

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

April 23, 1997

AGENDA ITEM 1 - Call to Order

Required statutory notice having been given, the Finance Committee of the Board of Regents of Western Kentucky University met in the Regents Conference Room of the Wetherby Administration Building on the Western campus. The meeting was called to order at 9:07 a.m., CDT, by Mr. Burns Mercer, Chair.

AGENDA ITEM 1 - Roll Call

Mr. C.C. Howard Gray
Mr. Cornelius A. Martin
Mr. Burns E. Mercer
Mr. Raymond B. Preston

Mr. Earl Fischer was absent.

In addition, Regents Bale, Gramling, and Mendel attended.

Others present were Dr. Thomas C. Meredith, President; Mrs. Liz Esters, Staff Assistant and Secretary to the Board of Regents; Dr. James Ramsey, Vice President for Finance and Administration; Dr. Charles Anderson, Vice President for Information Technology, Mr. Fred Hensley, Vice President for Institutional Advancement, Dr. Jerry W. Wilder, Vice President for Student Affairs, Ms. Deborah T. Wilkins, University Counsel, Ms. Ann Mead, Director, Budget and Management Information, and Mr. Tony Glisson, Director, Human Resources.

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 to members of the Board.

5.1.1 - Recommendation for acceptance of the accountant's report and financial statements for WKYU-FM and WKYU-TV for the year ended June 30, 1996

Copies of the reports were provided to the Board members, and a copy is filed with the Board's official files.

Background:

On an annual basis, Western Kentucky University contracts with Baird, Kurtz & Dobson (BKD) to provide an audit of the financial statements for WKYU-TV and WKYU-FM Radio. The separate audits are required under the contractual funding arrangements of Western with the Corporation for Public Broadcasting. Both of the audits of the financial statements are "clean." No management issues have been raised by BKD. Ms. Sherry Stokes was available at the Finance Committee meeting to discuss the audits.

Motion for acceptance of the accountant's report and financial statements for WKYU-FM and WKYU-TV for the year ended June 30, 1996, was made by Mr. Preston, seconded by Mr. Gray, and carried.

5.1.2 - Review of Third Quarter Financial Statement for 1996-97 and recommendation for approval of the revised budget for the Third Quarter Fiscal Report for 1996-97

Background:

Total realized Educational and General (E&G) revenue, as a percent of the budget, is comparable to the 1995-96 third quarter. The tuition and fees revenue reflects actual collections exceeding the estimated revenue by two percent or approximately \$500,000.

Restricted revenue is recorded in the accounting system when expenses are incurred. Thus, the restricted revenue equals the restricted expenditures on the Quarterly Financial Report. Grants and contracts activity continues to lag behind the level received last year; however, it is anticipated that the projected budget estimate for 1996-97 will be met.

Auxiliary Enterprises revenue is on target for meeting its 1996-97 revenue estimates.

In regard to the Revised Operating Budget through the third quarter, the following increases have been made to the budget: Tuition and fees were increased for the allocation of course-specific fees to the respective departments; Other was increased to budget funds from Ogden College Foundation, funds were allocated for miscellaneous reimbursed costs, and a revenue-dependent budget was established for Educational Television; Grants and Contracts were increased based on projected funding through June 30, 1997; and fund balance allocations, based on prior Board of Regents approval, were processed.

Motion for approval was made by Mr. Gray, seconded by Mr. Preston and carried unanimously.

5.1.3 - Recommendation for preliminary approval of the 1997-98 Budget for Western Kentucky University

Background:

The budget being presented is Western Kentucky University's financial plan for the fiscal year July 1, 1997 through June 30, 1998. The Board of Regents has taken an active role in the establishment of budget goals and priorities for the development of the 1997-98 Budget. The Administration has attempted to

communicate with the Finance Committee and the Board of Regents throughout the budget development process through distribution of Budget Committee materials.

Board members were given a Budget in Brief which outlines the major revenue and expenditure policy issues for the 1997-98 Budget. [Note: A copy of this document is filed in the Board's official files.] If the Board approves the policy issues presented in this document, the final budget will be printed and submitted to the Board of Regents prior to its meeting to be held on June 5.

Following a presentation by Dr. James Ramsey, Vice President for Finance and Administration on the Budget in Brief and a thorough discussion of the recommendation, the preliminary budget was accepted for presentation at the April 29 Board meeting.

5.1.4 - Recommendation for approval of the purchase of property at 1901 Nashville Road, Bowling Green, Kentucky, with approval for funding the purchase price in the amount of \$55,000.00 being allocated from the University Reserve.

Background:

This property is located at the corner of University Boulevard and Nashville Road, and is directly opposite of the corner where the current University sign was constructed. The property includes a three bedroom frame home in good condition, which will be relocated to another area on campus and renovated for rental property. The long range plan is that the vacant lot will then be converted to green space and as a future site for a matching University sign.

Mr. Martin made a motion for approval of the purchase of property at 1901 Nashville Road as recommended. Mr. Preston seconded.

After a lengthy discussion of this recommendation, Mr. Martin's motion for approval carried unanimously.

Secretary's Note: A transcript of the discussion on this item has been provided to Board members, and a copy is filed with the Board's official files.

5.1.5 - Recommendation for authorization of an expenditure of up to \$600,000 from the University Reserve to fund the completion of the conversion of the heating system to natural gas from electric resistance heat and for the installation of air conditioning at the Agricultural Exposition Center.

Background:

In 1990 the Kentucky General Assembly authorized a capital construction project at the L. D. Brown Agricultural Exposition Center to convert from electric resistance heating to natural gas heating. The Commonwealth of Kentucky capital budget also indicated that air conditioning will be added to the facility. Funding was authorized at the time for \$350,000; with \$250,000 appropriated from the state's General Fund and \$100,000 from Western's internal

resources. This authorization created some confusion as to whether the project authorized was a heating project or an air conditioning project. The funds authorized were not sufficient to convert the heating to natural gas and to provide for air conditioning. It was determined that the authorization from the state was for the heating project. Western examined various heating alternatives including geothermal heat and it was concluded upon the advice of engineers and architects for the Commonwealth of Kentucky that the state funds to be expended on the project should be expended for the conversion to natural gas heat. The state funding that was available for the project did not allow for this project to be fully completed.

During the 1996 Session of the General Assembly, Western sought and received additional authorization for this project. The Commonwealth of Kentucky's capital construction budget contained the following language: "Reauthorization and additional funding--this project will complete the conversion of the heating system to natural gas from electric resistance heat and install air conditioning in the Agricultural Exposition Center. This additional funding will increase the total authorization for the project to \$700,000." The source of funds identified by the state was restricted funds; i.e., Western's internal funds.

It is recommended at this time that the heating project be completed and the air conditioning be installed at the Agricultural Exposition Center. This project has broad-base support from agricultural leaders and political leaders in the region and the state. It is believed that the completion of this project will give Western Kentucky University a unique advantage in student recruiting and public service among Kentucky's universities that offer agriculture programs. Adding air conditioning to the arena of the Agricultural Exposition Center will enhance the usefulness of the facility by adding the four summer months to the booking season. During the summer, the mission of the Agricultural Exposition Center will focus on three distinct areas; student recruiting, service to the agricultural community, and service to the local community. Another important implication of the addition of air conditioning is the economic impact that additional activities at the Agricultural Exposition Center will have on the local community. The Agricultural Exposition Center would also benefit from the increased revenues which accrue from rental activities during the summer months.

Since information is still being pulled together on this item, it was deferred for consideration by the full Board at its meeting on April 29.

5.1.7 - Recommendation for approval of funding from the Auxiliary Reserve for capital construction projects for Bookstore Renovation and Fixture Replacement (\$400,000) and Emergency Elevator Repair - Central and Pearce-Ford Tower (\$46,000)

Background:

The University's Bookstore renovation project and technology enhancements has previously been identified as a \$600,000 expenditure. The allocation of funds for the purchase of the Point-of-Sale (POS) System was given during the Board's meeting on January 31, 1997, for \$175,000. The statutory authorization for the renovations was granted during the regular session by the Commonwealth in 1996 and is under the administration of the Department of Facilities Management, Division of Engineering of the Commonwealth of Kentucky. This allocation request establishes the University's authorization to allocate the funds from the Auxiliary Enterprises Reserve for the expenditures up to \$400,000 for the project. Completion in August of the planned renovation and updating of fixtures is the first major investment in the Bookstore since 1970 and will provide a first class facility for the University's students, faculty, staff, and

alumni.

Motion for approval was made by Mr. Gray, seconded by Mr. Martin, and carried unanimously.

5.1.8 - WKU-Glasgow Campus Funding Request

The Finance Committee reviewed a request which Ms. Bale presented from the Chairman of the WKU-Glasgow Advisory Committee for a financial commitment from Western Kentucky University to assist with proposed program improvements, renovation and/or construction of the WKU-Glasgow facility to meet ADA requirements.

Background:

The Advisory Committee is actively seeking local and state funding in conjunction with this request; the funding requested from Western is contingent on the success of those efforts. **[See attached letter from Mr. Freddie Travis, Chairman, Glasgow Advisory Committee - Attachment A.]**

Following the presentation from Ms. Bale, the Finance Committee agreed to support in principle the renovation/expansion of the Glasgow Campus and recommends that the Board of Regents make an appropriate commitment at the appropriate time. This item will be placed on the agenda for the full Board meeting on April 29.

5.1.6 - Recommendation for approval of a contract for university food services for the next five-year period, commencing June 1, 1997

Background:

On October 14, 1996, Dr. James R. Ramsey, Vice President of Finance and Administration, appointed an eleven-person University Committee consisting of students, faculty and staff, to develop a Request for Proposal on the university's food services and to make recommendations for a food services provider. Competing Bid Proposals were submitted by four companies. The Committee has made a comprehensive analysis and evaluation of the proposals submitted and has forwarded a recommendation to the President. The President has reviewed the proposals and the Committee's recommendation.

Pursuant to KRS 45A.085, discussion of the competing proposals must not publicly disclose any specific provisions of the bid proposals pending award of the contract. Following discussion of the competing bids in closed session, and the Committee's report, the President is prepared to make a recommendation to the Board concerning award of the contract.

This recommendation was moved to last on the agenda, and Dr. Ramsey made some general comments about the recommendation and the background of food services. Dr. Ramsey stated that, for a variety of reasons, the contract going forward would be so much different than the current contract with Marriott, that it was appropriate that it should go through a rebidding process. A committee which included students, faculty, and staff developed a request for proposal, sent it out, and got very viable four responses. Details of the contract cannot be discussed in public until the contract is awarded; therefore, Mr. Martin made a motion that the Finance Committee go into closed session for discussion of information contained in the proposals submitted pursuant to the provisions of KRS 45.1085 and KRS 6.810. The motion was seconded by Mr. Gray, and carried.

The Finance Committee, accompanied by President Meredith, Vice President Ramsey, Liz Esters, John Osborne, and Gary Meszaros, went into closed session for discussions pertaining to the bid proposals.

Upon returning from closed session, Mr. Mercer stated, "During the closed session, the Committee discussed only matters within the scope of the motion, took no formal action and made no decisions."

With nothing further on the agenda, motion for adjournment was made by Mr. Gray, seconded by Mr. Preston and carried.

The meeting adjourned at approximately 12 noon.