

MINUTES
OF THE BOARD OF REGENTS
WESTERN KENTUCKY UNIVERSITY

July 28, 1997

AGENDA ITEM 1 - Call to Order

Required statutory notice having been given, the third quarterly meeting of the Board of Regents of Western Kentucky University was held in the Regents Conference Room of the Wetherby Administration Building on the Western campus. The meeting was called to order at 9 a.m., CDT, by Ms. Peggy Loafman, Chair.

AGENDA ITEM 2 - Invocation

The invocation was given by Mr. Riley Handy, Head, Library Special Collections, Kentucky Library and Museum.

AGENDA ITEM 3 - Oath of Office

The Constitutional Oath of Office was administered to Mr. Keith Coffman of Russellville, Kentucky and to Ms. Joy Gramling, of Scottsville, Kentucky. The Oath was administered by Ms. Liz Esters. Mr. Coffman was elected by the student body for a one-year term, and Ms. Gramling was reelected by the staff for a three-year term.

AGENDA ITEM 4 - Roll Call

Ms. Kristen T. Bale
Mr. Keith Coffman
Ms. N. Joy Gramling
Ms. Peggy W. Loafman
Mr. Cornelius A. Martin
Dr. Ray M. Mendel
Mr. Burns E. Mercer
Mr. Fred N. Mudge
Mr. Raymond N. Preston

Mr. Fischer and Mr. Gray were absent.

Others present were Dr. Barbara G. Burch, Interim President and Vice President for Academic Affairs; Mrs. Liz Esters, Staff Assistant and Secretary to the Board of Regents; Dr. Charles Anderson, Vice President for Information Technology; Dr. James Ramsey, Vice President for Finance and Administration; Mr. Fred Hensley, Vice President for Institutional Advancement, Dr. Jerry W. Wilder, Vice President for Student Affairs, 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 to members of the Board.

AGENDA ITEM 5 - Resolutions of appreciation for Ms. Kristen L.

Miller and Ms. Joy Bale Boone

The following resolution was read by Mr. Keith Coffman who moved its adoption. The motion was seconded by Ms. Bale and carried unanimously.

RESOLUTION

WHEREAS, Ms. Kristen L. Miller, Louisville, Kentucky, has served as a member of the Board of Regents of Western Kentucky University from July 1, 1996, to July 1, 1997, and

WHEREAS, her term of office was characterized by able leadership, faith- full service, and dedication to her responsibilities; and

WHEREAS, her loyal service and leadership have made significant and lasting contributions to the University; and

WHEREAS, such leadership and dedicated efforts are deserving of special recognition; Therefore, be it

RESOLVED, That the Board of Regents of Western Kentucky University in a meeting on July 28, 1997, does hereby express its appreciation to Ms. Kristen Miller for her contributions and extends best personal wishes for her continued success in all her endeavors; be it

FURTHER RESOLVED, That this resolution be spread upon the

minutes and that a copy thereof be presented to Ms. Miller as an expression of the esteem in which she is held by the members of the Board.

Ordered at Bowling Green, Kentucky, this 28th day of July in the year of our Lord one thousand nine hundred and ninety seven.

Peggy W. Loafman
Chair
Board of Regents

Barbara G. Burch
Interim President

A framed copy of the resolution was presented to Ms. Miller.

Ms. Bale read and moved adoption of the following resolution. The motion was seconded by Mr. Mercer and carried.

RESOLUTION

WHEREAS, Ms. Joy Bale Boone, of Glasgow, Kentucky, in 1945, was the Organizer and President of the Elizabethtown League of Women Voters; and

WHEREAS, Ms. Boone served as State President of the League of Women Voters from 1948 into 1952; the State President of Friends of Kentucky Libraries most of the 1950s; and State President of Kentucky Mental Health Association from 1958 to 1960; and

WHEREAS, she has served as a Board member of Regional Comprehensive Care Centers; Regions Lincoln Trail & Pennyryle, 1970s into 1990s; the Editor of two poetry anthologies, 1964, 1967; book reviewer for the Courier-Journal and other publications, 1948 to present; was the Founder of *Approaches Poetry Magazine*, 1964, and Editor until 1975; served as a member of the Editorial Board of University Press of Kentucky, 1964-1976; and

WHEREAS, Ms. Boone has further served as member of the KET Advisory Committee in the 1970s; the Kentucky Council on Higher Education from 1972 to 1989; the Kentucky Humanities Council from 1975 into 1979; and the Ohio Valley Regional Medical Program in the 1970s; and

WHEREAS, Ms. Boone served as a member of the Board of Directors of Thomas Clark Foundation of University Press of Kentucky, 1976, and has continued to serve as a member of the Board of the University of Kentucky Gaines Humanities Center since its establishment; and

WHEREAS, Ms. Boone was instrumental in the establishment of the Robert Penn Warren Center at Western Kentucky University where she has served as Chair of

the Robert Penn Warren Committee since 1985; and

WHEREAS, Ms. Boone currently serves an Adjunct Professor at Western Kentucky University and a member of the Women's Studies Committee; and

WHEREAS, our beloved Joy Bale Boone has recently been commissioned by the Governor of the Commonwealth as *Poet Laureate of Kentucky*; and

WHEREAS, her lifetime of service with distinction to the citizens of the Commonwealth of Kentucky is deserving of special recognition; Therefore, be it

RESOLVED, That the Board of Regents of Western Kentucky University in a meeting on July 28, 1997, does hereby express its congratulations and appreciation to Ms. Joy Bale Boone for these significant accomplishments and extends best personal wishes for her continued health and happiness; be it

FURTHER RESOLVED, That this resolution be spread upon the minutes as an expression of the love and affection of her friends at Western Kentucky University and that a copy thereof be presented to Ms. Boone as an expression of the esteem in which she is held by the Board of Regents of this Institution.

Ordered at Bowling Green, Kentucky, this twenty-eighth day of July, in the year of our Lord one thousand nine hundred and ninety-seven.

Peggy W. Loafman
Chair
Board of Regents

Barbara G. Burch
President

AGENDA ITEM 6 - Reorganization of the Board applying to the offices of Chair, Vice Chair, Secretary, Treasurer, and Parliamentarian

Ms. Bale nominated Ms. Loafman, Chair, Mr. Martin, Vice Chair, and Ms. Esters, Secretary. The motion was seconded by Mr. Mudge and carried unanimously.

Ms. Loafman appointed Dr. Ramsey to serve as Treasurer and Dr. Capps to serve as Parliamentarian.

AGENDA ITEM 7 - Election of three members of the Executive Committee to serve with the Chair and Vice Chair for 1997-1998

Mr. Martin nominated Ms. Bale, Mr. Fischer, and Mr. Mercer to serve on the

Executive Committee with Ms. Loafman and Mr. Martin. The motion was seconded by Mr. Mudge and carried unanimously.

AGENDA ITEM 8 - Disposition of minutes of Finance Committee, April 23, 1997; Quarterly Meeting, April 29, 1997; Presidential Compensation Committee, April 28, 1997; Presidential Search Committee Meetings: May 20, June 5-7, and June 25-July 7, 1997; and Subcommittee on Interviewing, May 30, 1997

The minutes were presented by Chairman Loafman. Ms. Bale called attention to one correction for the April 23 minutes to include herself in attendance at the meeting. Motion for approval of the minutes as amended was made by Mr. Mudge, seconded by Mr. Martin and carried.

AGENDA ITEM 9 - Committee reports:

9.1 Executive Committee, Ms. Peggy W. Loafman, Chair

9.1.1 Update on Institutional Review

Ms. Loafman reported that the Executive Committee met on July 2, 1997, and approved the awarding of a contract for an Institutional Review to Dr. James L. Fischer. He will begin immediately, and the review will take approximately 60-90 days.

9.1.2 Recommendation for consideration to award a bid to a consultant to conduct a review of athletic programs

Background:

Several months ago the Finance Committee of the Board of Regents recommended that the President of the University initiate a study of the various financial support/costs of the University's athletics program.

Interim President Barbara Burch recommends to the Board that this study be expanded beyond just the financial aspects and include a more

comprehensive study that considers the athletics program fully within the context of the University's strategies and Operational Plan and the University's commitment to quality and service. This study will provide critical and important information that will help frame decision making in the future and will also consider the valued tradition of athletics at Western Kentucky University.

Ms. Loafman asked Dr. Burch to give a report on the recommendation to consider awarding a bid to a consultant to conduct a review of athletic programs.

Dr. Burch stated, “The study that is being proposed is one that is an expansion of what the Board recommended earlier in the year looking at the financial aspects of the athletic programs. This was discussed at the Executive Committee in connection with the institutional review; and at their direction, an RFP was developed pending your acceptance of a recommendation to expand the institutional review so that it is comprehensive. The purpose is to be consistent with the overall review of the University recognizing the strong tradition and commitment to athletics as a part of this University; looking to get a better handle on the integration of athletics and academics and how it all somehow fits together as planning for the future is developed. The study would look, not only at budgeting but planning, efficiencies, priorities, and in general ways, that we want to be in the position to be informed and commit ourselves to the same kinds of decisions and priorities in athletics as we might also be looking at in relation to all programs. The RFP is out; it is essentially a request to ask you to allow that RFP to go out expanding the scope of the study so that we get a full picture of the athletics program in a way that would best enable us to be what we want to be and move where we want to go and have the information to do so.”

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

9.2 Finance Committee, Mr. Burns Mercer, Chair

Mr. Mercer reported that the Committee had been unable to meet independently

and would, therefore, make this a Committee of the whole.

9.2.1 Recommendation for approval to amend the contract with Marriott Corporation for Marriott to assume responsibility for capital construction management of WKU projects

[THIS ITEM WAS WITHDRAWN BY VICE PRESIDENT RAMSEY]

Background:

One year ago discussions started with Marriott Corporation representatives and the Administration regarding the University's concerns about our current system for managing capital construction projects and resulting delays in completion. In addition to Marriott's assessment of the situation, the Administration requested a consultant review the situation and make recommendations. Significant discussions occurred over the last year as to what are the problems in capital construction management and how these problems should be corrected. In a memorandum from the Vice President for Finance and Administration to the other vice presidents, dated December 2, 1996, the extent of the problem was identified and a proposal of corrective measures was

presented. Our assessment and reports from the consultant is summarized as follows:

1. The inability to complete capital construction and deferred maintenance projects on a timely basis is extremely frustrating to the campus.
2. The Marriott contract is for maintenance and operations management and does not include the total management of design and construction services (in-house and state projects). The Manager of Renovation and Construction Services is a Marriott employee and is responsible for management services for small renovation projects (less than \$60,000). The cost associated with providing these services is charged back to the projects.
3. An inordinate amount of time is spent by staff from the President's Office, the Office of the Vice President for Finance and Administration, the Office of Budget and Management Information, and the Office of Accounts and Fiscal Services keeping up the status of capital projects.
4. It was realized, after Marriott started providing management services, that the remaining Design and Construction Services staff (university architect, part-time architect, and draftsman) are integral to the success of the Renovation and Construction Services operations and the campus maintenance operations. With no revision to the Marriott contract, Mark Struss took over the supervision of the additional design and construction services functions. This responsibility is taking away time which needs to be devoted to maintenance and operations.

5. Independently, two consultants concluded that the Design and Construction Services unit needs additional staff, that staff needs clearly defined responsibilities, and that the unit needs to be restructured in order to improve communications and to improve its efficiency in completing projects.
6. The backlog of funded and unfunded capital construction and projects is considerable and will only get worse without corrective actions being taken. As the university identifies funding to meet the deferred maintenance plan requirements, the backlog of incomplete projects will continue to grow without a significant restructuring of Design and Construction Services.
7. There are delays with completing projects which are beyond the control of the Design and Construction staff. The state process is cumbersome and, at time, contractors appear reluctant to bid state jobs.

Our alternatives for resolving the problems were discussed at several meetings which included Dr. Meredith. A memorandum dated January 23, 1997, responded to specific questions raised by Dr. Meredith and the Vice Presidents.

A memorandum from the Vice President for Finance and Administration to Dr. Meredith dated February 5, 1997, indicates Dr. Meredith's approval of this recommendation. As seen from the second memorandum, Dr. Meredith approved this recommendation on February 13, 1997, and at that time no discussion was held of presenting this recommendation to the Board of Regents for its approval. Subsequent to Dr. Meredith's approval, a Board member raised the issue of bringing this contract to the Board of Regents for approval and that is the reason that the proposed amended contract is being presented at this time.

Secretary's Note: Dr. Ramsey asked that this item be deferred until a later meeting. Other internal discussions need to occur before a final recommendation is made.

Responding to a question from Dr. Mendel about a date by which the Board would be expected to act or take a direction on this item, Dr. Ramsey responded, "If we could get some direction before the October Board meeting, it would be very helpful. We've got a lot of work to do as we prepare for the regular session of the General Assembly. As we've talked before, this Board has prioritized its six-year

capital plan. We have two projects at the top of that prioritization list that directly related to the higher education reform in Kentucky, the technology project and the journalism/communications project. We think that just the nature of those projects in prior discussions that have taken place with the Governor and members of the General Assembly, we have an excellent chance of receiving funding from the General Assembly for those projects, but we have a lot of work to do to get there. The next several months are critical for us in terms of those projects, in terms of the Glasgow project, in terms of funding for deferred maintenance from the General Assembly, so the sooner we could get direction from the Board and have some discussion, and it sort of gets into the whole issue of philosophy of privatization, because this proposal that you have in front of you takes another giant step in that way. We know that that has been an issue that you've grappled with on different occasions, so in answer to the question, if we had some pretty clear direction by mid-September, that would be very helpful to us."

The item will be reviewed by the Facilities Oversight Committee at its next meeting for discussion and a recommendation to the full Board.

9.2.2 Recommendation for preliminary approval for the Administration to develop a self-insured health insurance program and authorize a process for granting final approval for a self-insured health insurance program

RECOMMENDATION:

Interim President Barbara Burch recommends to the Western Kentucky University Board of Regents that preliminary approval be given to the Administration to develop a self-insured health insurance program. Dr. Burch also recommends that the Board of Regents authorize a process for granting final approval for a self-insured health insurance program. It is recommended that the Western Kentucky University Board of Regents either:

- 1) delegate authority to the Administration for the design and

- implementation of a self-insured health insurance program; and
- 2) authorize the Executive Committee of the Board final authority for the approval of the design and implementation of a self-insured health program; or
 - 3) hold a special meeting of the Western Kentucky University Board of Regents prior to the October meeting for the purpose of granting approval for the final design and implementation of a self-insured health insurance program.

Background:

Last September, Blue Cross and Blue Shield submitted to Western Kentucky University its proposed health insurance premiums for the 1997 calendar year. These rates were on average 33 percent greater than rates in effect for 1996. Blue Cross and Blue Shield also mandated, as part of their proposal, that to continue to offer health insurance coverage to Western Kentucky University, at least 50 percent of Western's insured population must select the Blue Cross and Blue Shield health insurance option.

In 1996, Western Kentucky University also offered health insurance through Healthwise, a Kentucky-based HMO. The rates quoted by Healthwise for 1997 were much more modest than the rate increases proposed by Blue Cross and Blue Shield. While the Healthwise proposal was acceptable to the University, many University employees have expressed an interest in being offered an indemnity health insurance plan.

Western Kentucky University's Department of Human Resources had been internally analyzing the advantages/disadvantages of self-insurance over a year ago. To review this analysis, the firm of Johnson and Higgins were asked to meet with the Department of Human Resources staff to review their analysis. Johnson and Higgins suggested that, while self-insurance may be in the best long-term interest of Western Kentucky University, Western did not have the time to adequately develop and communicate a self-insurance program in time for an open enrollment to be held October/November 1996.

As a result of: 1) the unsatisfactory bid from Blue Cross and Blue Shield; 2) the interest in continuing to offer an indemnity program; and 3) the impracticality of offering self-insurance for 1997; Western Kentucky University joined the Kentucky Health Purchasing Alliance effective January 1, 1997. Some members of the Board of Regents, at that time, encouraged the University to continue to analyze a self-insured health insurance option to ensure the availability of quality care for employees at affordable rates.

To more fully evaluate the self insurance option, the University contracted with J & H Marsh McLennan (Johnson and Higgins merged with March McLennan) to determine the feasibility of the University transitioning to a self-insured group health plan. On June 23, 1997, J & H Marsh McLennan presented the results of their study and their recommendations to the University.

The University has presented the J & H Marsh McLennan Healthcare Financial Analysis which provided a review of premiums and costs for 1995 and 1996. (These two years were two of the worst years the University has experienced in regards to healthcare expense premium ratios.) The J & H Marsh McLennan Healthcare Analysis for these two years project a slight financial advantage for a self-insured program for Western Kentucky University for 1997 projected costs.

Based upon their analysis, J & H Marsh McLennan recommended that the University self-fund its groups medical program beginning January 1, 1998. The advantages of a self-insured program identified by J & H Marsh McLennan are: 1) plan design and flexibility--the University is in control of the health insurance options it offers its employees; 2) service consistency; 3) control over claim data; and 4) lower administration costs.

To continue to pursue an analysis of the self-funded option, it is now necessary for Western to undertake the following activities: 1) a design plan; 2) request quotes from third party administrators (TPAs) and insurance companies to provide stop-loss coverage; 3) analyze information obtained in item two and make recommendations for proceeding; 4) provide selection criteria for TPA selection; 5) arrange interviews with finalists for TPA coverage; and 6) negotiate final terms and select TPA. Concurrent with these activities, significant communication must take place with the employees of Western Kentucky University to provide assurance that future insurance benefits provided to employees are not negatively affected, and will, in fact, be enhanced by the self-insurance option.

The Administration has determined, based upon its preliminary analysis, that it is advantageous to continue with pursuing the design and implementation of a self-insured program. Open enrollment for employees at Western normally occurs in October, prior to the next regularly scheduled Board of Regents' meeting. It is necessary for the Board to determine a review and approval process for self-insurance (assuming the continued analysis suggest this option) so that open enrollment may take place in a timely way.

Dr. James Ramsey reported that in June the administration got a report from Johnson & Higgins recommending that the University move forward with step 2 of an

analysis of whether or not it would be appropriate to self insure. Dr. Ramsey stated, “We’re not here today asking you to approve self-insurance. We’re providing you with the information that we’re doing the analysis, so far, we have a green light, but we’ve got more work to do. In the next phase of our work, we would be doing all of the things that are listed below:

- 1) a design plan;
- 2) request quotes from third party administrators (TPAs) and insurance companies to provide stop-loss coverage;
- 3) analyze information obtained in item two and make recommendations for proceeding;
- 4) provide selection criteria for TPA selection;
- 5) arrange interviews with finalists for TPA coverage; and
- 6) negotiate final terms and select TPA.

“Once we complete that (the items listed above), then we believe we’ll be in a better position to answer the question, “Is self-insurance the right option for Western.” We should know more about the alliance and what future it has or doesn’t have, and so, if we continue to pursue self-insurance, we’ll know what that option is. The problem that we run into is that, again your next official board meeting is at the end of October. We need to have open enrollment before your next Board meeting, so as we continue this analysis, we would like for you to give us some direction as to how we proceed once we complete this analysis. Are you comfortable with us making that decision administratively? The second approach would be to delegate this decision making to the Executive Committee; the third approach would be to have this considered by the full Board in some special meeting or some meeting before open enrollment in October.

“So really, that’s what today’s discussion is about. We’re gone through step 1, and we believe that we’ve got enough positive information to go to step 2, but we

can't really recommend to you self-insurance until we complete step 2. We will have that done by early September. We would be in a position to say to you, "We're recommending self-insurance, or we're not recommending self-insurance, and then the question would be, 'what are you comfortable with in terms of proceeding from that point forward.'"

Mr. Glisson reported that "Eastern went self-insured July 1996; they reduced their funding level from \$182 to \$150. That was effective 7/1/96; and 7/1/97, they continued that with no increase." Following Mr. Glisson's comments, Mercer asked about the possibility for Western being involved with Eastern in their program and if this is something that should be explored.

Mr. Glisson stated, "They had Blue Cross-Blue Shield previously; and as I understand had three different plan designs; all they did was to say, 'we want the same thing, we just want to self-fund it.' That's a great way to compare the benefits and the disadvantages, because everything was exactly the same, they just self-funded and reduced the premium. I don't know that--I have not looked specifically at their plan design and don't know if that would be something that would be attractive to Western employees or not. Part of what I think we are after here is flexibility--the benefits and coverage that are attractive to our employees. We've had preliminary discussions with the student health center about some things we could do jointly with them through this program in terms of wellness--things that I think would be greatly interesting to our employees, so certainly that's an option."

Mr. Mercer commented that on a self-insured plan, the more numbers you have, the greater degree of statistical possibilities you have, and he felt "An alliance with an Eastern or a Murray or Northern, or maybe all of them might be to our advantage."

Dr. Ramsey stated that, “At one time, going back before a lot of this health care reform stuff started, all of the universities did come together to see if there was some way that we can come up with a pool--our populations are normally a little healthier, a little more focused on wellness, etc.; and because of the ongoing debate over the last three or four years about health care reform, creating alliances, all of those discussions sort of broke down, but it may be well worth it, to now go back with at least those two and have some discussions.”

Mr. Mercer felt it was something that “we ought to take a look at; not just what we’re doing here but see if the others are interested as well.”

Mr. Mercer made a motion to give approval to recommendation 9.2.2. The motion was seconded by Mr. Martin and carried unanimously.

9.2.3 Recommendation for adoption of Budget Guidelines 1997/98,

Supplemental Appropriation

Background:

As discussed in prior Board of Regents’ meetings, Western Kentucky University will receive \$761,300 in supplemental appropriation for the 1997/98 budget year. It is recommended that the Board adopt budget guidelines which provide the Budget Committee and the University Administration guidance for the development of the actual budgetary expenditure plan for the use of these funds. A detailed expenditure plan will be presented to the Board of Regents at its October meeting.

The Vice Presidents and the Budget Committee have met to discuss the proposed Budget Guidelines 1997-98, Supplemental Appropriation. The guidelines attached to this recommendation are as a result of the discussions and input held by each of these groups.

Budget Guidelines 1997-98 Supplemental Appropriation

I. Introduction

The Western Kentucky University Board of Regents and Administration

have been committed to more closely linking strategic planning to the budget process. The proposed 1997-98 Operational Plan was presented to the Board of Regents in October. This Plan sets forth priority goals for the University and these goals were a key element in the development of the 1997-98 Budget Guidelines. At its January 31, 1997 meeting, the Board of Regents approved the Budget Guidelines to be followed in the development of the 1997-98 budget. In summary, the Budget Guidelines recommended the following:

- A. Allocation of resources to critical activities needed to operate the campus and maintain benefits for faculty, staff, and students;
- B. Compensation
- C. Funding for the implementation of the Operational Plan with an anticipated funding of all activities over three years; and
- D. Any consideration of an increase in mandatory student fees directly linked to the implementation of the Effective Use of Technology in Student Learning goal identified in the Operational Plan.

These Budget Guidelines were followed by the Budget Committee and the Administration in the development of the 1997-98 budget. The Board's approval of the 1997-98 budget was based upon the achievement of the principles identified in the Budget Guidelines.

II. Amending the 1997-98 Budget

As part of the Governor's higher education reform initiative, Western Kentucky University automatically qualifies for additional funding for 1997-98. The amount of this funding is \$761,300 and this funding is to provide greater "equity" funding relative to Western Kentucky University's benchmark institutions. That is, the Council on Higher Education has made funding comparisons for institutions in Kentucky with the funding level for benchmark institutions in contiguous states.

The formula funding model, that the Council on Higher Education has used over the past 15 years, has been driven, primarily, by enrollment considerations. In simple terms, the more students an institution has, the more funding the institution would qualify for based upon the funding model. Because of state budget constraints, the funding model has often not been utilized by the Governor and the General Assembly to make budget allocations to the Universities. In fact, the formula funding model of the Council on Higher Education was not used to distribute funds to the institutions for the time period 1992-96. As a result, those institutions that experienced the most rapid enrollment growth during this period of time, became relatively more "underfunded" than institutions that experienced slower enrollment growth. The University of Kentucky

Community College System experienced the most rapid growth throughout the early 1990s and is the most "underfunded system" relative to the benchmark. Eastern Kentucky University experienced the next most rapid enrollment growth and is, therefore, the second furthest institution from their benchmark. Western Kentucky University was the fifth most underfunded institution relative to the benchmark.

Governor Patton was committed in the Special Legislative Session to ensure that all institutions in the state were funded at least 95 percent of their bench-mark. It was this funding approach that provides \$761,300 in new funds for Western Kentucky University. (It should be noted that Western will also be eligible for an additional \$1.4 million in funding in 1997-98 through appropriations made to the Strategic Incentive and Investment Funds. The criteria for the distribution of these funds will be set by the new Council on Post-secondary Education. Western will have to achieve the criteria determined by the Council on Postsecondary Education to qualify for the investment and incentive funds. It is inappropriate to amend the Western budget at this time in contemplation of additional funding from that source.)

III. Policy Issue

A critical policy issue to be addressed by the Western Kentucky University Board of Regents is how to allocate the additional equity funds in 1997-98. The budget adopted by the Board of Regents on June 5, 1997, did not include the additional funds.

IV. Suggested Budget Guidelines

It is recommended that 50 percent of the supplemental appropriation be designated for continued funding of the Operational Plan and that 50 percent of the supplemental appropriation be designated to address budget issues that have arisen since the Board adopted its original Budget Guidelines on January 31, 1997.

The logic of this alternative is that the supplemental funding provided by the state is based upon enrollment growth experienced by Western for which Western has not been funded by the state. Furthermore, budget cuts and budget reallocations were forced to be made by Western during this period of time. Designating a portion of the supplemental appropriation for budget issues that have arisen since the Board adopted its original Budget Guidelines on January 31, 1997, would allow the institution to re-evaluate budget areas that have been cut in the past; budget areas effected by reallocations in the past; or budget areas for which program needs have been identified, however, funding has been unavailable to meet these needs.

For example, operating budgets for departments have not kept up with inflation over the past decade. The adoption of these Budget Guidelines would recognize the need to provide funding increases for operating budgets for programs that have been impacted by enrollment growth and additional workloads for which no funding has been provided over time. Another example is the area of environmental safety, OSHA, and fire safety. An analysis of the university's environmental health and fire safety program was completed after the adoption of the Operational Plan. As a result of this analysis, deficiencies in these program areas have been identified that have not been addressed over time.

IV. Action Required

After adoption of the Budget Guidelines 1997-98, Supplemental Appropriation by the Board of Regents, the Administration will work with the Budget Committee to present final expenditure recommendations to the Board for adoption at its October meeting. These budget amendments will be in accordance with the guidelines adopted by the Board of Regents.

Dr. Ramsey commented that the proposal is for the adoption of guidelines, and a specific budget recommendation will be presented at a future meeting. The recommendation calls for 50% of the supplemental appropriation to be designated for continued funding of the Operational Plan and that 50% of the supplemental appropriation be designated to address budget issues that have arisen since adoption of the original budget guidelines in January.

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

9.2.4 Recommendation for transfer of properties to the WKU Foundation

Interim President Barbara Burch recommends that the properties listed below be transferred from Western Kentucky University to the Western Kentucky University Foundation.

- 226, 230, 236 14th Street
- 1664 Normal Drive
- 1532 State Street
- 1901 Nashville Road
- 418 (417) South Street

Background

The Campus Master Plan calls for the acquisition of many properties contiguous to the campus. Over the last several years the institution has attempted to acquire some of these properties as they have become available. Prior to the restructuring of the Board of Regents in July, 1992, the University Counsel at that time, Franklin Berry, created the Commonwealth Development Corporation (CDC) to acquire properties on behalf of Western Kentucky University. The CDC was a legal entity with its own Board of Directors and with the ability to acquire and hold properties for the benefit of the University. Most of the properties acquired by CDC were 100 percent financed. In many cases the rental incomes from the CDC properties did not cover the cost of principal and interest payments on the mortgages used to finance such properties. As a result, the CDC properties created a financial liability that was expected to be “covered” by the University’s Auxiliaries/Business Services program. The theory of having Auxiliaries/Business Services manage these properties was: 1) Auxiliaries/Business Services had responsibility for leasing residence hall rooms to our students and rental properties owned by CDC could be leased to faculty, staff, and students; and 2) the University E&G budget was protected from financial obligation since Auxiliaries/Business Services was responsible for financial shortfalls.

The Auxiliaries/Business Services staff is not in the property management business. The Foundation accepted these properties and procured the services of a property management firm Chandler Real Estate. This firm brings expertise to the management of these properties; expertise that the University does not have. Accepting these assets from CDC, the Foundation was concerned about the cash flow of the properties and any potential drain that the properties might create for the Foundation.

In addition to the CDC properties, Western Kentucky University has acquired various other properties in the Master Plan. Again, some of these properties have been rented by Auxiliaries/Business Services to students to generate cash flow. For the most part, these properties do not have mortgages, and therefore, the cash flow to the University has been positive.

A plan was developed to request the Western Kentucky University Board of Regents to transfer these properties to the Western Kentucky University Foundation. The advantages of such a transfer would be: 1) the University could take advantage of the property management expertise of the Chandler firm and get Auxiliaries/Business Services out of the property rental business; 2) some of the properties require significant capital improvements and as a non-affiliated 501(C)3 corporation, such as the Foundation, they can make these capital improvements at a lower cost and more quickly than can the University working through the state system; and 3) a positive cash flow from currently owned Western

Kentucky University properties could be used to offset any financial obligation that may be incurred by the Foundation on CDC properties. Any potential excess cash flow would be used by the Western Kentucky University Foundation for the benefit of Western Kentucky University.

Following an explanation of this proposal by Dr. James Ramsey, Vice President for

Finance and Administration, motion for approval was made by Mr. Preston, seconded by

Ms. Bale and carried unanimously.

9.2.5 Recommendation to authorize the Administration to make allocations from the Educational and General Fund Balance to fund institutional commitments upon closing of the 1996-97 fiscal year accounting records. Such allocations will be included in the Administration's presentation on the 1996-97 fund balance at the Board of Regents' meeting on October 31, 1997.

Background:

In the fall of each year, the Administration requests approval from the Board of Regents for the allocation of fund balance. Presentations on the fund balance have shown the amount of funding broken into categories which include:

- 1) The Reserve,
- 2) Accounting requirements (e.g., encumbrances and cost sharing on grants),
- 3) Board of Regents prior fund balance commitments,
- 4) Institutional commitments (e.g., allocation of indirect cost recovery funds, carry forwards for revenue dependent accounts, faculty research and development grants, and graduate student research); and
- 5) Available for allocation for institutional priorities.

Accounts and Fiscal Services goes through a process commonly called "year-end closing" whereby all documents which must be processed against the fiscal year which ended June 30 are processed and accounting adjustments for items such as accrued vacation are entered. This process is usually complete by mid-August. At this point, Accounts and Fiscal

Services provides the Administration with the total fund balance and the amount available for allocation for institutional priorities (category 5).

It has been previously interpreted that specific Board approval was needed for category 5 (“available for allocation for institutional priorities”) funding items only. By action of this agenda item, the Administration is seeking clarification as it relates to the need for Board approval of the items classified as “institutional commitments” (category 4). Institutional commitments include the following:

- Carry forward of balances generated by the 100 percent revenue dependent programs (e.g., Student Health Service, Center for Gifted Studies, and Center for Training and Development),
- Carry forward of balances in incomplete capital construction project accounts,
- Carry forward of balances in faculty research and development grants, and graduate student research accounts,
- Carry forward of the Academic Affairs Productivity Awards and the Academic Excellence Awards,
- Allocation of salary savings and facilities and administrative cost recovery funds resulting from grants and contracts, and
- Carry forward of funds allocated by the Administration for specific initiatives (e.g., Economic Impact Study and the Status of Women Task Force).

Fund balances are routinely allocated in the fall after Board of Regents’ approval. The items classified as institutional commitments need to be made available for expenditure as soon as Accounts and Fiscal Services has completed its year-end closing. For this reason, the Administration seeks clarification on the need for Board approval and, if needed, requests the authorization to make these allocations in August 1997 with a report being provided at the Board of Regents’ meeting on October 31, 1997.

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

9.2.6 Recommendation for authorization for the Administration to make allocations from the Educational and General Fund Balance to fund institutional commitments upon closing the 1996-97 fiscal year accounting records

Background:

On April 29, 1997, the Board of Regents approved a recommendation to award a contract to the Aramark Corporation for the operation of Western Kentucky University Dining Services. Aramark will be investing \$525,000 for the improvement of dining services and, as stipulated in the contract with Aramark, Western will also invest \$100,000 for facility improvements. These improvements when added to the \$190,000 that will be invested by McDonald's brings the combined facility improvement investment total to \$815,000 for WKU Dining Services.

Motion for approval was made by Ms. Bale, seconded by Mr. Mudge and carried unanimously.

9.3. Presidential Search Committee, Mr. Cornelius Martin, Chair

Mr. Martin expressed a need for a closed session. Dr. Mendel made a motion to go into closed session pursuant to KRS 61.810.1(f) for the purpose of discussing individual applicant materials and the discussions that may lead to the appointment of an individual. The motion was seconded by Mr. Mercer and carried unanimously.

The Board accompanied by Ms. Esters went into closed session at approximately

10:20 a.m. Upon return from closed session at approximately 11 a.m., Chair

Loafman stated, "During the closed session, the Board discussed only matters within the scope of the motion, took no formal action and made no decisions."

Mr. Martin stated, "We would like to present the names of four candidates for the position of President of Western Kentucky University. Before I present the names, I would just like to say that this has been a very rewarding and a learning experience for myself. I would like to thank members of the Presidential Search Committee. I believe this University has benefitted a lot from this process. We feel we have searched this country from coast to coast and that we have four outstanding candidates who are qualified to lead this University into the next century."

Mr. Martin made a motion for the Board to accept the candidates recommended by the Presidential Search Committee and interview and considered those candidates for the position of President. Those unranked names are:

- Dr. Edward H. Hammond, President and Professor of Education
Fort Hays State University, Hays, Kansas
- Dr. Eugene E. Payne
Executive Vice President and Chief Operating Officer
Financial Industries Corporation/Inter-Continental Life Corp
Austin, Texas
- Dr. James R. Ramsey
State Budget Director for the Commonwealth of Kentucky; and
Vice President for Finance and Administration
Western Kentucky University
Bowling Green, KY 42101
- Dr. Gary A. Ransdell
Vice President for Administration and Advancement
Clemson University
Clemson, South Carolina

Mr. Martin's motion was seconded by Mr. Mudge and carried unanimously.

Ms. Loafman expressed appreciation to Mr. Cornelius Martin for chairing the Presidential Search Committee and to all of the members who served on the committee.

Dr. Mendel commented, "This was a genuinely open search, and as Mr. Martin said, we did, in fact, advertise every place we needed to advertise and took the time in soliciting applications to make sure that nobody was overlooked. The screening process that we went through was a highly structured process that conformed very nicely to what the human resource specialists would advise you is the best way to conduct a series of interviews. They were highly structured, the questions were the same for all of the candidates. There were independent judgments that were pooled,

and I really feel like the four people that we ended up with are indeed the four best people that were available to us. I'd like to reinforce what Peggy has said and thank Cornelius for his efforts in shepherding the process as he has."

Ms. Bale added, "Again, I thank Cornelius Martin for doing a great job, and I also thank the Board of Regents who were on the Search Committee, and I thank the lay people who were on the Committee. This was a thorough process and a lengthy process, and they did a fine job as well."

AGENDA ITEM 10 - Recommendation for approval of an amendment to the Faculty Senate Bylaws as follows:

*The Executive Committee shall be composed of the chair of the Faculty Senate and one senator from each college. The vice chair, the secretary, the parliamentarian **and the faculty regent** shall sit ex officio and non-voting. The chair of the Senate shall preside and have voting privileges.*

Background:

The recommended change was given second reading and adopted by the Faculty Senate at the meeting on April 10, 1997.

The only change is adding the faculty regent to the list of ex officio and non-voting members.

Motion for approval of the amendment was made by Ms. Gramling, seconded by Ms. Bale and carried unanimously.

AGENDA ITEM 11 - Recommendation for approval of personnel recommendations

RECOMMENDATION:

Interim President Barbara G. Burch recommends the Board of Regents approve the recommended personnel changes which have transpired since the meeting of the Board on April 29, 1997.

[The recommended personnel changes follow on the next twenty-four pages.]

Mr. Mercer made a motion, seconded by Ms. Bale to approved the recommended personnel items. The motion carried unanimously.

AGENDA ITEM 12 - President's Report

Dr. Burch, Interim President, reported on the following:

- Aramark, the new food services is receiving favorable response. A brochure on Aramark outlining the services available to the campus family was distributed.
- The Bookstore renovation is nearing completion. The restocking of merchandise is being coordinated so that it will be ready for the opening of school with August 11 as the scheduled reopening date.
- A contract has been awarded to Xerox for printing services which will enable the installation of new equipment that will give quality printing services which have not been available previously.
- Summer enrollment shows an increase of approximately 300 students (5.4%) over last summer.
- Lots of efforts are being made to look for additional ways to increase revenues. A recent notice has been received on a fund that is administered as the TVA Investment Challenge in Partnership which awards \$100,000 to different business colleges allowing students to use the funds to manage portfolios. Western will receive \$100,000.
- In the Reform package, one of the major pieces was the Governor's support for a Virtual University for the State of Kentucky, and Western has been at the forefront of the leadership in putting together that plan and in working with the other seven state universities and now the community college system. A draft is nearly ready to circulate back to all of the other universities. The draft allows all of the universities to award degrees using collaborative delivery systems through the Virtual University. The draft will come to all the campuses as a discussion draft this fall, so the faculties will have an opportunity to shape our participation in ways in which we might be a part of it.
- Invitations will be forthcoming to a August 5 Advisory Committee meeting in Glasgow. This will provide an opportunity to learn a little more about things that we need to be thinking about as future facility and programming needs are considered for the area.
- Recognized Dr. Addington who will leave Western on August 1 to become President of the Owensboro Community College.

- Not only will the football team be wearing new football uniforms this year through the over-\$100,000 in donations of uniforms and shoes largely as a result of a donation through Jim Harbaugh's contract, a new \$155,000 scoreboard will also be in place at no cost to the University largely through a contract with Pepsi over the next several years.
- An invitation has been extended to move the football program back into the Ohio Valley Conference. A favorable response to that invitation has been forwarded, and details are being ironed out for our program to return to the Ohio Valley Conference in the very near future.
- Educational Leave of Absence - An effort is under way to develop a policy which will guide leaves of absences to allow an individual to pursue continued professional development or other kinds of activities that are relevant to increasing the knowledge or their work capacity. The absence of a policy is currently a problem, and this is a clarification of procedures.
- Outcomes Assessment Plan is a report on productivity information which has been provided to each Board member that outlines the student outcomes which staff feel are central to the students' living-learning development. This plan will be updated on a regular basis, and the data collected from this plan will be analyzed; the analysis will allow the staff to know how successful the University is in meeting the needs of the students. It will hold each department within the division accountable for the accomplishment of that unit's stated goals and objectives. The plan will enable the division of Student Affairs to really be on the cutting edge in higher education in assessing outcomes.
- \$205,000 has been received from the State for the Equine Trust Program. This is in addition to the \$375,000 which was received last year for this program.
- The University is at third base on an appropriation bill, sponsored by Senator Mitch McConnell, which would benefit Western. The bill would create a small public water system technology center at Western. From the very initiation of the bill, it was designated for Western; and the optimism is very high on the possibility of funding. If it is funded, Western will receive a half million dollars this year and another million dollars a year over the next four years coming. It will go a long way toward taking advantage of the Karst programs and the needs in this area.
- The opening faculty meeting is scheduled for August 18, and Governor Patton will speak.

With no further business to come before the Board, motion for adjourn-

ment was made by Ms. Bale, seconded by Mr. Mercer, and carried. The meeting adjourned at approximately 11:40 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 regular meeting held on July 28, 1997, in the Regents Conference Room of the Wetherby Administration Building on the Western campus, and 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

Peggy W. Loafman
Chair
October 31, 1997

Elizabeth W. Esters
Secretary
October 31, 1997

