

**VIRGINIA STATE UNIVERSITY BOARD OF VISITORS
ELECTRONIC COMMITTEE ON FACILITIES, FINANCE & AUDIT
VIA CISCO WEBEX**

9:30 A.M.; Friday, February 5, 2021
(No Public Comment Period Scheduled)

DRAFT AGENDA
(As of 1.28.21)

- CALL TO ORDER Dr. Valerie Brown, Chair

- ROLL CALL

- INVOCATION

- APPROVAL OF AGENDA

- APPROVAL OF PREVIOUS MEETING MINUTES (if any)

- PRESIDENT’S REMARKS Dr. Makola M. Abdullah

- REPORTS AND RECOMMENDATIONS
 - Division of Finance Mr. Kevin Davenport
Vice President for Finance & Administration/CFO

 - Approval Item:

 - Information Items:
 - Budget to Actual Financial Statements as of 12/31/20
 - Actual to Actual Financial Statements as of 12/31/20
 - Annual Debt Report
 - Bi-Annual Management Reports
 - Spider Management Investments, Tory Sprehe
 - Greystone Consulting/Morgan Stanley Investments, Chip Brockmeier
 - 2019 Audit Update – Mike Reinholtz, Auditor of Public Accounts (APA) Manager
 - Proposed Tuition, Fees, Room and Board Rates for 2021-22
 - Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)

**VIRGINIA STATE UNIVERSITY BOARD OF VISITORS
ELECTRONIC FACILITIES, FINANCE AND AUDIT COMMITTEE
MEETING MINUTES
FEBRUARY 5, 2021**

CALL TO ORDER

Dr. Valerie Brown, Chair, called the Facilities, Finance and Audit Committee meeting to order at approximately 9:30 a.m. The meeting was held via Cisco WebEx Meeting.

ROLL CALL

A quorum was present.

Committee Members Present:

Dr. Valerie Brown
Mr. Michael Flemming (*absent*)
Mr. Charlie Hill
Mr. Raul Herrera
Mr. William Murray
Mr. Jay Stegmaier
Mr. Wayne Turnage
Mr. Gregory Whirley
Mr. Huron Winstead, Rector (*ex-officio*)

Others Board Members Present:

Ms. Thursa Crittenden
Mr. Glenn Sessoms
Ms. Pamela Currey
Dr. Christine Darden
Ms. Shavonne Gordon
Dr. Ceslav Ciobanu, Faculty Representative
Mr. Kameron Gray, Student Representative

Administration Present:

Makola M. Abdullah, Ph.D., President
Dr. Donald Palm, Senior Vice President/Provost
Kevin Davenport, Vice President, Finance/Administration/CFO
Regina Barnett-Tyler, Interim Associate VP, Student Success & Engagement
Charmica Epps Harris, Interim Associate VP, Institutional Advancement
Sheila Alves, Chief Audit Executive
Dr. Tia Minnis, Associate Vice Provost/Executive Director, OPIE
Rodney Hall, Asst. Vice President/Enrollment Services
Eldon Burton, Director, Government Relations

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Dr. Gwendolyn Dandridge, Interim Director, Communications
Dr. Annie C. Redd, Special Asst. to President/Board Liaison

Legal Counsel Present:

Deborah Love, Senior Assistant Attorney General, Chief, Education Section

Others Present:

Yourdonus James, Director, Conference Center
Benjamin Houck, Finance
Adrian Petway, Budget Office
Travis Edmonds, Technology Services
Dr. Danika Clemmons, Student Health Center
Brenda Stith-Finch, Chair, VSU Foundation Board
Benjamin Houck, Office of Finance
Dr. Easton Rhodd, Acting Chief Information Officer

INVOCATION

Dr. Valerie Brown, Chair invited Mr. Rodney Hall to offer the invocation.

APPROVAL OF AGENDA

The agenda was approved by roll call vote.

APPROVAL OF PREVIOUS MEETING MINUTES (if any)

The minutes from the November 20, 2020 committee meeting were approved by voice vote.

PRESIDENT'S REMARKS

The Chair called Dr. Abdullah, who highlighted successful fiscal management, noting that we are very close to our projections and in some cases exceeding them.

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REPORTS AND RECOMMENDATIONS

Division of Finance

The Chair called Mr. Davenport who introduced Tory Sprehe from Spider management. Ms. Sprehe introduced Will McLean, the new president and chief investment officer and Dajon Johnson, who joined the team this summer as a part of the investor relations team.

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Ms. Sprehe presented the account balances as of September 30th, stating that Spider is working on assembling quarter four performance results. She also noted the reporting delay for private equity but pointed out that it has been a strong contributor to the portfolio's returns. She also noted a reduction in the mass management fee 75 to 60 basis points for the first hundred million dollars invested.

Mr. McLean noted that VSU was the first partner of Spider. He described 2020 as a roller coaster year, stating that the comeback in markets to earn 20% for the year was a surprise. He summarized some of the portfolio's major exposures including IPOs, private equity, and top ten hedge funds. He emphasized that Spider will be focusing on increasing transparency and reporting. He also stated that Spider will be presenting a new asset class detail in the coming months.

The Chair asked why VSU's portfolio not showing double digit returns for the calendar year. Mr. McLean stated that it will show double digits when the December returns are added, noting that the estimate for the quarter was 8%, which will move the year's returns up to 13 or 14%.

The Chair followed up about the returns, stating that 13% is not as strong as what she has seen on other boards. The Chair asked for additional explanation about the risk profile of portfolio. Mr. Mclean provided with detail about the return of certain portions of the portfolio versus index funds. He noted that Spider aims to have a balanced portfolio with a risk level of about 70%. Ms. Sprehe added that Spider is not trying to keep up with a 70/30 benchmark, but rather have lower volatility and outperform on the downside to liquidity needs.

The Chair asked if the portfolio is actively managed and requested explanation of turnover in the portfolio, specific noting points for opportunistic investing over the last calendar year. A Visitor added comments about the challenge a board faces in addressing the tradeoff between stability and risk, asking Spider how they interpret inflations pressures and their future outlooks for sectors such as energy and real estate. Mr. McLean replied to these comments noting the challenges present in the energy and real estate sectors. He outlined the objective to have the correct balance with respect to inflation exposure. He stated that the forthcoming asset allocation study will outline new return expectations for the next decade.

A Visitor asked about the diversity of the staff of Spider. Mr. McLean stated Spider has 18 professionals, half men, half women. He stated that the onus is on Spider to increase diversity of the next five years. He also outlined the objective to increase the diversity of its managers, specifically looking for talented up and coming women and minority owned managers that are poised to build a strong track record. The Visitor followed up stating that internships are valued as well as investing in black-owned investment firms. Mr. McLean emphasized that there are good shops that are starting to create a track record and results for Spider will be seen in this space. Mr. Mclean invited VSU to have its internship people reach out to Spider.

Mr. Davenport introduced Graystone Consulting, a division of Morgan Stanley. Craig Dunbar spoke first introducing Chip Brockmeier who has lead the partnership with VSU since the passing of Kent Cox a year ago. Mr. Brockmeier presented a summary of Morgan Stanley's involvement with and sponsorship of VSU students such as internships, hiring, and a mentorship program.

Mr. Brockmeier presented a summary of the FY2020 major markets. He stated that they are very bullish on FY2021 markets, noting that bull markets begin when a recession starts usually. He explained that these bull markets can last for years, adding that the levels of fiscal and monetary stimulus has been unprecedented going back to World War II. He stated that economic data is trending up, adding that there may be a correction but it's a positive outlook for stocks.

Mr. Brockmeier turned the presentation back over to Mr. Dunbar, who discussed the performance and asset allocation for the portfolio. He discussed performance expectations for each category of the asset allocation.

Mr. Bockmeier congratulated the University on its receipt of the MacKenzie Scott gift and discussed a dollar cost averaging strategy for getting the funds invested in the markets.

A Visitor applauded Graystone Morgan Stanley for the opportunities it has provided to students and graduates. Another Visitor asked about diversity of the firm. Mr. Brockmeier replied discussing the diversity of Morgan Stanley's as well as highlighting a platform used to address the employee diversity in investment management firms hired by Morgan Stanley, adding that firm wide, billions is under management by minority owned firms.

Visitors asked that investment advisors report back on the diversity of investment managers utilized.

A Visitor asked for normalization of the results between the two managers, noting how the Morgan Stanley schedule showed the breakdown of the total earnings since inception of the portfolio. The trusted stated that it would be useful to be able to see both managers side by side on the same schedule.

Another Visitor pointed out that both managers are aiming at different targets in their respective benchmarks. The Visitor stated that the onus is on the Committee to reflect on the targets that the managers are aiming for and if having two firms makes sense. The Visitor also stated that it would be good to revisit and compare manager returns when final return information is in. The Chair thanked Graystone for its presentation.

Mr. Davenport presented an update on discussion with the Auditor of Public Accounts regarding the management letter comments and plans to improve documentation on campus specifically with respect to performance.

A Visitor asked for a special committee meeting with the auditor to review the report. The Chair stated that a determination on this would be made when the Committee has the final report in hand.

Mr. Davenport gave an update on the rounds of stimulus funds. The Chair asked a follow up question about the distribution and breakdown of these funds.

A Visitor asked if there is any insight as to what other universities that would be considered competitive are doing with tuition this year. Mr. Davenport replied that there are usually increases from the larger institutions in the group. However, this year he is seeing pullback from that, stating that they are trying to keep to minimal or zero increases.

A Visitor asked Mr. Davenport to give an update on the student receivables standard for which we had to submit a corrective action plan to the state last year. Mr. Davenport replied that we are prepared to meet each of the benchmarks, noting that the key will be to short up staff positions. He stated that approval is in place for these positions. A Visitor followed up asking if we will have these AR issues resolved by the summer. Mr. Davenport stated that the issues will be resolved. However, VSU will not be in compliance by this summer because it will take additional time to get below the 10% threshold. He stated that the plan is in place to resolve the probation issues.

Mr. Davenport walked through the quarterly budget to actual and actual to actual reports, going through various revenue categories. He summarized the stimulus funds and presented on a spending extension for some of the funds. He stated that revenue is tracking

ahead of where it needed to be. He touched on auxiliaries and sponsored programs, CARES Funds balances, and how the MacKenzie Scott gift will be reflected on the reports and statements.

A Visitor asked for clarification on non-operating funds. Mr. Davenport replied giving an example that endowment contributions would be considered non-operating. The Visitor asked if a detail of non-operating should be reported to the group.

Mr. Davenport presented the expenditure sides of the budget to actual and actual reports.

A Visitor asked about the financial outlook once the university moves beyond all of this one-time revenue. Mr. Davenport replied that he is optimistic, noting the expenditure reduction exercises that were completed over the summer. He stated that the reduction of recurrent expenditures gives him a lot of comfort going forward.

The Chair added that the one-time money is largely used to offset unanticipated expenses, emphasizing that moving forward we will have to return to looking very hard at tuition, enrollment, and associated costs.

Mr. Davenport presented the financial performance of the College of Agriculture, noting that it has done very well on the State side with the inclusion of the additional \$1.4 million.

Mr. Davenport discussed updated numbers on the effect of campus not having been open, noting the impacts on residence and dining in particular.

That Chair asked for any questions on the debt presentation. A Visitor clarified that these are one-time savings and asked how they will be reflected in the financial reports. Mr. Davenport replied that savings of about \$3.5 million will be reflected in the last quarter of this year. These annual savings in this amount will last for two years and then the university will return to its normal payment. The Chair emphasized that these are actual dollar savings for these two years that will be directly realized.

The Chair requested a motion to recommend to the full board no increase in tuition.

Division of Internal Audit

Ms. Alves presented an update on the Corrective Action Plan and the total number of cases. She highlighted where the risk lies within the open items and the timing of how long the items that have been open. She emphasized the findings that will be important in resolving in order to move to Level II.

Mr. Alves stated that there are twelve cases currently in the workload and zero hotline cases. She presented a breakdown of historical hotline cases and special investigations cases.

Ms. Alves presented an update on the audit plan status as well as an update on the Internal Audit staffing plan, noting that permission has been granted to start hiring for the senior audit position for which hiring was delayed due to COVID-19.

Ms. Alves presented an update on Commonwealth activities related to Internal Audit including meetings with the Office of the State Inspector General and with the college and university auditors.

The Chair asked about the level of the position to be filled. Ms. Alves stated that the position will be a senior auditor and the intent is to hiring someone with experience who requires minimal training, due the existing workloads currently being handles by staff.

Ms. Alves presented an update on the consulting services provided by Internal Audit.

Division of Technology Services

Technology Services did not present a formal report at this meeting. The Board will look forward to hearing a report at the April meeting.

ADJOURNMENT

There being no further business, the Chair adjourned the meeting at approximately 11:30 a.m.

Approved*

Dr. Valerie Brown (acr)

4.22.2021

Dr. Valerie Brown, Chair

Date