



KANSAS BOARD OF REGENTS

**Teleconference Meeting
Fiscal Affairs and Audit Standing Committee
12:15 pm, Thursday, January 2, 2025
[Link to Zoom Meeting](#) or
Phone: 669-900-6833
Meeting ID: 867 7974 5006
Passcode: 820 433**

FAA AGENDA ITEMS FOR JANUARY 15, 2025 BOARD MEETING

FACILITIES – JANUARY 15, 2025 – CONSENT

1. Act on Request to Accept Property from University Foundation – KSU

In December 2015, the Board of Regents approved a ten-year lease purchase agreement for Kansas State University with the KSU Foundation for an 85-acre tract of land known as Knox Lane on the east side of Manhattan. The 2015 appraisal was \$825,000. It was the intention that the Foundation would gift the property to the University upon expiration of the lease and the Foundation was reimbursed for the acquisition and holding costs. KSU requests approval to accept ownership of the tract of land in February 2025.

2. Adopt Bond Resolution for the Issuance of Revenue Bonds to Fund Construction and Equipping of the National Institute for Aviation Research Hub for Advanced Manufacturing and Research and Renovation and Equipping of the University Stadium; Execution of Various Other Documents in Connection Therewith – WSU

In September 2022, the Board approved Wichita State University's request to amend its capital improvement plan and the corresponding program statement, for the construction and equipping of the HAMR building for the National Institute for Aviation Research. In May 2023, the Board approved adjusting the project scope and budget to increase the building square footage from a single story, 85,000 gross square foot (gsf) building to a two-story 150,000 gsf building to accommodate additional programming and office space. Following pricing validation during design development the Board approved a project cost adjustment resulting from increased market costs for construction. The Board was advised of the University's intent to seek revenue bonds, with debt service to be paid from NIAR funds with a pledge of generally available unencumbered funds of the University. The 2024 Legislature authorized the issuance of the debt.

The University Stadium project, to replace Cessna Stadium, was first submitted to the Board of Regents at its September 2022 meeting. It was subsequently amended at the Board's June 2023 meeting to increase the total project budget and approve the program statement to add a phased approach for completing the project. The Board was advised of the University's intent to seek revenue bonds, with debt service to be paid by the Board of Trustees of Wichita State University (the "BOT") from county property tax revenue,

as approved by the Board in September 2023. The bond will include a pledge of generally available unencumbered funds of the University. The 2023 Legislature authorized issuance of the debt.

Draft issue paper and resolution are attached (Attachment A).

3. Act on Request to Raze the Olathe Pavilion and to Allocate FY 2025 Building Demolition Fund – KUMC

The University of Kansas Medical Center requests approval to raze the Olathe Pavilion building. Olathe Pavilion is three story building on the south side of the KUMC campus in Kansas City, Kansas with an underground level and 53,971 gross square feet, built in 1957. It is primarily used as an administration building with some smaller dry research labs and an outpatient methadone clinic that is operated by The University of Kansas Health System's (UKHS) Psychiatry and Behavioral Sciences department.

The Olathe Pavilion building has extremely outdated and failing mechanical, electrical, plumbing, and fire alarm infrastructure. When the building was originally built, building codes did not require the installation of a fire sprinkler system which now presents a risk hazard at KUMC. Over the past few years KUMC has worked very hard to keep up on the aging infrastructure but with the aforementioned issues, the Olathe Pavilion is past its useful life and not a good candidate for the significant investment that would be required to return it to good working order. KUMC has a plan to relocate all current occupants of the space to KUMC buildings other than the UKHS methadone clinic, which UKHS will relocate to a health system facility rather than another KUMC building.

As the Olathe Pavilion serves as a primary entry to campus, an exterior entry will need to be created at the south end of the Delp F Pavilion. Utility relocations will also need to be done to an adjacent building as steam and electrical utilities are fed to the Student Center and Children's Development Unit (CDU) buildings from the basement tunnel of Olathe Pavilion. Communication fiber will also need to be relocated before Olathe is demolished due to the fiber line exiting out of the basement to many other buildings on campus.

The Olathe Pavilion building currently has an estimated deferred maintenance backlog of over \$19.2 million. It also has a Facility Condition Index (FCI) of 0.67, or a letter grade of F. Olathe Pavilion has no listed historical status or designations. The estimated demolition costs, utility relocates, and exterior entry are \$6.9 million (including design costs).

The University requests Board approval to raze the Olathe Pavilion building using the \$2.24 million in state appropriated demolition funds that are remaining for FY 2025. Additional costs over those funded by state demolition funds will be funded through KUMC deferred maintenance or other KUMC funding sources.

4. Act on Request to Approve Program Statement – KSU

In Kansas State University's approved five-year capital plan is a \$16.4 million capital project to replace the Beef Cattle Research Center's (BCRC) existing feedlot at 3115 College Avenue, which is no longer in use. K-State's new BCRC will comprise a teaching and research feed lot, metabolism research barn and a feed mill designed for small pens and high replication developmental work north of the Manhattan main campus:

- 1,200 animal capacity;
- 120 pens (ten animals/pen);
- Feed and drovers' alley;
- Metabolism research barn; and

- Feed mill and steam flaking facility.

Kansas State requests the Board of Regents approve the program statement for a two-phase project: construction of the feed lot and metabolism barn, and then a new feed mill. The project is to be financed with philanthropic and industry partner gifts.

The operating expenses of the facility will include meeting the daily watering needs for cattle (~20 gal/day/head) x 1,200 head of cattle = 12,050 cubic feet of water/year (one cubic foot of water is 7.48 gallons). Operational needs of the facilities are generally site-specific for maintaining penning, driveways, and access. Energy intensification can be expected in the metabolism building and the feed mill. The expected utility costs with the feedlot facilities at full capacity (1,200 head of cattle) are approximately \$100,000/year; associated operational costs are estimated at approximately \$85,000/year. The College of Agriculture will cover these expenses.

A long-term capital renewal fund is established through the KSU Foundation to account for the replacement of systems and components as they age out and require replacement.

Program statement is attached (Attachment C).

FACILITIES – JANUARY 15, 2025 – DISCUSSION

1. Act on Request to Seek Legislative Bonding Authority for Stadium Renovation – WSU

Draft issue paper is attached for reference (Attachment B).

FISCAL – JANUARY 15, 2025 – DISCUSSION

1. Act on Request to Approve Market-Based Tuition for the Foundations in Structured Literacy Course in Academic Years 2025 and 2026 – System

The Deans of Education and the KBOR Director of Literacy Cynthia Lane have developed a proposal to assess a standard \$300/credit hour tuition rate for the new six-hour Foundations in Structured Literacy Course across all six state universities. The tuition will be paid by the Board's state appropriation for the Literacy Blueprint to keep the course free or low-cost to educators who choose this option to earn their literacy micro-credential. The credential will be required for licensure as a K-6 educator after 2030.

The issue paper is under development and will be provided in the agenda materials.

Act on Request to Issue Refunding Bonds – WSU

Note, this request is for the Fiscal Affairs Committee, not for the Board of Regents:

Board policy provides that refunding bonds may be issued without further approval of the Board if certain conditions are met (Ch. II.D.14.f). One of those conditions is the issuance of refunding bonds will eliminate burdensome or unduly constraining covenants contained in legal documentation authorizing the issuance of the outstanding bonds. The request must be recommended by the Kansas Development Finance Authority or bond counsel for the proposed transaction. This option may be used only after the university has presented information regarding the prudence of exercising it under the specific circumstances to the Fiscal Affairs and Audit Standing Committee and the Committee has approved the issuance.

In connection with the issuance of the Kansas Development Finance Authority Revenue Bonds, Series 2021L (Wichita State University Projects) (the “Bonds”), the Kansas Development Finance Authority (the “Authority”) and Wichita State University (the “University”) signed and delivered a Tax Compliance Agreement (the “Tax Agreement”) setting forth certain facts, expectations, representations, terms and conditions relating to the use and investment of the bond proceeds and the assets expected to be financed with bond proceeds, in order to establish and maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

The University used a portion of the bond proceeds to finance a capital improvement project for the construction and equipping of a new convergence sciences building on the Innovation Campus of the University (now known as the Digital Research and Transformation Hub) that it expected to use for its general academic purposes (the “Facility”). The University now anticipates entering into one or more agreements to lease approximately 43% of the facility to one or more private companies. The University anticipates that upon entering into such agreements, the facility will no longer satisfy the requirements set forth in the Tax Agreement, and this may cause the interest on the bonds to become taxable unless the University takes remedial action.

The University therefore requests to remedy any potential private business use of bond proceeds resulting from such leases by defeasing a portion of the bonds. To accomplish this, the Authority proposes issuing its Kansas Development Finance Authority Taxable Refunding Revenue Bonds, Series 2025D-2 (Wichita State University Project) (the “Refunding Bonds”) for the purpose of refunding and defeasing a portion of the outstanding bonds. The issuance of the refunding bonds would eliminate burdensome and unduly constraining covenants contained in the Tax Agreement and allow the University to enter into the desired lease agreements. The Authority and the University request that the Committee approve the issuance of the refunding bonds pursuant to Chapter II., Section D.14.f.iii of the Board’s Policy Manual.

Refer to Attachment D for the complete project timeline for the University Stadium project.

FAA COMMITTEE AGENDA

Next FAA Committee Meeting: Wednesday, January 15, 2025, 10:15 am
 Kansas Board of Regents' Office, Topeka

I. Old Business

- A. Approve minutes of December 18 Committee meeting
- B. Follow up on issues raised during the January 2nd teleconference call

II. New Business

- A. **FAA 25-03** Discuss Board Policy for Internal Audit and Review Internal Audit Plans
Presentation of Internal Audit Plans:
Jana Clark, KSU; Tammy Norman, ESU; Wesley Wintch, FHSU
- B. Board Agenda Items under Fiscal Affairs
- C. WSU Request to Issue Refunding Bonds
- D. **FAA 25-09** Monitor Progress on State University Capital Renewal Initiative and Campus Restoration Act (standing item)
- E. **FAA 25-10** Review Audit Findings (standing item)
[State of Kansas Fiscal Year 2024 Annual Comprehensive Financial Report](#)

III. Other Committee Items of Consideration

Next meeting dates:

January 28 – 12:15pm, [Agenda Planning Conference Call](#)
February 12 – 10:15 am [Committee Meeting](#), Board Office, Topeka

February 25 – 12:15pm, [Agenda Planning Conference Call](#)
March 12– 10:15 am [Committee Meeting](#), Board Office, Topeka

April 1 – 12:15pm, [Agenda Planning Conference Call](#)
April 16 – 10:15 am [Committee Meeting](#), Pittsburg State University

April 29 – 12:15pm, [Agenda Planning Conference Call](#)
May 14 – 10:15 am [Committee Meeting](#), Board Office, Topeka

May 27 – 12:15pm, [Agenda Planning Conference Call](#)
June 11 – 10:15 am [Committee Meeting](#), Board Office, Topeka