

**MINUTES**  
**OF THE FINANCE COMMITTEE**  
**OF THE BOARD OF REGENTS**  
**WESTERN KENTUCKY UNIVERSITY**

**January 20, 1995**

**AGENDA ITEM 1 - Call to Order**

Required statutory notice having been given, a meeting of the Finance Committee of the Board of Regents of Western Kentucky University was held in the Regents Conference Room of the Wetherby Administration Building. The meeting was called to order by Mr. Burns E. Mercer, Chair, at approximately 8:30 a.m. CST.

**AGENDA ITEM 3 - Roll call**

The following members of the Committee were present:

Mr. C.C. Howard Gray  
Mrs. Peggy Loafman  
Mr. Cornelius A. Martin  
Mr. Burns Mercer

Mr. Preston was absent.

Other members of the Board who were in attendance were:

Mrs. Kristen Bale  
Mr. Robert D. Evans, Jr.  
Mr. Robert Earl Fischer  
Ms. N. Joy Gramling  
Dr. Ray Mendel  
Mr. Fred N. Mudge

Also present were Dr. Thomas C. Meredith, President; Mrs. Liz Esters, Staff Assistant for Special Projects and Secretary to the Board of Regents; Dr. Robert Haynes, Vice President for Academic Affairs; Dr. James R. Ramsey, Vice President for Finance and Administration; Mr. Robert M. Rutledge, Vice President for Institutional Advancement; Dr. Jerry Wilder, Vice President for Student Affairs; Mr. Fred Hensley, Director of University Relations, and Ms. Deborah Wilkins, University Counsel.

**In keeping with the policy of the Board, the agenda for the meeting and information and materials pertinent to items thereon had been mailed in advance of the**

**meeting by the President to members of the Board.**

The following items were reviewed by the Committee:

- **Review of Second Quarter Financial Statement for 1994-95**

Dr. Cecile Garmon, Assistant Vice President for Finance and Administration, presented the Second Quarter Financial Statement for 1994-95 and answered questions

regarding the document. This was an informational item requiring no action by the Committee.

[Note: A copy of the quarterly statement is attached to the minutes as Exhibit A.]

- **President Thomas C. Meredith recommends approval of the Revised Budget for the Second Quarter Fiscal Report for 1994-95.**

[Note: A copy of the revised budget for the Second Quarter 1994-95 is attached to the minutes and a part of Exhibit A.]

Motion for acceptance of the report was made by Mr. Gray, seconded by Mr.

Martin and carried.

- **RECOMMENDATION:**

President Thomas C. Meredith recommends that the Board of Regents increase the 1994-95 budgets for Sponsored Programs Research by \$700,000 for Sponsored Programs-Public Service by \$800,000. This action would require a corresponding increase in budgeted federal revenue of \$1,170,000 and state revenue of \$330,000.

**Background:**

Every year the approved budget includes projected revenue and expenditures for externally funded grant and contract activity. For the last few years, actual sponsored program activity has surpassed original projections. The approved 1994-95 budget includes \$800,000 for Sponsored Programs Research. This recommended addition would bring the total to \$1,500,000. Sponsored Programs-Public Services is currently budgeted at \$4,730,000. This recommended addition would bring the total to \$5,530,800.

This recommendation relates only to restricted revenue and expenditure. It has no impact on unrestricted or discretionary resources.

Dr. Garmon reported that for several years the University has been fortunate enough to acquire more sponsored program funding than anticipated at the time of budget preparation. The recommendation is to increase allocations in two or three areas in Sponsored Programs. This is outside funding in the amount of one-and-a-half million dollars--not the University share.

Motion for approval of the recommendation to increase the 1994-95 budgets for Sponsored Programs Research was made by Mr. Martin, seconded by Mr. Gray, and carried.

- **RECOMMENDATION:**

President Thomas C. Meredith recommends approval of the Institutional Reserve. It is recommended that the Board increase the institutional reserve from \$4,000,000 to \$4,100,000

**BACKGROUND:**

At the meeting of the Finance Committee of the Board of Regents held on October 28, 1994, Chairman Burns Mercer noted that the recommended allocation of the Fund Balance presented to the Board did not provide for an increase percentage in the institutional reserve. Chairman Mercer expressed an interest in having the University increase the reserve by the same percentage as the percentage of revenue increases for the next year so that the same percentage level of the Fund Balance is

maintained from year to year. The committee indicated that the possibility of increasing the reserve beyond the level discussed at the October 28 meeting should be further explored at the January meeting of the Board.

### Analysis

The reserve level of the University may be analyzed from several perspectives:

1. The Reserve as a percentage of the total E&G and auxiliary budgets;
2. The Reserve as a percentage of the E&G budget; or,
3. The Reserve as a percentage of the E&G budget minus grant and external funding sources.

Since the auxiliary enterprises of the University are "stand alone" operations and since a separate auxiliary reserve is maintained, it is recommended that the appropriate percentage of reserve to be maintained be based on either the total E&G revenues or the total E&G revenues minus grant and external funding sources. It can further be argued that since grant and external funding sources are restricted and that since the University does not assume any liabilities with regard to the expenditure of these funds which would require then a reserve, that the appropriate analysis should focus on the reserve as a percentage of the E&G budget minus grant and external funding sources.

For the fiscal year ended June 30, 1994, the reserve of the institution was approximately \$4 million. The E&G budget minus grant funding was approximately \$85 million. Therefore, the reserve as a percentage of revenue was approximately 4.7 percent. (It should be noted that in prior discussions reference has been made to the reserve as a percentage of revenues being at a 4.1 percent level. The 4.1 percent was calculated using method two above; i.e., total E&G revenues.) The projected E&G revenues minus grant and external funding sources for the current fiscal year, FY 94-95, is approximately \$86,700,000. Therefore, 4.7 percent of this amount would equal \$4,074,900 an increase of \$74,900. Given that the revenues are a projection and that the final fund balance for the year is also a function of expenditures and budget management decisions, it is recommended that the Board increase the institutional reserve from \$4,000,000 to \$4,100,000.

Following a presentation by Dr. James Ramsey, Vice President for Finance and Administration, a motion for approval was made by Mr. Gray, seconded by Mr. Martin, and carried.

- **RECOMMENDATION:**

Information concerning the fume hood project in Ogden College is not yet available. A recommendation concerning this project will be made at later date.

President Thomas C. Meredith recommends approval of the following allocations from the remaining 1993-94 fund balance:

- \$100,000 for the Institutional Reserve [**Approved in the above recommendation.**]
- \$ 34,000 for Public Safety (communication equipment and a new patrol car)
- \$ 60,000 for Purchasing (new computer and software system to revamp purchasing procedures on campus).

President Thomas Meredith noted that \$1 million was held back from the

remaining year-end fund balance from the October Board meeting awaiting to see how the fume hood project would play out--that could be a figure of \$700,000 up. Those figures are still not final. The recommendation before the Committee reserves \$800,000 until final figures are in on the fume hood project.

Motion for approval of the recommended allocations from the remaining fund balance was made by Mr. Martin, seconded by Mr. Gray, and carried.

- **RECOMMENDATION:**

President Thomas C. Meredith recommends the acceptance of the audit of the financial statements of WKYU-FM Radio and WKYU-TV for the year ended June 30, 1994, as presented to the Board of Regents by Baird, Kurtz & Dobson.

- **BACKGROUND:**

WKYU-FM Radio and WKYU-TV both receive significant funding from the Corporation for Public Broadcasting (CPB). As a result, a separate audit of the financial statement and the internal controls of WKYU-FM and WKYU-TV is required to satisfy the requirements of the CPB. The audit of these financial statements and the internal control structure is performed by Baird, Kurtz & Dobson independently of the audit of the financial statements and internal control structure of Western Kentucky University.

As part of the audit, BKD observed certain matters that they deemed appropriate to bring to the attention of the Board of Regents. Further, BKD offered several comments and suggestions; some similar to observations made as a result of the 1993 audit. These comments and observations pertain to fixed asset records. In general terms, property records of WKYU-FM Radio and WKYU-TV are not reconciled to the assets recorded as property and equipment on the financial statements. BKD has recommended that a reconciliation be completed to satisfy the University capitalization requirements. In addition, BKD has observed that donated equipment had not been added to the inventory control list. They suggest that donated items be properly identified and tagged in the same manner as purchased equipment. The final comment made in the management letter by BKD pertained to discounts received on equipment purchases. It was noted that these discounts were treated as in-kind contributions and should be recognized in the same year equipment is capitalized.

University management is developing a corrective action program to address each of the three suggestions offered by BKD to management. This corrective action plan has been submitted to the Board of Regents.

It should be noted that both audits presented by BKD are "clean" audits--the financial statements fairly represent the financial position of WKYU-FM Radio and WKYU-TV and the financial statements have been presented in accordance with generally accepted accounting principles.

Dr. Charles Anderson, Vice President for Finance and Administration, made a brief presentation on the financial operation of radio and television.

Dr. Anderson reported that the relative funding for both public radio and television at Western Kentucky University shows that the University's portion of the public radio service in revenues is 51.5%, the Corporation for Public Broadcasting is 17.2% (nationally, you've heard figures of it being about 15%), and the external funding is 31.3%. External funding includes membership support; underwriting, and gifts.

For television, the University's contribution is 55.5%, Corporation for Public

Broadcasting is 31%, and external funding is 13.5%.

Concerns about the future of funding for public broadcasting prompted Mr. Martin to suggest that the Board of Regents adopt a resolution urging the Congressmen from Kentucky to support funding for the Corporation for Public Broadcasting.

Motion for acceptance of the audit of financial statements of WKYU-FM radio and WKYU-TV for year ended June 30, 1994, was made by Mr. Martin, seconded by Mrs. Loafman, and carried.

- **RECOMMENDATION:**

President Thomas C. Meredith recommends that the Board of Regents accept the Accountant's Report on Agreed-Upon Procedures dated June 30, 1994, which constitutes a review of selected accounting records and the internal control structure of the University to ensure compliance with NCAA Bylaw 6.2.3.1.

**Background:**

Pursuant to NCAA Bylaws, the external auditor for a member of the NCAA must review selected accounting records and the internal control structure of the University. This review does not constitute an audit of the financial statements of the University or of the inter-collegiate athletics department of Western Kentucky University but rather assists the University in ensuring its compliance with NCAA Bylaw 6.2.3.1.

In the section of the Accountants' Report dealing with internal control and operating procedures, it was noted by Baird, Kurtz & Dobson that a lack of segregation of duties exists over ticket sales. Due to the lack of staff in the Ticket Office, this has been an ongoing concern of the external auditor. A response from the Athletics Office was prepared and submitted to Board.

Note: The Accountants' Report on Agreed-Upon Procedures dated June 30, 1994, and a letter from Baird, Kurtz & Dobson summarizing their review for the period from September 16, 1994, to December 15, 1994, are filed in the Board's official records.

Following comments from Dr. Ramsey regarding the recommendation and questions from the Board members, motion to accept the Accountant's Report on Agreed-Upon Procedures for the period ending June 30, 1994, was made by Mrs. Loafman, seconded by Mr. Martin, and carried.

- **RECOMMENDATION:**

President Thomas C. Meredith recommends the approval of the attached six-year capital plan and the priorities assigned to the projects listed in the plan.

**BACKGROUND:**

On a biennial basis, each agency of state government, including the universities, is required to prepare a six-year capital plan. Western Kentucky University's six-year capital plan is submitted to the Council on Higher Education. After a review of the plan by the Council, it is submitted to the Capital Planning Advisory Committee. This committee is made up of representatives from the Executive, Legislative, and Judicial

branches of state government. A priority list for state government and recommendations is submitted by the Capital Planning Advisory Committee to the Governor and the General Assembly for consideration in the preparation and enactment of the biennial budget of the Commonwealth.

Western Kentucky University's six-year capital plan is the product of input from each area of the university. The plan is an update of the six-year capital plan from last year with the inclusion of new projects that have been identified as critical to the teaching and learning mission of Western Kentucky University.

**UPDATED 1/19/95**

Original Submission 1/13/95

**Proposed List of 1994-2000 Six-year Capital Plan**

First Biennium (1996-1998)

<u>Order</u>	<u>Project Name</u>	<u>Cost</u>	<u>Year</u>
1	AUX. Access. Projects - ADA	2,525,000	1997
2	E&G Access. Projects - ADA*	2,950,000	1997
3	Ag Expo Center - Air Conditioning	350,000	1997
4	Cherry Hall Window Replacement*	580,000	1997
5	Campus Renovation Pool (Series I)	5,432,700	1997
6	High Voltage Underground Distr.*	676,000	1997
7	Expand Interactive Television	500,000	1997
8	IBM Mainframe Model Upgrade*	350,000	1997
9	Upgrade VAX 6400 to Alpha Tech*	450,000	1997
10	Thompson Complex Fume Hood Replace.	2,260,000	1997
11	Life Safety Improvements	573,000	1997
12	AA#1 Air Conditioning	1,500,000	1997
13	Electronic Photo Lab*	298,000	1997
14	Shuttle Buses - ADA Accessible*	300,000	1997
15	Renovation of Snell Hall - Private Funding	2,000,000	1997
16	Milking Parlor Facility	450,000	1997
17	X-ray Photoelectron Spectroscopy*	180,000	1997
18	AUX. - Auxiliary Fan Coil Project - (BC & BL & Central)	900,000	1997
19	E&G - Electrical Upgrade - Normal Substation	1,300,000	1997
20	Campus Electrical Upgrade Stage I	750,000	1997
21	AUX. - Repair/Replace HVAC & Plumbing	1,200,000	1997
22	Health and Technology Building	29,400,000	1997
23	Renovation of Van Meter Auditorium	1,500,000	1997
24	Ren of Glasgow Campus	9,360,000	1997
<b>25</b>	<b>DNA Sequencing and Service Contract</b>	<b>128,500</b>	<b>1997</b>
<b>26</b>	<b>1 MV Tandem Electrostatic Accelerator</b>	<b>280,000</b>	<b>1997</b>
<b>27</b>	<b>Mass Spectrometer</b>	<b>124,400</b>	<b>1997</b>

28	AUX. - Exterior Ren of Buildings - (BC,BL,Sch,Pol,W)	461,000	1997
29	Ren Biology Lab and Classroom	1,500,000	1997
30	Ren & Expan of KY Building	13,304,000	1997
31	Journalism Building	6,656,000	1997
32	Building to Cover Outdoor Riding Arena	400,000	1997
33	13,500,000	Ren. of AA#1 1997	
34	Ren. of Grise Hall	5,408,000	1997
35	Renovation of Theatre 100 in Gordon Wilson Hall	400,000	1997
36	Renovation of Craig Alumni Center	250,000	1997
37	Repair/Replace of Walks, Parking Lots*	312,000	1997
38	Street Cleaner*	65,000	1997
39	IBM Communications Controller	200,000	1997
40	Upgrade/Expansion Interactive TV System	200,000	1997
41	Voice Messaging*	300,000	1997
42	Satellite Video Uplink*	350,000	1997
43	AUX. - Family Student Housing	4,134,000	1998
44	Campus Facilities Audit*	270,000	1998
45	Renovation of Inst. for Econ. Development	4,000,000	1998
46	Running Track	562,000	1998
47	Library Expansion & Ren	16,874,000	1998
48	AUX. -Asbestos Abatement in Various Res. Hall	1,192,000	1998
49	E&G - Electrical Upgrade - Primary Electrical Ser.	750,000	1998
50	Property Acquisition	800,000	1998
51	Exterior Ren - E&G Bldg (94-95 & 95-96)*	792,000	1998
52	AUX. - Res. Hall - Misc. Ren	1,984,000	1998
53	Replace. Administrative Computing Disk Drive System	410,000	1998
54	Ren. of AA#2	2,000,000	1998
<b>55</b>	<b>Confocal Microscope</b>	<b>110,000</b>	<b>1998</b>
56	Client/Server Computing System	500,000	1998
57	Relational Database System	300,000	1998
58	Wilson Fine Arts Center Addition	1,209,000	1998
59	E&G - Various Bldg. - Clocks & Bells	750,000	1998
60	Ren of Wetherby Administration Building	2,000,000	1998
61	Digital Video Delivery System	<u>400,000</u>	1998
		<b>148,660,600</b>	

\* Projects previously authorized by the 1994 Kentucky General Assembly.

The majority of other projects were listed in the 1992-98 Six-Year Capital Plan.

## Proposed List of 1994-2000 Six-year Capital Plan

Second Biennium (1998-2000)

<u>Order</u>	<u>Project Name</u>	<u>Cost</u>	<u>Fiscal</u> <u>Year</u>
1	E&G - Primary Electrical Service (Stage II)	750,000	1999
2	Campus Renovation Pool (Series II)	2,936,000	1999
3	Adm. Computing System Replace/Upgrade	1,000,000	
4	Glow Discharge - Optical Emission spectrometer	175,000	1999
<b>5</b>	<b>Multifunctional Integrated Argon Ion/Ti:Sapphire Dye Laser System</b>	<b>190,000</b>	<b>1999</b>
<b>6</b>	<b>X-ray Diffraction Spectrometer</b>	<b>142,000</b>	<b>1999</b>
7	Property Acquisition	945,000	1999
8	WKYU-FM Transmission Enhancement	700,000	1999
9	WKYU-TV Transmission Enhancement	500,000	1999
10	AUX. - Auxiliary Boiler & HVAC Replacement	859,000	2000
11	Replacement/Upgrade Central Telephone Switch	1,500,000	2000
12	Communications Network Expansion/Upgrade	600,000	2000
13	Replacement of Microcomputers for Fac., Staff, & Std.	500,000	2000
14	AUX.- Auxiliary Chiller & Cooling Tower Replacement	605,000	2000
15	Interactive Television System Replacement	500,000	
16	AUX. - Downing University Center Expansion	<u>3,000,000</u>	2000
		<b>14,902,000</b>	

Motion for approval of the six-year capital plan was made by Mr. Gray, seconded by Mrs. Loafman, and carried.

- **RECOMMENDATION:**

President Thomas C. Meredith recommends approval of the Investment Policy and Guidelines which follow:

## **INVESTMENT POLICY AND GUIDELINES**

### **INTRODUCTION:**

Western Kentucky University is a publicly-assisted University. The staff of Western Kentucky University has a fiduciary responsibility to manage the assets and resources of the University in the most prudent manner possible. This includes the management of the cash and investment assets of the institution. Western Kentucky University cannot, nor does not, delegate its fiduciary responsibility to a third party. Contracts entered into by the University with a third party requires that the third party responsible for the management of assets be as sensitive to the fiduciary responsibilities of the institution.

Western Kentucky University currently has contractual arrangements for the management of two different types of funds: 1) the short-term cash resources of the institution, and 2) the trust accounts governed by the bond trust indentures of the University. The short-term cash resources of the institution consist of the funds that are collected on a daily basis and which are spent to meet the budgetary obligations of the institution on a day-to-day basis. The short run will normally be defined to be from one day to two years (some funds earmarked for construction projects may not be needed for expenditure for up to a two year period--other funds of the University may be needed on a day-to-day basis). The trust funds of the University have a longer life; in theory these funds will not be needed during the life of the bond issue. Still, Reserved Funds may be needed prior to the final maturity on the bonds due to refundings, etc. As a result, the normal maturity of bond trust funds would not exceed a ten-year time horizon.

### **GOALS**

Given the nature of the funds being invested, the goals of these two types of funds shall be different.

#### **Short-term Cash Management Funds**

The highest priority goal of these funds is safety of principal. These funds should be invested in assets as defined by KRS 42.500. Further, these funds should not be invested in assets which might experience significant price fluctuations which would result in a market loss if the assets were required to be liquidated prior to the need for expenditure. Therefore, the safety goal addresses not only safety from a credit risk perspective but also a market risk perspective.

The second highest goal for the investment of these funds is liquidity. The University has historical data on its day-to-day cash needs; however, given the creation of the Western Kentucky University Foundation and the transfer of certain assets to the Foundation, the liquidity of the short-term cash management funds becomes even more critical and the investment of these funds should ensure that the liquidity needs of the University can be met without market risks.

Finally, given the safety and liquidity goals defined above, the third goal for the management of the short-term cash funds is yield. The University recognizes that the total yield or return on assets may be derived from coupon income as well as capital gains that may accrue over time.

#### **Bond Trust Accounts**

Given the longer term nature of the bond trust accounts, the goals for the management of these funds shall be safety, yield, and liquidity in this respective order. Again, safety of principal pertains to both avoidance of credit risk and market risk. Due to the long-term nature of this portfolio, liquidity is not as important as with the short-term cash management portfolio of the

institution; hence, the bond trust portfolio should be managed to result in a higher yield than the short-term cash portfolio.

### **Portfolio Strategy**

It is anticipated that different portfolio management strategies will be pursued for the short-term cash management portfolio and the bond trustee portfolio.

### **Short-term Cash Management Portfolio**

It is anticipated that this fund will be managed utilizing a passive management style. There are numerous passive managed techniques such as laddering, asset-liability matches, etc. However, a passive approach is based upon the concept of minimizing risks and pursuing a buy and hold approach to investment management.

### **Bond Trustee Accounts**

Given the long-term nature of these funds, it may be appropriate for these funds to be managed utilizing an active management strategy. Again, numerous active management strategies exist including, "Bill rolls, duration management, quality and maturity swaps, etc." The underlining premise of an active strategy is that market inefficiencies can and do occur. The active portfolio manager can take advantage of these market inefficiencies to create capital gain income to enhance coupon income. It is also recognized that the specific active portfolio management strategy utilized will be a function of market conditions over time.

The utilization of an active portfolio management strategy must be documented and justified by the portfolio manager and any such change in strategy over time must be documented as to the reasons for the change in strategy. Further, for a particular strategy that involves the buying and selling of securities for capital gains, documentation must be provided detailing the reasons for the buy and sell and specifying the prices for which the securities were bought and sold and the results of each specific transaction.

It is recognized that given the longer term nature of this portfolio, it is the long-term performance of the portfolio that is important. That is, in the short run, gains and losses will be experienced; however, the critical policy variable from the University's perspective is the long-term return and performance on its portfolio.

### **Reports**

The portfolio manager will provide a monthly performance report to Western Kentucky University. The performance report will provide information on the portfolio yield (both coupon and capital appreciation or loss) for the prior months. The performance report will also provide a summary statement of securities held for each of the funds as of the end of the monthly reporting period.

### **Review**

The Office of Accounts and Fiscal Services will review the performance report provided monthly by the portfolio manager. The Office of Accounts and Fiscal Services will provide an Executive Summary of the performance report to be submitted to both the Vice President for Finance and Administration and the Internal Auditor. The Executive Summary will provide a summary of the portfolio yields for the prior month and a comparison with appropriately defined benchmarks.

Vice President Ramsey reviewed the recommendation and answered questions

from the Committee. The Committee requested follow-up performance reports for the next meeting. Following discussion, a motion for approval was made by Mr. Gray, seconded by Mr. Martin, carried.

- **RECOMMENDATION:**

President Thomas C. Meredith recommends a modification in the Western Kentucky University refund policy, effective with the Fall 1995 semester, to ensure that the University is in full compliance with the new requirements on refunds as forth by the United States Department of Education.

**BACKGROUND:**

Western Kentucky University's current policy for granting tuition refunds to students is more flexible than the newly mandated requirements of the United States Department of Education with one exception. The new Department of Education regulations state that the institution must refund 100 percent of the tuition charges less an administrative fee that does not exceed the lesser of \$100 or five percent of the tuition. In the case of in-state students, frequently the five percent of tuition is less than \$100; Western's policy, however, has been that we would retain an administrative fee of the total of \$100. Therefore, we must modify our policy by changing the administrative fee retainage from the total of \$100 to the lesser of 5% or \$100 through the first week of classes to be in compliance with and consistent with the United States Department of Education requirements. The personnel in the Department of Accounts and Fiscal Services have recommended that we change our refund policy to be in strict compliance with DOE policies. The change would in some instances be less lenient for the student than the University's current refund policy. This will dictate one other significant change from current policy. This item relates to the refund of tuition after the eighth week of classes. Currently a student can receive a partial refund for tuition if they withdraw after the eighth week of classes. However, a student cannot withdraw with a "W" after the eighth week of classes except in the case of extenuating circumstances. That means that most students who withdraw after the eighth week of classes receive a "F." This has caused some level of discomfort between students and faculty and the Registrar's Office since students are eligible to receive a partial refund but cannot withdraw without a grade after the eighth week of classes. By changing our policy to be in compliance with DOE's new regulation, this problem is alleviated because students would no longer receive a refund after the eighth week of classes.

Ms. Belinda Higginbotham, Director of Billings and Receivables, presented the recommendation and answered questions from the Committee.

Motion for approval was made by Mr. Martin, seconded by Ms. Loanman, and carried.

- **RECOMMENDATION:**

President Thomas recommends approval of the proposal to enter into a sublease agreement with the WKU Foundation, Trustee for the Margaret Madison Charitable Remainder Trust, for the lease of certain real property and improvements at 522 and 526 University Blvd., Bowling Green, Kentucky."

[Note: A copy of the sublease is filed with the Board's official records.]

It was noted by Dr. Ramsey that the property identified in the recommendation is located within the Campus Master Plan and is very attractive to the University. It is at the major entrance to the University for anyone coming to Western from south of Bowling Green.

Following extensive discussion on the recommendation, motion for approval was made by Mrs. Loafman, seconded by Mr. Gray and carried.

- **RECOMMENDATION:**

President Thomas C. Meredith recommends approval of the Institutional Employee Compensation Policy which follows:

**WESTERN KENTUCKY UNIVERSITY  
EMPLOYEE COMPENSATION POLICY**

Western Kentucky University primarily follows a performance-based compensation policy and seeks to reward its faculty and staff competitively, consistently, and equitably within the limits of available resources. This policy applies to all personnel, regardless of the source of funding.

**Procedures Related to Grants:**

The University will not supplement grant-funded positions with state appropriations in the unlikely case where there are inadequate funds in the grant-funded budget to meet unexpected salary increases.

The Office of Sponsored Programs will be responsible for implementing and monitoring this policy as it pertains to positions that are funded by grants.

Project Directors must meet with Office of Sponsored Programs' staff early in the grant development phase to ensure that the project budget complies with this institutional employee compensation policy. Institutional compensation standards must be followed unless there are extenuating circumstances which can be justified by the Project Director. In projecting annual increments for grant proposals, consideration will be given to such factors as general University salary increases and merit considerations. In projecting annual increments for grant proposals, consideration will be given to such factors as general University salary increases and merit considerations.

Motion for approval was made by Mr. Martin, seconded by Mrs. Loafman and carried.

With no other business to come before the Committee, motion for adjournment was made by Mr. Martin, and seconded by Mr. Gray. The meeting adjourned at approximately 10:45 a.m.