



KANSAS BOARD OF REGENTS

Agenda Call
Fiscal Affairs and Audit Standing Committee
Tuesday, September 3, 2013
Noon-1:00pm, Conference Room B, Teleconference
Dial in number - - (866) 620-7326
Conference Code – 476-523-6449

FAA AGENDA ITEMS FOR SEPTEMBER 18-19, 2013 BOARD MEETING

SEPTEMBER 18, 2013 AGENDA – CONSENT FACILITIES, ERIC KING

1. AUTHORIZATION FOR THE UNIVERSITY OF KANSAS ENDOWMENT ASSOCIATION TO CONSTRUCT AN ADDITION TO MARVIN HALL– KU

The School of Architecture, Design and Planning proposes to renovate a 925 square feet in Marvin Hall to create a commons area and add a 2,700 square foot lecture hall. The renovated space and the new space together will create a Forum Addition. The estimated cost of the project is \$2,080,000 and will be funded primarily with private funds on deposit with KU Endowment Association. Some university resources, estimated at \$15,000, may be used to demolish any existing structures in the “builder’s yard.”

The purpose of this proposal is to activate a project that will transform the culture of the School through the creation of a central “commons” which will include a 179 seat lecture hall and meeting and exhibition space. The School has never had a central place for this purpose, a “there” for interaction, welcome and celebration of the work of its integrated professional programs. Such space is a cultural amenity that is common to virtually all design-based schools nationally. The Forum will enrich the School’s professional culture and invite interaction with the larger University community.

The current opportunity to build this space came about due to a confluence of factors including the opportunity to engage Studio 804 for the design and construction of the project.

This project will be the 2013-2014 academic year design-build project for Studio 804, a program directed by Dan Rockhill, JL Constant Distinguished Professor of Architecture. Studio 804 is a 501(c)(3) not-for-profit design-build program at the KU School of Architecture, Design and Planning that focuses on the creation of community-based architecture. The Studio 804 experience encompasses all aspects of the building process, from initial design through

finished construction. This graduate capstone studio has designed and built two other buildings of comparable size and complexity on the KU campus.

The KU Endowment Association will contract with Studio 804 to perform the design and construction of the addition which will become property of the university upon completion. The project will be overseen by the University Design and Construction Management Office.

2. AMEND FY 2014 CAPITAL IMPROVEMENT REQUEST AND APPROVE ARCHITECTURAL PROGRAM STATEMENT - KSU

Kansas State University requests approval to modify its FY 2014 Capital Improvement Plan to include a \$1.3 million project to renovate the Veterinary Medical Library on the fourth floor of Trotter Hall. The project will be funded 50 percent from College of Veterinary Medicine balances available in general fees and 50 percent from balances available in restricted fees fund. The purpose of the renovation is to provide comprehensive library resources to the students and faculty in a comfortable setting and to facilitate collaborative learning opportunities. Part of the library collection will be digitized resulting in elimination of some book stacks, providing more space for library users. The scope of the project includes reconfiguration of approximately 9,400 square feet to provide better access for the patrons to the information desk, group study rooms, public computers and a conference center.

3. AMEND LEASE AGREEMENT WITH KANSAS STATE UNIVERSITY ENDOWMENT - KSU

Kansas State University requests approval to amend the lease agreement with the KSU Foundation for the old Printing Services facility located at 5980 Corporate Drive (a business park southwest of the Manhattan campus). In March 2003 the Board approved a five-year lease for the building to house the Printing Service operations. In October 2005 the Board approved amending the lease through December 31, 2017 with the Foundation's intent to give the property to the University upon expiration of the lease. The current annual lease payment is \$91,000.

The Printing Services department was experiencing a declining revenue stream and an annual operating deficit that was not sustainable. In 2011 a task force was charged with developing a consolidation plan of the three distinct printing operations with the goals of improving service, reducing costs and transitioning to a digital platform. The task force developed a detailed plan for space, equipment and staff merging the Printing Services department with the Department of Communications. Early in 2012 the physical merger occurred with equipment moved to Umberger and Dole Hall and excess equipment auctioned off.

Relocation of printing services provided an opportunity for the university to consider the vacant building as possible space for book storage. Kansas State Libraries has housed 425,000 volumes of books at the University of Kansas facility since FY 2010, at a lease cost of \$143,865 per year. Since the original agreement between the two libraries was executed, KU has indicated their increased need for the space, limiting the amount of materials Kansas State has been able to locate there, and eliminating any option for increased space use in the future, which is vital to the K-State libraries storage needs. With the vacancy of the Corporate Drive facility, a feasibility study was completed that confirmed the existing warehouse floor was

capable of supporting the heavy loads required for high-density shelving and storage. The amended lease provides for improvements to be made to the building that creates a high-density archival storage facility capable of storing 1,250,000 books. The existing mechanical systems are inadequate and will need to be replaced with a more robust system capable of maintaining the stringent temperature and humidity control required within the high density storage environment.

The total project cost is \$4 million, with \$1.4 million of that costs estimated for the high-density shelving. The library will fund the project from available balances in sponsored research overhead and restricted fees funds. Once completed, the materials at the KU facility will be returned to the new K-State facility.

4. APPROVE ENERGY CONSERVATION MEASURES – KSU

Kansas State University engaged Johnson Controls to conduct an investment-grade energy audit of the campus, with an emphasis on the chilled water system for the purpose of identifying energy conservation projects. The audit is complete and the University is ready to proceed with the performance contract and the issuance of revenue bonds. The audit identified four broad categories of energy savings projects in over 95 buildings and throughout the campus infrastructure that will result in first-year utility savings of approximately \$2.5 million.

These projects, which will cost approximately \$71.2 million to implement, will construct a new chilled water plant and associated chilled water distribution piping to form a chilled water loop around campus, replace a failed chiller in the existing chilled water plant, provide centralized control and monitoring of building environmental systems, assist in troubleshooting of potential equipment malfunction, lighting technology upgrades for energy efficiency, efficiency upgrades to existing HVAC (Heating, Ventilation, Air Conditioning) equipment and implement a behavioral modification program to promote energy conservation by students, faculty and staff.

Johnson Controls will guarantee the actual amount of energy savings attributable to the energy conservation measures. Kansas Corporation Commission and Johnson Controls have agreed to allow K-State to purchase the building automation system parts of \$7.9 directly from Honeywell in order to generate additional purchase savings of \$2.0 million.

<u>Energy Conservation Measures</u>	<u>Project Cost</u>
Chilled Water Infrastructure Improvements	\$55,906,655
Building Automation System	\$ 7,929,719
Lighting Improvements	\$ 5,224,336
Mechanical System Improvements	\$ 379,165
Other Fees	<u>\$ 1,792,618</u>
Total Project Costs	\$71,232,493
 Total Estimated Utility Savings (year one)	 \$ 2,502,788
Simple Payback	28.5 years

If the Board authorizes K-State to proceed with the energy performance contract outlined above, the University requests that the Board adopt a Resolution approving the issuance of bonds by the Kansas Development Finance Authority to finance the projects. The Resolution will be supplied by the Kansas Development Financial Authority.

**SEPTEMBER 18, 2013 AGENDA – DISCUSSION
FACILITIES, ERIC KING**

1. AUTHORIZATION TO NAME BUILDING - KSU

Kansas State University requests approval from the Kansas Board of Regents to name the office/laboratory building located at 1310 Research Park Drive in Manhattan, Kansas, the “_____ and _____ Hall.” The Board authorized the University’s purchase of this building from the Kansas State University Foundation at the June 19, 2013 meeting, to be occupied by components from the College of Human Ecology. The College of Human Ecology produces some of the most diverse research at Kansas State University. Additional research and testing space will position the College for even greater collaboration and more federal and corporate grant funding. (A letter supporting the proposed name will be sent to members of the Board and Dr. Thompson approximately one week before the September Board of Regents meeting.)

**2. RECEIVE UPDATE ON CAMPUS MASTER PLAN - FHSU
(President Hammond)**

LEGAL, JULENE MILLER

**3. APPROVE PROPOSED AMENDMENT TO MEMORANDUM OF AGREEMENT
BETWEEN FORT HAYS STATE UNIVERSITY AND THE AMERICAN
ASSOCIATION OF UNIVERSITY PROFESSORS – FHSU (see attached draft issue
paper)**

**SEPTEMBER 19 – DISCUSSION
FISCAL**

1. ACT ON BOARD’S FY 2015 UNIFIED STATE APPROPRIATIONS REQUEST

OTHER MATTERS

1. Next FAA Regular Committee Meeting – Wednesday, September 3, 2013, 10:00 am – 11:55am. Agenda/materials for the September 18 committee meeting will be sent/posted on Friday, September 18. Agenda items include:

- Follow up on issues raised during the September 3 teleconference call regarding FAA items on the Board's agenda and any other questions/clarifications
- Review FAA Committee agenda for the year
- Staff Overview of Board policies in the areas of fiscal management and facilities
 - Fiscal Management – FAA topics on organizational financial reporting structures; changing audit procedures; bonding/debt policy
 - Facilities – FAA topic to review the Board's capital budgeting process
- Staff Overview of KBOR System Financial Sources and Uses
- Review of KU and KUMC organizational financial reporting structures, Theresa Gordzica, Chief Planning and Business Officer
- Further review, discussion, and understanding of KU and KUMC follow up items from July Budget Work session, FY 2014 and FY 2015 state reductions, reallocation plans, and FY 2015 enhancement requests
- Receive Policy White Paper: University Financial Audits, KBOR Staff and COBO

2. Other Items

APPROVE PROPOSED AMENDMENT TO MEMORANDUM OF AGREEMENT BETWEEN FORT HAYS STATE UNIVERSITY AND THE AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS – FHSU

Summary and Staff Recommendation

Pursuant to the provisions of the Kansas Public Employer-Employee Relations Act, Fort Hays State University and the Fort Hays State University chapter of the American Association of University Professors met and conferred during the spring semester of 2013, reached agreement on proposed amendments, and now seek the Board's approval of the proposed amendments to Article I (Term) and Article IV (Salary) of the current Agreement between the University and AAUP.

Board Staff has reviewed the proposed amendments to the Agreement for compliance with Board policies, and state and federal law. Staff recommends approval of the amendments to the Agreement and authorizing the Chair to execute documents associated with the amendments on behalf of the Board.

BACKGROUND

First enacted in 1972, the Public Employer-Employee Relations Act (PEERA) requires that State agencies meet and confer with their employees' recognized bargaining units when the parties are negotiating the terms and conditions of employment. In 1984 the Kansas Supreme Court held that, with regard to state university negotiations under the PEERA, the Kansas Board of Regents is the employer as well as the appropriate governing body. Thus, the Board "must approve any proposed agreement in order to make it binding and effective."¹

Representatives from Fort Hays State University and the Fort Hays State University Chapter of the American Association of University Professors conducted meet and confer sessions during the spring semester of 2013 and as a result the parties have agreed to amend specified terms contained in Articles I and IV of the Memorandum of Agreement (MOA).

The amendment to Article I would extend the term of MOA for another three years (2014-2016).

The new provisions in Article IV provide for additional salaries totaling \$669,000, which will come from internal reallocation at the University. The newly amended provisions in Article IV are summarized below and, to allow for comparison, also included is an exact copy of both the 2013 the proposed 2014 provisions.²

¹ *Kansas Board of Regents and Pittsburg State University v. Pittsburg State University Chapter of KNEA and PEERB*, 233 Kan. 801, 812 (1983).

² Following Staff recommendations is a list of every Article in the MOA. However, only amendments to two Articles are now coming forward for Board approval.

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Summary of New Provisions in Article IV Salary³

- A. Tenure and Promotion Stipends, Degree Completion. The University will fund tenure and promotion stipends, and amounts previously contracted for degree completion. This will result in an increase to the overall unit salary pool of approximately 0.5%.
- B. Increase to Unit Member Salary Pool. The University will fund a 2% increase to the unit member salary pool. The increase to the pool will be distributed as a \$1,100 addition to each unit member's base salary.
- C. Merit-Based Bonus. The University will fund a one-time bonus pool equivalent to 2.5% of the unit member salary pool. The bonus will be available to each unit member based on the unit member's merit evaluation completed in spring 2013. This bonus will not be added to the unit member's FY 2014 base salary, but will be divided by and paid over the appropriate number of pay periods based on the individual unit member's FY 2014 contract.
- D. Merit-Based Bonus to Base Conversion. The one-time Merit-Based Bonus earned and received by a unit member, as outlined in C., above, may be converted into a permanent adjustment to the unit member's base salary, conditioned upon the University's FY 2014 budget as compared to the FY 2013 budget, as illustrated below:
 - 1. A reduction of the University's FY 2014 operating budget equal to or exceeding \$700,000 will result in the Merit-Based Bonus being paid only during FY 2014, as outlined in C., above.
 - 2. Any amount of reduction in the FY 2014 budget of less than \$700,000 will result in the percentage of the bonus amount that equals the percentage of the budget reduction to \$700,000 being considered one-time, with the remainder of the bonus amount going into the base salary for FY 2015.⁴

³ Fort Hays State University has established the goal of trying to insure that its faculty salaries are at least 100% of the average (as determined by the Kansas Board of Regents) of FHSU's peer institutions. "Peer Institutions" are defined as the institutions that the Kansas Board of Regents considers peers of FHSU. Both parties to this MOA understand that the time frame within which this goal will be accomplished cannot be set forth with any preciseness due to factors affecting salaries which are beyond FHSU's control.

⁴ By way of example, assume the University's budget for 2014 is reduced by \$300,000, or 43% of \$700,000. If a faculty member's bonus was \$1,250, 43% of the bonus amount-- or \$537.50--is considered one-time and 57%, or \$712.50, is added to the base salary for 2015.

3. If there is no reduction in the University's FY 2014 budget, the amount of the bonus will be considered part of the base salary of the faculty member for FY 2014.⁵

(OLD) ARTICLE IV: SALARY (FY-2013)

FHSU-AAUP and University Administration agree that for FY 2013 FHSU will provide a 3% merit increase.

In addition, FHSU-AAUP and University Administration agree that \$1,000 will be added to each member's base salary as an energy adjustment. This will result in an additional approximate 1.85% increase.

FHSU-AAUP and University Administration agree that the University will fund tenure and promotion stipends, and amounts previously contracted for degree completion. This will result in an approximate .284% increase.

All of these adjustments and increases total approximately \$723,000, which represents an approximately 5.14% increase.

It is the goal of Fort Hays State University for faculty salaries to be at least 100% of the average (as determined by the Kansas Board of Regents) of FHSU's peer institutions. "Peer Institutions" are defined as the institutions that the Kansas Board of Regents considers peers of FHSU. Both parties to this MOA understand that the time frame within which this goal will be accomplished cannot be set forth with any preciseness due to factors affecting salaries which are beyond FHSU's control.

(NEWLY AMENDED) ARTICLE IV: SALARY (FYI – 2014)

FHSU-AAUP and University Administration agree unit member salaries for FY 2014 will be adjusted as follows.

- A. Tenure and Promotion Stipends, Degree Completion. The University will fund tenure and promotion stipends, and amounts previously contracted for degree completion. This will result in an increase to the overall unit salary pool of approximately 0.5%.
- B. Increase to Unit Member Salary Pool. The University will fund a 2% increase to the unit member salary pool. The increase to the pool will be distributed as a \$1,100 addition to each unit member's base salary.
- C. Merit-Based Bonus. The University will fund a one-time bonus pool equivalent to 2.5% of the unit member salary pool. The bonus will be available to each unit member based on the unit member's merit evaluation completed in spring 2013. This bonus will not be added to the unit member's FY 2014 base salary, but will be divided by and paid over the appropriate number of pay periods based on the individual unit member's FY 2014 contract.
- D. Merit-Based Bonus to Base Conversion. The one-time Merit-Based Bonus earned and received by a unit member, as defined in C., above, may be converted into a permanent adjustment to the unit member's base salary. The conversion is conditioned upon the University's FY 2014 budget as compared to the FY 2013 budget, as defined in this paragraph D.

⁵ Given the budgetary reduction passed by the Kansas Legislature during the 2013 session that exceeded \$700,000, the 2.5% bonus amount will not become part of the unit member's base salary in FY 2014.

1. A reduction of the University's FY 2014 operating budget equal to or exceeding \$700,000 will result in the Merit-Based Bonus being paid only during FY 2014, as outlined in C., above.
2. If a reduction of the University's FY 2014 operating budget is less than \$700,000, the percentage of the unit member's Merit-Based Bonus to be added to the unit member's FY 2015 base salary will be equal to the percentage of the \$700,000 not eliminated from the operating budget. The balance of the Merit-Based Bonus will be considered the one-time Merit-Based Bonus paid to the unit member in FY 2014.

By way of example, assume the University's budget for 2014 is reduced by \$300,000, or 43% of \$700,000. If a faculty member's bonus was \$1,250, 43% of the bonus amount-- or \$537.50--is considered one-time and 57%, or \$712.50, is added to the base salary for 2015.

3. No reduction in the University's FY 2014 budget will result in the unit member's entire Merit-Based Bonus being considered part of the member's FY 2014 base salary.
- E. It is the goal of Fort Hays State University for faculty salaries to be at least 100% of the average (as determined by the Kansas Board of Regents) of FHSU's peer institutions. "Peer Institutions" are defined as the institutions that the Kansas Board of Regents considers peers of FHSU. Both parties to this MOA understand that the time frame within which this goal will be accomplished cannot be set forth with any preciseness due to factors affecting salaries which are beyond FHSU's control.

RECOMMENDATION

Board legal staff has reviewed the Agreement with particular attention to the proposed amendments. Staff believes that the entire Agreement, including the amendments to these two Articles, complies with Board policies, as well as state and federal law. Staff therefore recommends that the Board approve the amendments and authorize the Board to Chair to execute the appropriate documents on behalf of the Board.