

**BOARD OF GOVERNORS OF THE
COLORADO STATE UNIVERSITY SYSTEM
RETREAT AND MEETING
Colorado State University Mountain Campus
June 16, 2016**

CALL TO ORDER

Chair Mosher called the meeting to order at 8:30 a.m.

ROLL

Governors present: William Mosher, Chair; D. Rico Munn, Vice Chair; Scott Johnson, Secretary; Nancy Tuor, Treasurer; Dennis Flores; Mark Gustafson; Jane Robbe Rhodes; Joseph Zimlich; Andrea Buchmeier, Student Representative, CSU-Global Campus; Paul Doherty, Faculty Representative, CSU; Antonio Huerta, Student Representative, CSU-Pueblo; Daniela Pineda Soraca, Student Representative, CSU; David Volk, Faculty Representative, CSU-Pueblo.

Administrators present: Tony Frank, Chancellor, CSU System, and President, CSU; Amy Parsons, Executive Vice Chancellor, CSU System; Lesley Di Mare, President, CSU-Pueblo; Becky Takeda-Tinker, President, CSU-Global Campus; Allison Horn, Director of Internal Auditing, CSU System; Lynn Johnson, Chief Financial Officer, CSU System, and Vice President of Operations, CSU; Rick Miranda, Chief Academic Officer, CSU System, and Provost and Executive Vice President, CSU; Michael Nosler, General Counsel, CSU System

System Staff present: Adam Fedrid, IT Manager; Melanie Geary, Executive Assistant; Allen Sneesby, IT Technician; Sharon Teufel, Executive Assistant to the General Counsel

Guests Present: Gavin Clingham, Woodberry Associates; Jason Johnson, Deputy General Counsel, CSU; Tom Milligan, Vice President for External Relations, CSU; Bill Shuster, College of Business, CSU; Lindsay Videnieks, Woodberry Associates

BOARD RETREAT

Chair Mosher convened the retreat and introductions were shared. General Counsel Nosler administered the oath of office for the new faculty and student representatives.

Review of Fiscal Year 2016: Dr. Frank provided historical context on Board strategic planning and an overview of the strategic mapping process that was initiated at the previous June retreat. Updates were provided at each meeting during the past year and included presentations of the three campus strategic plans that were interfaced with the core capacities. Mr. Shuster explained the process was about incremental change with the opportunity to leverage the three different campuses without losing campus economy to create a strong foundation. The next step is to recalibrate the strategic map.

Ms. Parsons explained how the updates on the strategic map were paired with discussions focused on higher education challenges identified at the retreat. The Board was asked if the updates on the strategic map at each meeting were beneficial and what would be the best methodology to continue discussions on policy issues to keep the Board informed. Ms. Parsons reviewed the schedule from the past year and suggested topics for discussion be identified on an ongoing basis rather than with a defined schedule. Following discussion, there was a general consensus that the articles sent in advance and the updates at each meeting were useful, and flexibility on discussion topics was viewed positively.

Ms. Parsons provided a strategic map update on the identified challenges, capabilities with key performance indicators (KPIs), and metrics. She reviewed activities that have occurred and are being planned in the three categories of engagement and community building, academic coordination, and process alignment.

Conversation followed on changing behavior and building relationships; advantages of a system with diverse universities; identifying strategies that improve efficiencies, enhance quality and value, and provide better access; and focusing on the bigger policy issues versus “getting into the weeds.” Other topics included measuring student success on institutional and system levels; developing a dashboard; and connecting strategies with metrics to measure outcomes. Based on the feedback, Ms. Parsons will draft a work plan for the coming fiscal year.

Focus on Financials: Chair Mosher commented on the stress testing article that was provided to the Board. Dr. Frank explained how the composite financial index (CFI) was originally developed to assess financial health and has become an important issue both nationally and locally. Ms. Johnson explained how the financial health presentation was developed with KPIs and noted the document is a work in progress. She asked the Board if there should be an annual dashboard; if so, what data would assist the Board to better understand the CSU System as well as each institution, and the frequency and timing of the dashboard discussions.

Ms. Johnson reviewed a draft of a proposed CSU System dashboard presentation comprised of KPIs that included data from each of the institutions; sources of Colorado higher education funding with comparisons to other Colorado universities and peers; and financial aid statistics. Tuition data provided included enrollment, retention and graduation rates, degrees awarded, price competition, and student debt for the CSU System campuses.

Dr. Frank commented on the pressure on federal research and development (R&D) funding with CSU holding steady during the declining R&D market and how the university’s research reputation contributes to the value proposition for students. When asked about the ratio of undergraduate non-resident to resident enrollment, Dr. Frank responded that, by state statute, the mix is set at 55% resident/45% non-resident and noted CSU accepts every qualified Colorado student that applies.

Ms. Johnson reviewed the support structure KPIs that include employees, administrative costs, and facilities. The KPIs for financial ratios were provided for the CSU System and the individual institutions. The bond credit ratings are for the CSU System, not the individual institutions, with the CSU System maintaining ratings of Aa3 with Moody’s and A+ with Standard & Poor’s. The Higher Learning Commission (HLC) uses the CFI to evaluate financial viability of an institution whereas the ratios represented by the CFI are only one component of credit rating agencies’ reviews. The CFI data submitted to the HLC for CSU and CSU-Pueblo includes the financial assets for their respective foundations. Ms. Johnson noted the impact of the GASB 68 liability that has been discussed with the HLC and the rating agencies.

There was positive feedback on the data that could be utilized for assessment of financial viability for governance purposes and as a marketing/public relations tool. Suggestions were made for additional data and summary statements with the updated dashboard to be presented annually at the February meeting. The retreat recessed for a break at 11:00 a.m. and reconvened at 11:14 a.m.

Public Policy Issues Impacting Higher Education: Dr. Frank commented on how legislative relations at both the state and federal level are a mixture of pragmatic operations and more strategic assessment to understand impacts on higher education. He then introduced Mr. Clingham and Ms. Videnieks of Woodberry Associates, the federal lobbyists for the CSU System.

Mr. Clingham described their partnership with the CSU System and their role to be facilitators with legislators and to monitor federal policy and budget issues impacting higher education. He provided an overview of trends for the past eight years related to higher education policy that were focused in the key areas of access, accountability, quality and affordability. Dr. Frank commented on the federal scoreboard and online tools that have been activated.

Mr. Clingham explained the primary ways the federal government supports higher education through financial aid and the federal research portfolio. He commented on sequestration that has occurred to control the federal budget with decreases in discretionary spending and the pressure on federal research funding.

In response to a question, Mr. Clingham remarked on efforts by the current administration to enact changes for online institutions with for-profit online universities receiving over 90% of their funding through federal financial aid. He noted CSU-Global Campus has differentiated itself as a leader in non-profit online higher education. When asked about potential Zika virus research, Mr. Clingham commented on how CSU has excellent research capacity and vaccine manufacturing processes. Dr. Frank commented on the uniqueness of the vaccine manufacturing facility and the level of expertise at CSU. He noted the need to make investments in the research infrastructure with aging facilities on the CSU campus. The retreat then recessed for lunch at 12:01 p.m. and reconvened at 12:53 p.m.

Ms. Videnieks provided an overview of the presidential candidate platforms and reform proposals relative to higher education. Mr. Clingham outlined major higher education policy issues that, in addition to financial aid and affordability, include campus sexual assault, campus security, campus activism, mental health issues on campuses, affirmative action and admission policies, and social media/social platforms.

Strategic Work Plan and Budget/Financial Planning for Coming Year: Chair Mosher commented on how the budget planning process began in August last year. Dr. Frank explained the intent to engage the Board early in the process with continuing updates throughout the year; the assumptions identified early in the process are important for the campus budget planning processes; and there is flexibility to adjust certain parameters, including tuition and salaries, without diminishing quality and access. Early assumptions include flat state funding, and legislative issues that may impact state funding in the coming year include the hospital provider fee.

The intent is to again begin the budget planning process in August with refinements for the October meeting. By the December meeting, the Governor's budget will have been presented which provides another opportunity to recalibrate before completing the campus budget planning processes. Suggestions from the Board include an emphasis on the budget planning process to ensure transparency with involvement of the faculty and student representatives, and assistance to help the Board understand how the internal reallocation process is occurring. Dr. Frank explained the challenges with tracking internal reallocations which occur at a local level, such as decisions by a Department Chair or Dean.

Ms. Parsons reviewed a draft of the revised strategic map with the CSU System mission, three overlying strategies that were formerly called capabilities, three work areas, outcomes, and connection with the institutional strategic plans. Following discussion on terminology and suggestions for inclusion, Ms. Parsons was charged with revising the draft strategic map for resubmittal to the Board.

Chair Mosher asked Governor Zimlich who is in his eighth and final year of service on the Board to share his perspective on past Board retreats and strategic planning. Governor Zimlich commented on the progress made with the CSU System beginning to truly function as a system, and the positive changes

that have occurred in the Board's culture that has led to an effective board with improved interpersonal dynamics, mutual respect, and greater involvement of the student and faculty representatives.

Chair Mosher indicated the retreat portion of the meeting was concluded and reviewed the amended business meeting agenda. The meeting recessed for a break at 2:35 p.m. and reconvened at 2:53 p.m.

BOARD MEETING

Chair Mosher called the business meeting to order and asked Dr. Frank to begin the discussion on the reserves policy.

RESERVES POLICY

Dr. Frank recounted the discussion at the May meeting on institutional reserves with small unrestricted reserves at each campus to be utilized at the discretion of the presidents and any remaining reserves to be allocated to the Board reserves without impacting the financial stability of each institution and accessible only through Board action. The discussion at this meeting would be focused on reserves calculations with a recommended floor and cap, and to examine how the Board reserves might be expended.

Ms. Johnson described how the primary reserve ratio was calculated from the audited financial statements with inclusion of the foundations and reviewed the layout of the reserves table with breakouts by each institution, the Board, and the consolidated CSU System. She outlined the proposed primary uses of the reserves to cover sudden revenue shortfalls, unanticipated expenditures, unexpected opportunities, and one-time investments.

Ms. Johnson explained how the operating reserve is factored into the bond ratings and CFI processes. Dr. Frank noted the rating agencies consider multiple factors in addition to the reserves calculation. Ms. Johnson clarified that funds for auxiliary activities, such as housing and dining, are segregated to ensure the operations are self-sustaining and are not included in the calculation of Board reserves, and the reserves schedule is based on the E&G budget.

Ms. Johnson reviewed the reserves schedule calculations with adjustments for compensated absences and GASB 68, less non-E&G/restricted fund balances, prior commitments and the 10% unrestricted campus specific reserves. The 250-day cash on hand (DCOH) calculation for CSU-Global Campus as discussed at the May meeting was included. CSU-Global Campus has continued to grow its reserve ratio from 63% to 100%. Ms. Johnson explained the floor calculations and the amount of Board reserves that could potentially be available for deployment. The recommendation is to maintain the floor reserves level for each institution at 40% or above, taking the related foundation activities into consideration.

Dr. Frank pointed out the recommendation was not for deployment of funds at this time and recounted the reserves policy that was adopted at the May meeting. He indicated the Board was being asked to consider the model for calculating the reserves that could be utilized when the consolidated financial statements are completed.

Following discussion, the recommendation was a comprehensive reserves policy be developed with incorporation of the principles outlined in the narrative. Chair Mosher noted the work that has been completed to create a CSU System reserve with explanations on how the reserves are calculated and the intent to strategically deploy resources. Dr. Frank added that the policy will support the budgeting process to assure financial stability with prudent decisions and addresses the HLC issue of sufficient independent financial reserves for the individual institutions to protect the students. He referenced the financial sustainability plan for CSU-Pueblo that was presented at the May meeting.

BOARD CHAIR'S AGENDA

Approval of FY 2016-17 and FY 2017-18 Board Meeting Calendars: Chair Mosher explained the changes that were incorporated into the calendars and noted the separate schedule of events. **Motion/Action:** Governor Johnson moved to approve the meeting calendars; Governor Gustafson seconded; and the motion carried unanimously.

Approval of Consent Agenda: Chair Mosher indicated the consent agenda consists of the minutes from the May meeting. **Motion/Action:** Governor Johnson moved to approve; Vice Chair Munn seconded; and the motion passed unanimously.

Approval of Amended August 2015 Minutes: Deputy General Counsel Johnson recommended a minor correction to the August 2015 minutes for the CSU Department of Athletics report to adjust the amount of net institutional support to \$5.7 million as reflected in the FY 2016 athletics budget proposal. **Motion/Action:** Governor Flores moved to approve; Governor Gustafson seconded; and the motion carried unanimously.

Appointment to CSU System Foundation Board: General Counsel Nosler explained the Board appoints three members with various terms to the foundation board. The Board previously appointed Pat McConathy, a former Board member, to serve on the foundation board and his term expires in June 2016. The Board was asked to renew Mr. McConathy's appointment. **Motion/Action:** Governor Tuor made the motion; the motion was seconded and passed unanimously.

EXECUTIVE SESSION

Chair Mosher indicated the next agenda item was the executive session for the Real Estate/Facilities Committee to consider a naming opportunity and to receive the litigation report. **Motion/Action:** Governor Robbe Rhodes moved to convene in executive session; Governor Johnson seconded; and the motion carried unanimously. General Counsel Nosler read the meeting into executive session for the purposes of consideration of gift and naming opportunities, and to receive the litigation report and legal advice, all confidential pursuant to statute as set forth in the meeting notice. The meeting convened in executive session at 3:54 p.m. and then reconvened in open session at 4:35 p.m.

REAL ESTATE/FACILITIES COMMITTEE

Chair Mosher asked for a motion to approve the naming opportunity relating to the Global Food Innovation Center within the College of Agricultural Science. **Motion/Action:** Governor Johnson moved to approve; Governor Tuor seconded; and the motion carried unanimously.

Dr. Frank recounted there were three naming opportunities approved at the May meeting. He read into the record that the two namings relating to the Hybrid Cardiac Interventional Suite within the College of Veterinary Medicine & Biomedical Sciences and the Institute for Biologic Translational Therapies within the College of Veterinary Medicine & Biomedical Sciences were in recognition of Dr. Wayne McIlwraith. The third naming opportunity was for the Trio House to be named the Paul Thayer Trio House in recognition of his work with first generation students.

EVALUATION COMMITTEE

Chair Mosher indicated the regular business meeting was concluded for the day and the voting members would convene as the Evaluation Committee. **Motion/Action:** Governor Tuor moved to convene in

executive session; Governor Zimlich seconded; and the motion carried unanimously. General Counsel Nosler read the meeting into executive session for the purpose of discussing and evaluating public officials and professional staff employees of the Board, confidential pursuant to statute as set forth in the meeting notice. Upon the conclusion of the Evaluation Committee meeting, the Board adjourned for the day.

**BOARD OF GOVERNORS OF THE
COLORADO STATE UNIVERSITY SYSTEM
BOARD MEETING
Colorado State University Mountain Campus
June 17, 2016**

CALL TO ORDER

Governor Tuor as Acting Chair called the meeting to order at 9:30 a.m.

ROLL

Governors present: Nancy Tuor, Treasurer; Mark Gustafson; Jane Robbe Rhodes; Joseph Zimlich; Andrea Buchmeier, Student Representative, CSU-Global Campus; Paul Doherty, Faculty Representative, CSU; Antonio Huerta, Student Representative, CSU-Pueblo; Daniela Pineda Soraca, Student Representative, CSU; David Volk, Faculty Representative, CSU-Pueblo.

Administrators present: Tony Frank, Chancellor, CSU System, and President, CSU; Amy Parsons, Executive Vice Chancellor, CSU System; Allison Horn, Director of Internal Auditing, CSU System; Lynn Johnson, Chief Financial Officer, CSU System, and Vice President of Operations, CSU; Rick Miranda, Chief Academic Officer, CSU System, and Provost and Executive Vice President, CSU; Michael Nosler, General Counsel, CSU System

System Staff present: Adam Fedrid, IT Manager; Melanie Geary, Executive Assistant; Allen Sneesby, IT Technician; Sharon Teufel, Executive Assistant to the General Counsel

Guests Present: Jason Johnson, Deputy General Counsel, CSU; Tom Milligan, Vice President for External Relations, CSU

PUBLIC COMMENT

Acting Chair Tuor convened the meeting and indicated no one had signed-in to address the Board. With no further business to come before the Board, the meeting was adjourned at 9:31 a.m.