

MINUTES
KCTCS Board of Regents
Finance, Technology, and Human Resources Committee
September 19, 2019

Committee Members Present:

Mr. Mark A. Wells, Committee Chair
Ms. Lisa Desmarais- *participated via Skype and pursuant to Board of Regent Bylaws 8.3 and KRS 61.826, and will be permitted to cast votes during a video teleconference.*
Ms. Karen A. Finan
Dr. Angela Fultz

Dr. Gail Henson
Mrs. Jacqueline D. Teehan
Ms. Tammy C. Thompson

Committee Members Absent:

Mr. Damon V. Allen, Committee Vice-Chair

CALL TO ORDER

Committee Chair Mark A. Wells called to order the meeting of the Kentucky Community and Technical College System Board of Regents Finance, Technology, and Human Resources Committee at 2:30 p.m. (ET) on September 19, 2019. The meeting was held in the Hal Rogers Advanced Technology Center, Room 208, of the Health Sciences Hall at the Pikeville Campus of Big Sandy Community and Technical College in Pikeville, Kentucky. The press was notified of the meeting on September 12, 2019. Hon. Michael Murray, KCTCS General Counsel, served as parliamentarian.

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

WELCOME OF NEW COMMITTEE MEMBERS

Chair Wells extended a welcome on behalf of the Finance, Technology, and Human Resources Committee to Ms. Karen Finan, Dr. Angela Fultz, Ms. Tammy Thompson, and Mrs. Jacqi Teehan, as newly assigned committee members. Chair Wells also welcomed Mr. Damon Allen, as a newly assigned committee member and Vice Chair of the committee. Mr. Allen was unable to attend the meeting.

APPROVAL OF MINUTES

Chair Wells asked if there were any corrections to the June 13, 2019, minutes presented in the meeting materials. There being none, the minutes were declared approved as presented.

ADDITIONS OR CHANGES TO THE AGENDA

There were no additions or changes to the agenda.

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ACTION: RATIFICATION OF PERSONNEL ACTIONS

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

Chair Wells called on KCTCS President Jay K. Box to present the item. KCTCS Vice President Wendell Followell 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.

Chair Wells called for discussion, there being none, he called for the motion.

MOTION: Dr. Fultz moved, and Ms. Desmarais 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.

Chair Wells moved to the next agenda item.

ACTION: KCTCS 2020-22 BIENNIAL BUDGET REQUEST

RECOMMENDATION: The KCTCS Board of Regents approve the 2020-22 biennial budget requests, operating and capital, for KCTCS to be submitted to the Council on Postsecondary Education (CPE), the Governor of Kentucky, and the Kentucky General Assembly. Statutorily, KCTCS must submit its requests, operating and capital, by November 15, 2019. The KCTCS operating and capital requests are developed in cooperation with the CPE guidelines. The requests that follow are items developed in consultation with the KCTCS President's Leadership Team and CPE staff. KCTCS's final requests, operating and capital, submitted in November to the legislature, governor and CPE, will depend on CPE Board approval at its October 2019 meeting. At the time of the development of this agenda item, CPE staff's final recommendations concerning KCTCS requests were not yet known. Therefore, all requests, operating and capital, discussed with CPE staff are included.

Chair Wells called on President Box to present the item. Vice President Followell assisted with the presentation.

President Box reminded the Board that to formulate the budget, the higher education institutions work through the Council on Postsecondary (CPE).

The biennial budget request for operating funds for KCTCS per the guidelines developed by CPE is as follows:

	<u>2019-20</u> <u>(Budgeted)</u>	<u>2020-21</u> <u>(Requested)</u>	<u>2021-22</u> <u>(Requested)</u>
Base Appropriation*	\$166,034,000	\$171,265,800	\$171,265,800
Performance Funding	8,547,000	14,918,600	19,891,400
Nursing Programs**	-	8,440,606	4,790,606
Total	\$174,581,000	\$194,625,006	\$195,947,806

* Fiscal year 2019-20 General Fund appropriation of \$166,034,000 as enacted in the 2020-22 Budget of the Commonwealth (HB 200) plus \$8,547,000 of the Postsecondary Education Performance Fund was allocated to KCTCS.

** Registered Nurses are in high demand with 2,669 annual openings in Kentucky. KCTCS awarded 840 credentials for RNs in 2018-19. This request is to support the nursing programs at all 16 colleges. If funded, resources may be deployed based on regional and college need. Currently KCTCS colleges struggle to compensate nurses adequately to compete with salaries at hospitals and medical facilities. Additionally, KCTCS colleges struggle to offer year-round access to nursing programs due to normal 10-month faculty contracts. This request, if funded, will enable KCTCS colleges to offer 12-month assignments to some faculty based on needs in that college's service area. All new positions (two per college) will be 12-month.

Capital Funds Request

The 2020-2022 Capital Request is summarized in Attachment A.

	<u>2020-22</u>
Asset Preservation and Renovation	\$259,500,000***
Information Technology	9,500,000
Construction (New and Expansion), Acquisition, and Equipment	211,100,000
Total Capital Budget Request	\$480,100,000

*** CPE is requesting \$400,000,000 in General Fund supported bond funds for a capital investment pool of asset preservation and renovation projects. This request for asset preservation funds is needed to address long overdue deferred maintenance, bring facilities up to current industry standards, and better serve students, faculty and staff. If the requested bond funds are authorized, they will be matched fifty cents on the dollar by receiving institutions. KCTCS' portion of the requested \$400 million pool would be \$49,851,000 for the 2020-22 biennia. Projects listed in Attachment A for the Asset Preservation and Renovation request will be eligible to receive funding from this pool.

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The KCTCS President worked the CPE President and the university presidents to develop a biennial budget operating funds request approach that:

- Recognizes the economic situation facing the Commonwealth of Kentucky in the 2020-22 biennium.
- Recognizes the need for an additional general fund appropriation for each institution of postsecondary education.
- Provides opportunity for the institutions and the CPE to cooperatively seek additional funding.

The KCTCS 2020-22 capital funds request:

- Reflects KCTCS priorities for asset preservation and renovation. Attachment A lists projects that meet the criteria established for asset preservation and renovation. Also listed within Attachment A, are capital projects which are requested for approval should restricted and/or other funds become available to fund the project(s).
- Encompasses asset preservation, maintenance and renovation of existing facilities, construction (new and expansion), information technology, and capital equipment.
- Recognizes the importance of maintaining the existing physical plant in a condition that enables the colleges to provide quality educational programs and services.
- Consists of 42 projects with a total request of approximately \$480 million.

Chair Wells called for discussion.

During the discussion, it was noted that this request is not a request for state funds, but state approval of projects that the colleges have deemed necessary. President Box also shared that every college has a capital project and the projects have been prioritized using a system rubric. It was noted that each college has a project in the priority list on Attachment A.

Regent Desmarais asked for a clarification of the KCTCS expansion of their Nursing programs. President Box noted that the Kentucky Hospital Association came to KCTCS and asked for KCTCS to expand nursing programs throughout the state. President Box shared that a group of Eastern Kentucky hospitals pledged support of the expansion if the state would provide the funding needed. It was noted that an additional part of the request was to hire more faculty to support the expansion of the nursing program.

Chair Wells called for additional discussion. There being none, he called for a motion.

MOTION: Dr. Henson moved, and Mrs. Teehan seconded, that the Finance, Technology, and Human Resources Committee recommend that the KCTCS Board of Regents approve the 2020-22 biennial budget requests, operating and capital, for KCTCS to be submitted to the Council on Postsecondary Education (CPE), the Governor of Kentucky, and the Kentucky General Assembly. Statutorily, KCTCS must submit its requests, operating and capital, by November 15, 2019. The KCTCS operating and capital requests are developed in cooperation with the CPE guidelines. The requests that follow are items developed in consultation with the KCTCS President's Leadership Team and CPE staff. KCTCS's final requests, operating and capital, submitted in November to the legislature, governor and CPE, will depend on CPE Board approval at its October 2019 meeting. At the time of the development of this agenda item, CPE staff's final recommendations concerning KCTCS requests were not yet known. Therefore, all requests, operating and capital, discussed with CPE staff are included.

VOTE: The motion was approved unanimously.

Chair Wells moved to the next agenda item.

**UPDATE: OTHER
POSTEMPLOYMENT
BENEFIT TRUST REPORT**

Chair Wells called on KCTCS President Jay K. Box to present the item. KCTCS Vice President Wendell Followell assisted with the presentation.

Vice President Followell noted that at the December 7, 2012, KCTCS Board of Regents meeting, the Finance, Technology, and Human Resources Committee recommended, and the Board of Regents approved by resolution to establish an Other Postemployment Benefit (OPEB) Trust for the health insurance benefit of eligible employees in KCTCS 403(b) retirement plans. As of June 30, 2019, the KCTCS Section 115 IRR Trust is sufficiently funded with \$205.02 million in assets and \$152.5 million in liabilities. The Plan's Fiduciary Net Position as a percentage of the total OPEB liability is 134.44 percent or a positive \$52.5 million.

It was shared that the assets of the Trust are significantly above its liabilities, and KCTCS would like to help reduce the out-of-pocket costs to its retirees, AON (KCTCS' actuary) was asked to do a follow up calculation of the expected postretirement benefit obligation if KCTCS funded the full out-of-pocket cost for single health insurance coverage for its retirees within the Trust. The calculation to remove retiree contributions for single health insurance costs increased the

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expected postretirement obligation from the estimated \$152.5 million to \$204.2 million.

It was noted that to help retirees reduce their out-of-pocket costs, but to guard against the potential liability increasing above projected assets, beginning January 1, 2020 for those retirees covered by the Trust, KCTCS will cover 50 percent of the out-of-pocket costs for single health insurance coverage. The expected postretirement benefit obligation with this change is expected to be approximately \$180.0 million.

Chair Wells called for discussion.

During discussion, it was noted that this had nothing to do with current benefits as an employee. This is only for the eligible employees in the KCTCS 403(b) retirement plans.

Chair Wells called for additional discussion. There being none, he moved to the next agenda item.

UPDATE: ADMINISTRATIVE SERVICES REPORT

Chair Wells called on President Box to present the item. Vice President Followell assisted with the presentation.

Vice President Followell noted that the Statement of Current Funds Revenues and Expenses as presented in the agenda materials, reflects actual program and operational expenditures compared to the 2018-19 budget approved by the KCTCS Board of Regents, June 15, 2018. The report reflects total revenues and appropriated fund balances of \$836,674,000 or 98 percent of the budgeted revenue and appropriated funds.

It was shared that the Statement of Current Funds Revenues and Expenses also reflects current fund expenses and budget reserve of \$752,118,000 or 88 percent of the expenses budgeted for the year. The Statement of Net Position as presented in the agenda materials, reflects the overall financial position of the System and includes assets deferred outflows, liabilities deferred inflows, and net position. KCTCS's net position remains a strong \$562,299,000 as of June 30, 2019.

Vice President Followell noted that in the diverse supplier initiatives report, the data indicates for FY 2018-19 that KCTCS spent \$6.2 million (9.9 percent) of a total \$62.4 million in impactable discretionary spend with diverse suppliers. In terms of business conducted, the percentage spent with diverse suppliers in FY 2018-19 as compared to the spend with diverse suppliers in FY 2017-18 was higher by (10.7 percent).

It was shared that KCTCS staff continue to work on diverse supplier strategic matching employing distribution of advertising opportunities to do business with KCTCS. These activities include sponsorships, utilizing various minority supplier's websites, and partner distributions of KCTCS business opportunities (Kentucky Procurement Technical Assistance Center, Tri-State Minority Development Council, and National Association of Women Business Owners (NAWBO)). KCTCS is a registered member of additional cooperative purchasing groups (E&I Cooperative Services and Sourcewell) and utilizes free online platforms for greater distribution of business opportunities (Govquote) to increase the visibility for strategic sourcing of diverse suppliers.

Chair Wells called for discussion. There being none, he moved to the next agenda item.

**UPDATE:
TECHNOLOGY
SOLUTIONS
REPORT**

Chair Wells called on President Box to present the item. Vice President Dr. Paul Czarapata assisted with the presentation.

Vice President Czarapata gave a brief overview of the Technology Solutions most recent Accomplishments Report highlighting the several highlights and statistics. He noted that in June 2019, the Cybersecurity team in System Office Technology Solutions conducted a phishing campaign for all faculty and staff. The phishing email was sent to 6,709 mailboxes with 1,842 people opening the email, 684 people clicking the link, and 384 people giving up their credentials. After the phishing campaign was completed, one college President was caught. The average click rate (or Phish Prone rate) for higher education as an industry is 28.2 percent, as a system we came in at 15.9 percent.

It was noted that in July 2019, KCTCS Technology Solutions staff sponsored a pizza party for all the PeopleSoft Administrative System (HR/Payroll, Financials, and Student Information System) "Power Users" to roll out multi-factor authentication. A "Power User" is someone who has elevated access in a computer system. Multi-factor authentication refers to the use of a password, and a second factor which is either a text message to your phone or the use of a key fob with rotating codes. This authentication will help to stop malevolent activities if an end user is phished.

Vice President Czarapata shared that MyPath allows students, faculty, and staff to go to one web site, and be able to access nearly all KCTCS technology systems with only one log in. From the beginning of the year, MyPath has served 5,785,714 users (an average of 214,285 visits per week).

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Chair Wells called for discussion.

During discussion, President Box asked the faculty and staff Regents on the Board to share what their campus has done to give awareness to Cybersecurity at their college.

Chair Wells called for discussion. There being none, he moved to the next agenda item.

UPDATE: OFFICE OF AUDIT SERVICES REPORT

Chair Wells called on Mr. Mike Murray, KCTCS General Counsel, to present the item. Mr. Ralph Kimbrough, Office of Audit Services (OAS), assisted in providing the semi-annual report on the activities of the OAS.

It was noted that overall, the OAS has continued to find operational improvement since the prior report; however, there were no significant issues or adverse indicators regarding financial integrity, threats to institutional reputation or other areas of major concern.

It was shared that recent audits focused on campus safety, federal regulation, documentation, payment card industry data security standard (PCI DSS), and asset safety.

It was noted that Management audits have been conducted at Maysville Community and Technical College, West Kentucky Community and Technical College, and Ashland Community and Technical College. There are several expected audits due in future months because of leadership changes. A new audit initiative will focus on entrance interviews with the College Presidents.

Chair Wells called for discussion. There being none, he moved to announcing the next meeting.

NEXT MEETING

The next regularly scheduled Finance, Technology, and Human Resources Committee meeting is scheduled for December 5, 2019, at the KCTCS System Office, Versailles, Kentucky.

ADJOURNMENT

Dr. Fultz moved, and Ms. Thompson seconded that the Finance, Technology, and Human Resources Committee adjourn.

VOTE: The motion was approved unanimously. The Finance, Technology, and Human Resources Committee meeting adjourned at 3:54 p.m. (ET).

12/05/19

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

Mark A. Wells
Committee Chair

**SUMMARY
2020-2022 CAPITAL BUDGET REQUEST
KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM**

	College	Project Title	Total Budget	Bond/ General Funds	Restricted/ Other Funds
BOND/GENERAL FUND PROJECTS - ASSET PRESERVATION/RENOVATION PROJECTS					
1	KCTCS	KCTCS College Safety and Security Pool	\$16,000,000	\$16,000,000	
2	KCTCS	KCTCS College Deferred Maintenance Pool	\$30,000,000	\$30,000,000	
3	Elizabethtown CTC	Renovate Occupational Technical Building	\$24,800,000	\$24,800,000	
4	Southcentral CTC	Renovate Main Campus Buildings - Additional Funding	\$5,000,000	\$5,000,000	
5	Jefferson CTC	Renovate Hartford Building	\$31,100,000	\$31,100,000	
6	Southeast KY CTC	Renovate Pineville Campus	\$3,000,000	\$3,000,000	
7	Maysville CTC	Renovate and/or Construct Administration Building	\$15,500,000	\$15,500,000	
8	Ashland CTC	Renovate Main Building Phase II	\$34,000,000	\$34,000,000	
9	Big Sandy CTC	Renovate Collegewide Facilities	\$10,000,000	\$10,000,000	
10	Hopkinsville CC	Renovate Auditorium Building	\$3,700,000	\$3,700,000	
11	Madisonville CC	Renovate Tech Campus	\$3,400,000	\$3,400,000	
12	Henderson CC	Relocate Student Center Functions and Demolition	\$3,900,000	\$3,900,000	
13	Gateway CTC	Renovate Urban Campus	\$13,400,000	\$6,400,000	\$7,000,000
14	West KY CTC	Renovate Main Campus	\$7,000,000	\$7,000,000	
15	Owensboro CTC	Replace HVAC Phase I - Main Campus	\$4,100,000	\$4,100,000	
16	Hazard CTC	Upgrade HVAC	\$3,600,000	\$3,600,000	
17	Hopkinsville CC	Renovate Academic Building	\$14,300,000	\$14,300,000	
18	Jefferson CTC	Renovate College Science Labs	\$7,300,000	\$7,300,000	
19	Hazard CTC	Renovate and/or Procure for Healthcare Programs	\$15,800,000	\$13,450,000	\$2,350,000
20	Maysville CTC	Procure Rowan Campus Building II	\$6,900,000	\$6,900,000	
21	Ashland CTC	Renovate Learning Resource Center - College Drive	\$6,700,000	\$6,700,000	
Total Asset Preservation and Renovation Projects			\$259,500,000	\$250,150,000	\$9,350,000
BOND/GENERAL FUND PROJECTS - NEW CONSTRUCTION PROJECTS					
1	Somerset CC	Construct Advanced Education Bldg. - North Campus	\$29,500,000	\$29,500,000	
2	Bluegrass CTC	Construct Classroom/Student Services Building - Newtown Campus	\$30,000,000	\$30,000,000	

**SUMMARY
2020-2022 CAPITAL BUDGET REQUEST
KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM**

	College	Project Title	Total Budget	Bond/ General Funds	Restricted/ Other Funds
3	Ashland CTC	Construct Transportation Training Center - Technology Drive	\$5,500,000	\$5,500,000	
4	Madisonville CC	Construct Muhlenberg Campus Phase II	\$13,900,000	\$13,900,000	
5	Henderson CC	Construct Allied Health Building	\$18,600,000	\$18,600,000	
6	Somerset CC	Construct Technical Ed. Building Laurel North	\$24,900,000	\$24,900,000	
7	Hopkinsville CC	Construct Student Learning Center	\$20,900,000	\$20,900,000	
Total New Construction			\$143,300,000	\$143,300,000	\$0
BOND/GENERAL FUND PROJECTS - INFORMATION TECHNOLOGY					
1	Systemwide	Information Technology Pool	\$9,500,000	\$9,500,000	
Total Information Technology			\$9,500,000	\$9,500,000	\$0
RESTRICTED/OTHER FUNDS PROJECTS					
1	Ashland CTC	Expand Technology Drive Campus	\$12,500,000		\$12,500,000
2	Big Sandy CTC	Renovate Welding Shop Mayo Campus	\$1,500,000		\$1,500,000
3	Big Sandy CTC	Renovate Dental Hygiene/Assisting Program - Mayo Campus	\$3,000,000		\$3,000,000
4	Bluegrass CTC	Renovate Newtown North Building	\$4,900,000		\$4,900,000
5	Elizabethtown CTC	Construct and/or Procure Transportation Center	\$6,300,000		\$6,300,000
6	Fire Commission	Construct and/or Procure Fire Commission System Office Building	\$7,500,000		\$7,500,000
7	Gateway CTC	Technology Upgrades	\$1,500,000		\$1,500,000
8	Hazard CTC	Renovate Technical Campus	\$13,500,000		\$13,500,000
9	Jefferson CTC	Acquire and Improve Parking Lots - Downtown Campus	\$5,000,000		\$5,000,000
10	Systemwide	Energy Savings Performance Contracts	\$0		\$0
11	Systemwide	KCTCS Equipment Pool	\$5,000,000		\$5,000,000
12	Systemwide	KCTCS Property Acquisition Pool	\$5,000,000		\$5,000,000
13	West KY CTC	Repair Parking Lots and Sidewalks	\$2,100,000		\$2,100,000
Total Restricted projects			\$67,800,000	\$0	\$67,800,000
2020-2022 Totals			\$480,100,000	\$402,950,000	\$77,150,000