

MINUTES
OF THE BOARD OF REGENTS
WESTERN KENTUCKY UNIVERSITY

June 17, 2005

AGENDA ITEM 1 - Call to Order

Required statutory notice having been given, a special meeting of the Board of Regents of Western Kentucky University was held for the purposes of:

- 1) Approval of the 2005-06 Combined Budgets and Faculty and Staff Compensation Report; and
- 2) Approval/authorization to purchase property at 1346 and 1350 Kentucky Street.

The meeting was conducted via interactive television from Room 249 of the Mass Media and Technology Hall on the Western campus; ATMOS Energy Conference Room, Dallas, Texas; CRPEC Room 509 in Elizabethtown; Room 168 of the Glasgow Regional Center; and Room 210 of the Learning and Resource Center Building on the Owensboro Campus.

The meeting was called to order by Chair Martin at approximately 9:30 a.m., CDT.

AGENDA ITEM 2 - Roll Call

The following members were present at the location indicated:

Ms. Kristen T. Bale	Glasgow Campus
Dr. Robert L. Dietle	MM&TH
Mr. Earl Fischer	ATMOS - Dallas
Ms. Lois Gray	Elizabethtown Campus
Ms. Judi Hughes	MM&TH
Ms. Pat Jordan	MM&TH
Mr. Cornelius A. Martin	MM&TH
Ms. Forrest Roberts	Owensboro Campus

Ms. Johnson, Ms. Rogers, and Mr. Zielke were absent.

Others in attendance included: President Gary Ransdell; Ms. Liz Esters, Secretary to the Board of Regents and Staff Assistant to the President; Mr. Robert Edwards, Assistant Vice President for University Relations; Mr. Michael Dale, Assistant Vice President for Academic Budget and Administration; Mr. Tony Glisson, Director of Human Resources; Ms. Ann Mead, Chief Financial Officer; Dr. Gene Tice, Vice President for Student Affairs; and Ms. Deborah Wilkins, General Counsel.

AGENDA ITEM 3 - Approval of the 2005-06 Combined Budgets and Faculty and Staff Compensation Report, FY 2005-06.

FACTS: The *Western Kentucky University 2005-06 Combined Budgets* contains the proposed Operating Budget and Capital Budget. The Operating Budget includes Educational and General (E&G) and Auxiliary Enterprises revenues and expenditures. E&G revenue consists of unrestricted revenue -- primarily state appropriations and tuition and fees -- and restricted revenue (e.g., federal funds for student financial aid and extramural funding for grants and contracts). Auxiliary Enterprises revenue is derived from the self-supporting activities of the University such as housing (reimbursed costs from the Student Life Foundation), food services, and bookstore operations. The Capital Budget provides a listing of major capital and lease/purchase projects, funding sources, and the current status of these projects.

The *Western Kentucky University 2005-06 Combined Budgets* is the University's financial plan for the fiscal year beginning July 1, 2005 and ending June 30, 2006. The 2005-06 Operating Budget and the dollar and percent increases, over the 2004-05 budget, are distributed as follows:

	2005-06 Budget	Dollar Increase	Pct Increase
Total Budget	\$272,586,000	\$29,144,000	12.0%
Total E&G	256,075,000	29,443,000	13.0%
Unrestricted E&G	193,450,000	22,526,000	13.2%
Restricted E&G	62,625,000	8,079,000	14.8%
Total Auxiliary Services	16,511,000	(299,000)	(1.8%)

2005-06 Strategic Budget Priorities

Western Kentucky University's 2005-06 Operating Budget reflects the following strategic budget priorities (*not in priority order*) for the allocation of unrestricted funds:

- ◆ **Recruit and retain quality faculty and staff. (Strategic Plan Goal 3)** Funds are needed to provide salary increases in recognition of outstanding performance and to improve the market competitiveness of the University's salaries and benefits.
- ◆ **Assure academic quality, particularly in addressing enrollment growth. (Strategic Plan Goals 1, 2, and 4)** Funds are needed for additional faculty and staff positions and for operational costs to address program and student support needs resulting from enrollment growth.
- ◆ **Improve our physical resources. (Strategic Plan Goals 4 and 5)** Funds are needed on an ongoing basis to address campus maintenance and utilities requirements and to protect the University's investment in plant. Funds are required for facilities maintenance and utilities associated with opening the new science building and the Student Success Center.
- ◆ **Provide permanent funding for needs that have been met routinely by nonrecurring allocations. (Strategic Plan Goal 5)** Funds are needed for inflationary cost increases and continued implementation of selected items that are in the University's *Strategic Plan*. Funds are to be allocated for items for which insufficient permanent funding has been identified in previous budgets.

These priorities and other Strategic Plan priorities are to be achieved through the allocation of projected increases in tuition and fees revenue, self-generated departmental revenue, and through reallocation of existing budgeted funds within divisions. There are numerous other needs identified for which no funding or inadequate funding is available. Where feasible, additional funding will come from reallocations of budgets within divisions and carry forward funds (prior year balances) allocations.

Revenue Highlights

The largest source of revenue to Western Kentucky University is tuition and fees. The Operating Budget includes the projected revenue based on the 2005-06 tuition and fees rates and actual enrollment from fall 2004. Tuition and fees also include graduation fees, Student Athletics Fee,

distance learning instruction, Correspondence Study course fees, and course-specific fees that are returned to the respective units.

The budget includes tuition and fees totaling \$94.3 million which is an increase of \$12,599,000 or 15.4 percent over the budgeted 2004-05. Included in the tuition and fees increase is \$6,637,000 to be allocated for Academic Quality Plan (Phase II) implementation, as approved by the Board of Regents in spring 2005.

Budgeted tuition does not include a revenue estimate for the spring 2006 tuition increase for the new Campus Rebuilding program that was approved by the Board of Regents. Based on actual fall 2005 enrollment, a revision to the 2005-06 operating budget will be submitted to the Board of Regents and allocations will be available in spring 2006. The revenue will fund major physical plant upgrades across the campus.

The second largest source of funding for Western Kentucky University is from the Commonwealth of Kentucky. The 2004-06 Biennial Budget includes direct state appropriation increases of \$1,162,000 for FY 2005 and \$1,922,800 for FY 2006. The FY 2006 direct appropriation recognizes the cost associated with operation and maintenance of new facilities, changes in debt service payments, and one-half of the budget reduction restored to the University's base operating budget.

Additional funds, categorized as Institutional Base Enhancement and Past Enrollment Growth, were appropriated to the Council on Postsecondary Education and will be re-distributed to the colleges and universities in FY 2006.

In recognition of past enrollment growth and insufficient state support in comparison to benchmark institutions, Western Kentucky University will be receiving an additional state appropriation increase of \$6,075,800 in FY 2006. This amount is being included in the WKU 2005-06 Operating Budget.

The proposed 2005-06 Operating Budget includes the following projected additional state appropriations and tuition revenue available for allocation:

Projected State Appropriation and Tuition Revenue Increase

Fall and Spring Semesters	\$11,048,000
Summer Semester	1,343,000
State Appropriation, Operating	7,977,800
State Appropriation, Debt Service, Existing Bonds	20,800
Increase Available for Allocation	\$20,389,600
Less:	
Investment Income Decrease	(100,000)
Total Increase	\$20,289,600

Restricted Funds, including grants and contracts and student financial assistance, comprise 23.0 percent of the total budget. The restricted budget includes an increase of \$8,079,000. The projected revenue for grants and contracts is being increased by \$2,650,000 primarily from Federal and State agencies. Student Financial Assistance is projected to increase by \$2,100,000 from the Federal government and \$3,329,000 from the Commonwealth of Kentucky. The single largest increase is in KEES (Kentucky Educational Excellence Scholarship) funding which is expected to increase 24.6 percent over the 2004-05 budget.

The Auxiliary Enterprises 2005-06 revenue estimate decreases by \$299,000 from the approved 2004-05 budget. The decrease is accounted for by lower reimbursed costs from the WKU Student Life Foundation. Other Auxiliary Enterprises are projecting a total increase of 3.5 percent or \$345,000.

Total Budgeted Revenue by Source

Tuition and Fees	\$94,250,000
State Appropriation	78,039,000

Restricted Funds	
Gifts, Grants, and Contracts	32,050,000
Student Financial Assistance	30,575,000
Other	21,161,000
Auxiliary Enterprises	16,511,000
TOTAL	\$272,586,000

Expenditures Highlights

The proposed additional state appropriations and tuition revenue allocation is summarized by budget priority and the Strategic Plan Goals addressed within *Challenging the Spirit*.

- ◆ **Recruit and retain quality faculty and staff. (Strategic Plan Goal 3: Assure high-quality faculty and staff)** In order to attract and retain faculty and staff, funds are needed to provide salary increases in recognition of outstanding performance and to improve the market competitiveness of the University's salaries and benefits.

Health Insurance Program	\$152,000
Unemployment Insurance Rate Increase	48,000
Four Pct Merit Pool, Pool Budgets and Vacant Positions; One Pct Personnel Pool; and Small Division Adjustments	4,759,500
Faculty Promotions	147,000
Gender/Ethnicity Equity Study, Salary Adjustments	75,000
Subtotal	\$5,181,500

- ◆ **Assure academic quality, particularly in addressing enrollment growth. (Strategic Plan Goal 1: Increase student learning, Strategic Plan Goal 2: Develop the student population, and Strategic Plan Goal 4: Enhance responsiveness to constituents)** In order to assure academic quality, particularly in addressing enrollment growth, funds are needed for additional faculty and staff positions and for operational costs to address program and student support needs resulting from enrollment growth. Funds are needed to meet the needs of new student populations especially through on-line learning.

Summer School Program	\$450,000
Restricted Tuition Allocations	469,000
International Graduate Students Tuition Fellowships	562,000
Graduate Assistant Stipends and Recruitment	209,100
Degree Audit System	300,000
Scholarships/Grants-in-aid/Dependent Child and Faculty Staff	1,699,200
Academic Quality (Phase II)	5,637,000
Division of Extended Learning and Outreach (DELO)	758,000
Disabled Student Services Program, Tech Specialist	50,000
Interactive Television, Technician (partial funding)	36,000
Help Desk (IT), Supervisor	65,000
Police Officers (2) and Training/Professional Development	107,000
Counseling and Testing Center, Counselor	50,000
Campus and Community Events, Events Assistant	30,000
Eliminate Phonathon Overhead Charge	48,000
Subtotal	\$10,470,300

- ◆ **Improve our physical resources. (Strategic Plan Goal 4: Enhance responsiveness to constituents and Strategic Plan Goal 5: Improve institutional effectiveness)** In order to ensure timely and successful utilization of a major new academic (science) building, funds are required for facilities maintenance and utilities associated with the new building. Funds are being allocated for opening the new Student Success Center in January 2006. As part of the University's major effort to improve campus physical resources, funds are needed on an ongoing basis to address campus maintenance and utilities requirements and to protect the University's investment in plant.

Parking and Transportation Plan Implementation	\$58,000
Debt Service, Existing Debt Payment	114,000
Capital Improvements	600,000
Utilities Increases and Opening New Facilities	1,751,800
Skaggs Trust Payment	24,000
Increase Internet Bandwidth	130,000
Subtotal	\$2,677,800

- ◆ **Provide permanent funding for needs that have been met routinely by nonrecurring allocations. (Strategic Plan Goal 5: Improve institutional effectiveness)** Funds are needed for inflationary cost increases and continued implementation of selected items that are in the University's *Strategic Plan*. These funds will provide permanent funding for needs that have been met routinely by nonrecurring allocations.

Miscellaneous Scholarships	80,000
Talisman, Permanent Budget	282,000
Four Pct Operating Budget Increase	857,000
Honors Program Operating, Permanent Budget	100,000
Distinguished Professors, Permanent Budget	36,000
Safety and Security Campus Improvements	50,000
Garrett Conference Center, Operating Costs, E&G	100,000
EPA/OSHA Compliance, Staffing and Operating	125,000
Postal Services, Equipment Lease	30,000
Institutional Advancement Capital Campaign and Staffing	300,000
Subtotal	\$1,960,000

Total Proposed Allocations \$20,289,600

Other budget initiatives are identified in the respective division narratives included in this budget document. These narratives serve as an integral link to the University's *Strategic Plan*.

Total Budgeted Expenditures by Major Classification

<i>Personnel</i>	<i>\$128,639,703</i>
<i>Operating Expenses</i>	<i>80,650,893</i>
<i>Utilities</i>	<i>7,271,521</i>
<i>Capital Outlay</i>	<i>6,585,965</i>
<i>Student Aid</i>	<i>42,188,029</i>
<i>Debt Service</i>	<i>7,249,889</i>

The budget includes approximately 1,500 full-time, filled positions and 200 full-time, vacant positions. Faculty positions account for approximately 45 percent of the unrestricted E&G budgeted positions.

Capital Budget Summary

The Capital Budget includes anticipated capital projects that will be under way next year or are currently under way including the source of funding, estimated cost, and the status of each respective project. These authorized projects will address many of the projects identified in the University's Six-Year Capital Plan and the Deferred Maintenance Plan. The following high-priority capital projects were included in the 2005 General Assembly's enacted 2004-06 Biennial Budget:

State General Fund Bond	
Renovate Science Campus, Phase II	\$33,000,000
Math and Science Academy	3,750,000
Subtotal	36,750,000
University Bonds	
Math and Science Academy*	5,000,000
South Campus Improvements	7,000,000
Student Health Services Clinic	4,000,000

IT Infrastructure	3,000,000
Renovate Academic/Athletic Bldg. #2, Ph I*	9,500,000
Subtotal	28,500,000

University Funds/Private Funds**

Performance Contracting (<i>Guaranteed Energy Savings</i>)	TBD
Primary Electrical System – PH IV	1,987,000
Repair Mold/Moisture Damage	1,612,000
Renovate Central Heat Plant PH I	1,273,000
Life Safety, Center for Research and Development	500,000
Renovate Garrett Conference Center-Design	858,000
Construct Student Publications Facility	1,000,000
Construct Pedestrian Mall	2,000,000
Parking and Street Improvements	4,000,000
Property Acquisition	3,000,000
Purchase Digital Television Transmission System	1,993,000
Replace Servers	880,000
Subtotal	19,103,000
Total	\$84,353,000

*Higher project scope authorized by the General Assembly; additional institutional funds may be allocated to project.

**Authorized by General Assembly and subject to availability of funds to address these needs.

RECOMMENDATION: President Gary A. Ransdell recommends that the Western Kentucky University Board of Regents approve the 2005-06 *Combined Budgets* and Faculty and Staff Compensation Report, FY 2005-06.

Motion to approve the 2005-06 *Combined Budgets* and Faculty and Staff Compensation Report, FY 2005-06 was made by Ms. Hughes and seconded by Dr. Dietle.

Questions were addressed by Ms. Ann Mead, Chief Financial Officer and Dr. Ransdell.

Ms. Roberts inquired about Academic/Athletic Bldg. #2, which is the Stadium that included a separate building and asked for details about the separate building, which, she indicated she was unaware of a separate building before. She asked for related details referring to the bottom of page 63 in the budget document.

Dr. Ransdell responded indicating, “There was \$9,500,000 approved in agency authority in the past legislative session to renovate the Stadium–Academic/Athletic Bldg. #2, which is a \$35 million project. We only have agency authority right now for \$9,500,000, so bonds will be let this year as the other bond issues go through. The revenue for that begins January 1, 2006, per previous Board action. The \$9,500,000 will allow for the hiring of architects, begin the process, relocate the track, and maybe begin some work on Smith Stadium per the architects directions. We have a general understanding that the remaining \$25.5 million agency authority will come this spring to complete the project. There are no State appropriations for that, and the agency authority uses our revenue for our approved campus rebuilding projects.”

Ms. Mead indicated that the narrative for the project includes the construction of a building—I believe that’s the gift.”

Dr. Ransdell explained that the Stadium renovation has five parts: 1) relocating the track; 2) rebuilding the current Stadium; 3) building the end-zone building; the Academic/Athletic Performance Center, which has the computer labs and the tutoring facilities; 4) a modest Stadium on the other side of the field; and 5) a berm on the Big Red Way end of the Stadium that will have a replication of the Colonnade on top of that berm to finish that end of the project—five parts, all in the \$35 million renovation/addition budget for the Stadium. Some private money has been raised which will likely be used for equipment and furnishings in the entire facility, so that the construction funds remain focused on construction.

Ms. Roberts again indicated she had not previously heard about all of the other aspects of this project.

Dr. Dietle pointed out an error on page 7 which should read 2005-06; he also asked about the percentage of HEPI increase for athletics to which staff responded 4.6%. In addition, Dr. Dietle asked about which fees are included in tuition and if they, too, receive the HEPI increase.

Ms. Mead explained one change from the Board’s previous action on April 29, 2005. On page 15 of the budget, the Tuition and Mandatory Student Fees Schedule, the spring 2006 rates are reduced in every category but undergraduate resident--there is a technical error. The spring 2006 rates should have been increased by \$156 in recognition of the campus building fee, and this was inadvertently treated as a tuition increase. ***“Approving this budget will approve the revised tuition schedule along with the faculty and staff compensation for 2005-2006.”***

Dr. Dietle asked about the funding for the position of Wellness Coordinator. Ms. Mead indicated the decision had been made to fund the position out of the Health Insurance Reserve.

Dr. Ransdell commented, “It’s my understanding that the Budget Council considered that among its options and chose to defer funding this position with University funds until next year and called upon the Health Insurance Reserve to carry the position in its first year with the intention of coming back and funding it next year again having to make tough decisions on numerous good ideas.”

Dr. Tice, who serves on the Budget Committee, stated, “The Benefits Committee did approve the funding of this position for one year.”

Dr. Dietle remarked, “One of the concerns is, we were promised that the Health Reserve Fund, when we went on self-insurance, would only be used for insurance. This has come to the Benefits Committee, and they voted it down numerous times, and it kept coming back. I learned from Ann Mead and the President that you should never fund recurring expense out of one-time money because that reserve is gone.” Dr. Dietle noted that the University Senate had been consulted, and voted against this item feeling it was a bad idea.

Dr. Tice indicated the plan is to go back to the Budget Council next year to get permanent funding for this particular project.

Dr. Ransdell commented, “I’m not on the Budget Council nor the Benefits Committee, but I am the one who made the commitment that the Health Insurance Reserve Fund ought to be used for health insurance purposes. I have to interpret that the Benefits Committee action is that a wellness position is in the best interest of a health insurance program with the theory that a well population has reduced health insurance benefit costs. Our reserve is handsome—\$1.5 million; so, again, I’m not second guessing the Benefits Committee nor the Budget Council.”

Ms. Mead added that the Budget Council acknowledged the need for a Wellness Coordinator but wanted additional discussions with the Student Health Center, with the Department of Public Health, and other entities that have a role in improving wellness. Rather than funding it this year, they are very supportive of funding it next year knowing that discussions would occur as to who does what and where the position is needed in order to accomplish what needs to be accomplished.

Dr. Tice reported that when the Benefits Committee approved the position, they also approved to whom the position would report, the structure, and the goals for the position. This model is used in many businesses that are self-insured. The idea is to promote a healthy campus thereby reduce the health expenses. With the person beginning this year, it is felt the benefit of the position can be demonstrated.

Dr. Dietle stated, “My big concern is, there are always good ideas that need financing; there’s always more good ideas than we have money to finance. I don’t want us to get in the habit of tapping into the insurance fund for things that are great ideas—everybody agrees that it’s a

good idea—but it looks like nobody else wants to fund it. It’s a good idea if somebody else pays for it; and I hope you all really mean that we’re going to get this off the books.”

Chair Martin asked for agreement to move forward with this year only and maybe amend the motion to make sure that in future years the money will not come out of the health insurance fund.

After additional questions and concerns were addressed by President Ransdell and Ms. Mead, Ms. Hughes and Dr. Dietle withdrew the original motion to approve the budget as recommended.

Dr. Dietle moved approval of the 2005-06 Combined Budgets and Faculty and Staff Compensation Report, FY 2005-06 with the provision that the **funding for the position of Wellness Coordinator from the Health Insurance Reserve Fund would be for one year only,**

2005-06. In the future, the funding for this position will no longer be drawn from the Health Insurance Reserve Fund. The motion was seconded by Ms. Bale and passed with a unanimous roll-call vote.

AGENDA ITEM 4 - Authorization and approval to purchase property located at 1346 Kentucky Street and 1350 Kentucky Street in the amount of \$210,000.

FACTS: This property consists of two sites on Kentucky Street surrounded by University and SkyPAC properties, which are all presently utilized as parking. 1346 Kentucky Street is a vacant lot that has been leased by the owner to the University for parking. 1350 Kentucky Street contains a 4,730 square foot duplex apartment building. The composite area of both sites contains approximately 23,000 square feet or 0.53 acres.

The estimated fair market value of the combined properties is \$190,000 as determined by an appraisal performed in March 2005. The University’s proposed purchase price of \$210,000 is 10.5% above this appraised value, which was the amount required to reach agreement with the seller.

It is the University’s intention to draw upon the University’s Reserve Fund for payment of the \$210,000. Acquisition of the property is consistent with the Campus Master Plan and will facilitate planned development of the site for (1) improved permanent parking, and (2) the re-alignment of 14th Street by the city of Bowling Green.


Recommendation: President Ransdell recommends the Board authorize and approve the University to take action to purchase 1346 Kentucky Street and 1350 Kentucky Street for the purchase price of \$210,000.

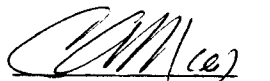
Motion to approve and authorize actions to purchase 1346 Kentucky Street and 1350 Kentucky Street, Bowling Green, Warren County, Kentucky, for the purchase price of \$210,000, from the University’s Reserve Fund was made by Ms. Hughes and seconded by Dr. Dietle. The motion carried with a unanimous roll-call vote.

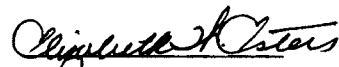
With no other business on the agenda, motion to adjourn was made by Dr. Dietle and seconded by Ms. Jordan. The meeting adjourned at approximately 10:40 a.m.

CERTIFICATION OF SECRETARY

I hereby certify that the minutes herein above set forth an accurate record of votes and actions taken by the Board of Regents of Western Kentucky University in a special called meeting conducted via interactive television from Room 249 of the Mass Media and Technology Hall on the Western campus; ATMOS Energy Conference Room, Dallas, Texas; CRPEC Room 509 in Elizabethtown; Room 168 of the Glasgow Regional Center; and Room 210 of the Learning and Resource Center Building on the Owensboro Campus. I further certify that the meeting was held in compliance with KRS 61.810, 61.815, 61.820, and 61.825 (enacted as Sections 2, 3, 4 and 5 of House Bill 100, 1974 Regular Session, General Assembly).


Elizabeth W. Esters
Secretary


Cornelius A. Martin
Chair
November 19, 2005


Elizabeth W. Esters
Secretary
November 19, 2005