

THE BOARD OF GOVERNORS OF THE COLORADO STATE UNIVERSITY SYSTEM
AUDIT AND FINANCE COMMITTEE
MEETING MINUTES
Conducted Remotely
May 1, 2023

ROLL

Governors present: John Fischer (Chair); Treasurer

Administrators and staff present: Tony Frank, Chancellor, CSU System; Jason Johnson, General Counsel, CSU System; Henry Sobanet, Senior Vice Chancellor and CFO, CSU System; Rick Miranda, EVP, CSU; Brendon Hanlon, VPUO, CSU; Susy Serrano, Director of Internal Auditing, CSU System; Tim Mottet, President, CSU Pueblo; Meg Brewer, CSU Pueblo; Bridget Mullen, CSU System; Becky Takeda Tinker, President, CSU Global; Patti Arroyo, CFO, CSU Global; Suzanne Zimmerer, CSU System Treasury; Angie Neilson, CSU Fort Collins; Dave Ryan, Controller, CSU.

CSU System Staff present: Melanie Geary, Board Liaison

CALL TO ORDER

Chair Fischer called the Committee Meeting to order at 11:01 a.m. and asked Henry Sobanet to begin. Mr. Sobanet welcomed everyone and turned it over to Susy Serrano, Director of Audit Serrano to review the Audit section.

AUDIT AND FINANCE COMMITTEE

Ms. Serrano presented the Dashboard, noting that Internal Audit was at 94% of the plan progress with one project not initiated due to the department being audited not being ready. She explained that the process to develop the Audit plan for next fiscal year was almost complete and a draft would be shared with management soon. She discussed the Athletics audit focused on name image and likeness and ticket sales and the Global payroll audit which they used an external firm to complete. She noted that there was one special project underway which was generated by the Hotline. She then talked about the new look of the Executive summaries which now contain additional context and risk rating.

She discussed the Institute for Cannabis audit and CSU Global Financial Aid, along with the Inclusive Excellence transition and the VP of Operations and CFO transition which focused on Business Financial Services, Office of Budgets, Procurement Services and Office of Risk Management.

She noted the Quality Assurance review had been validated and Internal Audit was in general compliance, which they were very pleased with. Noting there were nine recommendations for improvement in the review. Chair Fischer asked if there were any audits that were not performed due to limited resources. Ms. Serrano responded that the highest priorities are being achieved. She also shared that if there were 17 auditors then they could do everything on the priorities list, but she was confident that the highest priorities were being met. She noted the high-risk recommendation for CSU Pueblo was coming off the list as it had been completed and implemented.

Finance Items

State Budget Update – CFO Henry Sobanet noted the Long Bill includes an 11.5% (\$119.9 M) increase for higher education, which equates to an 11% (\$22 M) increase to the CSU System. Funding was allocated through the funding formula, with an allowable 5% increase in resident, undergraduate tuition. Sobanet noted that the CSU campuses were not advocating for a full 5% increase in tuition because of the impacts on students and competitiveness in the higher education marketplace. Other highlights include additional funding for cybersecurity projects (\$1.2 M), network hardware upgrades (\$2.2 M), state-funded controlled

maintenance projects (\$9.7 M), and \$23.9 million for the Clark Building revitalization. He discussed other bills of note emerging from the legislative session.

FY 23 3rd Quarter Financial Statements

CFO Sobanet noted that the Financial Statements stood as submitted noting they were on track and on budget.

Campus Budget Scenarios with Tuition Discussion

CFO Sobanet discussed the work being done to balance tuition and compensation needs in next year's campus budgets, noting that they would like the Board's input prior to bringing them forward for approval in June.

President Parsons provided context on the CSU draft budget, noting that it was not significantly different from what was shared with the Board in February. She shared that it was a budget that prioritized compensation with a 5% merit increase for all employees, with the hopes for some additional funding for some equity increases. She noted that the plan was to keep the tuition increase to 4%. She introduced CFO Brendan Hanlon, who reviewed budget specifics including mandatory costs, new expenses of \$39.8 M and closing the structural deficit carried over from the pandemic of \$2.7 M.

President Mottet introduced the CSU Pueblo budget priorities. He explained that the Budget included a 5% salary increase and an additional \$250,000 for equity, and an additional \$200,000 for adjunct faculty compensation increases. He shared that anticipated mandatory costs were increasing by 6%. He discussed \$3.9 M in new resources including \$1.1 M from a transfer from extended studies. The proposed tuition increase was 3 %, and the campus would deploy reserves as approved by the Board of Governors to balance the budget. He noted that the carried forward structural deficit would be down to \$1 M and remedied next fiscal year. He went on to share that enrollment was trending ahead of this time last year and they were anticipating reaching enrollment goals. He noted that retention efforts were still needed. He also explained efforts to improve efficiency and reducing the number of adjunct faculty teaching low enrolled courses.

President Takeda-Tinker shared that CSU Global was working to achieve their enrollment goal. They would have a slight reduction in staffing occurring on May 5th to right size and were focusing efforts to increase student head count. She also noted they were closely monitoring revenue and expenses. CSU Global would be bringing that forward a proposed budget at the June meeting.

CSU System Treasury Update

CFO Sobanet provided the Treasury update, noting there were \$22.7 M remaining of undistributed gains after other obligations. \$21 M was earmarked for initiatives; \$1.5 M had been paid to Joyce McConnell; \$18.4 M had been distributed to CSU Fort Collins in interest earnings. He also shared that there would be an action item for the Amended and Restated 23rd Supplemental which would authorize refunding of up to \$225 M of Tender Offer Bonds within the set criteria.

Composite Financial Index (CFI) Presentation

CFO Hanlon reviewed the status of the Composite Financial Index which he noted was imperfect but had been adopted by rating agencies. He noted that it helps gain understanding of an institution's overall financial health. He explained that in FY 21 there was an infusion of Federal dollars and in FY 22 the CFI dropped as a result of market losses consistent with national trends.

With no further business the committee adjourned at 12:08 p.m.