

**BOARD OF GOVERNORS OF THE
COLORADO STATE UNIVERSITY SYSTEM MEETING
Colorado State University System, Denver
December 8, 2016**

CALL TO ORDER

Vice Chair Munn called the meeting to order at 9:01 a.m.

ROLL

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

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: Marc Barker, Director, Adult Learner and Veteran Services, CSU; Jon Bellum, Provost, CSU-Global Campus; Jean Christman, Attorney, Office of General Counsel, CSU; Johnna Doyle, Deputy General Counsel, CSU-Pueblo; Mark Gill, Chief of Staff, CSU; Kathleen Henry, President/CEO, CSURF; Blanche Hughes, Vice President of Student Affairs, CSU; Nancy Hurt, Managing Director, CSURF; Jason Johnson, Deputy General Counsel, CSU; Rick Kreminski, Provost, CSU-Pueblo; Ben Newsom, CSU Climate Reality Project; Brennen Rader, Senior Manager, CCG/Edgemoor; Tim Romani, CEO, ICON Venue Group; Tom Satterly, Facilities Management, CSU; Brooke Shelton, CSU Climate Reality Project; Maggie Walsh, Assistant Chief of Staff and Director of Veteran Initiatives, CSU

Vice Chair Munn convened the meeting in the absence of the Chair and reviewed the meeting agenda. He welcomed Governor Vrba, the new CSU-Global Campus faculty representative. General Counsel Nosler administered the oath of office to Governor Vrba.

PUBLIC COMMENT

Ms. Shelton and Mr. Newsom asked for support of a renewable and sustainable future for students.

COLORADO STATE UNIVERSITY CAMPUS REPORTS

Faculty Report: Governor Doherty indicated the written report summarized the last two Faculty Council meetings and work will continue in the spring on issues such as parking, course surveys and the budget. He thanked Dr. Frank for attending the recent Faculty Council meeting.

Student Report: Governor Pineda Soracá reported on post-election communications; the work of the Student Fee Review Board; efforts to engage graduate students; collaborations to expand definitions of diversity to include virtual and physical accessibility; establishing an annual tradition to honor veterans in student government; digitalizing the test bank; funding of eight new bike share stations; an ASCSU mixer held with the City Council to engage on housing issues; and an ASCSU ambassador's participation in the spring voyage of the Semester at Sea program. There is excitement for the opening of the new health center and the new stadium with efforts continuing to finalize game day policies.

President's Report: Dr. Frank indicated the written report would stand as submitted and commented on discussions with the City of Fort Collins on transportation and housing issues. He asked Ms. Parsons for the stadium report.

Stadium Report: Ms. Parsons reported the construction remains within budget and on schedule. Highlights from the milestones were reviewed and Mr. Romani was introduced.

Mr. Romani provided a construction status update with the stadium to be completed prior to the first home football game on September 9, 2017. He reported the internal and external due diligence on the Hughes Stadium site has included completion of the phase 1 and phase 2 environmental site assessments with no identified problems. Discussions have been held with the Fort Collins city planner for assistance with the public outreach and engagement. Upon completion of the due diligence, the RFP will be distributed with a recommendation to be presented at the May Board meeting.

Ms. Parsons pointed out the written report includes updates on the stadium advisory group and the game day experience committee. All categories of stadium premium seating are now sold out.

CSU Veteran Programs: Dr. Frank remarked that the university has a long-standing, highly respected ROTC program and, since the mid-2000s, has significantly invested in veteran services and programs. He introduced Mr. Gill, a retired Air Force colonel, who has been leading the efforts. Mr. Gill announced that CSU recently received a No. 4 ranking from *Military Times* for programs and support of veterans. He then introduced Mr. Baker and Ms. Walsh.

Ms. Walsh described how military education is a tenet of the land grant mission; recounted how the Adult Learners and Veteran Services Office, and the Veteran Success Team were created; and provided an overview of the composition of CSU's student-veterans. Mr. Barker explained the financial commitments, partnerships and donor support for CSU's veteran programs; the recognition of student-veteran academic achievements through the National Honor Society; and the projections and planned activities for the future of veteran services.

ACADEMIC AND STUDENT AFFAIRS COMMITTEE

Committee Chair Robbe Rhodes noted the discussion topic is academic freedom and encouraged the Board to provide topics for future meetings. She then asked Dr. Miranda to begin his report.

Colorado State University Graduate Certificates: Dr. Miranda reported the coursework for the two proposed graduate certificates in Performance Management and Organizational Development within the College of Natural Sciences have been offered online for over five years. The action is to establish the bundling of the courses for the certificates that coordinate with the Master's programs in Applied Industrial and Organizational Psychology. Approval is on the consent agenda.

CSU-Global Campus Master of Science in Data Analytics: The new degree program requires completion of 36 credit hours and has received all of the campus curricular approvals. Board approval is on the consent agenda.

CSU-Global Campus Faculty Handbook Updates: The list of modifications is relatively extensive with the most substantive changes in the grievance processes. The revisions have been through the university's approval process and reviewed by the Office of General Counsel. Approval is on the consent agenda.

Colorado State University Sabbatical Leave Requests: There were 45 sabbatical leave requests approved for AY 2017-18 which is within the normal range for the number of requests. Applications are reviewed through an established campus process and approval was previously delegated to the President by the Board.

Colorado State University Program Review Summary: Program reviews are focused on two basic elements: the quality of the degree program and the operational efficiency and effectiveness. There were 68 programs in four colleges reviewed last year. In addition to program reviews, the campus undergoes an overall HLC accreditation every ten years and there are specialized accreditations for various academic programs by professional societies.

CSU-Pueblo Sabbatical Leave Requests: There were 13 sabbatical leave requests for AY 2017-18 that were reviewed through the campus process and approved by the President as delegated by the Board.

CSU-Pueblo Program Reviews: Summaries for the eight programs reviewed in AY 2015-16 were provided in the meeting materials.

CSU-Pueblo Academic Calendar: The Board approved the revised 2017-18 academic calendar last year. The calendar presented for approval on the consent agenda extends the revisions for AY 2018-19 with only mandatory date changes.

Enrollment Reports: Reports for each of the three campuses were provided in the meeting materials.

Colorado State University: Highlights include an increase in the number of STEM degrees awarded and increased enrollment for non-resident students. Resident enrollment has been relatively flat which correlates with a decline in the number of exiting high school seniors. With the increasing Colorado population, the number of graduating high seniors is expected to rise. The impact of the student success initiatives is reflected in the increase in the retention rate to 86.2% and the highest four-year graduation rate in school history.

CSU-Global Campus: Enrollment has risen with a slightly higher increase in the number of graduate students. Other highlights include more students from outside of Colorado; an increase in the number of Pell students; age remains relatively stable; and retention and graduation rates have increased.

CSU-Pueblo: The campus is emerging from a challenging five-year period and freshmen enrollment increased in fall 2016. The 66% retention rate is the highest in school history and graduation rates have been relatively stable. The six-year graduation rate in the four demographic areas of non-resident WUE, African American, Pell eligible and a CCHE index of lower than 100 are below 25%.

Academic Freedom: Dr. Miranda commented the discussion topic is timely and the presentation was prepared with assistance from the Office of General Counsel. He explained how universities exist to promote the common good by advancing and disseminating knowledge that support the research, education and engagement mission. The knowledge mission relies on the principle of seeking evidence-

based truth which may vary by disciplines. Faculty, the administration and students all have different roles and expectations which can create certain tensions. Academic freedom helps to advance knowledge and to develop independent critical thinking expertise for students.

The core concepts for academic freedom outlined in a 1940 AAUP statement and subsequent court cases have established the basis for the university's role to provide the infrastructure and a conducive atmosphere for the advancement of knowledge. Each of the three CSU System campuses have a faculty handbook or manual that references the responsibilities and professional standards to create the culture and value of academic freedom.

Discussion followed on the topics of safe spaces and trigger warnings for classrooms; the concept of all ideas being equal; finding balance to preserve free speech in an inclusive learning environment; the value of diversity at institutions; and the fundamental principles to satisfy the overall mission of the university and promote the common good. When asked about CSU-Global Campus, Dr. Bellum responded that, while the modality is different than the other two campuses with the coursework focused primarily on professional fields, there are the same types of discussions particularly in some of the undergraduate courses such as sociology or psychology.

CSU-PUEBLO CAMPUS REPORTS

Student Report: Governor Huerta reported projects underway include renovation of the student commuter lounge; efforts to institute a Greek Week; funding for a new university mascot costume; sustainable water fountains; additional seating around the residence halls; five points of pride signs; the residence oval fire pit; and purchase of an additional swing set. On November 15th, the ASG celebrated its last meeting in the Occhiato University Center which is being shut down for renovation. External initiatives past and upcoming include partnering with other campus offices to invite the community to a Halloween Town; the upcoming Spring Concert; a presentation by Dr. Cornell West sponsored by the Center for Teaching and Learning; an early showing of the *Before the Flood* by the Biology Pre-Veterinary Club; and an opportunity for students to participate in a three to four-day leadership retreat.

Governor Huerta commented on student concerns after the recent national election and his commitment to unite the campus. Dr. Di Mare reported on meeting with students and a campus letter sent out to allay concerns with supportive efforts to be ongoing.

Faculty Report: Governor Volk explained a proposal initiated by the Faculty Compensation Committee to change the amount of the merit compensation increases and to provide separate cost of living adjustments. He commented on a recent Council of Chairs meeting and the excitement for new academic programming that reflect the university is moving in a positive direction. Future considerations should continue to include how the university is doing as an HSI and intentionality to emerge as an MSI.

President's Report: Dr. Di Mare reported the university received a \$6 million grant over the next five years from the U.S. Dept. of Higher Education to provide opportunities for HSI and lower income students to engage in STEM programs and \$20 million in grants have been received over the past ten to fifteen years to provide opportunities for lower income and minority students. The Maestro program is doing an outstanding job and will be highlighted at the February meeting. While finances is the most cited reason for students dropping out of college, there are other issues and, as demonstrated by the retention of all 50 students who enrolled in a pilot summer program, pairing students with the right mentors can have an impact.

Dr. Di Mare announced an interim managing director has been hired for the Institute of Cannabis Research (ICR) which has been receiving national and global attention. The Governor included in his

proposed budget an additional \$900,000 for the ICR. Dr. Kreminski provided an update on the first annual cannabis research conference that will be held April 28-30, 2017.

Dr. Di Mare reported the HLC site visit will occur February 13-14, 2017. Dr. Kreminski indicated the two local Board members and the Board Chair will be participating. All documents for the HLC reaffirmation will be finalized by mid-January and, in addition to campus efforts, four external individuals have been reviewing the materials.

The meeting recessed at 11:40 a.m. for lunch with an alumni association presentation and the meeting reconvened at 1:00 p.m.

REAL ESTATE/FACILITIES COMMITTEE

The committee meeting was called to order and Governor Mosher joined the meeting via conference call.

Public Private Partnerships (P3): Ms. Johnson introduced Mr. Satterly and Ms. Hurt, and then provided an overview of what constitutes a P3; the spectrum for typical P3 structures; and common reasons for creating a higher education P3. By way of background, a P3 was considered for the new on-campus stadium and Brinkman, a northern Colorado developer, was engaged to assist with the examination of P3 options for development on the CSU Foothills campus. The due diligence recently conducted included participation at a P3 seminar and examination of four recent, ongoing higher education P3s.

Ms. Johnson reviewed the benefits of a P3 for CSU; outlined three phases that may occur concurrently; and described the approach utilized by the university. There is a current Request for Proposal process for this possible P3. Final presentation of designs by contractors are due December 19th and, based on the evaluation of the responses and the continuing due diligence, a recommendation could be presented at the February meeting. As part of the due diligence, there was a meeting with the leadership of the State Classified Council to explain why the university was considering P3s with no existing positions to be outsourced. The Office of General Counsel and outside legal counsel are also providing assistance.

Dr. Frank clarified that both the program and financing plans for the IBTT project have been approved by the Board and a finalized P3 contract would not be fully drafted by the February meeting. Should the decision be made to move forward, the intent is to present an organized outline with an action item authorizing the CSU President, the CSU Vice President of University Operations and the Office of General Counsel to execute a contract within certain parameters, which is normal practice.

Ms. Johnson concluded the presentation by reiterating the benefits anticipated with a long-term relationship with a private developer. Governor Mosher commented on the positive opportunities that might be available.

When asked about cost comparisons for outsourcing operations and maintenance (O&M), Ms. Johnson explained there are statutory guidelines that include an estimate of the historical in-house O&M costs to create a benchmark. The contract would be with the developer whose responsibility is to contract the construction through a bidding process that would shift certain risks to the developer. Governor Tuor commented on the difference between managing the contract with performance metrics rather than the day-to-day management of the contractor.

When asked about comparisons to current P3s such as Todos Santos and Semester at Sea, Ms. Johnson responded that those two examples are academic partnerships with some similarities. When asked if the potential long-term lease arrangements for the O&M would be factored into the financial health of the institution, the response was there are new GASBs on lease accounting for capitalizing leases. As part of

the due diligence, the impact to the financials and financial ratios with long-term lease arrangements will be evaluated.

In response to questions on risks, Mr. Satterly explained that, while there would be some new risks with O&M, many of the risks associated with the traditional design-build and O&M would be transferred to the developer; and the addition of O&M would potentially motivate the developer to build a better building with long-term quality. Dr. Frank explained the state's boiler plate contract for design-build has requirements for performance and insurance.

Committee Chair Johnson reported there was a potential land sale resolution that would be discussed in executive session and action would be taken afterwards in open session.

EVALUATION COMMITTEE

Vice Chair Munn indicated the executive session for the Evaluation Committee would be convened first and then followed by an executive session for the Real Estate/Facilities Committee and to receive the litigation report. General Counsel Nosler read the meeting into executive session for the purposes of discussing and evaluating public officials and professional staff employees, confidential pursuant to statute as set forth in the meeting notice. **Motion/Action:** Governor Tuor moved to convene in executive session; Governor Flores seconded; and the motion carried unanimously. The committee convened in executive session at 1:47 p.m. and reconvened in open session at 2:58 p.m.

EXECUTIVE SESSION

General Counsel Nosler read the meeting into executive session for the purposes of discussions relating to the purchase or sale of property and to receive the litigation report and legal advice, all confidential pursuant to statute as set forth in the meeting notice. **Motion/Action:** Governor Gustafson moved to convene in executive session; Governor Robbe Rhodes seconded; and the motion carried unanimously. The meeting convened in executive session at 3:07 p.m. and reconvened in open session at 3:37 p.m.

REAL ESTATE/FACILITIES COMMITTEE *(continued)*

Committee Chair Johnson reported there was discussion on the action item during the executive session. With no additional questions, General Counsel Nosler read the matter for action on the sale of approximately .7 acres of land on the CSU Foothills campus. **Motion/Action:** Governor Robbe Rhodes moved to approve; Governor Gustafson seconded; and the motion passed unanimously.

CSU-GLOBAL CAMPUS REPORTS

Student Report: Governor Buchmeier explained that, with students in all 50 states and approximately 50 countries, the new Outreach Advocate Program is a formalized, supported networking opportunity to promote CSU-Global Campus and expand the network. The program was launched in mid-November and has an approved application process and training to ensure accurate messaging on CSU-Global Campus.

Faculty Report: Governor Vrba reported there have been several faculty development and interaction opportunities recently including a two-day faculty retreat. There was also a program advisory board meeting with industry experts to review curriculum and receive input to continue improving the academic programs.

President's Report: Dr. Takeda-Tinker reported CSU-Global Campus has enrolled 4,400 new students during the first six months of the year; maintained a 1st to 3rd term retention rate of 80%-85%; and

graduated 892 students in the first five months. Of the 17,204 active students, there are 2,639 military members of which 842 are active military, 1,380 veterans and 417 dependents. The non-military trimester retention is 82% and 80% for military overall with 73% for active, 82% for veterans, and 88% for dependents.

CSU-Global Campus representatives presented the institution's quantifying quality and ROI paradigm at the UPCEA regional conference and also presented at the U.S. Distance Learning Association's International Forum for Women, the ACBSP's southern regional conference, and EDUCAUSE. CSU-Global Campus has already been selected to present in 2017 at EDUCAUSE on learning initiatives and at the HLC conference.

Discussion followed on the resurgence of the for-profit higher education sector; price point comparisons to the for-profit online sector that maximizes federal Pell funding and the military with no cap on the GI Bill; and the continued entry of for-profit higher education institutions in Colorado which has low entry barriers, oversight and regulation. Dr. Takeda-Tinker reported she will be in Washington DC in early February to share data with the Colorado delegation and to begin forging relationships with the new Dept. of Education staff. She has also met with local legislators to share the university's status and recent data. More information will be forthcoming.

SYSTEM STRATEGIC MAPPING

Ms. Parsons reported each of the campuses would present an update on their strategic plans at the February meeting to lay the groundwork for the June retreat. Updates on the three work areas of the CSU System strategic map include:

- *Engagement and Community Building:* The leadership of the CSU and CSU-Pueblo state employees and administrative professional councils convened to discuss best practices and priorities, and Mr. Feeley was present to talk about the upcoming legislative session. On events, there was a good presence from each of the campuses at the holiday gathering.
- *Academic Coordination:* Students from CSU-Pueblo will be participating in classes at Todos Santos in the spring. CSU-Pueblo hosted a meeting with CSU representatives to discuss access programs to leverage resources for high school recruitment. Dr. Miranda reported the progress made since the meeting held with representatives from each of the three institutions on collaboration in six academic disciplines includes a proposal to combine resources for mini-grants to keep the initiative moving forward and a proposed collaborative social work advocacy event for 200 students.
- *Process Alignment:* Ms. Parsons reported the three institutions have been working to align management of student information to help with enrollment and retention. Progress has also been made on a new integrated library system. CSU-Pueblo now has an electronic policy library that was created through collaboration with CSU.

A new AGB publication on board accountability for campus climate inclusion and stability was provided to the Board. Board members were encouraged to attend the national AGB conference to be held April 2-4, 2017, in Dallas.

CHANCELLOR'S REPORT

Dr. Frank indicated the written report will stand as submitted and asked Mr. Feeley to provide a state legislative update. Mr. Feeley provided a general overview of the election and potential impact on the state; the changes in the state legislature; and upcoming state legislative issues. Ms. Parsons provided a brief update on federal legislative issues and reported CSU is positioned to compete for funding through the recently passed 21st Century Cures Act.

Dr. Frank commented on the concern at the campus level on potential impacts from the election on DACA students who can file a FAFSA but are ineligible for federal financial aid. He recounted the passage of Colorado legislative bill 13-033 in 2013 that allows students to receive resident tuition rates. There have been campus discussions, committees, a joint task force and a letter to the campuses to convey the CSU System's support for DACA students. The issue will continue to be monitored.

The meeting then adjourned for the day at 4:26 p.m.

**BOARD OF GOVERNORS OF THE
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December 9, 2016**

CALL TO ORDER

Chair Mosher called the meeting to order at 9:03 a.m.

ROLL

Governors present: William Mosher, Chair; Scott Johnson, Secretary; Nancy Tuor, Treasurer; Dennis Flores; Mark Gustafson; Jane Robbe Rhodes; Dean Singleton; Joseph Zimlich; Andrea Buchmeier, Student Representative, CSU-Global Campus; Paul Doherty, Faculty Representative, CSU; Antonio Huerta, Student Representative, CSU-Pueblo; Daniela Pineda Soracá, Student Representative, CSU; David Volk, Faculty Representative, CSU-Pueblo; Tony Vrba, Faculty Representative, CSU-Global Campus

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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: Stephanie Chichester, North Slope Capital; Johnna Doyle, Deputy General Counsel, CSU-Pueblo; Mark Gill, Chief of Staff, CSU; Kathleen Henry, President/CEO, CSURF; Margaret Henry, Treasurer, CSU System; James Lochhead, CEO, Denver Water; Blanche Hughes, Vice President of Student Affairs, CSU; Jason Johnson, Deputy General Counsel, CSU; Rick Kreminski, Provost, CSU-Pueblo; Karl Spiecker, Vice President of Finance and Administration, CSU-Pueblo; Jason Warr, Vice President of Operations, CSU-Global Campus

BOARD CHAIR AGENDA

CSU-Pueblo HLC Site Visit: Chair Mosher convened the meeting and asked Dr. Di Mare to review the details for the upcoming HLC site visit. Dr. Di Mare reported the site visit for the ten-year reaffirmation will be February 13-14, 2017, and Dr. Kreminski has chaired the campus steering committee to prepare for the review of nine different areas. Dr. Kreminski indicated the Board Chair and the two local Board representatives will be participating. Dr. Frank noted the details are being finalized with more information to be provided to the Board.

Recognition of Outgoing Board Member: Chair Mosher recounted Governor Zimlich's contributions and thanked him for his service. Governor Zimlich shared reflections on significant accomplishments and lessons learned during his service, and expressed appreciation for the opportunity to serve. Dr. Frank announced a \$500 scholarship in Governor Zimlich's name will be awarded at each of the three campuses for fall 2017 and spring 2018.

NATIONAL WESTERN CENTER (NWC)

Ms. Parsons reported the most recent issue of the newsletter was included in the meeting materials and a special edition will be issued featuring CSU's participation at the upcoming National Western Stock Show (NWSS). She then reviewed the upcoming NWSS events. Other NWC updates include CSU hosted a two-day retreat with the partners; interviews were held to hire the outside project management team; and there is a legal team working on the governance issues. The Water Resources Center for which the Board previously approved the program plan will possibly be the first NWC project and will be an innovative partnership with Denver Water. Ms. Parsons introduced Mr. Lochhead.

Mr. Lochhead explained how the collaboration between Denver Water and CSU for the Water Resources Center evolved and commented on the synergy for research to address the numerous water challenges. A potential site has been identified and the due diligence will need to be completed.

Dr. Frank commented on how the partnership with Denver Water fits CSU's outreach mission of research and education. Governor Gustafson announced that the NWSS will be taking over the Denver County Fair which will provide another collaborative opportunity for CSU. Chair Mosher remarked that the Water Resources Center will be a benefit to the NWC and commended Mr. Lochhead on the vision for the partnership.

AUDIT AND FINANCE COMMITTEE

Committee Chair Tuor convened the meeting and asked Ms. Horn for the audit report.

Status of Fiscal Year 2016-17 Audit Plan and Reports Issued: Ms. Horn reviewed the six audits currently in fieldwork and the three audits in review and conclusion. While the NCAA bylaws no longer require annual compliance audits, a meeting was held with the CSU Athletics Dept. and the decision was made to continue the annual compliance reviews. Executive summaries for the two reports issued since the last meeting were provided. The first report on the senior management transitional review audit for the CSU College of Business had no findings. The second report for the CSU Recharge Centers had five findings with recommendations to improve internal controls and documentation of billing rates.

Past Due Recommendations: There are no concerns with the new target dates established for the CSU Risk Management and Insurance, CSU Conflict of Interest and CSU-Pueblo Residence Life and Housing audits. The Internal Audit tracking system developed to track past due recommendations is working well with good responses and recently one of the auditors gave a presentation at a national conference on the system.

Reflecting on the positive experience of serving on a peer review team at Oregon State University, Ms. Horn commented that the CSU System Internal Audit is in line with good practices and the opportunity provided additional ideas on how to align compliance functions.

CSU System Debt Policy: Ms. Johnson introduced Ms. Henry, the new CSU System Treasurer. Ms. Henry reported the policy is being reviewed to simplify and ensure SEC bond compliance. The revised policy will be brought forward for Board approval at the February meeting.

Series 2016 A & B Bond Issuance: Ms. Henry commented on the experience of participating with the financial advisors at the bond sale in New York. Based on the market rates, the bond issuance with an overall 3.94% rate included \$48.8 million for new construction projects and \$26 million for refunding of series 2007A and 2007B with \$2.4 million present value savings and \$3.4 million in cash flow savings.

CSU System Debt Capacity Review: Ms. Chichester commented that the bond issuance occurred on the best day since the November election. Total orders entered for the bonds were over \$500 million that included CSU alums which reflects a positive perception of the CSU System.

Ms. Chichester explained how methodology and assessment of debt has evolved and currently the best indicator of debt capacity is aligned with the rating agencies' view. As part of the Series 2016 financing, both Moody's and Standard & Poor's (S&P) were contacted. S&P had indicated in 2015 that the CSU System was at its debt capacity to maintain the current rating. However, based on improved operating financial results from 2015 to 2016, strategic investments, increased enrollment and donor support, and a great national reputation, the previous ratings were maintained by both S&P and Moody's.

Ms. Chichester provided a five-year recap of the debt capacity and the current cumulative status with the recent bond issuance. When asked about peer comparisons both in Colorado and nationally, the response was the higher education sector as a whole has been under rating pressure with a negative outlook for a number of recent years and CSU is generally in the middle in terms of leverage. When asked about debt capacity and potential additional projects, Dr. Frank responded that tremendous progress has been made across the CSU campus with the new construction which should begin to taper off. The next major area to be addressed is deferred maintenance of infrastructure with a decision possibly needed in the future on whether to wait for funding from the State of Colorado or to take on the maintenance through additional debt issuance.

FY 2018 Governor's Budget Request: Ms. Johnson reported the Governor is proposing several transfers and potential statutory changes to cover the \$500 million gap between new costs and expected new revenue. The CSU System would receive \$3.9 million of the \$20.5 million new higher education funding proposed in the Governor's budget; there is a 6% tuition cap based on the higher education funding model; and no funding is included for new capital construction projects. Dr. Frank noted the amount for higher education will not be confirmed until the General Assembly completes the budget process.

Campus Budget Updates: Ms. Johnson explained the budget format for the three campuses is the same as previous drafts.

Colorado State University: Ms. Johnson reported the draft FY 2018 budget includes three scenarios of 5%, 6% and 4.5% tuition increases for resident undergraduate students. A change from the previous drafts is inclusion of the proposed new state funding in the 5% model under new resources. A 2.5% increase in compensation has been factored into the draft budget and, for discussion purposes, information was provided on the impact of 3%, 3.5% and 4% salary increases. Funds are also included in the compensation line for the annual faculty promotion process; a half percent increase to the DCP retirement plan to reach the 12% goal; and to begin to address over a four-year period, where possible, the living wage concept for those employees making less than \$30,000. Another line item noted was the internal reallocation of \$3 million which is generally a re-budgeting exercise for the campus units.

Dr. Miranda explained the internal reallocation is approximately 1.2% of the overall E&G budget and he provided academic and administrative cost-cutting examples. Dr. Frank provided an historical perspective on internal reallocations and explained the academic incentive pass-throughs with tuition sharing arrangements for the academic units.

When asked about financial aid, Dr. Frank explained there are fixed financial aid policies with various scholarship programs including Commitment to Colorado and, as tuition increases, certain financial aid programs automatically escalate in accordance with the tuition level. Ms. Johnson added that the mix of students has been changing with more non-resident students who are eligible for Triple Crown scholarships available at three levels. Dr. Frank noted this is essentially tuition discounting for the non-

resident students and not the utilization of existing revenues which is a model consistent with other public and private institutions.

Dr. Frank recounted the purpose of implementing differential tuition for juniors and seniors based on the criteria of high program demand, high costs to deliver programs and a high return on investment for the student. With the state returning to appropriation of tuition revenue through the JBC, there exists the potential to request a waiver on the tuition cap through the Dept. of Higher Education for a special additional tuition increment for differential tuition.

Colorado State University-Pueblo: Mr. Spiecker reported the draft budget format reflects the same 5%, 6% and 4.5% scenarios as CSU and, as in previous versions, includes a decline in enrollment to ensure the budget is as conservative as possible with the projections to be recalculated after the spring 2017 enrollment. A higher percentage of the CSU System's portion of new state funding has been allocated to the campus than in previous years.

The budget modeling includes a 2.5% increase for state classified, faculty and administrative professional staff, and faculty promotions are included as a separate line item. Based on the equity study, \$50,000 in base salary increases will be implemented in January 2017 and additional equity adjustments are planned for the next fiscal year. The University Budget Board previously analyzed a tuition differential model. With the change in tuition discounting for between 13 and 18 credit hours that was implemented this past year, no differential tuition modeling is included in the draft. The issue is being re-evaluated with an in-depth analysis to be brought forward at the next meeting.

When asked about the impact of the projected enrollment decrease, Dr. Kreminski explained a 2.6% decline translates to approximately 100 students; historically retention is relatively stable; and the variance that is harder to predict is generally with freshmen and transfers. Dr. Di Mare noted more retail around the campus and new degree programs will improve recruitment of new students. When asked about the enrollment recruiting firm, Dr. Di Mare responded that analysis is being done on continued utilization of the Royall & Company's services with an annual fee of \$570,000.

CSU-Global Campus: Mr. Warr explained how the projected FY 2018 E&G budget is prepared by analyzing current operations in context of enrollment and trends, monitoring on retention, and adjusting expenses accordingly. The financial results for the first quarter of the current fiscal year indicate projections are on track and no tuition increase is currently planned. There has been a slight enrollment shift with more new graduate students than new undergraduate students resulting in immaterial modifications to the current year's budget and there have been some adjustments to planned expenditures. The overall projection for FY 2018 is a net increase of \$6 million on the incremental E&G budget.

FY 2017 1st Quarter Financial Statements: Ms. Johnson reported there were no significant variances from the budget and there are net increases from FY 2015 to FY 2016 for each of the campuses. The FY 2016 audit report will be presented at the February meeting.

Reserves Report: Ms. Johnson explained the reserves report is based on the FY 2016 financial results and is in the same format as previously presented for FY 2015. In calculating the maximum available unrestricted net assets based on the E&G funds that does not include auxiliary operations, CSU-Pueblo made significant financial improvements from the prior year. The total E&G board reserves available for strategic deployment are calculated to be \$33 million with CSU-Global Campus contributing \$27.5 million.

Dr. Frank explained how the revised reserves policy ensures the necessary resources reside within the CSU System institutions to ensure the financial health of the campuses and are reflected on the

consolidated financial statements. The action item is the first recommended draw against the reserves for approximately 10% of the reserve level. The request is consistent with the reserves policy to support the academic mission of the institutions of the CSU System and to address housing debt service payments at CSU-Pueblo. The funds will be used to support the CSU System IT initiative; to assist with the CSU-Pueblo housing debt payment for FY 2016 and FY 2017; the repayment of the CSU-Pueblo loan to CSU-Global Campus; and to establish five academic programs at CSU-Pueblo. Governor Zimlich noted the importance of using the funds for strategic initiatives and not just for budgetary shortfalls.

Dr. Di Mare expressed appreciation for the support and reported CSU-Pueblo will continue to explore new ways to generate revenue. The online construction management degree program will continue; a new MBA online program will be launched in February; and work continues to develop an online nursing program. Governor Volk thanked the Board on behalf of the CSU-Pueblo faculty.

Committee Chair Tuor commented that the action item is conservative and consistent with the intent of the policy. **Motion/Action:** Governor Mosher moved to approve; Governor Flores seconded; and the motion passed unanimously.

CSURF Capital Lease Renewal: Dr. Frank explained the action item to renew the CSURF line of credit option is required annually by statute. **Motion/Action:** Governor Johnson moved to approve; Governor Robbe Rhodes seconded; and the motion carried unanimously.

BOARD CHAIR'S AGENDA *(continued)*

Chair Mosher thanked General Counsel Nosler for his service. General Counsel Nosler expressed appreciation for the opportunity to serve the CSU System. Dr. Frank announced that a \$500 scholarship at each of the three campuses in General Counsel Nosler's name will be awarded for fall 2017 and spring 2018.

CONSENT AGENDA

Chair Mosher reported there was discussion in the executive session on a settlement resolution. **Motion/Action:** Governor Tuor made the motion to approve; Governor Zimlich seconded; and the motion passed unanimously.

Chair Mosher reviewed the items to be approved on the consent agenda. **Motion/Action:** Governor Robbe Rhodes moved to approve; Governor Tuor seconded; and the motion passed unanimously.

NEXT MEETING

Chair Mosher pointed out the next meeting will be held February 1-3, 2017, in the Athletic Field House on the CSU-Pueblo campus. With no further business to come before the Board, the meeting was adjourned at 11:31 a.m.