audiences about master’s programs, brand awareness and undergraduate enrollment.
* Free App Day was a huge success. 1,075 more applicants than last year, and most campuses that opened in-person this Fall are now closed due to the surge of Covid cases. Increase in withdrawals from students statewide. In the process of turning on a survey that students fill out when they withdraw, why they are withdrawing and collect more data for that. MSU Denver is still the #1 university in the state to receive transfer students according to the most recent CDHE report.
* Demographics for transfer students, overall, for our student body 4% more population of transfer students for white students, 1% more Black and African American, and 7% less Latinx students in the transfer population than the overall student body. 12% less first-generation students in transfer population.

 **D. FY22 State Budget Update and Governor’s Proposal – Larry Sampler, VP of**

**Administration/COO and George Middlemist, AVP of Administration/CFO**

The Governor proposed restoring higher education funding to the 2019-2020 levels, recommended capping tuition rates at 3%, restoration of the funding levels, running that full amount through Step 2 of the funding formula. Estimating the mandatory increases to have $8 million shortfall. The Governor’s proposal good news, recognizing that higher ed is a player in the recovery of Colorado’s economy. Almost $500 million coming back into funding for schools. $63.6 million in state support, by running it through the funding formula, almost $64 million.

The CFOs of higher ed have been working together to put forward information to policymakers to say, the Department’s view is not accurate because it’s not just the cost of living, also this current fiscal year that had core increases they didn’t fund, actually cut funding. The budget has been cut as much as possible.

* Denver minimum wage, another mandatory cost increase that’s not part of a formula.
* Cost of living, or CPI, contract increases. AHEC and the Library; pay more for those. The faculty promotion, when they go from assistant to associate professor; they get tenure. A mandatory cost for the university. Increases for inflation, etc.
* With an enrollment decrease and increase tuition 3%, with the state support, looking at almost an $8 million shortfall. Flat, a little better, $5 million. If up 4%, able to pay for those considered mandatory.
* Other things:
	+ Furloughs, it took the IT department, HR department, and payroll department almost two months to figure out how to get that into the system and how to track.
	+ Campus buildings are in desperate need of maintenance.
	+ Compensation - staff turnover and searches that fail on a continuous basis because of compensation.
	+ How to figure out the total shortfall is for the University?
	+ Staffing compared to Colorado schools, for every non-instructional staff member, they must serve 26 students.

 **E. Hotel Operations Update – Larry Sampler, VP of Administration/COO and George Middlemist, AVP of Administration/CFO**

The bottom line is the Hotel struggles. The revenues are down, traffic is down, going to put some burden on the University. Sitting on about a million dollars in cash on the Hotel in some of the reserves, will help a little bit as it continues to operate at a deficit. When transferred the Hotel to the University’s books, transferred at net value, after depreciation, a little lower in value than what it was when it was part of the HLC. The swap of $47 million; still the debt on the Hotel. The interest rate swap of $11 million is the potential that could have to set aside money if interest rates continue to drop and the credit rating would drop. The money goes into an escrow account until the loan is paid for and then get it back. Not making much money, have some sales of hotel rooms, restaurant is providing food, getting a lot of traffic from the construction sites next door to the Hotel. Operating expenses are in line, net operating income of about $116,000, all positive. The trouble is paying interest on new loan, the interest payments are more than the net proceeds of the Hotel, deficit-spending in the Hotel, for the first quarter about $250,000. Anticipate eating up all the reserves, as continue to make those payments.

CARES Act Paycheck Protection Program. Working diligently with 1stBank to get the loan forgiven. The original loan was $467,000, it was a two-year loan with 1% interest, were able to keep 44 people employed during the beginning of the pandemic. In the process of submitting request for forgiveness. The lender and the Small Business Administration will take up to five months to review the application and get back with us. If not forgiven, will have to work with them to pay it back over the course of two years or do we have to make a one-time payment.

Only projecting cash through March of 2021 as things are unpredictable, focusing on a couple projections. In July of 2021 have a $1.4 million debt payment that from our bond fee. Working with financial advisors to restructure the debt to reduce the amount we need to pay. The worst-case projection is still cash runs out in December, in this case looking at having to make the interest payments through March, to repay the whole PPP loan. If the lender needs to pay this back now, would leave a shortfall of about $1.2 million. Will continue to work closely with the Hotel to monitor revenues also their expenses. Trustee Carrera requested additional information on the hotel

 **F. COVID Lessons Learned – Leone Dick, Chief of Staff for the VP of Administration**

The Roadrunner Safe Return Committee in mid-November conducted some Fall feedback sessions. Townhall-type meetings hosted by Larry Sampler and Bill Henry with faculty, staff, and students separately, each led by their own student body president, Faculty Senate president, and Staff Senate president. Student Affairs team also did a student impact survey. People want more access to Covid testing. Challenges with our teaching platforms, Microsoft Teams vs. Zoom that a lot of faculty members were more comfortable with, or even our students. Mental health heard from students, faculty and staff. The number one concern for students was completing their coursework on time this semester. Continued challenges with their internet reliability and computer access.

* Updating testing protocols, and communications that go to students and faculty when there has been a potential exposure on campus.
* Expanding Covid-19 testing in 2021, using COVID Colorado, taking this burden off of the Health Center, engaging with them to help expand those offerings.
* To make better use of our existing resources, Nursing students who are here to help, talking with them about vaccine distribution and how to use them with that.
* ROTC students, waiting for logistics, operations help, where they can step in.
* Faculty members waiting to help. Accessed some funding for additional loaner laptops for students through the CARES Act funding.
* Marketing our studying spaces on campus more heavily. Students can have a better experience in their learning environments.
* Need to continue to communicate, but communication is only realized when both parties have heard the same thing.
* Learned from a health standpoint this semester:
* Overall positivity rate across the Auraria campus is 5.38. Positivity rate at MSU Denver 4.14. Lower than the state of Colorado which is about 11.63 on the 1st.
* People are just getting comfortable online, whether it’s the faculty members who have spent time putting course material together, the students that have figured out this modality for the first time and how to balance that amidst their family and their jobs.
* Accomplishments for Spring.
	+ Spring 2021 late start courses. Had about a 20% increase in late start courses. Bill Henry is working with the deans to match pre-COVID Summer 2019 offerings in a face-to-face setting while expanding online offerings.

**V. ADJOURNMENT:**

A **motion** was made at approximately 5:27 p.m. by Trustee Carrera, seconded by Trustee Johnston, to adjourn. The motion was **unanimously approved**.