

**THE BOARD OF GOVERNORS OF THE COLORADO STATE UNIVERSITY SYSTEM**  
**AUDIT AND FINANCE COMMITTEE**  
**MEETING MINUTES**  
**Conducted Remotely**  
**April 28, 2022**

**ROLL**

**Governors present:** Russell DeSalvo, Treasurer; Armando Valdez; Dr. Melinda Smith, CSU Faculty Representative

**Administrators present:** Jason Johnson, General Counsel, CSU System; Joyce McConnell, President, CSU; Yvonne Harris Lott, CSU Global; Henry Sobanet, Senior Vice Chancellor and CFO, CSU System; Lynn Johnson, CFO, CSU; Susy Serrano, Director of Internal Auditing, CSU System; Juanita Pena, CSU Pueblo; Meg Brewer, CSU Pueblo; Bridget Mullen, CSU System

**CSU System Staff present:** Melanie Geary, Board Liaison

**CALL TO ORDER**

Chair DeSalvo called the Board Meeting to order at 9:01 a.m. and asked Director of Audit Serrano to begin.

Governor DeSalvo, Chair of the Audit and Finance Committee, convened the committee at 3:05 p.m. and asked Director of Audit Serrano to begin.

Ms. Serrano reviewed the status of the Internal Audit Dashboard, which reflected their key performance metrics and provided an update on hiring progress.

**Status of FY 21-22 Audit Plan**

Ms. Serrano reported on the status of the FY 21-22 Audit plan and noted that 60% of the audit plan was completed by mid-April. Ms. Serrano provided a summary of recent audit activity and changes to the audit plan.

Ms. Serrano then provided an update on recent reports including an audit of the Vision 2028 project controls at CSU Pueblo, with no significant concerns identified, and there were six recommendations that were mostly housekeeping. Next, Ms. Serrano reviewed the Sponsored Programs billing and receivables audit at CSUFC. She discussed how Internal Audit circles back to assure accountability on high-risk recommendations.

Ms. Serrano reported on the Status of Past Due Audit Recommendations and noted items that will be coming to the Board in June.

**State Budget Update**

CFO Sobanet introduced the state budget update noting the overall increase in state funding from the General Fund was 11.4% for higher education with an allowance of up to a 2% tuition increase. He then explained the way money was allocated, noting the funding model has three steps. CFO Sobanet noted that step two was the baseline funding and step one was more targeted to success measures aimed at students. He also noted the substantial funding allocated to controlled maintenance, capital and IT Infrastructure, including the capital budget that will allow CSUFC to make progress on the first stage of renovation of the Clark Building (\$30M).

**FY 2022 3<sup>rd</sup> Quarter Financial Statements**

CFO Sobanet then referenced the financial statements noting they are shown in two different formats, one including pension liabilities and one without.

**Campus Budget Scenarios**

The campus presidents and CFOs reviewed draft budgets for next year.

President McConnell discussed the dedicated effort to focus on faculty and graduate student compensation in the budgeting process. She talked about three main principles for salary review, which included market competitiveness, compression, and equity issues. She then discussed allocations to new initiatives along with the allocations for Special Educational Programs (SEP) like Professional Veterinary Medicine, Colorado State Forest Service, and Extension. President McConnell then noted that the proposed budget reflected \$31M in new expenses and a \$5.871M deficit which represents approximately ½% of the total budget.

President Mottet presented the CSU Pueblo budget noting their conservative approach and discussed the goals they utilized to formulate the proposed budget. He noted that enrollment was trending down, and he described how they were managing expenses in relation to those drops in alignment with the shifting revenues. He also discussed managing employee turnover and the costs associated. President Mottet went on to discuss a 3% increase in compensation and the salary survey noting their goal of keeping employees at 90% of market with a long-term goal of 100%. He noted the recommendation of 2% tuition enrollment for undergraduate and 3% for graduate students. President Mottet also noted an additional pool for .5 to 1% compensation increases for employees exceeding performance expectations. He discussed the reduction in expenses of \$1.18M and a three-year bridge plan to resolve carry-forward deficit by using one-time reserves.

President Pam Toney presented the CSU Global proposed budget noting they were keeping tuition flat and expecting additional revenue through enrollment growth. She noted expenses were scalable and in line with tuition growth which would result in the expected 28% operating margin. President Toney then discussed the request to use some of their strategic budget for strategic initiatives to invest into courses and to support new programs. Global also plans to invest in brand awareness and increasing their marketing spend to refresh marketing. Global also plans to improve some processes to enhance its entrepreneurial culture. President Toney explained the overall request for the investments was \$3.367M.

### **CSU System Budget**

CFO Sobanet presented the proposed System budget noting that they also had the 3% salary pool. He explained that most of the growth in the System budget was due to the increased expenses associated with the opening of the Spur campus.

### **CSU Parking Permit Approval**

CSUFC CFO Lynn Johnson presented the proposed parking and transportation rates and plans to stabilize the parking operation, which continues to be impacted by aspects of the pandemic and the different patterns of use by employees and students.

### **CSU System Treasury Update**

CFO Sobanet provided a historical review of the strategy and then reviewed treasury balances and returns over time noting the current volatility in the market.

### **Composite Financial Index (CFI)**

CSUFC Controller Dave Ryan provided an overview of CFI (Composite Financial Index) and the four ratios that feed into it, primary reserve ratio, viability ratio, return on net asset ratio and net operating revenue ration. These ratios, in turn, are designed to communicate the viable financial health of the institution/system.

With no further business the committee adjourned at 10:38 am.