

MINUTES
KCTCS Board of Regents
Finance, Technology, and Human Resources Committee
June 11, 2009

Committee Members Present:

Mr. Thomas O. Zawacki, Chair
Mr. Randall L. Barnes
Mr. Richard A. Bean

Mr. Mark D. Brooks
Mr. Michael D. Quillen

Committee Members Absent:

Ms. Brenda R. Corey, Vice Chair

Mr. Porter G. Peoples

CALL TO ORDER Committee Chair Zawacki called to order the meeting of the Kentucky Community and Technical College System Board of Regents Finance, Technology, and Human Resources Committee at 1:25 p.m. (ET), June 11, 2009. The meeting was held in the Visitor's Center at the Georgetown Plant of Toyota Motor Manufacturing, Kentucky located in Georgetown, Kentucky. The press was notified of the meeting on June 5, 2009, and that Hon. J. Campbell Cantrill, KCTCS General Counsel, would serve as parliamentarian.

There being a quorum present, Committee business began with the approval of minutes.

APPROVAL OF MINUTES

MOTION: Mr. Bean moved and Mr. Barnes seconded that the minutes of the March 12, 2009, Finance, Technology, and Human Resources Committee meeting be approved.

VOTE: The minutes were approved by unanimous consent.

ADDITIONS OR CHANGES TO THE AGENDA

Chair Zawacki called for additions or changes to the agenda. Hearing none, the meeting continued with the first item on the agenda.

ACTION: RATIFICATION OF PERSONNEL ACTIONS

RECOMMENDATION: That the KCTCS Board of Regents ratify the personnel actions listed in the agenda materials.

Chair Zawacki called on President McCall to present this item. KCTCS Vice President Gwendolyn Joseph assisted with the presentation. It was noted that the personnel actions presented were in accordance with reporting guidelines and policies adopted by the KCTCS Board of Regents. The personnel actions presented for ratification include:

- Individual Personnel Actions, including faculty promotions and the retirement of KCTCS Chancellor Keith W. Bird, effective June 30, 2009.
- Summary Personnel Actions, including academic and administrative appointments, reappointments, terminal reappointments, leaves of absence, retirements, resignations, and non-renewal of appointments.

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The Committee discussed the retirement of Dr. Bird, expressing an interest to pay special recognition to him by requesting that his personnel action be removed from the Consent Agenda at the June 12, 2009, Board of Regents meeting.

MOTION: Mr. Quillen moved and Mr. Brooks seconded that the Finance, Technology, and Human Resources Committee recommend that the KCTCS Board of Regents ratify the personnel actions listed in the agenda materials.

VOTE: The motion was approved unanimously.

ACTION: 2009-10 COMPENSATION

RECOMMENDATION: That the KCTCS Board of Regents approve compensation in 2009-10 for faculty and staff that will:

- Provide nonrecurring merit bonuses, ranging from \$1,500 to \$2,500, for regular full-time faculty and staff based on the KCTCS Merit Bonus Program. Eligible employees are those regular full-time faculty and staff who earn a “Consistently Exceeded Expectations of Job Requirements (EE)” rating in the 2009-10 evaluation processes, using the KCTCS performance evaluation system, with additional significant accomplishments as described in the KCTCS Merit Bonus Program developed and implemented by the KCTCS President.
- Provide for fixed cost increases in current employee benefits programs.
- Provide for the cost of faculty promotions.

Chair Zawacki called on President McCall to present the item. KCTCS Vice President Ken Walker assisted with the presentation. The KCTCS Board of Regents has the statutory responsibility to set the compensation for employees of KCTCS. Each year since 1998-99, the KCTCS Board has funded compensation for KCTCS faculty and staff.

The proposed compensation for 2009-10 fulfills the KCTCS Board of Regents objective of rewarding performance by providing a nonrecurring merit bonus for high performing faculty and staff members in 2009-10. Faculty promotions and cost increases in current employee benefits programs also are included in the proposed 2009-10 compensation.

The Committee discussed the possibility of reexamining 2009-10 compensation increases if the economic outlook improves. It was noted that the increased fixed costs of employee benefits amount to a 1.5 percent compensation increase. The largest portion of the fixed cost increases is employee health benefits. It was further noted that the rate of increase in the cost of healthcare benefits has slowed.

MOTION: Mr. Quillen moved and Mr. Bean seconded that the Finance, Technology, and Human Resources Committee recommend that the KCTCS Board of Regents approve compensation in 2009-10 for faculty and staff that will:

- Provide nonrecurring merit bonuses, ranging from \$1,500 to \$2,500, for regular full-time faculty and staff based on the KCTCS Merit Bonus Program. Eligible employees are those regular full-time faculty and staff who earn a “Consistently Exceeded Expectations of Job Requirements (EE)” rating in the 2009-10 evaluation processes, using the KCTCS performance evaluation system, with additional significant accomplishments as described in the KCTCS Merit Bonus Program developed and implemented by the KCTCS President.
- Provide for fixed cost increases in current employee benefits programs.
- Provide for the cost of faculty promotions.

VOTE: The motion was approved unanimously.

**ACTION:
2009-10
KCTCS
ANNUAL
BUDGET**

RECOMMENDATIONS:

- That the KCTCS Board of Regents adopt the 2009-10 budget resolution (see revised Attachment A) regarding the 2009-10 Annual Budget for the Kentucky Community and Technical College System. This budget and its provisions will be effective July 1, 2009, through June 30, 2010.
- That the \$6,624,500 unallocated fund included in the original 2009-10 budget mailed to the Board of Regents be removed from the budget.
- That the KCTCS President further reduce the 2009-10 budget by \$2,874,000. The KCTCS President shall ensure that 50 percent (\$1,437,000) will be reduced from the recurring base budget before the 2009-10 fiscal year begins and that the remaining 50 percent will be reduced from the recurring base before the 2010-11 fiscal year begins.

Chair Zawacki called on President McCall to present the item. Mr. Walker assisted with the presentation. A revised agenda item was emailed to the Board June 10, 2009, and distributed at the meeting. Developed with input from the KCTCS President’s Leadership Team (PLT), the revised proposed 2009-10 budget amounts to \$713,019,800 in the operating budget and \$176,684,000 in the capital budget. It was noted that the Governor’s plan was made public on June 3, 2009, after the agenda materials were mailed to the KCTCS Board of Regents.

President McCall reviewed funding changes to the KCTCS 2008-10 state appropriation that resulted from state budget reductions. The proposed budget mailed to the Board June 2 allocated \$217.8 million for expenditure and held \$6.6 million in an unallocated pool in anticipation that the Governor and General Assembly would reduce the original appropriation. However, the Governor’s plan made public on June 3 reduced the KCTCS 2009-10 appropriation to \$214.9 million and included both state general funds and federal stimulus funds. As a result, the \$6.6 million unallocated fund will be eliminated; and another approximately \$2.9 million will be reduced from the expenditure budgets.

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Following Board of Regents action on the budget resolution, staff will work with PLT to revise the detailed budget documentation presented in the separately bound booklet and will mail booklets to the Board. The proposed resolution (see Attachment A) provides for adequate fiscal control and oversight by the KCTCS Board of Regents consistent with common practice within postsecondary education institutions. At the same time, the resolution provides a reasonable amount of discretion to the KCTCS President and establishes limits and thresholds that the President cannot exceed without the expressed consent of the Board.

While the Board of Regents recognizes that all KCTCS needs cannot be fully met within the level of resources available to KCTCS, the Board also recognizes that available resources must be used to fund its highest priorities. The proposed 2009-10 KCTCS budget will:

- Fund compensation in 2009-10 for faculty and staff as approved by the KCTCS Board of Regents.
- Fund fixed cost increases in utilities and facility insurance.
- Fund, on a recurring basis, maintenance and operations costs for new facilities coming online in 2009-10.
- Maintain a nonrecurring budget reserve for each college, the systemwide operations and support programs, the Fire Commission, and the Kentucky Board of Emergency Medical Services (KBEMS).

The Committee discussed the proposed budget, including the one-time federal stimulus appropriation and budget reserves. It was noted that all KCTCS colleges were given an opportunity to expend budget reserves during fiscal year 2008-09, with four colleges doing so. The expenditure requests were reviewed to ensure that the expenses were nonrecurring and supported KCTCS business plan initiatives. It was further noted that using budget reserves to fund operations would require Board of Regents action.

MOTION: Mr. Bean moved and Mr. Brooks seconded that the Finance, Technology, and Human Resources Committee recommend:

- That the KCTCS Board of Regents adopt the 2009-10 budget resolution (see Attachment A) regarding the 2009-10 Annual Budget for the Kentucky Community and Technical College System. This budget and its provisions will be effective July 1, 2009, through June 30, 2010.
- That the \$6,624,500 unallocated fund included in the original 2009-10 budget mailed to the Board of Regents be removed from the budget.
- That the KCTCS President further reduce the 2009-10 budget by \$2,874,000. The KCTCS President shall ensure that 50 percent (\$1,437,000) will be reduced from the recurring base budget before the 2009-10 fiscal year begins and that the remaining 50 percent will be reduced from the recurring base before the 2010-11 fiscal year begins.

VOTE: The motion was approved unanimously.

**UPDATE:
HUMAN
RESOURCES**

Chair Zawacki called on President McCall to present this item. Dr. Joseph assisted with the presentation. The update included information related to full-time employees. It was noted that although the pace is slowing, the number of employees in the KCTCS personnel system continues to increase, with 88.3 percent in the KCTCS personnel system. The percentage of KCTCS employees in UK and 151B/18A personnel systems are 8.2 percent and 3.5 percent respectively.

The Committee discussed the content of future Human Resources updates, noting that the report content relevancy relative to the Board's governance role has diminished. It was further noted that staff's time resources might be better spent providing reports useful for governance decisions. Two suggestions were offered related to content: 1) continue reporting the number of employees and 2) begin reporting part-time employee information. The Committee asked staff to make a recommendation at the next meeting regarding the content and frequency of Human Resources updates.

**UPDATE:
KCTCS
QUARTERLY
FINANCIAL
REPORT**

Chair Zawacki called on President McCall to present this item. Mr. Walker assisted with the presentation. Information for the third quarter of fiscal year 2008-09, which ended March 31, 2009, was derived from the Administrative Financial System. The Statement of Net Assets reflects the overall financial position of the System as of March 31, 2009, and includes assets, liabilities, and net assets. Actual program and operational expenditures compared to the fiscal year 2009 budget approved by the Board of Regents June 13, 2008, are reflected on the Statement of Revenues and Expenditures.

As indicated on the Statement of Revenues and Expenditures, through the third quarter total revenues were \$597 million, 89 percent of the budgeted revenue and appropriated funds. The state appropriation amount does not reflect the 2 percent budget reduction (\$4.4 million) recently proposed by Governor Beshear and authorized in HB 143 enacted by the 2009 General Assembly. The reduction will be implemented in the fourth quarter. By the end of the third quarter, 101 percent of the budgeted tuition revenue was received. Current fund expenditures and budget reserve through the third quarter of fiscal year 2008-09 were \$488 million, 73 percent of the expenditures budgeted for the year. Expenditure categories are below 75 percent except for student financial aid, which is tied to enrollment and tuition revenue.

**UPDATE:
SUPPLIER
DIVERSITY AND
ENHANCEMENT**

Chair Zawacki called on President McCall to present this item. Mr. Walker assisted with the presentation. At the March 13, 2009, KCTCS Board of Regents meeting, the Board was updated on the KCTCS Supplier Diversity and Enhancement Initiative. Supplier diversity includes minority, female, veteran-owned, and physically-challenged suppliers. Work continues on identifying suppliers not previously contained within the KCTCS supplier source list and on identifying additional minority, female, veteran-owned, and physically-challenged suppliers within each college's service area to reflect the diversity of businesses in geographic proximity to each college.

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Since the initial report on KCTCS supplier diversity and enhancement at the March 2009 Board of Regents meeting, staff has continued to work on updating the KCTCS supplier database, engaging in a number of activities to network with other entities' procurement divisions regarding supplier diversity. A partial list of work activities follows.

- Collected minority supplier information or lists from other organizations and maintained contact with the Minority Supplier Development Specialist at Toyota Motor Manufacturing of Kentucky (TMMK).
- Participated in the Commerce Lexington Information Exchange and the Kentuckiana Minority Business Council (KMBC) Opportunity Fair.
- Developed an internal awareness campaign to communicate KCTCS commitment to supplier diversity. The campaign is being implemented via existing communications tools, like periodic newsletters. Public service announcements detailing KCTCS' commitment to supplier diversity have been developed for local college media distribution.
- Began identifying metrics for reporting supplier diversity beginning in the 2009-10 fiscal year.

The Committee complimented staff for the work completed on increasing supplier diversification, noting that increasing diversification occurs gradually.

UPDATE: FACILITIES AND CAPITAL CONSTRUCTION STATUS REPORT

Chair Zawacki called on President McCall to present this item. Mr. Walker assisted with the presentation. Information about capital projects, major initiatives, capital maintenance, and property management presented in the report titled "Facilities and Capital Construction Status Report" was discussed.

Twenty new construction or major renovation projects were authorized for the 2008-10 biennium and total approximately \$247 million. The projects are in various stages of design or construction and are on target and within or under scope costs. One capital project, the Newtown Campus project, will seek LEED certification. After that initial certification is obtained, other KCTCS projects will be built to LEED standards without seeking certification.

It was noted that 12 KCTCS colleges are participating the state's Guaranteed Energy Savings Performance Program. It was further noted that staff completed 13 deeds, which transferred properties from the University of Kentucky to KCTCS. The KCTCS Board of Regents approved the transfer of the properties June 13, 2008, when it endorsed the *UK Resolution Endorsing Conveyance of Community College Properties from UK to KCTCS*.

**UPDATE:
FULFILLING THE
PROMISE
CAMPAIGN**

Chair Zawacki called on President McCall to present the item. KCTCS Vice President Tim Burcham assisted with the presentation. As of June 5, 2009, the total number of gifts and pledges recorded for the *Fulfilling the Promise Campaign* is approaching \$92 million. Nine colleges and the System Office are actively involved in the campaign. Six colleges have celebrated campaign closure. One college will enter the campaign later this year.

Lead gifts the since March 13, 2009, KCTCS Board of Regents meeting include:

- Norton Healthcare pledged \$1 million to Jefferson Community and Technical College Foundation to support implementation of a new Diagnostic Medical Sonography program. The funds will initially support two faculty positions, major equipment procurement, and other equipment and supplies needed to operate the high tech program.
- St. Elizabeth Health System gave \$150,000 to Gateway Community and Technical College to establish the St. Elizabeth Endowed Nursing Professorship, which will be the college's first endowed professorship.
- Lay Foundation gave \$1.5 million to West Kentucky Community and Technical College to support the following programs in Mayfield, Kentucky: welding, technology, HVAC, and possibly auto diesel.

NEXT MEETING

Chair Zawacki announced that the next Finance, Technology, and Human Resources Committee meeting would be September 24, 2009.

ADJOURNMENT

Mr. Barnes moved that the meeting adjourn. Mr. Brooks seconded the motion.

VOTE: The motion was approved unanimously, and the meeting adjourned at 2:24 p.m. (ET).

9/24/09

Date Approved by the
Finance, Technology, and Human
Resources Committee

Larry D. Savage
Committee Chair

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Attachment A
REVISED 6/10/09



Kentucky Community and Technical College System
Board of Regents
2009-10 Annual Budget Adoption Resolution

Be it Resolved, that upon due consideration and upon recommendation of the Kentucky Community and Technical College System (KCTCS) President, the following operating budget authorizations totaling ~~\$713,019,800~~ ~~\$722,518,300~~ are approved for KCTCS for the fiscal year beginning July 1, 2009, and ending June 30, 2010. Of this amount, ~~\$483,089,400~~ ~~\$485,963,400~~ are unrestricted current funds; and ~~\$229,930,400~~ ~~\$236,554,900~~ are restricted funds from sources such as federal, state, private gifts, grants, contracts, or appropriations.

Be it Resolved, that upon due consideration and upon recommendation of the KCTCS President, the capital budget authorization totaling \$176,684,000 from agency funds and state funds is approved, contingent upon receipt and availability of those funds for KCTCS for fiscal year beginning July 1, 2009, and ending June 30, 2010.

In the event current fund revenues now estimated should not be realized, the KCTCS President shall take appropriate action to reduce budget authorizations to amounts sufficient to ensure that expenditures do not exceed available revenues. The KCTCS President shall report to the Board in advance any major deviations from the approved operating budget. The KCTCS President may make other adjustments to the budget in the following way:

In the event actual annual revenues exceed estimated revenues, the KCTCS President may authorize an increase in the unrestricted current funds expenditure budget as follows: the first 1.0 percent will be used to establish additional budget reserves at the System level, and thereafter, in amounts not greater than 2.0 percent of the Board's authorized expenditure level. The Board may ratify increases and reauthorize expenditure levels within the 2.0 percent cap during a regular or special Board meeting. Increases greater than 2.0 percent of the authorized expenditure budget must have prior approval of the Board.

The purchase of any item of equipment greater than \$200,000 must have prior approval of the Board of Regents and must be contained in the *Biennial Legislative Appropriations Act* in accordance with KRS Chapter 45. The purchase of any item of equipment with a cost greater than \$50,000 not specifically identified in the budget shall be reported as a part of the *KCTCS Quarterly Financial Report*.

A capital construction project with a scope greater than \$600,000 must have the prior approval of the Board of Regents and be contained in the *Biennial Legislative Appropriations Act* in accordance with KRS Chapter 45. A report on capital construction projects with a cost greater than \$100,000 not specifically identified in the budget shall be provided as part of the *KCTCS Quarterly Financial Report*.

The *KCTCS Quarterly Financial Report* shall contain sections that reflect the KCTCS July 1 opening budget, amendments to the opening budget, and expenditures to date. This report shall provide the necessary detail for amending the budget as permitted by this resolution.

All units and individuals within KCTCS incurring financial obligations of KCTCS funds resulting from this authorization shall observe and adhere to applicable laws, regulations, and policies of the Commonwealth of Kentucky and the KCTCS Board of Regents, which govern the expenditure and disbursement of funds. Heads of the various budget units shall not authorize nor incur financial obligation in excess of the budget authorization for that budgetary unit.

This budget and its provisions will be effective July 1, 2009, through June 30, 2010.

ADOPTED, this twelfth day of June 2009.

Richard A. Bean, Chair
KCTCS Board of Regents

Johnna Reeder, Secretary
KCTCS Board of Regents

Michael B. McCall, Ed.D.
KCTCS President

