

THE BOARD OF GOVERNORS OF THE COLORADO STATE UNIVERSITY SYSTEM
AUDIT AND FINANCE COMMITTEE
MEETING MINUTES
Conducted Remotely
January 31, 2023

ROLL

Governors present: John Fischer (Chair); Treasurer; Armando Valdez

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, Interim President, CSU; Brendon Hanlon, VPUO, CSU; Susy Serrano, Director of Internal Auditing, CSU System; Tim Mottet, President, CSU Pueblo; Juanita Pena, CSU Pueblo; Meg Brewer, CSU Pueblo; Bridget Mullen, CSU System; Pam Toney, 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 11:02 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.

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Susy Serrano, Director of Internal Audit, discussed the Risk Assessment process with leadership that was currently underway and would inform the 2023-2024 Audit Plan. She shared that the Title IX Transition Audit was being pushed to next fiscal year due to departmental transition at CSU Pueblo and upcoming new federal rules and regulations. Ms. Serrano also noted that the Clery Compliance Audit was being removed from the current audit plan due to the external review being conducted by the Margolis Healy firm. She then reviewed the executive summary of High-Risk Recommendations at CSU Pueblo, requested by President Mottet, noting that they identified 31 recommendations that had been sustained overtime and noted eight recommendations that have not been sustained over time, along with seven additional recommendations unrelated to prior audits. President Mottet explained the steps being taken to resolve those recommendations and the new set of controls going into place.

CFO Sobanet provided an update on the status of state budget. He shared that the leadership of institutions of Higher Education had submitted a unity letter to the State Legislature pledging to work together during the legislative session. He shared that the proposed General Fund increase was not enough to cover all mandated costs and that the Capital funding for the CSU Clark Building and COP funding for the CSU Nutrien building were issues under discussion. CFO Sobanet shared that there were many legislative Bills that would impact employers and the legislative team is mindful of them, and he also shared how the impact of the FAMLI Leave act was playing out, noting that CSU would be requesting an exemption and would self-finance at a more favorable rate. CFO Sobanet shared that the impact of the FAMLI leave act is an unbudgeted expense.

CFO Sobanet introduced the quarterly financial statements for the System and institutions. He noted that the System had better results in its investment accounts in the last quarter 2022.

CFO Sobanet then asked the campuses to share their budgets.

CSU Fort Collins Interim President Miranda advised the current campus budget scenario was consistent with the assumptions in the Governor's budget. He noted the proposed scenario, which was one of two presented in December, included an overall 5% compensation increase for all employees and 4% resident undergraduate tuition increase. He noted that each % increase equated to roughly \$5M.

President Mottet reviewed the CSU Pueblo Budget scenario that included a 3% reduction in revenues and 3% tuition increase. He noted the revenue projections were conservative to protect compensation increases, which were being recommended at 3% for employees and 5% for classified employees. He reviewed plans to balance out the ongoing structural deficit.

President Toney shared that CSU Global does not participate in the state budget process and their proposed budget reflected a slight increase in revenues. She shared that they were finding some success in brand awareness thanks to the investment in marketing and noted the increase in expenses related to strategic investments. She shared the anticipated 2.5% increase in revenue over FY 23 and noted a 6% increase in other operating expenses, including the increased marketing efforts to drive enrollment growth. President Toney noted the anticipated 20% operating margin in FY24 vs. 26% in FY23. Governor Fischer asked what enrollment had been in recent history and President Toney shared that it was 22K in 2020 and 18K in 2022. She acknowledged that CSU Global had been outspent in marketing and that they were testing strategies for the best ROI on their marketing spend.

CSU Fort Collins Interim President Miranda presented the Graduate Assistantship Compensation Proposal. He discussed the importance of graduate students to the University's educational and research ecosystems. He explained that the proposal looks at issues including bridge funding, tuition-sharing programs, and summer support for graduate students. He shared that there are about 924 GRAs at CSU, and 927 GTAs. He noted that the most pressing recommendation related to reducing graduate fees was addressed in the phased in plan to pay the fees for graduate assistants, beginning with 50% for the current year, 75% in the second year, and 100% in the third year. He also noted that compensation for graduate students is critical to recruiting and retaining graduate students relative to peers.

CFO Sobanet reviewed the three tiers of the Treasury portfolio and the updated market valuation noting the improved position due to last quarter 2022 performance. He noted the investment advisory committee's recommendation to maintain the current course and the potential of hiring a manager for the equity investments. He advised the results from that change would be available by the end of Calendar Year 2023. CFO Sobanet also noted that the low-point analysis was not yet completed.

With no further business the committee adjourned at 12:20 p.m.