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**METROPOLITAN STATE UNIVERSITY of DENVER  
BOARD OF TRUSTEES**

Finance Committee Meeting  
Thursday, September 21, 2023  
Jordan Student Success Building,  
890 Auraria Pkwy., Room 400

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**Board of Trustees Present:**

Chairman Mike Kopp, Trustee Albus Brooks, Trustee Emily Garnett, Trustee Kristin Hultquist, Trustee Mike Johnston, Trustee Jerry Glick, Faculty Trustee Meredith Jeffers

**MSU Denver Personnel Present:**

Janine Davidson, President; Dr. Marie Mora, Interim Provost and Vice President for Academic and Student Affairs; Will Simpkins, Vice President for Student Affairs; Christine Márquez-Hudson, VP University Advancement & MSU Denver Foundation; Edward Brown, Chief of Staff; Jim Carpenter, CFO/Associate Vice President of Administration; Larry Sampler, COO/Vice President of Administration; and other various staff members.

**I. CALL TO ORDER:**

The meeting was called to order at 3:03 p.m. by Chairman Kopp.

**II. APPROVAL OF MINUTES:**

**A. Approval of March 16, 2023, Finance Committee Meeting Minutes**

A **motion** was made by Trustee Glick to approve the March 16, 2023, Finance Committee meeting minutes, and was seconded by Trustee Noles. The motion was **unanimously approved**.

Trustee Noles had two proxies: for Trustee Garnett and Trustee Brooks, both Finance Committee members.

**III. ACTION ITEMS**

**A. LIBOR Resolution - *Jim Carpenter, CFO***

Three debt instruments that are indexed to LIBOR will no longer exist at the end of June. Enabling legislation that allows use of a different index for those debt instruments. One is a variable rate debt issued in 2014 with two payments remaining. The other is variable rate debt issued in 2021 making the 2021 fixed rate. LIBOR documents will now be called SOFR, the Secured Overnight Financing Rate for those payments. Two items asking for approval on: the change to SOFR and the 2014 debt. A resolution for UMB would need to be signed by Trustee Noles if approved and language would need to be added at that time. Implications concerning variability: 2021 instruments, no implications. 2014, could potentially have some impacts on the variability, 2 payments left and \$23,000 interest rate payments on that debt.

A **motion** was made by Trustee Glick to approve the modification in documents associated with the University's outstanding debt to change references to LIBOR to 'SOFR,' and was seconded by Trustee Molina. The motion was **unanimously approved**.

**IV. DISCUSSION ITEMS**

**A. & B. Reserve Policy and Proposed FY2024 Budget - *Jim Carpenter, CFO***

In a place to ask for approval of the final budget, coming off work that started last summer with priority-setting done by the Board of Trustees and by the President which then led into budget formulation in the Fall and in the Winter. Led into the UPBAC work through the Winter and into early Spring. When the legislature was in session, worked by the legislative team, doing work to secure funding for next year and to develop a budget proposal.

- September will look back at the '22- '23 budget, provide a high-level Finance dashboard with where are heading from a budget perspective.
- The overarching theme is a single-phase budget. Need to make assumptions about what enrollment is going to be like; conservative assumptions, the budget is based on those assumptions.
- The balanced budget in recent years had intentionally not been balanced on a year-by-year and an operating basis. Had a significant influx of federal dollars that were COVID relief dollars; were charged with using those dollars to start. Importance of the balanced budget on an annual basis, looking at operating revenues against operating expenditures.
- 'One-time ongoing,' two-phase budget model. The challenge with one-time ongoing budgets was that departments didn't have certainty year to year about what they could implement in their budgets. Folded those into the base budget, part of the budget being presented, to the extent of having one-time funds, only used for one-time costs, and focusing on innovation and focusing on efficiencies.
- Transitional year, expect to work on multiyear budgeting and a broader multiyear perspective. Work on the decentralization of the budget over time, working with budget owners making sure they have the reports and the information necessary to make good budget decisions and to manage their budgets. Focus was intently on the general fund. Spent a lot of time working with the UPBAC to develop an understanding of the general fund, or the EOG.
- Single-phase budget, every organization needs to revisit the budget during the year. Anticipate coming back in the Fall with amended budget items like changes in the tuition forecast, legislative budget changes, unanticipated changes in our financial situation. Are reasons for amendments to the budget but trying to move towards that single phase budget.
- Transparency and shared governance, the UPBAC was an effort to move in the direction of shared governance and transparency. A series of meetings over the course of a month where senior leaders walked through their budgets with the UPBAC to develop a common understanding of it. One part of the UPBAC's role was to disseminate that across the University, to the stakeholder groups.
- Balancing Act tool, the goal was to have an interactive way to look at the budget tradeoffs.
- Tuition, the state legislation allowed up to a 5% tuition increase. Have a 4% tuition increase selected.
- The main revenue drivers are state revenues, about a 13% increase this year, \$11.1 million, over \$93.5 million in state funding.
- Enrollment is a big driver on tuition and rate increases.
- Student fees tend to be targeted more specifically for services and programs.
- Protracted decline in enrollment. Giving a conservative estimate for the budget. Currently it is down 2%. Recommending for FY'24 the maximum allowable by the fill-out by the General Assembly, a 5% increase. That 5% increase only generates about \$1.8 million.
- Fees can increase up to 5% without a vote of the student body. Flow into auxiliary funds and are for services directly to students. 8% pass-through fee from AHEC, allowed to increase up to the rate of inflation. Two components together would add \$96 a year for 30 credit hours.
- Co-chairs of the Student Affairs Board on behalf of the Student Affairs Board with recommendations for allocating funds for the 2024 fiscal year for the Student Affairs fee. The Student Affairs Board is responsible for the allocation of \$2.6 million to 13 student-approved Student Affairs, Academic Affairs and one AHEC Board program. The Student Affairs Board's

recommendation for FY'23 and '24 includes three proposed budget allocations based on three scenarios of enrollment that add 5% increase to the fee. The goals are:

- Is essential that the Student Affairs Board-funded programs support and provide hybrid, in-person, and online resources to ensure access for all students, regardless of race, gender, income status, or disability.
- To ensure that programs with the highest number of students receive highest funding priority.
- Programs entirely supported by the Student Affairs fee should be supported by the Student Affairs board to a higher degree than programs with other income streams or University support.

Three allocation recommendations with the funding numbers given by the Budget Office:

- Assumes a 5% increase and 5% decline in enrollment resulting in \$141,000 reduction in allocation for total. The board's priority was not to cut any funding for the Early Learning Center or for student travel, due to their immense impact.
- To apply a 4 to 5% reduction to the remaining top four programs. The board reduced all other programs by 5 to 7% to balance the budget.
- Estimated a 5% fee increase and a 2% decline in enrollment, resulting in \$65,000 reduction in allocation from this fiscal year. Reduced the top six programs between zero and 2.5% and reduced the remaining programs by 2 to 4%.
- The estimated revenue assumes a 5% fee increase and a flat enrollment, resulting in a \$14,377 reduction in allocation from FY '22 to '23. First allocated additional money to the programs that had the most significant impact, programs earlier, the remaining deficit was distributed to each of the lower priority programs.
- The largest, single cost driver is compensation.
- Recommending a 4% increase on July 1, or the contract renewal date. The 4% allowed a fit within the budget aligned with administrative processes. Looking at a potential one-time 1% bonus for employees. If student retention exceeds the budget projections enough to cover the additional cost, about a million, \$1,500,000, \$1,800,000, in that range.
- Other investments that are included in the budget: \$2 million in requests in six different areas.
- Fund balance and reserves: Projecting at the end of this year, \$22.5 million. Fund balances in auxiliary funds and fees, unrestricted dollars can be used anywhere. In '24, we have a balanced budget.
- Will update all planning scenarios heading into next planning cycle ensuring consistency.

A **motion** was made by Trustee Glick to approve the FY 24 Budget and was seconded by Trustee Noles. The motion was **unanimously approved**.

**B. Internal Audit Projects - Jim Carpenter, CFO, Amanda Jo Erven, Director Internal Audit Education**

IT Asset Management

Focused on the leasing process at the university. How leasing is done on all the computing devices. Specifically focused on intake and tracking of the devices. The process improvement recommendations for the IT Asset Management group:

- Tested that the overall lease process was executed properly. Leases between the leasing partners, Dell Financial and Aspen Capital, couldn't tell who the signatures were. The suggestion was to make sure to know who was signing at the time of the lease.
- Tested the control when a shipment of devices is received. Found two of 277 that were received weren't entered into the system correctly, issues with serial numbers. The issues were fixed.

- Tested physical access controls to see if there was any risk of misappropriation, laptops walking out of the building, got a great tour of where the laptops are stored. One main storage room was left unlocked during most of the day recommended keeping the door locked.
- Tested the leasing agreement with Aspen Capital. Found 17 assets that were different out of 1,000. When investigated, the serial number was off and a few that Aspen Capital thought we had but didn't. Resulted in creative control to do that themselves.
- Found a couple of laptops in the business school that hadn't been returned to IT. The result was that there wasn't a ticket opened on the equipment. The laptops are returned, and Workday will eventually solve the problem.

#### University Advancement

Focused on the pledge and play and gift process. Intrigued with how many pledges received and get the money for. Recommendations were based on the risks found.

- Risk, if a call center pledge isn't recorded into the system. An outsourced call center is used, the transfer is manual for one, not an automated system feed.
- Risk, if a pledge is not a transaction, for the planned gifts. Those major gifts, the contracts, agreements are in place and do change over time.
- The risk was about mailed-in pledges. 60% were physical checks that were still mailed in or brought into the office for the time looked at. Recommended a process for collecting checks, documented procedures. To encourage donors to make electronic payments.

#### **C. C2Hub Project - *Christine Marquez-Hudson, Vice President of Advancement and Executive Director of MSU Denver Foundation; James Mejia, Chief Strategy Officer***

Across from Ball Arena, a parcel lot known as Parcel No. 6 or the Ballfield Lot. Gary Community Ventures in partnership with Columbia Ventures propose two building construction.

The first building would be a five-story office building and would house the Gary Community Ventures' administrative offices, Auraria Higher Education Center's administrative offices, a nonprofit partner who has not yet been revealed, the Classroom to Career Hub would occupy one full floor, approximately 300,000 square feet. The building would have first-floor retail and the Early Childhood Learning Center to the first floor of the affordable housing tower that is intended to accommodate staff and faculty affordable housing, and other affordable housing for the community. One is five-story, the commercial building, the affordable housing for staff and faculty is 13 stories.

The C2Hub: rounded the cost of the building plus FF&E to approximately \$19 million. Committed and pending at this point is \$650,000 by three different funding sources totaling \$3 million. Will apply to the state for the Capital Development Committee a request for \$9 million for this project. Optimistic about the ask to the state, reduced from \$18 million to \$9 million, under the \$10 million threshold increases the chances of funding this one.

Contingency plan could increase the debt to the University and allocate general fund revenues each year to pay down that debt. Could increase the debt and levy a student fee to pay the debt, could also go to new reserves and decrease the fund balance. The nuclear option is to decline participation in the project, strongly recommend against that, looking for Board's support for moving forward.

## **V. INFORMATIONAL ITEMS**

### **A. FY 2022-23 Third Quarter Financial Statement**

### **B. HLC FY25 Budget**

## **VI. ADJOURNMENT**

A **motion** was made by Chair Kopp to adjourn at 5:01 p.m.