

**Joint Special Board of Regents Committee Meeting  
Buildings and Grounds Committee and Finance Committee  
Murray State University  
Tuesday, January 22, 2008  
Curris Center Mississippi Room  
5 p.m.**

Chair Alan Stout convened the joint special meeting of the Buildings and Grounds and Finance Committees at 5:05 p.m. The roll was called and the following committee members were present: William Adams, Marilyn Buchanon, Peg Hays, Eric King, Alan Stout and Jeff Taylor. Absent: none. Other members of the Board present included Jay Morgan, Vickie Travis and Gina Winchester.

Others present were Randy J. Dunn, President; Jill Hunt Lovett, Coordinator for Board Relations and Executive Assistant to the President and Board Secretary; Gary Brockway, Provost and Vice President for Academic Affairs; Tom Denton, Vice President for Finance and Administrative Services; Jim Carter, Vice President for Institutional Advancement; and members of the faculty, staff, students, news media and visitors.

Judge Taylor, Chair of the Finance Committee, indicated that at the quarterly Board of Regents meeting on November 30, 2007, Dr. Morgan raised issues regarding facilities on campus and Ms. Hays raised buildings and grounds issues and it was determined that a special joint meeting of both committees would be called in January. Judge Taylor indicated that in order to begin discussion pertaining to facilities and possible renovations or repairs that the committees would receive an update on the state budget.

**Budget Update on FY 08 Rescission and FY 08 State Appropriations**

Dr. Dunn provided an update on the state budget picture for Murray State University for the current year through fiscal year 2009. He referred to the Appropriation Reductions and Potential Cuts Table that was provided in the packets for the committee members. He stated that the Commonwealth's public universities are currently under an Executive Order from the Governor to give back 3 percent of state appropriations which amounts to approximately \$1.7 to 1.8 million for MSU.

Dr. Dunn reported that MSU receives quarterly state support payments from the Commonwealth, with the final support payment coming up in April, and anticipates that the amount of the rescission will be taken from that final payment. He stated that in working with the vice presidents a determination was made that this would be handled through carryforwards. Dr. Dunn indicated that the Board previously discussed carryforward funds and has been provided with a carryforwards schedule for the current fiscal year. He stated that different models are being examined to cover the rescission but a determination must be made on how to meet the state mandate while causing the least impact on student services and delivery of the core work of the University. He reported that possible approaches include:

- 1) Examine all carryforwards including those that are not funded out of the base state appropriations (including auxiliaries that receive no state funding).
- 2) Limit review to state-appropriated lines and employ an across-the-board approach that targets all areas equally but that could have an unequal impact because some units have more carryforwards than others. Dr. Dunn stated that some units, particularly in Finance and Administrative Services, carry accounts that are for shared services across the University. He provided the example that Mr. Denton controls line items for all utility accounts and the question under this approach becomes whether that area should take the hit for all utility accounts when in essence that is something shared across the University. Dr. Dunn indicated that if a differential approach is utilized those areas that have the ability to handle a cut can be identified. He specifically mentioned line items that are funded by grant programs which contain sizeable balances that have accumulated over a number of years.
- 3) Dr. Dunn stated that also in the mix is providing the vice presidential areas with the flexibility to leave carryforwards alone and utilize operating funds to meet their share of the giveback.

Dr. Dunn reported that the 3 percent giveback will be identified from sources where it will not harm the ongoing operations of the University and will likely mean that money units have been saving to accomplish certain things may remain available.

Judge Taylor stated that Murray State's appropriation for 2007-08 is approximately \$56 million and asked for clarification on whether the University has been asked to cut 3 percent of the total budget, notwithstanding what has already been received in three payments to date. Dr. Dunn stated that is correct and that operationalizes as a 6 percent cut when the fiscal year is halfway over and the University is asked to give back 3 percent that covers the entire year. It is in essence a 6 percent cut on the remaining months of the fiscal year.

Dr. Dunn stated that staff members are working closely with Frankfort and the other universities with regard to fiscal year 2009 to determine the different scenarios that could play out. He indicated that it is too early in the process to know what the ultimate outcome for fiscal year 2009 will be. Dr. Dunn indicated that he has heard from legislators, administration officials and the Governor that the base budget for next year could be the same as this year, not taking into account the 3 percent giveback, and universities would have the same amount to start FY 08 as they did in FY 07 all the way to a potential 15 percent cut. He reported that the presidents compiled information in response to a request from the Governor and that is the schedule that has been provided in the committee packets that shows the impact on Murray State University's appropriations given any one of the potential scenarios.

Dr. Dunn indicated that as the university works forward scenarios must be created that can be adjusted over time depending on the situation as it develops. The presidents have been asked to make a presentation before the Subcommittee on Education of the House Appropriations and Revenue Committee. Representative John Will Stacey chairs this committee and has asked the universities to examine various scenarios to determine what they would mean for the universities. When the final budget scenario becomes clear and university officials know what they are facing for FY-09 and FY-10 they can fairly quickly present the Board with a

picture of what the situation means for the University. Dr. Dunn indicated that the solution for Murray State would most likely include a combination of cost containment measures and tuition increases. Once the state appropriation is known the Board will make a determination of what the mix should be.

Judge Taylor asked if the Governor's Office had indicated whether the budget would be out next week. Dr. Dunn stated the Governor's Budget address is scheduled for January 29, 2008, and confirmed that the University is on schedule for budget adoption in May but University officials may need to call a special meeting, depending on the timing of the release of information. Dr. Dunn requested that committee members let him know if they would like to proceed differently.

Dr. Dunn indicated he plans to hold at least one Budget Hearing on campus to play the scenario through with the University community. He thinks it would be a mistake to start making changes now without thinking through what the University will do in a worst case scenario but it is too premature at this point to start making big pronouncements about how the University will address potential cuts. He believes the University administration must build scenarios that could be applied once cuts are announced. Judge Taylor asked if the University is considering absorption of any part of a budget cut with regard to unrestricted funding. Dr. Dunn stated that if a vice president decides within his area that he can cover the rescission with current operating funds then that option is available.

Discussion followed on two charts *Unrestricted Net Assets – Discretionary* and *Unrestricted Net Assets vs. Revenue* that were provided in the packets distributed to committee members. Highlights included:

- \$31 million available in carryforwards for this year
- Nearly \$31 million was available in carryforwards last year and coming out of those funds would be ERP implementation (\$7 to 8 million), construction of the Public Safety Building (increased from \$2 to \$2.3 million), stopping work on Phase II of the Science Complex (\$2.2 million) and razing the Boy Scout Museum (\$500,000).
- \$4.9 million in working capital which refers to accounts receivable and inventory levels and adequate reserve funding for the University to offset those assets in the capital section
- \$900,000 in self-insurance reserves is most likely too low and should be raised to about \$1.5 million in the event the University moves from self-insurance to conventional premiums. Due to the current budget situation it most likely will be 2009 before this increase can occur.
- \$2.8 million in revenue contingency that is not legally required for universities but is something state agencies also set aside in their budget planning process and the universities have become more aware of the necessity of setting these funds aside
- \$1.3 million for grants indicating that requirements of a grant must be carefully examined to identify the parameters and limitations on the expenditure of funds
- \$1,062,000 in Action Agenda funds for expenditures related to recruitment and retention, teacher quality and similar initiatives

- \$3 million in self-supporting income for programs such as the English Language Institute where fees are charged for a specific program
- \$600,000 in maintenance and operations funds allocated to specific departments for projects that have been started but not finished
- Breathitt Veterinary Center funding is typically fenced from other activities of the University but are included in the general University appropriation.
- \$435,000 in auxiliary and operations to include vending and Bookstore commissions
- 25.3 percent refers to the amount of net assets compared to revenue audited at June 30, 2007
- ERP will provide a return on investment in enhanced service to students and operational efficiency

Ms. Hays indicated that no discussion has taken place regarding increasing revenue and believes there are opportunities which exist with regard to student enrollment. Dr. Dunn reported that a working group has been established to examine enrollment issues and that will be reflected in the budget for next year. He stated the Board must be aware that by keeping tuition at a fairly moderate level the possibility exists for the institution to become fee heavy and there are difficulties associated with this approach that must be examined.

Judge Taylor stated he would like to know what Murray State's capacity on the main campus currently is in terms of classroom size, current student population and number of instructors and professors and feels this number should be attainable. Dr. Dunn agreed the number is attainable at some cost to study the issue. He stated this review would also involve making value judgments. He pointed out that the residential part of the equation cannot be separated out and must be considered as well. Dr. Dunn explained that a value judgment situation exists when determining how many students will be put in an introductory section of a course. Currently the standard exists on campus where 40 to 45 students is the maximum number acceptable for a course. Dr. Dunn reported that he has encouraged various elements of the campus community to consider why that number cannot be 75 or 80 on certain introductory level courses. Dr. Dunn further stated that unless a student has a waiver they are required to live on campus for the first two years and perhaps the policy needs to be discussed to see if this requirement is still relevant.

Judge Taylor indicated that he realizes there are program considerations and restraints and that housing issues certainly come into play but he is curious from the physical structure standpoint how many more students the University can handle. He suggested the vice presidents could send an e-mail to the department heads and professors to determine how many empty chairs are in the classrooms and that could be done in a relatively short amount of time and at little expense to the University. Dr. Dunn indicated that Mrs. Fügen Muscio, Coordinator for Institutional Research, could examine a particular course section that is currently structured for 15 students and determine how many students are actually in the class and how many spaces are left and that could be done relatively quickly. He indicated what that does not call into question is the larger issue of whether the class could be increased to 25 or whether the class should be offered at all.

Judge Taylor stated that the issues and parameters of the Finance Committee have been addressed from a financial standpoint and turned the meeting over to Ms. Hays.

### **Repair and Minor Renovation of Instructional Spaces**

Ms. Hays indicated that at the November quarterly Board meeting Dr. Morgan expressed concern regarding maintenance needs on the main Murray State campus. She stated that there have been reports from students that classrooms are either too hot or too cold and that other maintenance issues exist as well. Ms. Hays indicated she would like to know what process is currently in place to handle reports from professors that the temperature in their classroom is unsuitable and who is directly responsible for handling those requests. She stated there is obviously need for renovation, improvement and repair and replacement of classroom items. Dr. Morgan stated that he brought this issue to the attention of the Board at the last quarterly meeting and appreciates joint committee review and consideration of the issue. He indicated that he primarily considers MSU to be a teaching institution but that according to his calculations over 60 percent of classes are currently being taught in the oldest buildings on campus, including Faculty Hall, Applied Science, Wilson Hall, Business Building, Blackburn Science and the old Fine Arts Building. He reported that many of the buildings have not had any type of significant repair for many years and some are not scheduled for repair in the near future. He indicated these areas are isolated and are scattered throughout campus and it would be difficult to locate a classroom building that requires a complete makeover. Dr. Morgan indicated that when a classroom is in a bad state of disrepair responsibility for fixing that classroom falls primarily on the Dean or Chair to find the money and that this money usually comes out of operating funds. Dr. Morgan suggested addressing this issue by utilizing a phased process addressing the instructional areas first. Dr. Morgan requested that the Board examine the following:

- 1) Classrooms and instructional spaces
- 2) Heating and air conditioning in the classrooms
- 3) Painting of classrooms that need to be painted, replacement of broken desks that are 20 to 30 years old and replacement of broken chalkboards

Ms. Hays reported that a list of repair and maintenance issues and the costs associated with addressing those issues has not been prepared and she would like to see such a list so the projects could be prioritized. Dr. Dunn stated that he does not know the history of some of the classrooms on campus but he agrees with Dr. Morgan that the classroom example presented to the Board was extreme. In investigating how some areas ended up in their current condition Dr. Dunn discovered there may have been a breakdown in filling work orders to address these types of issues. Dr. Dunn indicated if there are six broken chairs in a classroom there must be a way to report that and he think perhaps this is where the breakdown has occurred. Dr. Dunn referred to the work order summary charts provided in the packets and indicated those charts illustrate that Facilities Management is very good at what they do and usually are able to respond to a situation within 24 hours of receiving a work order.

Dr. Dunn indicated that he believes the issues currently being identified could also be handled through a work order process but that process must be expanded and communicated better. He reported that one change that has been made in the maintenance and cleaning of the

buildings has been to move from a building centered approach to a team approach where teams are placed across different buildings as opposed to being assigned to one building. He indicated that this change is reflective of a standard practice for facilities management work but has perhaps resulted in the loss of individuals taking “ownership” of a particular building.

Mr. Denton indicated that easy fixes fall within the work order process and there are approximately 29,000 work orders per year. Ninety percent of the work orders come in over the telephone and are usually placed by the departmental secretary but a work order form is available online. Mr. Denton reported that the work orders are then entered into the management system and project completion and cost of materials are tracked from there.

Mr. Denton reported that the committee members have been provided with a breakdown of the work order summary from a previous year and that information illustrates that one-third of the in-house work is preventative maintenance and two-thirds relates to service calls. Mr. Denton also stated that approximately \$5 million per year is spent on these types of work orders and that 500 work orders were project related for a total cost of approximately \$2 million. Dr. Morgan indicated that he believes the work order process does work when the projects are primarily related to structural issues but that a good process is not in place to address the instructional component of the process. He stated that Facilities Management should be able to pull expenses related to classroom repairs away from academic departments. Dr. Dunn indicated the administration’s argument is that this decision falls within the purview of each Dean to determine the best use for that funding.

Dr. Dunn stated that the Board must decide whether to take on this work centrally to alleviate the pressure on academic units but a source of funding would need to be identified. The first step would be to examine classrooms and labs and develop a renovation program to address needs in those areas. He also stated that decisions would need to be made regarding what will not be undertaken in terms of other work.

### **Facility Condition Assessment Report (VFA Study)**

Dr. Dunn indicated the committees were provided with the VFA Study that is a working list of the larger scale projects that are being addressed with University funds. He stated if the committees decide to shift out some of the work that is currently taken care of by the academic units then academic administrators must work with staff within their units to determine where the money will be allocated and for what projects. He indicated that this work can happen but it will be at the expense of something else and a Board directive is needed to change from the current approach.

Mr. Adams asked whether each area could contribute a certain percentage of money and then the administration determines what area will be addressed with that funding. Dr. Dunn indicated this is what a centralized approach would accomplish but only after consultation with the deans and chairs. Mr. Denton stated that \$800,000 to \$1 million per year is spent out of facilities management accounts to perform routine and moderate repairs through the work order system. The next level up is a renovation request and the third level is major projects.

Dr. Dunn indicated if a faculty line is unfilled those savings in a majority of universities are gathered up and centralized at the University level and administration would do that to help cover costs for ongoing repairs and maintenance. He indicated that at MSU units are allowed to keep the funds from salary lapses to use at the Dean's discretion with the tradeoff that they are covering the costs of maintenance and repair. Each college then makes the determination on how those funds are best utilized. Dr. Dunn indicated if this work is now going to be centralized then everything gets put on the table with regard to continuing to allow the colleges to retain unspent funds to use at their discretion. Dr. Dunn stated that he believes that the responsibility for these funds should attach closest to the unit of service delivery. Mr. Adams asked if the fact that more than one college is utilizing a building could be an issue and Dr. Dunn indicated that has been a concern among the deans. Dr. Gary Brockway reported that discretionary funds have been spent on renovating classrooms but that those funds are tight and vary from department to department and college to college.

Dr. Dunn recommended that the committees consider creating a pool in the budget process for the next fiscal year that would help address in a centralized fashion some of the needs that have been identified. He indicated that monies could be set aside and if in considering other competing budget items the Board decides these monies will remain in next year's budget, then a process could very easily be put in place to prioritize and complete some of these projects. Mr. Adams indicated he would also encourage the Board to proceed in this manner.

Mr. King asked whether there was a short-term fix in terms of addressing the needs that exist in the buildings right now with regard to heating and cooling. Dr. Dunn stated that if that situation occurs he has requested to be called immediately so he can personally visit the classroom. He indicated that some of the issues could pertain to the main HVAC system and that is a larger issue that will take considerably more time and money to address.

Dr. Morgan added that it has taken many years for the University to get in this position and is the result of a compounding effect of years of neglect in certain areas. He agrees with Dr. Dunn that some type of needs assessment over the spring is warranted and would allow the President and his administrative staff to assess what is needed via the Provost and Deans and Chairs of each department. Dr. Morgan indicated that much of this can be alleviated through a possible line item in the budget. He further stated that he is hesitant to take block budgeting away from the deans because he thinks it fosters flexibility in the use of these funds. He stated that asking a Dean to forgo hiring a faculty member for six months or a year in order to buy desks for a classroom in some cases is acceptable but is not a good long-term management decision.

### **Campus Master Plan Draft**

Dr. Dunn stated that at the February quarterly meeting the Campus Master Plan will be presented to the Board for adoption. He asked the committee members to let him know if they have remaining questions or concerns regarding the document. He reminded the committee members that adoption of the plan does not commit the University to any one project or specific action and that the document is simply a general road map to remake and reform the Murray State University campus. Individual projects will still be brought before the Board. Dr. Dunn reported that it is important for this document to be approved because developers have been put

on hold regarding residential areas, a new library, moving parking areas to the perimeter of buildings and the Main Street corridor on 15<sup>th</sup> Street.

### **Related Issues and Updates**

- **Breathitt Veterinary Center**

Dr. Dunn reported that the Breathitt Veterinary Center remains on the CPE's Capital Projects listing and stated that Senator Jim Bunning's office asked for additional information about the project. Dr. Dunn will travel to Washington shortly to fulfill this information request.

- **Farm Acquisition**

Dr. Dunn reported that the School of Agriculture has identified property to be purchased and various scenarios are being examined to allow for the purchase of the property. He indicated that many in the Legislature are sympathetic to Murray State's need.

- **Extended Campuses**

Dr. Dunn indicated discussions have taken place regarding space utilization needs in Henderson and that Henderson Community College has requested that Murray State come back to campus. Ms. Hays stated that redoing the parking lot at Hopkinsville made a big difference in making more apparent the activity that is taking place at the facility. She also expressed concern that 25 percent of the space in the Hopkinsville building remains unfinished. Dr. Dunn indicated that when the decision was made to build the extended campus in Hopkinsville the plan from the beginning was to leave 25 percent of the building unfinished. Once it is determined what the needs of the area are then the space will be finished to meet those specific needs.

Dr. Dunn reported that most likely in mid-February the Paducah Task Force would advance a recommendation regarding higher education delivery in that area and that the renovation of the Crisp Center remains in the top 20 on the state-wide facilities condition study.

The joint special meeting of Buildings and Grounds and Finance committees concluded at 7:20 p.m.