

Minutes
Kentucky Community and Technical College System
Board of Regents
Finance, Technology, and Human Resources Committee Meeting
March 12, 2020

Committee Members Present:

- Mr. Mark A. Wells, Committee Chair
- Mr. Damon V. Allen, Committee Vice Chair
- Ms. Karen A. Finan
- Dr. Angela Fultz
- Dr. Gail Henson
- Mrs. Jacqueline D. Teehan
- Ms. Tammy C. Thompson

Committee Members Absent:

- Ms. Lisa Desmarais

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 2:25 p.m. (ET) on March 12, 2020. The meeting was held in Room 102 B of the KCTCS System Office, Versailles. The press was notified of the meeting on March 4, 2020. Hon. Michael Murray, KCTCS General Counsel, served as parliamentarian.

There being a quorum present, the meeting began.

Approval of Minutes:

Chair Wells asked if there were any corrections to the December 5, 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 changes or additions to the agenda.

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 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: Mr. Allen moved, and Dr. Fultz 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.

Update: Compensation and Classification Phase II – Compression Adjustment.

Chair Wells noted that a workshop was held before the Committee meeting where all Board members were updated about the compression issue affecting KCTCS employees. He shared that the agenda item was an update and no vote or action will be taken during the meetings regarding compression. Chair Wells noted that as a part of the budget development scenarios necessary for the development of a proposed budget, the Committee would need to review the options to be considered at the June 11, 2020 Committee meeting.

Mr. Followell shared the three options regarding compression. Option 1 (Market Rate); Option 2 (Flat Rate); and, Option 3 (Percentage Rate). He noted at the December 5, 2020 Committee meeting, Regents requested that this item be brought back with scatter graphs to better illustrate how each of these options would affect compression for the applicable employees.

Mr. Followell summarized the three options that were discussed in the workshop:

- Option 1, Market Rate, is the total solution that affects the greatest number of employees (64 percent) at a cost of \$15.7 million with an average adjustment of \$4,365 per employee.
- Option 2, Flat Rate, is the option that will move employees to market rate, but at a more affordable cost of \$2.7 million with an average adjustment of \$814 per employee. In this option, 59 percent of faculty and staff would be impacted.
- Option 3, Percent Rate, is focused on moving employees closer to market rate with a larger average increase per employee. This option impacts 47 percent of faculty and staff for a total of \$2.4 million and an average adjustment of \$927 per employee.

Chair Wells called for discussion.

During discussion, it was noted that the KCTCS President's Leadership Team, KCTCS Human Resource Directors, and the KCTCS College Business Officers supported Option 2. It was also noted that only employees who meet or exceed their performance reviews would be eligible for the compression adjustment. There was some discussion among the Committee on whether or not you could mix the options and after discussion it was determined this would not be feasible.

Chair Wells asked the Committee if they would support Option 2 and it was confirmed by the Committee that they would do so.

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

Information: KCTCS Budget Development Scenarios

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

A discussion involving budget assumptions was needed in order to provide guidance in the development of the 2020-21 proposed budget for consideration at the June 12, 2020 Board of Regents meeting.

The KCTCS base state appropriation is \$174,581,000 for 2019-20. The base state appropriation will be for 2020-21 is unknown, but some scenarios for consideration have been developed.

For 2020-21, CPE recommended 2 percent (\$3,315,200) of the current KCTCS operating base be placed in performance funding along with the KCTCS calculated portion of newly-requested funds (\$11.6 million). If this request were to be funded, the total state appropriation for KCTCS, including performance funding, would be \$186,184,400 for 2020-21.

Under the Governor's proposed budget, KCTCS would receive a 1 percent increase in its state appropriation base with \$3.4 million in additional funding to offset employer contributions in KERS. If this request were to be funded, the total state appropriation for KCTCS would be \$179,765,800 for 2020-21. In discussion of the House's recommended budget (HB352 HCS), KCTCS would receive in 2020-21 \$1,904,400 in new state appropriation and an additional \$1,241,300 to help offset the KERS contribution rate increase for a total of \$3,145,700.

In addition to state appropriations, the other primary source of funds to support the KCTCS operating budget is tuition revenue. In spring 2020, CPE will establish a two-year tuition rate increase ceiling for KCTCS. In 2018, the two-year tuition rate ceiling was set at \$12 per credit hour with no more than an \$8 per credit rate increase in either year of the biennia. For each \$1 increase in tuition, approximately \$1.2 million in new net revenue is projected.

Fixed costs such as employee benefits and property insurance are expected to increase in 2020-21. Employee benefits include health insurance coverage, workers' compensation, long-term disability, and unemployment insurance. KCTCS continues its commitment to sustainability by pursuing energy efficiency initiatives, including energy savings performance contracts.

Another fixed cost to consider, absent any additional legislation changes, is the proposed contribution rate for KCTCS will go from 49.47 percent to 93.16 percent for 2020-21 per the House's recommended budget (but, there are several proposals in the General Assembly influencing the KERS contribution rate and the outcome of KCTCS's continued participation or exit in KERS).

The Board of Regents is responsible for determining the salary schedules for KCTCS faculty and staff. A one percent across-the-board increase for all regular, full-time faculty and staff personnel costs approximately \$2.7 million, including associated benefits. Additionally,

three scenarios have been presented for consideration to the Board to begin to address employee compression, ranging from a \$15.7 million to \$2.4 million in cost.

Chair Wells called for discussion.

During the discussion, Chair Wells asked President Box on behalf of the Committee to look at moving forward with a 1 percent across the board compensation, in addition to pursuing compression option 2. Chair Wells noted that there are so many unknowns, but the general consensus was that a raise for employees is needed, but with the cost of a raise along with compression cost and the uncertainty of the KERS cost will all factor into the decision.

Chair Wells called for further 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 2019-20 budget approved by the KCTCS Board of Regents, June 14, 2019. The report reflects total revenues and appropriated fund balances of \$564,023,000 (67 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 \$392,016,000 (46 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 \$671,989,000 as of December 31, 2019.

Vice President Followell shared the supplier diversity update. It reflects that for 2019-20, KCTCS spent \$3.8 million, 10.8 percent of a total \$35.3 million, in impactable discretionary spend with diverse suppliers. Existing diverse suppliers are providing more goods and services to KCTCS, as shown by the 36.6 percent increase of total suppliers contracted for 2019-20 as compared to 2018-19.

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 agenda item. President Box introduced KCTCS Vice President Paul Czarapata, who assisted with the presentation.

Dr. Czarapata noted that Kentucky Wired, a state-run project, constructing over 3,000 miles of high-speed, high-capacity fiber optic cable in every county in Kentucky is underway. The project will connect government offices, universities, community colleges, state parks, and other

government institutions to the global internet. KCTCS is supportive of the project because it will save money for the system and bring ten times faster bandwidth to all KCTCS colleges.

He shared that a new cyber-security alert system is being deployed by KCTCS with a third party company called Volta to help find cyber-security threats in real-time. There have been almost 20 million denied connection attempts at the Firewall; over 7,000 malicious links blocked; over 4,000 malware blocked; and over 71 million phishing and spam emails blocked thanks to the new system.

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 the presentation.

It was noted that the OAS has found several opportunities for continued operational improvement including untimely bank deposits; insufficient travel documentation; and improper segregation of work. However, there were no significant issues or adverse indicators regarding financial integrity, threats to institutional reputation or other areas of major concern found.

It was shared that audit plans for FY 2020 and 2021 include several colleges either due to management changes or risk evaluations. The OAS continues to assist the external auditors.

It was shared that the OAS is developing new infrastructure changes and will provide more emphasis on interviewing executive staff and utilizing different risk models for assessment.

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

Next Meeting:

The next meeting of the KCTCS Board of Regents Finance, Technology, and Human Resources Committee will be held on June 11, 2020, at the KCTCS System Office in Versailles.

Adjournment:

Dr. Fultz moved that the meeting adjourn. Ms. Thompson seconded the motion.

VOTE: The motion was approved unanimously, and the meeting adjourned at 4:13 p.m. (ET).

June 11, 2020

Date Approved by the
KCTCS Board of Regents
Finance, Technology, and Human Resources Committee

SIGNATURE ON FILE

Mark A. Wells, Committee Chair
KCTCS Board of Regents
Finance, Technology, and Human Resources Committee