

Minutes of the Quarterly Board of Regents Committee Meetings
Murray State University
Friday, March 15, 2013
Jesse Stuart Room – Pogue Library

Constantine Curris called the Murray State University (MSU) Board of Regents (BOR) committee meetings to order at 8:30 a.m. in the Jesse Stuart Room in Pogue Library on the main campus of Murray State University and reported all Board members were present.

Academic Affairs Committee

Jerry Sue Thornton, Chair
Jack Rose
Phil Schooley
Jenny Sewell
Stephen Williams

Dr. Thornton called the Academic Affairs Committee to order at 8:32 a.m. and reported all Committee members were present.

Faculty Handbook Changes, approved

Bonnie Higginson, Provost and Vice President for Academic Affairs, reported the proposed changes to the *Faculty Handbook* relate to the upcoming Southern Association of Colleges and Schools (SACS) reaffirmation visit in February 2014. A preference which has been expressed by SACS is for department chairs to receive reviews every three (3) years. Current University policy requires department chairs be reviewed every four (4) years. The proposed change is for these reviews to take place every three years.

On behalf of the Academic Affairs Committee, Mr. Williams moved that the Board of Regents, upon the recommendation of the President of the University, approve a change in the language contained in *Section 1.3.6.3.* of the *Faculty Handbook* to reflect an evaluation of departmental chairs at least every three (3) years. Dr. Rose seconded and the motion carried.

Department Name Change – Political Science and Sociology, approved

Dr. Higginson reported there is currently a department on campus referred to as “GLIA” – Government, Law and International Affairs. Faculty in the department recently unanimously voted to change the name to the Department of Political Science and Sociology which reflects the two primary programs in that department. This change will not only benefit students by enabling them to better locate the program they are seeking and it more clearly reflects the mission of the department.

On behalf of the Academic Affairs Committee, Mr. Williams moved that the Board of Regents, upon the recommendation of the President of the University, approve the name change from the Department of Government, Law and International Affairs to the Department of Political Science and Sociology. Dr. Rose seconded and the motion carried.

Appreciation was expressed to Dr. Higginson for her continued good work.

Provost and Vice President for Academic Affairs Search Update, received

Dr. Rose reported the Board received updated information via eBoard books regarding the Provost and Vice President for Academic Affairs search process. An outstanding Committee is in place comprised of faculty, staff and students. Each Committee member has worked under the premise of bringing two to four individuals to campus for interviews. Once those individuals are identified the process which has previously been utilized will be followed for the on-campus interviews. Eighty-four applications were successfully submitted and the applicant pool is promising. Only two Committee members are checking references for the candidates to be brought to campus to ensure consistency. The Committee has stayed within the limits of all federal and state regulations, particularly those in the MSU Human Resources Office. Dr. Dunn provided the Committee with the authority to bring two to four individuals to campus for interviews and asked that the process be moved forward as effectively and efficiently as possible. The Committee has identified four individuals to bring to campus to meet with the various constituency groups. A couple of meetings on the schedule would be appropriate for members of the Board to attend if they so desire – but all are certainly welcome to attend any activity of their

choosing. He is pleased with how this process has progressed and it has been especially rewarding that on a number of occasions the candidates included in their application materials significant reference to the quality of this institution. These candidates attempted to show where their qualities and strengths matched what they perceived Murray State to be and what the University wants to continue to be. That was especially rewarding for Dr. Rose and he owes a lot of debt and gratitude to two people sitting in this room today who have been of tremendous help to him throughout this process. Dr. Dunn assigned these individuals to work with him and appreciation was expressed to Joshua Jacobs, Chief of Staff, who has done everything that has been asked of him – at least on his target or even ahead of target and that is much appreciated – and he has also taken care of the details involved with working with Human Resources. Jill Hunt, Senior Executive Coordinator for the President and Coordinator for Board Relations, has also been an enormous asset. The Committee conducted initial interviews via Skype which eliminated the expense of 17 people traveling to Nashville to conduct interviews. A consulting firm was not hired and to this point the process has been undertaken in an economical manner when compared to most search processes.

Dr. Curris asked at what point the Committee will make the names of the candidates visiting campus public and Dr. Rose indicated this will occur once references for the four candidates have been checked and it is known this is the interview pool. It is possible these individuals could visit campus within the next two weeks.

Dr. Dunn expressed appreciation to Dr. Rose for his work as Chair of the Provost Search Committee. On behalf of the Academic Affairs Committee, Dr. Thornton also expressed appreciation to Dr. Rose for his outstanding leadership throughout this process. It is no surprise that Murray State received good candidate applications because it is a wonderful and outstanding institution. People appreciate that and it is no surprise the Search Committee had good candidates to choose from and all look forward to the recommendation.

Adjournment

The Academic Affairs Committee adjourned at 8:45 a.m.

Audit and Compliance Committee

Harry Lee Waterfield II, Chair
Constantine Curris
Jenny Sewell

Mr. Waterfield called the Audit and Compliance Committee to order at 8:45 a.m. and reported all Committee members were present.

Audit Contract/Engagement Letter, approved

Tom Denton, Vice President for Finance and Administrative Services, reported this represents the fourth year of the University's four-year contract with RubinBrown. The cost for the current year contract is \$123,370 (plus up to \$18,750 for up to three additional single program audits). In November or December a committee will be formed to issue a Request for Proposals. The committee has traditionally included Jackie Dudley, Senior Director for Accounting and Financial Services; Michelle Saxon, Internal Auditor; Clyde Stambaugh, Professor of Accounting and Ellen Dale, MSU Foundation Controller. The process begins at the end of the year so results will be available for the next audit preparation period.

The Engagement Letter provided to the Board contains a list of engagement services to be performed by RubinBrown, including:

- General University Audit
- A-133 Single Audit (Student Financial Aid and one additional major federal program)
- WKMS Audit
- NCAA Agreed-Upon Procedures
- House Bill 622 and Kentucky Revised Statutes 164A.555 through 164A.630 Compliance Reports
- Kentucky Lease Law Compliance Report
- Subsequent Events Audit and Report
- Quality Control Report
- Compilation of MSU Athletic Foundation financial statements and preparation of Form 990
- University 990-T (taxation on unrelated business income)
- Related travel expenses

On behalf of the Audit and Compliance Committee, Dr. Curris moved that the Board of Regents, upon the recommendation of the President of the University, approve the RubinBrown engagement letters for the June 30, 2013, audit and the Racer Foundation compilation. Mrs. Sewell seconded and the motion carried.

An indication was made that all are impressed with RubinBrown presentations because they are clear and the few recommendations which have been made are precise and Mr. Denton provided assurance the auditors are good to work with and are very professional. He likes their communication style and the printed copies of the handouts which are provided. In response to whether the rates RubinBrown charges are reasonable, Mr. Denton indicated the rates – even in this fourth year – are \$5,000 less than what was charged by the previous auditors. He does not look at just the fee for an audit but whether it is within the rate being charged four years ago and if this is the case that is positive. Mr. Waterfield participated in several phone calls with the auditors and found them to be very good to work with. Mr. Williams echoed that sentiment, indicating the auditors have been responsive and professional.

Mr. Denton indicated the administration plans to have bids ready for presentation to the Board for consideration before the February or March 2014 meeting. A Regent observed that strong support has been given at the state level to not having the same auditing firm for too many years and asked whether a similar situation exists for higher education. Mr. Waterfield reported the managing partner must be rotated but there is no limit on how long the same auditing firm can continue to be utilized by the University. Mr. Denton reported in terms of Murray State's history the institution has had two previous firms serving as the University's auditors for eight years. Bids are put out every four years but once a particular firm already knows Murray State this provides for efficiency and results in a lower bid. National auditing firms have been utilized by MSU for approximately 20 years. In response to a Regent question regarding how Kentucky firms fared when bids were last solicited, it was reported that quality from Kentucky firms was comparable but the top three to four firms are no longer interested in mid-size institutions and are moving away from MSU's market.

Internal Auditor Report, received

Mrs. Saxon reported this represents the first Internal Audit report since the Audit Charter was amended and if the Board desires additional information or a different format they were asked to indicate such. It was decided this report from the Internal Auditor would be provided twice per year. The summary of Internal Audit work performed from July 1, 2012, through February 28, 2013, included:

- Three cash counts were performed with no findings to report.
- Eighty-five (85) supplemental retirement accounts (SRA) were evaluated in December to ensure there were no contributions above the Internal Revenue Service maximums. One account was prevented from going over the maximum. The SRA accounts are evaluated each year.
- Twenty-four (24) employees who contribute at or near the maximum to their supplemental retirement account were informed what the maximums are for 2013 and how they affect individual accounts.
- Thirty-eight (38) employee requests for changes to their SRA contribution amounts were evaluated to ensure the change would not cause employees to exceed the maximum.
- A review of the first and second quarters for the Board of Regents account, the President's Office accounts (including purchasing cards and travel), the Cherry Livestock and Exposition Center and Athletics was performed with no issues being found.
- The MSU Alumni Association financial report was reviewed.
- A scheduled follow-up audit was conducted for Adventures in Math and Science (AIMS) travel. Findings related to implementation of previous audit recommendations but corrective action has been taken to resolve those findings. The Internal Auditor will conduct follow-up in three months.
- A situation was brought to Internal Audit's attention resulting in an unscheduled audit being performed in the Institute for International Studies (IIS). Findings included poor controls for the collection of fees and petty cash and corrective actions have been taken to resolve these findings. The Internal Auditor will conduct follow-up within six months.
- Two accounting quarterly reports were reviewed for cross-referencing and mathematical errors.
- A review of CFSB Center events is currently underway and should be completed within two weeks.

A Regent observed that in an effort to make the Internal Audit a more viable part of the institution, a key part of the Internal Auditor's role is consultation with individuals because frequently someone may be making an error they are unaware of and the question was asked whether she has found a cooperative attitude with employees when conducting the audits. Mrs. Saxon indicated this has absolutely been the case and even departments where she conducted unscheduled audits have been very cooperative. Several departments also call to ask questions and solicit her recommendation before proceeding in a particular fashion. Mr. Waterfield added the Audit and Compliance Committee has stressed since Mrs. Saxon's hiring that if there is ever any problems which arise in conducting her work she should let the Committee know

immediately. He further requested with regard to the follow-up reviews which will be conducted – one in three months (AIMS) and one in six months (IIS) – that if those reviews are conducted more than one month before the next Board meeting, Mrs. Saxon should send the Committee a note on any corrective action taken. This applies to only those areas where follow-up review and corrective action are necessary and any other reporting will continue to be conducted on a six-month basis. The Board expressed appreciation to Mrs. Saxon for her work and the great collaborative efforts which are taking place.

Adjournment

The Audit and Compliance Committee adjourned at 9:02 a.m.

Buildings and Grounds Committee

Jack Rose, Chair
Marilyn Buchanon
Susan Guess
Jeremiah Johnson
Harry Lee Waterfield II

Dr. Rose called the Buildings and Grounds Committee to order at 9:02 a.m. and reported all Committee members were present.

Priority Projects for *Six-Year Capital Plan (General Fund and Agency Bonds)*, discussed

Board members were provided with a listing of the Top Ten 2014-20 General Fund priorities. All unanimously agree that construction/completion of the new Science Complex – Final Phase – should remain the University's #1 priority. Following discussion, the decision was made to move current project #3 – construct a new Breathitt Veterinary Center (BVC) – to project priority #2. Current project #2 – construct the Madisonville Postsecondary Education Center – should be moved to project priority #3. Confirmation was provided if the Madisonville project is funded by the Legislature it will not count against Murray State's allotment because it represents a West Kentucky Community and Technical College System (WKCTCS) project. The priority ordering for the remaining projects remain unchanged.

Mr. Oatman provided clarification that General Fund projects are ones for which the University is requesting money from the state and Agency Bond projects represent those where the institution would undertake its own bonding to fund the projects (typically housing and dining). An effort has been made to show the Top Ten General Fund projects and the Top Six Agency Bond projects and this information has been presented to the Board. The entire list of projects over six years will be provided at a later date. Dr. Dunn reported typically review of the *Six-Year Capital Plan* and these two lists in particular are reviewed by the Board later in the year. This year the University is required to submit an earlier filing of the *Six-Year Capital Plan* and to the extent MSU can be more accurate on that first filing the better because those lists are shared early (although the plan may not be approved until the Fall). There has also been less desire on the part of Legislative Research Commission staff for universities to make changes too late in the process even though the "locking in" of the plan does not occur until Fall. The last time the Board prioritized these capital projects was at the August 2011 meeting in Hopkinsville, Kentucky, and even though it is referred to as the *Six-Year Plan* this work is undertaken in advance of every biennial budget.

A Regent indicated four projects on the list total approximately \$25 million but represent infrastructure needs – including electrical distribution – and inquired whether there is a sense of urgency for these replacements to be addressed. Mr. Denton reported these represent older systems and currently they are being patched so they continue to be operational. There will be a day of reckoning with these projects because new construction is preferential but repairs which are placed on hold must eventually be fixed. Mr. Williams is concerned about how long the University should go without addressing these infrastructure project needs. Mr. Oatman provided assurance he is comfortable moving forward with the project list as presented and reported the following:

- The Engineering and Physics Building has been partially designed utilizing remaining funding from previous Science Complex phases. Through that process a small amount of square footage was added with a connector from the Engineering and Physics Building to the Chemistry Building. The facility will be LEED certified and will accommodate all College needs. Dean of Science, Engineering and Technology Steve Cobb and his staff have been involved throughout the entire design process. Confirmation was provided that approximately 50 percent of the design process has been completed,

construction documents are 40 percent complete and the vetting phase is 10 percent complete which represents the next phases of this work. Dr. Dunn indicated the Board will recall discussion was held two years ago about whether the Board and University were ready to fully commit to this project because if that was the case the institution intended to apply funds which remained from previous phase work and with the Board's determination Mr. Oatman has undertaken this work. There is now a zero balance in terms of funding remaining from any previous phase work.

- A rendering of the Engineering and Physics Building was provided and included the connector with the Chemistry Building referenced earlier.
- The second priority is to construct the Madisonville Postsecondary Education Center and the \$21,500,000 amount listed was provided from WKCTCS. The facility will be utilized for dual purposes by Madisonville Community College (MCC) and Murray State. Madisonville had previously received \$300,000 to undertake work through Phase III design (rendering presented in August 2011). In response to a Regent inquiry regarding where the project appears on Madisonville's project list, Mr. Oatman indicated this information is not yet known for this year but on the last listing he believes it was ranked within the top ten. Due to an earlier Committee determination this project has been moved to priority #3.
- The third priority is to construct a new Breathitt Veterinary Center and the University is currently in the process of spending \$4 million allocated by the state for land acquisition, design and to select a construction site. Progress is being made toward the contract being reviewed and approved for an architectural firm. The rendering provided for the BVC could change significantly because the University is not far along in the design process. Due to an earlier Committee determination this project has been moved to priority #2.
- The fourth priority is to upgrade the campus electrical distribution system (including transformer switches and underground cables). The University's Central Plant purchases power from Murray Electric which is then distributed throughout campus. These systems need to be updated to provide the amount of voltage needed and some efficiencies will be achieved when this work is undertaken. Over the past few years there has been failure of some of the underground cables in the housing area that caused "down time" but the University was able to fix those issues in a timely manner.
- The fifth priority is renovation of Blackburn Science Building. The VFA Study determined the building is not usable as a science facility and other potential uses for the structure are being considered, including housing the life sciences programs and Adventures in Math and Science. Once the Department of Engineering and Physics moves out of Blackburn Science that will provide space for other programs. A full renovation of the entire facility, including internal systems, is required.
- The sixth priority is a new Library and there has been a great deal of discussion regarding the best way to proceed to replace Waterfield and Pogue libraries. Once replaced, both current facilities will be designated for other uses. Waterfield Library was also included in the VFA Study as one of the top ten worst sites on campus and the building was mentioned as a concern in the last SACS accreditation visit. A feasibility study has been undertaken and a rendering was shown for a new 169,000 square foot Library.
- The seventh priority is replacing the steam distribution system which is approximately 60 years old and this replacement will result in some real efficiencies. Currently consideration is being given to trying to complete this replacement as part of an energy savings project where the equipment and piping can be replaced at the cost of the energy savings. The total project scope is approximately \$6 million.
- Priorities eight, nine and ten represent different categories of pooled projects at a cost of approximately \$20 million and include completing life safety projects, Americans with Disabilities Act (ADA) compliance and capital renewal projects. The University has been chipping away at these projects over time through the CERR fund. Research continues and the total amount required to complete this project could change.

In response to a Regent question regarding the impact of the University ranking the Madisonville project on its list higher than the community college ranking that same project, Dr. Rose indicated his original intent in making this suggestion was to give the project as much University support as possible, knowing it would not be MSU's number one project. There are strong feelings about ranking the Breathitt Veterinary Center higher on the priority list and providing the Governor with more support for the project. It is important for Madisonville to know MSU supports the project but the ranking could likely be lower and remain significant. It is believed KCTCS ranked the project quite a bit lower on their priority listing and the University must be careful not to rank the project lower than the KCTCS ranking. Dr. Curris indicated the Governor is from Hopkins County and if this project is undertaken within the next couple of years it will occur because Governor Beshear wants to do something for Hopkins County. Where the project appears on the University's list is not that significant as long as it is in a prominent place so the institution conveys to KCTCS and the Governor that it is an important project. MSU was surprised by a recent BVC item in the budget and perhaps moving that project to the #2 priority and dropping the Madisonville project to the #3 or #4 priority (but keeping it in the top five) makes sense. Mr. Oatman added that MCC President Judy Rhoads attended a Board meeting and encouraged the University to keep the project ranked as highly as possible. By the next Board meeting it should be known where KCTCS ranked the project. Mrs. Sewell indicated it is important for Murray State to show support for the Madisonville project for a variety of reasons. Coal severance funding would play heavily into this economic development issue and those

funds, while available, are utilized to benefit the economic area and the region. Coal severance funding will be decreased by about one-third this year and President Rhoads, Senator Jerry Rhoads and the Governor are in place. As long as the University maintains the project as a priority this could be beneficial for that region and could help move the project forward. The BVC represents an economic issue, involves the bread basket for the tri-state region and is an extremely important project.

Priority Projects for Six-Year Capital Plan (General Fund), approved with revision

On behalf of the Buildings and Grounds Committee, Mrs. Buchanon moved that the Board of Regents, upon the recommendation of the President of the University, approve the top ten General Fund priorities for the 2014-20 *Six-Year Capital Plan*. Mrs. Buchanon further moved, on behalf of and at the direction of the Buildings and Grounds Committee, that ordering for General Fund priorities #2 and #3 be reversed. Priority order for projects #4 through #10 would not change. Mr. Johnson seconded and the motion carried.

Priority Projects for Six-Year Capital Plan (Agency Bonds), approved

Mr. Oatman reported the following with regard to the *Six-Year Capital Plan* Agency Bonds:

- An effort is being made for the University to align with the Housing Study which has been conducted. Renovation of Hester Hall is moving forward and it is likely bonds will be authorized soon to complete that project. The next project which has been identified through the study is replacement of Franklin Hall and the University administration agrees with this assessment. The remaining projects on the agency bonds list represent infrastructure projects the University needs to continue to undertake until renovation/replacement of the entire housing stock can be completed. This work includes completing ADA compliance, capital renewal, renovating Hart Hall and Regents Hall electrical systems and constructing an addition to Winslow Dining Hall.

On behalf of the Buildings and Grounds Committee, Mr. Johnson moved that the Board of Regents, upon the recommendation of the President of the University, approve the top six Agency Bond priorities for the 2014-20 *Six-Year Capital Plan*. Mrs. Buchanon seconded and the motion carried.

MGT of America, Inc. – Housing Strategic Plan, discussed

Mr. Oatman indicated the Board was provided with a copy of the MGT of America, Inc. Housing Strategic Plan which contains a vast amount of information regarding the survey conducted on campus. A PowerPoint presentation was shown with the following highlights:

- In July 2012 MSU contracted with MGT of America, Inc. to prepare a strategic housing plan for the next ten years with the recommendations for housing improvements designed to:
 - Position the University to remain competitive with off-campus housing
 - Offer analysis of current programs with recommendations on future program development
 - Offer recommendations consistent with the University's mission, including maintaining a financially self-supporting housing operation that will meet current and future demands for student housing
- MGT visited campus in October 2012, conducted an online student survey with 1,875 respondents (21.7 percent) and held on-campus interviews with more than 40 students and 20 faculty members, including the eight Residential College Heads and representatives from Housing, Student Affairs, Finance and Administrative Services, Facilities Management, Admissions, Parking, international students, Student Disability Services and others. A walk-through of each building with representatives of Housing and Facilities Management was also undertaken.
- Programming is the focus of the residential college system and MGT reviewed the concept and a determination was made that the residential colleges are successful and attractive because they foster interaction between students and faculty; offer educational and social programming and facilitate civic, educational and personal development. The perception that the residential colleges have not reached their potential and the system is tired, stale or has lost vigor exists to some extent.
- MGT reviewed the cost of the residential college system for 2011-12 (\$314,000). The amount for adjunct faculty lines represents the replacement cost for faculty time spent in the residential colleges which results in those individuals having a reduced teaching load in their respective departments (\$85,000). Additional program costs include salary supplements for Residential College Heads (\$39,500), salary for clerical staff (\$21,000), student wages/summer salary (\$26,600), benefits for College Head salaries and wages (\$43,000), programming account (\$80,000) and services/materials/points for faculty participation (\$19,000). The University must decide whether continued investment in the residential college system is warranted.
- MGT concluded the residential college system has significant value to Murray State and recommends its continuation. They further recommended a top-down, broad-based review and renewal to recommit to the residential college system. As new facilities are constructed and others are renovated, programming space for the residential college system should be added. MSU should convene a steering committee composed of administrators, faculty, housing staff and students to

coordinate the renewal effort. The work of the steering committee should align with the University's quality enhancement process to establish clear goals and strategies and a comprehensive annual assessment process should be implemented.

- The overall MGT recommendation indicates the residential colleges have become a highly visible recognized brand of the University. Based on review of the residential college system and cost assessment, it does not appear that eliminating the system by transforming to a housing professional staff model would result in financial savings. The consultant team recommended an initiative to reinvigorate the residential college system rather than transforming away from it.
- The MGT Study also focused on housing demand and the conclusion was made that the demand for on-campus housing will increase due to three factors:
 - Enrollment growth (estimated at 1 percent annually)
 - Renovate existing housing to improve appearance and comfort level
 - New facilities with increased amenities and level of privacyTwo different approaches were used to estimate housing demand with both yielding the need for over 200 additional beds and MGT recommended adding 100 to 200 beds. The project schedule was developed based on adding 100 beds.
- The projects MGT recommends (and the University has reviewed and concurs) are to continue with the renovation of Hester Hall, demolition of old Richmond, construct a new "Residential College A" (Franklin Hall because it needs to be replaced the most), renovation of White Hall, demolition of old Franklin Hall once the new facility comes on line, construct a new "Residential College B," renovate Regents Hall and then Hart Hall, and demolition of Springer Hall. Currently old Richmond Hall is being used for overflow housing and the plan is constructed so that following renovation of Hester the move will be made for a new low-rise (Franklin) which allows for even enrollment in housing. Construction costs were provided beginning with 2013 figures and escalating to the point of when the projects would actually be put out for bid. Additional detailed information for each project is contained within the overall plan and supports each of the figures provided.
- The private-public partnership model was reviewed and a determination made that this option would not be appropriate for MSU. Financial analysis assumptions include:
 - MSU will own and have financial responsibility for the proposed capital projects
 - Debt amortization term assumed is 25 years (following project completion)
 - Construction and renovations are accomplished in less than ten years
 - Bond issuance fixed interest rate of a maximum of 4 percent (which could fluctuate)
 - Annual net operating income shall be no less than 1.20 times annual debt service
 - Construction cost escalations range from 4 percent in 2013 to 6 percent in 2022
 - Income will escalate at 4 percent annually
 - Operating expenses will increase at 3 percent annually
 - Furniture, fixtures and equipment costs will escalate at 3 percent annually
- MGT grouped MSU housing stock into the following styles:
 - Traditional – Elizabeth and Hester (community bath arrangement)
 - Modified Traditional – Lee Clark and Richmond
 - Suites Style – Lee Clark and Richmond (recent), Hart, Regents and White (moderate) and old Richmond, Franklin and Springer (most affordable)
 - Apartments – College Courts
- Rental rates for FY13 were provided along with the percentage increases for FY12 to FY13 and the recommended rates for FY14. The increases range from 4 percent to 10 percent and the 25 percent increase shown is only for 60 beds in Clark and Richmond with the weighted average for the entire building being between 9 to 10 percent. Average increases across-the-board amount to 6.7 percent to move the University to base year 2014. The MGT plan then includes a 4 percent year-to-year increase thereafter. When a high rise is renovated there will be a rate increase when the facility comes on line. This is similar to what has been occurring for Richmond and Clark.
- Information on rental rates for the new and renovated halls was provided, including what those rates would be in the base year compared to the year in which the facilities come online. These rates include a 4 percent increase per year until the facilities come online, plus the increase for the newly-renovated facilities.
- A financial analysis of how the entire model works was provided and the full report contains a similar analysis for each facility in terms of how debt income and debt service work (whether renovated or new). The status quo facilities are those the University currently has online with no changes and income figures from those facilities as well as information on housing revenue discounts (discounts for housing scholarships) were provided. In 2012 total net operating income is estimated to be approximately \$5 million with debt service being \$3.43 million (representing current debt if no changes are made). At the end of 2012 the housing system composite net income would be approximately \$81,000. In 2015 after Hester Hall renovation is completed, more debt is being incurred and undesignated capital renewals represent other projects included in this bond issuance. Approximately \$9.9 million is for Hester Hall and another \$5.5 million is for necessary projects to be undertaken in the other facilities because they will not be renovated for some time. MGT has built in debt for each project which includes existing debt plus debt for new construction. When new or newly-renovated facilities come online there will be new income, plus new debt, and it is most important to follow the composite net income which fluctuates but generally continues to increase. This same information has been provided through 2046. With significant positive and composite net income at the end of each year, it may not be necessary to raise the housing rates 4 percent annually. Those funds could be collected and utilized to prepare for the next 50-year plan (or capital renewals).

- The plan presented by MGT of America, Inc. provides the University with some flexibility with the assumption of 100 additional beds. As these projects are undertaken, if there is more demand the University could construct a third new building and that will be considered in the *Campus Master Plan* the Board will review in May. This plan represents a feasible way for the University to consider how to continue to improve housing stock over the next ten years.

Mrs. Buchanon is impressed with the MGT report and appreciates the time of all involved. She does not feel as though she has had adequate time, given the volume of material presented, to give it a fair review and recommends the Board be given more time to do so. Mr. Oatman indicated the recommendation was worded so the Board can approve the overall plan but each individual project (along with each set of rates) would be vetted through the traditional process. Dr. Dunn confirmed each project would be presented to the Board for action as the process moves forward. If the Regents do not adopt the plan today it will not negatively impact the *Campus Master Plan* which will be presented to the Board in May. The report provides a framework for how the institution would proceed but at the next Board meeting authorization will be requested to issue bonds. Confirmation was provided there is no issue with delaying approval of this plan until the May meeting but Dr. Dunn reminded all that when the Bill “got legs” this spring for the universities to move forward on projects Murray State changed gears quickly with MGT. The consultants were in the process of undertaking this work when it was indicated the University could have an opportunity to pursue such projects through the Agency Bonding Bill. Preliminary work suggests Hester Hall would be the #1 priority and MGT was asked to review this project again to ensure as the University presented its proposal in Frankfort this would remain the #1 project. MGT confirmed this to be the case which is why the institution advocated for the project through agency bond legislation. This information will be presented to the Board even if the MGT plan has not been adopted. Dr. Rose indicated his preference would be to approve the plan today even though it is not critical to do so.

Dr. Thornton expressed kudos to Mr. Oatman and MGT for the plan as presented and inquired whether during the review and development process an analysis was conducted of where this positions Murray State as a regional university in terms of enrollment and recruitment and if it puts MSU housing stock in a competitive position to continue to reach out and grow enrollment. Mr. Oatman reported several other regional state universities, as well as benchmark universities, were reviewed and interviewed and that information is contained in the report. MGT considered the rates and projects for those institutions – and there are a significant number of projects other universities are undertaking. They did not provide an estimate of how these projects could assist enrollment but did indicate MSU needs to do something to improve housing on campus. Don Robertson, Vice President for Student Affairs, indicated the MGT recommendation takes into consideration a comparison of facilities, programming and staffing to put MSU in a position to continue enrollment growth. Dr. Thornton is trying to determine whether the institution is doing enough so that it attracts students from neighboring regional universities who might look at housing styles available there and determine they are more desirable than those offered at MSU. Mr. Williams agreed the question to be asked is whether this plan will help Murray State be competitive by providing a strategic advantage. Mrs. Sewell believes the report addresses that because numerous students and other regional universities were surveyed and their recommendations reflect what many students are saying. Current Board discussion has been addressed in the MGT report. David Wilson, Director for Residence Life/Housing, indicated if one looks at institutions that students compare MSU to – Western, Eastern, University of Tennessee-Martin, Austin Peay, Southeast Missouri and Northern Kentucky – they are all building and improving. Western was able to undertake a housing plan which has resulted in their facilities being better than those at Murray State. The plan presented today provides an opportunity for MSU to get into the mix with these other schools. Students do not come to Murray State for housing – but for academics and programs – although housing stock supplements and helps students. This represents a substantial increase in some areas but during Dr. Dunn’s tenure housing rates have not increased a great deal. One challenge is a lot of necessary work in these facilities was not undertaken because funding was not available. Students are excited about their residential colleges and look forward to this work taking place and this plan will help MSU better position itself moving forward. Many schools are currently building and the consultant’s recommendation would put Murray State in a better position to supply students with a home away from home.

Dr. Curris indicated the financial model that undergirds the entire plan is predicated on 95 percent occupancy every year which essentially means there has to be 100 percent occupancy in the fall and 90 percent occupancy in the spring to average 95 percent per year and this essentially represents the source of revenue. During the past 5 to 10 years he asked how many years the University averaged 95 percent housing occupancy. Dr. Wilson does not have the exact percentages but the University averaged over 95 percent until 2008 with the economic downturn

and students stopped coming to the universities. MSU is slowly building occupancy back up and last Fall had between 97 to 98 percent occupancy (with 100 percent being achieved during some years). Work would need to be undertaken to reach this goal because the challenge during Spring semesters is students graduate and leave (transfer to other schools) which is why numbers tend to decrease during the Spring more so than during Fall semesters. He under budgets income and this year the University has done very well and that funding has been utilized to offset the cost of necessary projects. Dr. Curris is not being critical of the report but when one looks at the assumptions – which is why Mrs. Buchanon is correct that the Board needs to study the report – if 95 percent occupancy is not achieved the revenue is not there for both operations and amortizing the bonds contained within the plan. It would be interesting to see what the impact of a 90 percent occupancy rate would be. He does not dispute MGT's analysis of what could be done to generate additional revenue which is built into the base (assuming students would remain in the residence halls as opposed to seeking off-campus housing) and this represents a big assumption which is partly dependent on housing options available off campus. As he looks at the data for this year – both Fall and Spring – the primary increase in full-time students came from international students. This population has a tendency after one to two years to seek off-campus housing. In making these statements he is not being critical but is indicating some assumptions concern him in the sense if the institution moves ahead and those assumptions are not verified the plan must either be abandoned, services lowered or rates raised. Dr. Dunn indicated the numbers can be recalculated utilizing a lower occupancy rate and one area where there is flexibility is the consultants made an assumption of somewhat lower enrollment growth than that which has been experienced on the campus. This does not negate the concern raised by Dr. Curris but the approach the consultants have taken is conservative in terms of enrollment and it is believed a greater enrollment increase than predicted will occur. Mr. Denton indicated a chart on occupancy percentages was presented for Fall and Spring of each year which shows a pattern of larger occupancy in the Fall than in Spring but Fall 2012 occupancy was at 94.8 percent and Fall 2011 was at 97.4 percent which forms the basis for the required 95 percent occupancy rate contained in the report. During Spring 2012 occupancy was at 88.2 percent and was 83.9 percent in Spring 2011 illustrating that in most recent years the University has experienced a 95 percent occupancy during the Fall semesters and 88 percent during Spring semesters. Dr. Thornton stated this information indicates students are choosing to live on campus even though the dorms are not up to par and improving those facilities could result in increased occupancy which needs to be taken into consideration. Dr. Dunn indicated this is a good point and part of the residential college discussion involved its value in being able to hold students to the campus. All believe the residential colleges accomplish this and that is the reason for the recommitment to the residential college system to ensure this continues to occur. As facilities improve there will be an opportunity to grow occupancy rates and an ability to adjust. Each component of the plan which has been presented will not be undertaken at one time and there is an opportunity as the process proceeds to make decisions depending on how the assumptions are met.

Dr. Rose asked for a motion regarding the MGT of America, Inc. Housing Strategic Plan and Dr. Dunn added if there is a desire on behalf of the Board for the administration to provide information utilizing different occupancy rates that work can certainly occur. Regents should be aware that the institution has exhausted funds allocated for this work by MGT of America and there would be a charge to take on additional consultancy. He would recommend MGT of America conduct this work instead of University staff.

MGT of America, Inc. – Housing Strategic Plan, deferred

On behalf of the Buildings and Grounds Committee, Mrs. Buchanon moved that the Committee continue to look at this process and compare occupancy rates other than the 95 percent occupancy rate presented in the report however the Committee obtains that information whether through MGT of America, Inc. consultants or Mr. Denton's office. The Committee should defer approval of the Housing Strategic Plan for now but be prepared to review this information again at the Quarterly meeting in May and make a recommendation at that time. Mr. Waterfield seconded and the motion carried.

The Board of Regents Committee meetings adjourned for a break beginning at 10:20 a.m. Dr. Curris reconvened the Committee meetings at 10:40 a.m.

City of Murray Proposal – Fire Department/Truck Acquisition, discussed

Dr. Rose reported information was presented to the Board regarding the proposal from the City of Murray for the University to help fund the acquisition of a new fire truck to accommodate the high-rise residential buildings on the MSU campus and replace the 105' tower truck currently

owned by the University. A letter from Mayor Bill Wells was included in the supplemental materials presented to the Board. The intent of the letter requests the University purchase or help purchase a new ladder truck for the Fire Department. When the Kentucky Education Reform Act (KERA) was passed Governor Wallace Wilkinson put Dr. Rose and one other superintendent on the Council on Higher Education (CHE) – now known as the Council on Postsecondary Education (CPE). Specific instructions to the CHE were to ensure higher education institutions do what they are supposed to do to implement the new law – KERA. During the process Western Kentucky University and the University of Kentucky (UK) got into a contest and were working to try to gain support. In the process of getting that support the contest was resolved and it was decided Murray, Kentucky, would get a new ladder truck. The University was mentioned in the language at that time so it had a hand in securing the fire truck the City now has (paid for through KERA). Murray would not be what it is today without Murray State University. There are numerous businesses that understand and know they thrive and/or survive based on the success and continuation of Murray State. It is nice to have a regional university and it is really nice to have one with the quality of MSU. The City of Murray recently announced they are considering moving City Hall operations, perhaps moving the Police Department to the old City Hall and building a couple of new fire stations. He is all for progress but he has never seen an operation that has continued to move with expenditures without some kind of review of revenue sources. For the past several years the City of Murray has given reasonable raises to their employees and he applauds that, particularly when it can be done with the appropriate revenue stream. He is concerned about the City asking the University to pay for half or all of the cost for a new fire truck. He believes there is a resistance to or a lack of understanding about how much revenue the City of Murray accumulates based on Murray State through not only employees and students but also other activities which are brought to the area by the institution. He is not interested in the City's proposition. Additional comments included:

- Mr. Johnson indicated at this time last year he attended several City Council meetings – because it was around the time they were discussing the City Sticker policy – and up until last year students were exempt from having to purchase City Stickers for various reasons. He asked the Mayor himself – in the middle of a City Council meeting – why they are coming after the students and the Mayor indicated the City cannot exempt one section of students because it provides support for roadways, support with police services and fire support – all within the City. He specifically indicated there is a fire truck designed for dormitories on the MSU campus and City Sticker profits will go toward improving that fire truck and perhaps purchasing a new one. The City is now sending the University a letter indicating they want MSU to help purchase a fire truck and – especially given what was indicated last year – he is not supportive of this request.
- In response to a Regent question regarding the amount the City is seeking, Dr. Dunn indicated \$250,000 is the portion requested from Murray State. Mr. Waterfield asked that information on how the situation is handled for Eastern and Morehead be collected because they also have high-rise dormitories. In terms of high-rise state office buildings in Frankfort, he believes the state helps Frankfort with the cost of their fire truck which would represent a similar situation. The administration agreed to inquire about how this situation is handled in Richmond and Morehead. Mr. Waterfield leans toward what Mr. Johnson has said, particularly if it was indicated by the City that part of the City Sticker fee would be utilized for this purpose (although his thought is it would be used more for road improvements).
- Mrs. Buchanon indicated she read that the average college student – wherever they go to school – brings between \$6,000 to \$8,000 with them in addition to tuition and the other costs of going to school. There are a lot of businesses in town that would not be in business if it weren't for Murray State students. MSU has enabled the tax base of Murray to increase and she agrees with Mr. Johnson.
- Dr. Rose is appalled the request was even made but since it was the Board and University must address it. Dr. Dunn confirmed the Mayor was informed this issue would appear on the Board agenda and an indication was made if a delegation would like to attend the meeting to address the issue they were certainly invited. As the Mayor's letter indicates, the invitation to meet with the Board was declined and the City provided the rationale for doing so. Mrs. Buchanon indicated the University must be a good citizen and get along with the City of Murray but perhaps eliminating the City Sticker requirement for MSU students could be negotiated.
- Mr. Waterfield asked if the ladder truck would be higher than the one the City currently has and Dr. Rose reported the current truck was designed specifically to accommodate the highest building on campus in 1991 or 1992 and this represented an understood need. Mr. Waterfield asked if at the point the City acquired the truck whether they asked for the University's assistance and Dr. Dunn indicated at the time the City was able to acquire the truck for the University through legislative action (as mentioned earlier by Dr. Rose). Dr. Curris reported that previously the City had requested assistance from the University.
- Mr. Denton added that the current truck is a platform truck with a bucket on the end. If that were to be replaced it could cost over \$1 million. The City is talking about purchasing a 70' ladder truck which would handle everything in town except Murray State and that truck would cost approximately \$600,000. To purchase a 105' ladder truck to reach the same height the current truck can reach represents a different type truck that does not have a bucket on the end and can maneuver more easily to reach various locations on the building. The 105' ladder truck would cost \$850,000 with the difference in cost between the two trucks being \$250,000. The current truck is titled to the University and has a trade-in value of approximately \$100,000 so the City is requesting an additional \$150,000

from MSU. Dr. Dunn reported some conversation centered around the City enacting an ordinance to charge the University per fire call to cover the cost of the new truck. The City of Murray has signaled through their letter that if there is no action by the Board they will acquire the smaller truck.

- Dr. Rose indicated the City would have some difficulty under Kentucky law to not respond to a fire within the City of Murray. Mr. Waterfield inquired as to whether the City is able to adequately serve students and the campus with the equipment they have now. Mr. Denton reported the existing 105' bucket ladder truck is adequate except it is 20 years old and in two of the most previous years repairs (which the City maintains) have been between \$30,000 to \$40,000 and the truck was out of service while those repairs were made. Dr. Curris inquired whether the current truck can be rebuilt and Dr. Dunn reported this has been explored and the City indicated it is not an option.
- Mrs. Green asked how much additional revenue the City Sticker fee for MSU students would provide for the City's budget and Jay Morgan, Associate Provost for Graduate Education and Research, reported the budgeted amount was \$250,000. Mrs. Green stated this indicates to her MSU students have already paid for the new ladder truck.
- Mr. Johnson reported the City police came on campus two weeks ago and in a blanket ticketing effort gave over 200 tickets to students, faculty and staff who did not have a City Sticker. Several individuals appealed those tickets because they either did not work or live in the city limits. Dr. Rose asked for clarification from Mr. Johnson that in a City Council meeting the Mayor stated the City Sticker fee for students would go toward the purchase of a new fire truck and Mr. Johnson indicated that to be the case. Dr. Morgan confirmed he asked the Mayor how much revenue City Stickers for students would bring in and the projection was \$250,000 annually from MSU students alone.
- Dr. Rose indicated if the City agrees to drop the City Sticker charge for MSU students, unless they are working or living in the city, then the University should contribute the \$150,000 necessary to purchase the new truck. The City also has the highest legal tax on alcohol and has leased a brand new fleet of police cars. He does not believe the Board should spend money for this purpose unless the City is willing to take pressure off Murray State students. It is becoming ridiculous how the City of Murray is handling their operation and he does not remember a time where they have undergone any type of in-depth budget review similar to that just undertaken by the University where it placed constraints on some initiatives and modified the University's top priorities.
- Mr. Waterfield recommends if the City Sticker fee raises that kind of money revenue for the first year should go toward the purchase of the new 105' ladder truck and over the next ten years those funds can be used for roadway improvement or other needs. This represents new money for the City and is more than enough to cover the cost. If the City wants to take this burden off of the students he would support MSU paying for part of the cost of the new fire truck.
- Dr. Rose does not believe the old ladder truck is as bad as has been reported but he is not a mechanic. It is his belief the truck could be refurbished for a significantly lower cost and it has worked so far every time it has been called. He remains upset about the City Sticker fee being placed on Murray State students and is also upset about it being stated it would be used to purchase a new fire truck and then the City turns around and asks the University to pay the cost for the new truck. It is inappropriate and it would be unwise for the Board to support the request.
- Dr. Curris indicated it seems what is being suggested is there should be some discussion between the University and the City to determine if there is an amicable solution, while at the same time collecting information from Eastern and Morehead. It may be the sentiment expressed around this table is the sentiment that is converted into action. This represents one community and while there are some strains an extra effort should be made to determine whether there is a way to resolve the issue amicably before any kind of final reaction is taken. Mrs. Sewell agrees because she would certainly want the City to be able to reach the top floor of the University's highest building if necessary. Dr. Thornton indicated the City's understanding of the City Sticker fee for students should also be obtained. Dr. Dunn reported conversations can certainly be ongoing and additional information obtained but a great deal of time has already been invested. The parties know where they stand although those discussions can continue to determine whether any movement on the impasse can occur. The Buildings and Grounds Committee reached consensus that Dr. Curris' recommendation is how the University should proceed and the administration will continue to undertake that work.

This agenda item was presented for informational purposes and required no Board action.

Paducah Crisp Center Disposition Options, discussed

Dr. Rose provided an update on the status of the new Paducah Campus and reported the project is on schedule.

Dr. Dunn reported that at the December 14, 2012, meeting of the Board of Regents, Chair Curris requested options be prepared for the Crisp Building in Paducah. Mr. Denton indicated in terms of the options for the Crisp Center being presented, the premise has been made if MSU sells the building proceeds from the sale would revert to the state because the University received a specific appropriation to make lease/purchase payments. Dr. Curris indicated this does not always follow because receiving appropriations from the state for this purpose does not necessarily mean the facility is owned by the state. Mr. Denton reported that to be true but in other situations where consideration was given to selling property belonging to the University the state looks at the original source of funds. If the source of funds was state specific funding

for that purpose then the proceeds would go back to the state. If it were tuition funds (campus funding) used for this purpose then any proceeds would go back to the campus. Dr. Dunn indicated the Finance Cabinet – in every one of these types of situations – has taken the position that Mr. Denton just stated. Mr. Denton added that the \$180,000 being used for this lease/purchase payment has been added to the University's base appropriation and it is MSU's position this would remain in the base even upon facility disposition. The following options for the Crisp Center (upon occupying the new Paducah Campus facility at Barkley Woods) were outlined:

- 1) Murray State purchases the building by paying the remainder of the scheduled lease payments through 2017 or prepays the remaining principal and accrued interest in 2014. Two scenarios were presented under this option. The first includes MSU leasing the facility to another entity and retaining any generated revenue but that entity must be willing to lease the facility in its current state as well as cover necessary maintenance costs associated with the roof, etc. The second includes MSU leasing the facility to another entity and retaining any generated revenue but the University would agree to cover the cost of minimal renovations and maintenance.
- 2) The University of Kentucky donates the building to Murray State with UK forgiving the remainder of the debt at the time the facility is vacated in January 2014. If UK proceeded in this fashion the same opportunities and requirements as indicated in #1 above exist to lease the facility.
- 3) MSU makes no further payments and the building reverts to UK at the time the building is vacated in January 2014 with three important considerations. MSU would have paid approximately \$2.8 million in previous fair market value lease payments and would have used the facility for the intended purpose for 15 ½ years. Second, the Commonwealth of Kentucky provided the funding for the lease payments through appropriations. Third, no tuition revenue was used to make payments.

Confirmation was provided that Murray State could pay off the remaining scheduled lease payments and would then be able to lease the facility but if it sold the Crisp Center the proceeds would revert to the state. In response to whether the property has been recently appraised, Mr. Denton indicated the facility was originally appraised at \$3.2 million but that was 14 years ago. The main building is comprised of classrooms but the vast majority of the space is a warehouse and is not in good condition. In response to whether anyone has shown an interest in the facility, Dr. Dunn indicated conversations have taken place with different groups in Paducah that have expressed some interest in the facility. In regard to whether the return on leasing the facility would be what it needs to be is another question and discussions did not progress to this point. There is some debate regarding the best and highest use of the facility if a Paducah entity took over the building. UK President Eli Capiluto is aware Murray State is lease/purchasing this building from UK and agrees with Dr. Dunn this should be a topic of discussion at some point. Paducah leadership should think about the best possible uses for the facility if acquired. Over time the University will maintain data-seeking conversations to determine the best approach while continuing to make the payment as long as necessary. Dr. Curris likes the approach taken in outlining options and supports continuing conversations to determine whether there may be a market for this building. He would be concerned if the University ends up having on its hands a facility that deteriorates and continues to cost money and this would represent the least desirable option.

Agreement was reached that the Board would be presented with an update on the Crisp Center at the September meeting.

This agenda item was submitted for informational purposes only and required no Board action.

Adjournment

The Buildings and Grounds Committee adjourned at 11:20 a.m.

Finance Committee

Stephen Williams, Chair
Marilyn Buchanon
Constantine Curris
Jack Rose

Mr. Williams called the Finance Committee to order at 11:20 a.m. and reported all Committee members were present.

FY14 University Budget Preparation Authorization Guidelines, discussed

Mr. Williams indicated this represents an annual ritual where the Board provides guidance to management to assist in preparation of the *University Budget*. Mr. Denton reported that traditionally at this time the administration asks the Board for approval of broad guidelines for budget preparation. One major difference this year is the work of the Budget Planning and Review (BPR) Teams will need to be integrated into the overall process. The report presented included the following highlights:

- One major item to be dealt with is the \$1.9 million deficit in the current year budget which has been covered with reserves so that the use of those reserves is eliminated.
- The guidelines provided were broken down into categories, including meeting inflationary and fixed cost increases, program development for academic quality and improving employee compensation.
- In terms of revenue, appropriations to the University are flat. A 4 percent increase in tuition is being recommended and at this point the institution is waiting for the CPE to announce maximum tuition parameters in April. Pursuing the 4 percent tuition increase would provide \$3.7 million (assuming flat enrollment growth). The budget will likely have \$500,000 in unbudgeted revenue in the current year that would be utilized in the new year. Also included is an enrollment increase of 2 percent (\$1.83 million). From a gross tuition standpoint there would be a \$6 million increase. The rate at which tuition increases also applies to mandatory fees for an additional \$340,000. Discussion regarding some of the BPR recommendations was included in the narrative.
- With regard to expenditure priorities, inflationary and fixed cost increases include employee health insurance which, increasing at the same rate as previously, would amount to \$635,000 (estimated) although other processes must be utilized to identify the exact amount. A tremendous rate increase to KERS matching for retirement (per statute) occurred and amounts to \$374,000 and a KTRS per statute increase of \$34,000. An Optional Retirement increase (due to an increase in participation) of \$50,000 and other estimated fixed cost increases of \$100,000 also occurred. A total increase in expenditure priorities amounts to approximately \$1.2 million for inflationary and fixed costs.
- Scholarships and waivers (based on 4 percent tuition increase) would provide approximately \$1.2 million to students. Enrollment growth both in the current and new year amounts to approximately \$1.7 million in expenditures, specialized scholarships and waivers (Governors Scholars Program, Racer Academy and international students) amount to \$480,000 and the purchase of retention alert software was \$45,000 for a total of approximately \$3.5 million. Additional information was provided for technology in terms of transitioning the enrollment management system, etc. An \$8 million one-time allocation was made for the implementation of the Banner/myGate system and this information was included as an early alert that technology expenditures and acquisitions have previously been handled utilizing funds remaining in the \$8 million budget from five years ago and that luxury is coming to an end which will need to be taken into consideration as the University moves forward.
- Information was provided on program development for academic quality and due to the present strictures on budgeting overall, new priority spending is supported only where it advances those initiatives that provide essential programs and services for existing University options (total of \$335,000) including:
 - Health Sciences and Human Services Faculty Lines (2.5) and Other Faculty Supplements (all colleges) - \$150,000
 - Hutson School of Agriculture Faculty Line – \$40,000
 - Ed.D. First Year Implementation - \$50,000
 - Specialized Instructional Services (Honors, Racer Academy) - \$25,000
 - OEO Compliance - \$70,000
- Employee compensation improvements total \$158,650 and include:
 - Promotions and Reclassifications (\$110,000)
 - Residential College Participation (\$18,650)
 - Faculty/Staff Awards and Other (\$30,000)
- Other priorities have not yet been built into the budget but there is a long way to go in the process from a *University Budget* preparation perspective.
- A calendar for *University Budget* preparation was presented as follows:
 - April 18, 2013 – The CPE sets tuition parameters
 - May 10, 2013 – Board of Regents Quarterly meeting to finalize BPR recommendations, approve tuition and mandatory fees and review summary budget
 - June 7, 2013 – Board of Regents Special meeting to approve the *University Budget*
 - June 20, 2013 – CPE meeting to approve individual institutional tuition and mandatory fee increases for Murray State

In response to Dr. Rose's inquiry about previous discussions where the average cost of increasing faculty and staff salaries by 1 percent across-the-board was indicated to be approximately \$700,000 and why the amount has increased this year, Mr. Denton reported the previous amount represented salaries only and did not include fringe benefits. When those are considered the amount is \$850,000 per 1 percent across-the-board salary increase. The employer matching rates for the retirement systems have also increased significantly. Dr. Rose indicated

the Faculty Senate Finance Committee has compiled information which presents a picture of where Murray State stands in terms of faculty salaries. It is positive that MSU is in the top tier of institutions with a good ratio between full- and part-time faculty. Compensation for this group is below the norm and when compared to benchmark institutions, as well as other institutions in Kentucky, MSU is falling into the bottom one-third (excluding benefits). All are appreciative of the administration absorbing as much (if not all) of any increases in fringe benefits. When considering the status of faculty salaries at Murray State, Dr. Rose requested, during the *University Budget* preparation process, consideration be given to a 5 percent salary increase and this should be included in the recommendation to the Board. Mrs. Buchanon asked if when taking the University's budget into consideration compensation, benefits and travel comprise roughly 65 to 75 percent of the budget and Mr. Denton confirmed this to be the case.

In response to Mr. Williams' inquiry about the one-year yield from implementation of the BPR team recommendations, Dr. Dunn indicated at this point that would be difficult to ascertain but likely the administration would follow the same process the Finance Committee utilized last year where it used a budget summary and included these numbers among amalgamated groups to consider various scenarios. The extent to which the administration can be provided with some direction on BPR recommendations the Board would support, that will yield a number and will help advance the process and various projections. Mr. Denton estimates it would take approximately \$2 million from the BPR recommendations to provide a 1 percent salary increase because the University is already trying to make up for a \$2 million deficit in prior year (plus fixed cost increases). Excluding the BPR recommendations and assuming no salary increases the University still needs to make up approximately \$1 million and this figure already accounts for a tuition increase.

Dr. Curris indicated in regard to faculty salaries a case can be made for higher salaries but the University cannot have its cake and eat it too. Among the comprehensive universities, MSU has the lowest student/faculty ratio at 16:1 overall and other institutions are at 18:1 to 19:1 in their ratios. This institution is making a commitment to the academic enterprise but over the course of several years the decision has been made to have more faculty and lower student/faculty ratios as opposed to fewer faculty and higher faculty salaries. Dr. Rose does not disagree but he sees this issue in a different context. Murray State's full- to part-time faculty ratio is better than most and the part-time numbers do not include a massive number of adjuncts. Most faculty recognize this as a good thing, particularly for students in terms of the quality of education being provided. In the last two to three years the University is having less and less success in attracting individuals to faculty positions and the institution is also losing some very good faculty. The institution cannot remain static on this issue and one report illustrates that in comparison to benchmark institutions MSU is 18 out of 20 in terms of total changes in compensation in salary from 2007-11 (representing the most updated information available). In terms of an average salary among these same benchmarks of \$62,934, MSU ranks 12th. MSU is in the bottom one-half no matter which data is utilized and a determination must be made in terms of faculty worth for recruitment purposes and the ability of the institution to obtain quality faculty in the years to come. Mrs. Buchanon asked how MSU compares with benchmark institutions in terms of its benefits package and Mr. Denton indicated data obtained from the *Chronicle of Higher Education* is reviewed and compared for the state comprehensive institutions and is broken down by rank. Mrs. Buchanon is interested in the University's fringe benefits package and Mr. Denton indicated he is not aware of a uniform or standard comparison being available to measure fringe benefits. Dr. Dunn believes Murray State is certainly comparable with other institutions in this area.

Mr. Schooley agrees the Board should review the feasibility of a 5 percent salary increase with the understanding the percentage can be adjusted up or down. There are two other groups to consider, including professional staff who have not had their salaries reviewed at this point and hourly staff (although Board action over the past three years is appreciated to increase salaries in this area). It has been two years since staff members have had a raise and if this is allowed to continue salaries will be back where they started. The motion should include a 5 percent salary increase as a starting point.

Mr. Williams clarified it has been requested in the scenarios presented to the Board that a 5 percent salary increase be included for faculty and staff with details provided in such a way so that percentage could be adjusted either up or down depending on associated ramifications. The Board is not approving a budget but assumptions which would be contained within the budget preparation process. Dr. Rose expressed appreciation to the Board for discussing the budget further than it ever has without connecting compensation to a particular revenue stream. Mr. Williams requested any budget recommendations provide some explanation of how those are tied to the strategic direction for the University. It is important for this Board to understand the

connection between the annual operating budget and the strategic direction of the organization. No additional concerns were expressed.

FY14 University Budget Preparation Authorization Guidelines, approved

On behalf of the Finance Committee, Dr. Rose moved that the Board of Regents, upon the recommendation of the President of the University, approve the FY14 *University Budget Preparation Authorization Guidelines* and the proposed calendar as presented. Dr. Rose further moved at the direction of the Finance Committee that the administration provide budget scenarios which include a 5 percent salary increase but also data on the effect of increasing or decreasing that percentage based upon available revenue assumptions. Mrs. Buchanon seconded and the motion carried.

Budget Planning and Review Team Recommendations, discussed

Mr. Williams indicated the Board of Regents Finance Committee met yesterday to review the significant work of the Budget Planning and Review teams and appreciation was expressed to Chief-of-Staff Joshua Jacobs for his work overnight to summarize the agreed-upon changes. The Finance Committee agreed to proceed with the recommendations presented with the following exceptions:

Immediate, Non-Academic List:

- Item #117 – One full-time staff member to advise Greek Affairs, Student Government Association and registered student organizations – withdrawn from the list by President Dunn.
- Item # 60 – Eliminate the Racer Routes contract for a route service provided by the Murray-Calloway County Transit Authority, while exploring opportunities for services to be provided to students, faculty and staff with disabilities – modified to developing a plan to provide some transportation services to international students, agriculture students at the farms and students with disabilities. Mr. Williams stated President Dunn clarified there are monies remaining to undertake this work and a specific plan to address this skeleton service would be developed.
- Item #64 – Reduce the number of cell phone and data stipends provided by one-half – modified to reduce the number of cell/data stipends by more than 50 percent while maintaining critical services. The original recommendation contained a numerical reduction and the change was to eliminate cell/data stipends except for areas deemed by management to be of a critical nature.
- Item #116 – Add a main-campus only, per semester fee of \$25 to support Student Health Services – placed on hold to be included on the larger study undertaken relative to recommendation #188 – Examine the possibility to contract with a provider for on-campus Health Services and examine the possibility to accept family provided health insurance at Health Services.
- Item #118 – Student Government Association appropriation will match the original mandatory fee allotment adjusted for inflation increases since 1999-2000 (\$199,235) – placed on hold to be considered later and the feasibility of providing a clearinghouse mechanism for student activities was discussed so individuals would know what is occurring on campus in terms of setting student activities.
- Item #127 – Eliminate graduate tuition waivers for spouses and dependents. The question was asked whether other institutions in the Commonwealth provide the benefit of graduate tuition waivers to dependents and spouses with the following being reported:
 - NKU – spouse/dependent = undergraduate only 12 cr/yr
 - MoSU – spouse/dependent = undergraduate only 12 cr/yr
 - WKU – spouse = 50 percent off 12 cr/yr undergrad and grad; dependent = 50 percent off 12 cr/yr undergrad
 - EKU – spouse/dependent = undergrad and grad 12 cr/hr semester
 - UofL – dependent = 100 percent of first undergrad degree
 - UK – spouse/dependent = 50 percent off full-time undergrad course load
 - KSU – unclear, appears to be dependent = 2 courses/semester grad onlyMost Kentucky regional institutions do not provide graduate tuition waivers for dependents and spouses and agreement was reached to move forward with this recommendation.
- Item # 133 – Reorganize within the College of Education to place the Teacher Quality Institute (TQI) under Teacher Education Services, capture salary savings due to retirement of the TQI Director and reduce the TQI operations account by \$200,000 – modified to decrease the amount of funds captured from TQI to \$100,000.
- Item #190 – Reduce Legacy waiver to one-half of the difference between in-state and out-of-state tuition rates starting with new students (grandfather existing Legacies); for Regional State Legacies continue to apply regional discount first, then add up to \$1,000 capping the addition of Legacy add-on at the in-state tuition rate – modified to delay implementation until the next recruitment class.

Deferred, Non-Academic List:

- Item #90 – Examine the feasibility of a Request for Proposals to lease the Stables in the Curris Center to a for-profit enterprise – deprioritized
- Item #191 – Examine contracting out Financial Aid services to an outside provider – deprioritized

If the Board is comfortable moving forward with the Budget Planning and Review Team recommendations with the exceptions noted above, Mr. Williams indicated he would entertain a motion to that effect so management can immediately begin to utilize this information in the budget preparation process, realizing some of the numbers presented may require modification. Additional modifications were requested as follows:

- Item #176 – Examine the ability to sell the WKMS Radio Station through a brokerage firm – Mrs. Guess indicated the recommendation may overstate the intent and is fearful to many because it implies “the selling of.” The wording could be changed from “the ability to sell the WKMS Radio Station through a brokerage firm” to “the ability to study the feasibility of options to consider for the future of the Station which could affect both revenue and expenditures.” Dr. Dunn indicated this could work nicely because currently all public radio stations are looking at shared services and cost savings which represent items already on their docket. Station Director Kate Lochte reported the Corporation for Public Broadcasting has undertaken a national review of their formulas for rewarding service grants to institutions such as Murray State. Part of that analysis is to actually change the formula so there are incentives for collaborations to encourage stations to consider ways to save money. Kentucky public radio stations have already made such collaboration efforts by sharing a Frankfort reporter. The station was paying \$7,000 for first-hand news from Frankfort and that cost is now shared by many stations. There are other cooperative endeavors already on the table nationally and many groups of stations are reviewing those options. WKMS would like the opportunity to continue to participate in this review. Consensus was reached that the Committee is comfortable with this modification.
- Item #187 – Reducing the Racer Advantage Grant internal scholarship support. Mr. Schooley reported discussion took place yesterday regarding delaying this recommendation and Dr. Dunn indicated this reduction should be included in the *University Budget* and as Dr. Robertson and his staff process these requests (representing last dollar grants to keep students in school through a semester) if he runs out of money Dr. Dunn agreed to backstop that funding – at least to get the University through next year to cover those students – and then any potential issues would be addressed. Consensus was reached that the Committee is comfortable proceeding in this fashion.
- Item #102 – Combine the current Summer Orientation Fee (\$130) and Graduation Fee (\$30) into a one-time Matriculation Fee (\$150) paid by all new students – Mr. Schooley inquired whether this recommendation could be given further consideration. Dr. Dunn indicated he believes there was a willingness on the part of the Board to look at another way to approach this as a one-time fee for students entering the campus and as long as the Board is willing to provide the administration with latitude to review the issue as a new student fee that would cover graduation it could be restructured while still achieving the savings level. Consensus was reached that the Committee is comfortable proceeding in this fashion.
- Items # 179 – Examine the opportunity to outsource groundskeeping services – and #188 – Examine the possibility to contract with a provider for on-campus Health Services and examine the possibility to accept family provided health insurance at Health Services. Mr. School believes these items should be reviewed carefully and Dr. Dunn indicated Regents may not be aware that one year prior to his arrival at MSU a study was conducted regarding Dining Services. The Board at that time determined they would not move forward in outsourcing these services so a study does not mean implementation but would enable the administration to examine the pros and cons of doing so. Mr. Williams added it needs to be emphasized that on all of the items presented in the deferral category the Board is by no means implying the recommendation will be undertaken but is simply authorizing the feasibility be reviewed and the results be reported back to this Board for consideration as those studies mature.

Dr. Curris indicated his biggest concern throughout the process is that students are being hit particularly hard. Much of the cost savings relate to reductions in scholarship programs and additional tuition surcharges. The Board discussed earlier what the impact might be in May if the Board approves certain rate changes in housing and if the CPE authorizes a 4 percent tuition increase, both of which were addressed in budget guidelines just approved. Prior to the next meeting he would like to see a compilation of what the total impact on students might be. Some things can be approved in favor of others but the total impact may be too severe in toto and he would like to review this information before the Board approves a package resulting in direct cost increases for the typical student to determine whether, when the Board sees the total package, it is still comfortable in approving it in toto or whether at that point it would indicate the proposal is too severe for students. Dr. Dunn asked if the administration has the authority of the Board to start working on those items not related to student cost and Dr. Curris indicated that to be the case.

Item #110 – Merge the Department of Engineering and Physics with the Department of Industrial and Engineering Technology – Mrs. Buchanon inquired whether this recommendation was approved as presented. Dr. Curris indicated his concern was that for \$12,000 there are other ways to achieve this funding but this remains a management decision as to how the change is approached. He wanted to alert people that he thought this would be perceived away from campus as being a de-emphasis of Physics and possibly Engineering Physics which is an initial reaction that may need to be considered. Mrs. Sewell indicated her reaction is similar and the

first item on the University's priority listing is a new Engineering building and this seems to be conflicting. Dr. Dunn confirmed discussion has taken place on making this change and there may be a differing view on the part of the individuals who are teaching and serving in these disciplines. There is no detriment to taking this concern under advisement and reviewing it again and moving forward from there. This recommendation was not entered into without a great deal of forethought and one thing which has taken place is the change has been vetted with industry, alums, faculty and staff and Academic Council. The disciplines were consulted to determine curriculum, designation and who is admitted and graduated. The recommendation will be reviewed again given Dr. Curris' suggestion.

Budget Planning and Review Team Recommendations, approved with modifications

Mr. Williams asked whether he is clearly stating the Board is approving (with the modifications and deferrals so noted) and directing management to move forward with the total list with the exception that in terms of areas related specifically to student fees at the May meeting the Board wants to see the total impact on students and would reserve the right to revisit those items based on that information. Management may move forward for budgeting purposes with the remainder of the listed recommendations, with those pertaining to students subject to this proviso. Consensus was reached that this is how the Board will proceed.

On behalf of the Finance Committee, Mrs. Buchanon moved that the Board of Regents approve the recommendations of the Budget Planning and Review Teams with the changes approved by the Board and the proviso outlined above. Dr. Curris seconded and the motion carried.

Adjournment

The Finance Committee adjourned at 12:15 p.m.

Institutional Advancement Committee

Susan Guess, Chair
Marilyn Buchanon
Sharon Green
Jenny Sewell
Jerry Sue Thornton

Mrs. Guess called the Institutional Advancement Committee to order at 12:14 p.m. and reported all Committee members were present.

Naming Proposals, approved

Bob Jackson, Associate Vice President for Institutional Advancement, reported no one has been more supportive during the University's recent capital campaign than Dr. Jesse D. Jones from Baton Rouge, Louisiana. He has assisted in many areas as outlined in the recommendation presented to the Board. His gift to construct the Jesse L. Jones Family Clock Tower for the Science Campus represented the first major project funded during the comprehensive campaign. In December Dr. Jones made significant gifts as well and a portion of that funding has been set aside to establish two professorships in the College of Science, Engineering and Technology. The recommendation is being advanced for those professorships to bear his name.

On behalf of the Institutional Advancement Committee, Mrs. Guess moved that the Board of Regents, upon the recommendation of the President of the University and the University Naming of Campus Facilities, Programs and Activities Committee, approve the naming of two (2) professorships the *Jesse D. Jones Distinguished Professorships* in the College of Science, Engineering and Technology. Mrs. Sewell seconded and the motion carried.

Office of Development Update, received

Dr. Jackson reported the following:

- In 2006 when the capital campaign began an indication was made that state funding would be flat but it was unknown appropriations would actually decrease by 15 percent. At the time it was noted that private support would become even more important and a clear and compelling vision for the campaign should be developed, alumni and friends could become more engaged and the University needed to be transformational in terms of its Case Statement. Previous and post to this period a great deal of work was put forward in terms of prioritization and identification of those initiatives that would impact MSU.

- It was determined that 50 percent of funds raised through the campaign would be utilized for academic scholarships and that has occurred. The *1922 Society* scholarships have been created and a few hundred thousand dollars are now in that endowment for Legacy scholarships. Study abroad scholarships have also been created. The new Science Campus was in need of equipment which Dr. Jones, through his generosity, funded by providing over \$1 million for new equipment. The state has historically been excellent in helping the University construct new buildings but not putting new equipment into those buildings which resulted in this being a priority for the institution.
- The Telecommunications Systems Management Program – the University’s Program of Distinction – is vitally important and Dr. Gene Wells Ray has supported – continues to support – and provided the initial seed money for that program several years ago.
- The College of Business (named after Dr. Bauernfeind), the Hutson School of Agriculture and the CFSB Center all provided significant monies to benefit the institution.
- The University was the beneficiary of a new research and laboratory farm which represented one of the priorities contained within the initial Case Statement that became a reality.
- A few weeks ago the new Basketball Practice Facility was dedicated as the *Gene W. Ray Center* and this will change Racer athletics and Men’s Basketball.
- During the faculty and staff campaign over \$900,000 was raised which was given by the generous faculty and staff of this University.
- A number of mini-campaigns were undertaken in the University’s colleges and schools. The E³ Campaign benefitted the Department of Accounting and the ACRES campaign was created to benefit the Hutson School of Agriculture.
- The original goal for the capital campaign was to raise \$60 million and the campaign ended with \$71.3 million raised with one-half of those monies being provided for student scholarships.
- During the course of the campaign over 96,000 gifts were processed from 23,000 distinct donors and the University’s alumni base is approximately 65,000. As of today approximately \$4.2 million in pledges made throughout the campaign remain and a significant number will be received over the next few months and years with the lead gift being \$3.2 million.
- A graph was presented depicting the assets of the MSU Foundation. In 2009-10 the Great Recession occurred and assets decreased considerably. In FY13 an increase occurred due to the gifts received over the last several months. This represented a very good year from a development standpoint. When the campaign began approximately \$800,000 in privately-funded Foundation-based scholarships were being awarded each year. This year approximately \$2.1 million was set aside for academic scholarships from privately-funded sources representing a significant increase over the course of the campaign.
- As of February 28, 2013, \$7.46 million has been raised through this year in comparison to \$3.5 million raised at this time last year. Many gifts were received and donations paid early in December. Two very large pledges over the next few years were prepaid in their entirety during December and represented seven-figure pledges. This represents a record with over \$3.9 million being received in just one month. To provide perspective, this is slightly more than gifts received in entire FY13. This is out of the ordinary and likely will not happen again for some time.
- A major estate gift of \$450,000 is pending and will be announced this spring for the Bauernfeind College of Business. The Board just recommended approval of two professorships for the College of Science, Engineering and Technology and a plan is currently being designed for Phase II work in Lovett Auditorium. Phase I work was recently completed which represents how private monies, coupled with University funds, can be used to improve campus facilities. A development plan for Pogue Library is also under discussion.
- Planned gifts through the University’s gift and estate planning area illustrate the benefit of this activity. In 2005 there was a portfolio of planned gifts of \$4.5 million and that is currently at the level of \$25 million and includes trusts, annuities, life insurance policies and known bequest expectancies.
- The Voluntary Support of Education Report has been produced each year by the Council for Aid to Education since 1957 and more than 1,000 colleges and universities participate in the study. The last data provided was for FY11 and FY12 data will be released soon. About \$31 billion was given in FY12 and that is still below the high water mark of FY08.
- A graphic was provided in terms of where the University stands with regard to the Ohio Valley Conference (OVC), the University’s benchmark group and aspirational institutions. For FY11 within the OVC, Murray State fared extremely well and was number one in dollars raised in terms of alumni of record. With regard to benchmark institutions, MSU fared well in this area as well, surpassed only by Indiana State in terms of generous support from alumni. For aspirational institutions, Northern Iowa takes the grand prize for FY11 and enrollment at James Madison is much larger as is the number of alumni of record.

Mrs. Guess and Dr. Rose expressed appreciation to Dr. Jackson and the Office of Development for a job well done. A copy of the final campaign report was provided to the Board. This agenda item was submitted for informational purposes only and required no Board action.

Adjournment

The Institutional Advancement Committee adjourned at 12:27 p.m.

Ad Hoc Contract Review Committee

**Constantine Curris, Chair
Marilyn Buchanon
Stephen Williams**

Constantine Curris called the Ad Hoc Contract Review Committee to order at 12:27 p.m. and reported all Committee members were present.

**Minutes of the Board of Regents Special Ad Hoc Contract Review Committee Meeting,
February 13, 2013, approved**

Dr. Curris reported the Ad Hoc Contract Review Committee needs to approve the minutes of the Ad Hoc Contract Review Committee meeting held on February 13, 2013, and on behalf of the Committee, Mr. Williams moved that the minutes be approved as submitted. Mrs. Buchanon seconded and the motion carried.

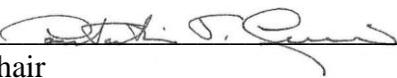
Dr. Curris indicated Board members have received a draft of the Committee's report and the Committee has invited any comments from Board members in terms of additional information which may be needed. Nothing has been presented to him thus far but Board members should feel free today to present or send an email. This concluded the Committee's report and the Board adjourned for lunch.

Adjournment

The Quarterly Board of Regents Committee meetings adjourned at 12:28 p.m.



Secretary



Chair

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