

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

September 25, 1998

AGENDA ITEM 1 - Call to Order

Required statutory notice having been given, the Finance and Budget 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 11:45 a.m., CDT, by Mr. Earl Fischer, Chair.

AGENDA ITEM 1 - Roll Call

Mr. Earl Fischer
Ms. Joy Gramling
Mr. Ronald Sheffer

Ms. Sara Hulse and Dr. Raymond Mendel were absent. Other Board members attending were Regents Bale, Cosby, Gray, Loafman, and Martin.

Others attending were President Gary Ransdell; Mrs. Liz Esters, Staff Assistant and Secretary to the Board of Regents; 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, and Ms. Ann Mead, Chief Financial Officer.

The Committee's agenda consisted of the following:

- Draft Annual Financial Report, June 30, 1998
- Fund Balance Allocations
- Revisions to the 1998-99 Operating Budget
- Mandatory Student Fees: Benchmark Comparisons
- Financial Terminology/Definitions

AGENDA ITEM 1 - Draft Annual Financial Report, June 30, 1998

The draft report has not been completed and therefore deferred.

AGENDA ITEM 2 - Fund Balance Allocations

FUND BALANCE ALLOCATIONS

RECOMMENDATION:

President Gary Ransdell recommends that the Board of Regents approve Educational and General (E&G) fund balance allocations totaling \$1,049,000 and Auxiliary Enterprises fund balance allocations totaling \$162,200. [See ***EXHIBIT I, Attachments A & B***]

Background:

Changes in fund balances primarily are the result of over realizing revenue in comparison to the budgeted revenue and under expending funds in comparison to budgeted amounts. The total fund balances, as of June 30, 1998, were \$13,569,752 and \$2,438,770 for E&G and Auxiliary Enterprises, respectively. The annual financial report shows these numbers combined on the balance sheet as the University's unrestricted fund balance. We separate the amounts in recognition that the auxiliary programs are 100 percent self-supporting and that all of their fund balances are returned for the enhancement of the auxiliary operations.

The undesignated fund balances available for allocation were \$1,049,194.11 and \$229,845.95 for E&G and Auxiliary Enterprises, respectively. The difference between the total fund balances and the undesignated fund balances is attributed to the fund balance reserves, prior Board of Regents and institutional commitments, and accounting requirements. Consistent with past Board action, the E&G reserve is being maintained at \$3,500,000. It is proposed that Auxiliary Enterprises hold a reserve of \$500,000. Attachment A details these obligations and the amount of funds available for allocation. Attachment B lists the proposed allocations from undesignated fund balances. The Educational and General allocations recommended address many of the significant needs across the campus.

In regard to auxiliary projects being recommended, the Board of Regents previously approved \$155,500 for a roof replacement for Florence Schneider Hall. After bidding the project, however, an additional \$77,200 is needed to award the contract to the lowest bidder. Also, the boiler in Douglas Keen Hall is 30 years old and has exceeded its life cycle. This allocation will replace the boiler. A balance of \$67,646 remains available for allocation and expenditure plans for these funds will be submitted at a future Board of Regents meeting.

Motion for approval was made by Ms. Gramling, seconded by Mr. Sheffer and carried unanimously.

AGENDA ITEM 3 - Revisions to the 1998-99 Operating Budget

REVISIONS TO THE 1998-99 OPERATING BUDGET

RECOMMENDATION:

President Gary Ransdell recommends that the Board of Regents approve revisions to the Western Kentucky University 1998-99 Combined Budgets totaling \$121,000.

Background:

The proposed revisions to the Western Kentucky University 1998-99

Combined Budgets are listed below and a narrative explaining the revisions follows:

<u>Source</u>	<u>Proposed Revisions</u>
Governmental, Grants and Contracts, Federal	\$ 46,000
Other Sources	<u>75,000</u>
Total	\$121,000
<u>Use</u>	
American Reads, College Work Study	46,000
Office of Special Events	<u>75,000</u>
Total	\$121,000

The budget revision for \$46,000 is for the College Work Study Program. Funding is being received for our participation in the America Reads program which offers off-campus job opportunities to students. The program was funded for six months and we have now been awarded additional funding to fund the program for a full year. The Special Events budget revision is based on events the University schedules for use of facilities for off-campus organizations. The revenue offsets the costs of the events and allows the University to sponsor more non-revenue generating events. Events coordinated by the Office of Special Events include the Kiwanis Club fireworks show, Drums on the Hill, and the 10K Run. Having these events on campus has the added benefit of being a marketing tool for the University. Funding will not be spent unless actually received.

Motion for approval was made by Ms. Gramling, seconded by Mr. Sheffer and carried unanimously.

AGENDA ITEM 4 - Mandatory Student Fees: Benchmark Comparisons

MANDATORY STUDENT FEES: BENCHMARK COMPARISONS

INFORMATION:

Tuition rates at all Kentucky state-supported colleges and universities are set by the Council on Postsecondary Education. The CPE’s current tuition policy (codified as 13 KAR 2:050 and to be revised to reflect the Postsecondary Education Improvement Act of 1997) is based on the following principles:

- Maintenance of tuition levels for Kentucky residents as a reasonable percentage of per capita personal income (PCPI), with concomitant recommendations for adequate funding for need-based student financial aid to ensure economic access to higher education;
- Use of all Council-approved benchmarks as points of reference for determining tuition;
- Differentiated tuition rates by type of institutions (individually-accredited community colleges, regional/masters degree-granting universities, and doctoral degree-granting universities); and
- Provide stability of tuition rate increases from biennium to biennium (i.e., minimize fluctuations).

Mandatory student fees, which are charged to all full-time students regardless of level (i.e, undergraduate or graduate or major) and are usually prorated to part-time students, are set by each respective Board. Mandatory student fees usually include but are not limited to athletic fees, activity fees, technology fees, and health insurance or health service fees. Attachment A is a tuition and mandatory fees comparison which shows Western's tuition and fees in comparison to the CPE benchmarks, Kentucky comprehensive universities, and WKU Peer Group. It is difficult to get a breakout from universities of what is included in the mandatory student fees. Some institutions choose to charge a single mandatory student fee and then pro-rate the revenue among programs. Other campuses, like Western, have specific mandatory student fees. (See Attachment B.) These comparisons show that Western's mandatory student fees are 44.6 percent of the CPE benchmark institutions and 38.2 percent of the WKU Peer Group. If Western is included with the Kentucky comprehensive universities, Western's mandatory fees represents the median (middle) rate.

Historically, Western's mandatory student fees have been increased sporadically based on specific programmatic needs. For example, a mandatory student fee was added for Title IX Compliance in 1996-97 and the technology fee was increased in 1997-98 in order to upgrade all labs and access to computers. Mandatory students fees were not increased in fall 1998. Some individual fees have remained constant for years. The Athletic Review revealed that, with the exclusion of Title IX Compliance, the Student Athletics Fee was implemented in 1983 at \$15 per semester for full-time students. This specific fee has never been increased even though there has been considerable discussion about revenue enhancement alternatives for funding Athletics.

Prior to developing the 1999-00 budget, the Administration will develop a policy for setting mandatory student fees which will take into account the need for funding increases to cover inflationary costs. The policy will also address the need for periodic adjustments in selected student mandatory student fees to meet certain programmatic priorities of the University. Prior to the next meeting of the Finance Committee, the Administration will share the draft policy with the Student Government Association and seek its input.

Benchmark comparisons of mandatory student fees was provided for information of the Committee.

AGENDA ITEM 5 - Financial Terminology/Definitions

The Committee was provided with a listing of university-related financial terminology/definitions to assist in the work of the committee. A copy is included below:

FINANCIAL TERMINOLOGY/DEFINITIONS

INFORMATION:

suggestion Finance and Budget Committee Chairman Earl Fischer made the that new members of the Finance and Budget Committee may benefit from a short list of financial terminology and definitions which are common to higher education financing. The following list provides key terminology staff may use in presenting the recommended combined budgets, revisions to the operating budget, or the annual financial report.

Governmental Accounting Standards Board (GASB) - An independent agency established under the Financial Accounting Foundation in 1984 as the official body

designated to set accounting and financial reporting standards for state and local governments and all public colleges and universities.

Accrual Basis Accounting - The basis of accounting under which revenues are recorded when earned and expenditures (or expenses) are recorded as soon as they result in liabilities for benefits received, notwithstanding that the receipt of cash or the payment of cash may take place, in whole or in part, in another accounting period.

Fiscal Year - A 12-month period of time to which the annual operating budget applies and at the end of which a governmental unit determines its financial position and the results of its operations. (Kentucky and all public colleges and universities start fiscal years in July and end in June.)

Fund Accounting - This is the process by which resources are classified in accordance with the types of specific activities and objectives. The WKU financial report includes fund groups: Current Funds, Loan Funds, Plant Funds, and Agency Funds. (Additional definitions are included in the Notes to Financial Statements.)

Audit - The examination of documents, records, reports, systems of internal control, accounting and financial procedures, and other evidence for one or more of the following purposes:

- a. To ascertain whether the financial statements present fairly the financial position and the results of financial operations of the fund types and account groups of the governmental unit in accordance with generally accepted accounting principles and on a basis consistent with that of the preceding year;
- b. To determine the compliance with applicable laws and regulations of a governmental unit's financial transactions;
- c. To review the efficiency and economy with which operations were carried out;
or
- d. To review effectiveness in achieving program results.

Unrestricted Funds - Funds that are established to account for assets or resources which may be utilized at the discretion of the governing board.

Restricted Funds - Funds established to account for assets or resources the use of which is limited by the requirements of donors or grantors (including governmental funding such as Pell Grants (student financial aid) and grants and contracts).

Fund Balance - By fund, this is the difference between assets and liabilities. Fund balances may be designated or undesignated. Fund balances become designated because of accounting requirements (e.g., existence of a change fund) or by actions of a governing board (e.g., reserve for emergencies). Undesignated fund balances may be held or allocated for expenditures.

Reserve - An account that records a portion of the fund balance that must be segregated for some future use and that is, therefore, not available for expenditure. WKU Board of Regents periodically reviews the amount of fund balance set aside for unforeseen needs.

Program Classification Structure (PCS) - A breakdown of expenditures into programmatic functions to provide a basis for uniform reporting among colleges and universities. (See following page of Definitions - Expenditures.)

Auxiliary Enterprises - An entity which exists to furnish a service to students, faculty, or staff and charges a fee that is directly related to, although not necessarily equal to, the cost of the service. The distinguishing characteristics of auxiliary enterprises is that they are collectively managed as essentially self-operating operations (e.g., housing and bookstore).

Educational and General (E&G) - The revenue and expenditures of an institution primarily supported by state appropriations, tuition, gifts and grants, and other revenue sources excluding those operations designated as auxiliary enterprises.

Lump-Sum Appropriation - For Kentucky institutions, the General Assembly enacts a biennial budget which includes a state appropriation which is allocated directly to the institution without any specifications on the amounts that must be spent for specific activities or for particular objects of expenditure. The exception to Western's lump sum appropriation is specific budget language indicating how much of the total appropriation is provided for state-supported debt service payments.

Combined Budgets - WKU's Board of Regents approves a document called the combined budgets which includes the operating budget and a separate capital budget. The operating budget includes all unrestricted and restricted funds anticipated to be received and expended in that designated fiscal year. The capital budget includes a listing of authorized major capital projects, including funding sources for and current status of these projects and lease/purchase items.

Balanced Budget - The budgeted revenue equals the budgeted expenditure authority.

Revised Budget - A presentation of accumulated accounting entries which have increased or decreased the original operating budget expenditure authority of the University. A budget may be revised to reflect expenditure authority for allocations of fund balances or to reflect circumstances whereby the original income estimate for a certain activity is changed and, thus, expenditure authority is revised. Revisions to WKU's operating budget are submitted for Board approval and include changes in revenue and changes in expenditure authority.

Source: most definitions were taken from Accounting for Governmental and Nonprofit Entities

AGENDA ITEM 6 - Other Business

With no further business to come before the Committee, motion for adjournment was made by Mr. Sheffer and seconded by Ms. Gramling. The meeting adjourned at approximately 12 Noon.