



KANSAS BOARD OF REGENTS

Agenda Call
Fiscal Affairs and Audit Standing Committee
Tuesday, April 1, 2014
Noon-1:00pm, Conference Room B, Teleconference
Dial in number - - (866) 620-7326
Conference Code – 476-523-6449

FAA AGENDA ITEMS FOR APRIL 16-17, 2014 BOARD MEETING

FACILITIES –APRIL 16, 2014 AGENDA – CONSENT

1. AUTHORIZATION TO APPROVE PROGRAM AND AMEND 2015 CAPITAL IMPROVEMENTS PLAN - FHSU

Fort Hays State University is seeking approval of an architectural program plan for the construction of a new building to house the Department of Art and the College of Education for Fort Hays State University. The estimated total area is 74,600 gross square feet. Additional project components include renovations to approximately 5,000 square feet in the Old Power Plant to serve as an art gallery; the addition of a 75 space parking lot; a structure to house larger pieces of equipment such as kilns, furnaces and other heavy equipment; and a sculpture and ceramics yard of approximately 5,000 square feet for storage of supplies and equipment.

This project will allow the University to expand areas that are experiencing significant growth, art and education. The space vacated in Rarick Hall will be repurposed to allow consolidation of the human sciences such as sociology, psychology, and leadership. It will provide space for full time virtual faculty. It will also allow expansion of the KAMS program into space that is expected to be available in Custer Hall as a result of this project as well as others.

Total estimated cost of the project including all new construction and renovation, parking lots and other necessary site improvements, contingencies and fees is \$21,300,000. Funding sources will be university and private funds. No financing is anticipated for completion of the project.

LEGAL – APRIL 16, 2014 AGENDA – DISCUSSION

1. ADOPT BOND RESOLUTION –CONSTRUCTION OF STUDENT HOUSING TO REPLACE MCCOLLUM HALL AND ECONOMIC REFUNDINGS OF PRIOR DEBT; APPROVING THE EXECUTION OF VARIOUS OTHER DOCUMENTS IN CONNECTION THEREWITH – KU (See attached issue paper)

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FISCAL – APRIL 16, 2014 AGENDA – DISCUSSION

1. PROGRESS REPORT ON THE DEVELOPMENT OF ADDITIONAL BOARD POLICIES RELATED TO THE ISSUANCE OF DEBT (Staff is working on this report)

OTHER MATTERS

Next FAA Regular Committee Meeting – WEDNESDAY, APRIL 16, 2014, 10:00 am – 11:50am

Suggested agenda items:

1. Follow up on issues raised during the April 1, 2014 teleconference call regarding FAA items on the Board's agenda and any other questions/clarifications about Board agenda items
2. Audits for committee review and discussion (standing item)
3. FAA 13-13 Review and approve Johnson County Educational Research Triangle (JCERT) Budgets (Attached DRAFT issue paper and submitted proposed budgets)
 - a. KU Edwards Campus
 - b. KUMC
 - c. KSU
4. FAA 13-08 Review current policies and consider whether additional debt policies are needed
 - a. Discussion and Feedback to KBOR Staff/COBO
 - b. State Universities 10-year Debt Capacity Plans
5. Other Committee Business
6. Next meeting dates
 - o AGENDA CALL Tuesday, April 29, Noon, Teleconference
 - o REGULAR MEETING Wednesday, May 14-15, 10:00am-11:50am, Board

**Fiscal Affairs and Audit
Discussion Agenda Item
April 16, 2014**

**ADOPT BOND RESOLUTION – CONSTRUCTION OF STUDENT HOUSING TO
REPLACE McCOLLUM RESIDENCE HALL AND ECONOMIC REFUNDINGS OF
PRIOR DEBT; APPROVING THE EXECUTION OF VARIOUS OTHER DOCUMENTS
IN CONNECTION THEREWITH – KU**

Summary and Staff Recommendation

The University of Kansas requests that the Board of Regents adopt a Resolution authorizing the issuance of KDFA Revenue Bonds in one or more series in an aggregate amount not to exceed \$47,800,000 plus costs and reserves. The purpose of the Bonds is to finance the costs of constructing two residence hall facilities to replace McCollum Residence Hall located on the Lawrence campus. The Bonds will be secured with a pledge of generally available unencumbered funds of the University, but the university intends to pay the debt service on the bonds with Housing and Parking System Revenue Funds.

The University also requests authority for issuance of Refunding Bonds in an aggregate principal amount of approximately \$15,000,000, to be secured by generally available unencumbered funds of the University but debt serviced by Housing and KUMC Parking System Revenues, to refund outstanding bonds at a present value savings of at least 3% of the principal amount of the outstanding Refunded Bonds.

As of March 2014, the University and its affiliated corporations had approximately \$416 million in outstanding revenue bonds. While the University has identified a specific revenue source to pay the debt service on all outstanding bonds, approximately \$114,000,000 of the \$416,000,000 also is supported by a pledge of generally available unencumbered funds of the University.

The Resolution further authorizes the Chair and the President and CEO to execute the Resolution, a Pledge of Revenues Agreement(s) and various other documents relating to the security and payment of such Bonds in such form as is approved by the General Counsel to the Board and necessary to accomplish the purposes set forth in the Resolution and the issuance of the Bonds.

Background

The Kansas Development Finance Authority (KDFA), created by the 1987 Kansas Legislature, K.S.A. 74-8901, *et seq.*, has authority to issue bonds on behalf of the State for projects authorized by the Legislature. K.S.A. Supp. 74-8905(b) provides, in part, that:

The authority may issue bonds for activities and projects of state agencies as requested by the secretary of administration. Research facilities of state educational institutions shall be subject to the provisions of this subsection (b). No bonds may be issued pursuant to this act for any activity or project of a state agency unless the activity or project either has been approved by an appropriation

or other act of the legislature or has been approved by the state finance council acting on this matter which is hereby characterized as a matter of legislative delegation and subject to the guidelines prescribed in subsection (c) of K.S.A. 75-3711c, and amendments thereto.

Authority to initiate and complete a capital improvement project, and to issue revenue bonds, for the McCollum Hall Replacement project has been granted by the Legislature in Chapter 136, Section 238 (e), of the 2013 Session Laws which provides:

In addition to the other purposes for which expenditures may be made by the university of Kansas from moneys appropriated from the state general fund or from any special revenue fund or funds for fiscal year 2014 or fiscal year 2015 authorized by this or other appropriation act of the 2013 regular session of the legislature or by an appropriation act of the 2014 regular session of the legislature, expenditures shall be made by the university of Kansas from moneys appropriated for the state general fund or from any special revenue fund or funds for fiscal year 2014 or fiscal year 2015 to provide for the issuance of bonds by the Kansas Development finance authority in accordance with K.S.A. 74-8905, and amendments thereto, for a capital improvement project for construction of the replacement for McCollum residence hall at the university of Kansas; *Provided* That such capital improvement project is hereby approved for the university of Kansas for the purposes of subsection (b) of K.S.A. 74-8905, and amendments thereto, and the authorization of the issuance of bonds by the Kansas development finance authority in accordance with that statute: *Provided further*, That the university of Kansas may make expenditures from the moneys received from the issuance of any such bonds for such capital improvement project: *Provided however*, That expenditures from the moneys received from the issuance of any such bonds for such capital improvement project shall not exceed \$49,000,000, plus all amounts required for costs of bond issuance, costs of interest on the bonds issued for such capital improvement project during the construction of such project, credit enhancement costs and any required reserves for the payment of principal and interest on the bonds: *And provided further*, That all moneys received from the issuance of any such bonds shall be deposited and accounted for as prescribed by applicable bond covenants: *And provided further*, That debt service for any such bonds for such capital improvement project shall be financed by appropriations from any appropriate special revenue fund or funds: *And provided further*, That the university of Kansas may make provisions for the maintenance of the building.

Pursuant to these authorizations, and after consulting with KDFA, the University proposes to issue Revenue Bonds in an aggregate principal amount not to exceed \$47.8 million, plus all amounts required for costs of issuance, costs of interest on such revenue bonds during the construction of the project, credit enhancement costs, and any required reserves for the payment of principal and interest on such revenue bonds, for the purpose of funding the Project.

This project, and use of revenue bond financing was first submitted to the Board at its October 17, 2012 meeting.

The bonds will be secured by a pledge of generally available unencumbered funds of the University, and debt serviced with Housing and Parking System Revenue Funds.

The Project

McCollum Residence Hall, which opened in 1965, is a ten story, three wing residence hall that has the capacity to house 910 residents. The building, comprised of traditional double occupancy unit types, primarily houses freshmen students at roughly an 80% occupancy rate. Though McCollum Hall has been well maintained over the years, renovation is not an option as the space needs for the new housing model do not fit efficiently within the form of the building.

McCollum will be replaced with two new 350 bed residence halls each containing about 95,000 gross square feet. One hall will be sited to the west of Hashinger Hall and the other west of Lewis Hall, to create a centralized common green space for all residents use. (see attached) Each residence hall will be five stories tall with ten community wings, five floor commons, a building commons, staff support space, two apartments and building support space.

The building commons will provide amenities to students and wing communities that are not provided on each floor of the building such as a lobby/lounge where students can gather to socialize or study and a living room where wing communities can gather for activities and events. In addition, each hall has an Academic Resource Center to support the academic needs of students with current technology and a laundry room, vending area, and community kitchen for residents.

Each of the ten wing communities consists of three 4-person double occupancy suites, nine 2-person double occupancy semi-suites, two 2-person single occupancy semi-suites, and one resident assistant semi-suite.

A common outdoor space will be constructed between Hashinger Hall, Lewis Hall and the two new residence halls (see attached). This outdoor space will be a pedestrian only area, with the exception of the ability for emergency vehicles to access the front door of each hall from the common green space. The master plan provides adequate parking for staff on Daisy Hill as well as enough parking spaces for 52% of the maximum occupancy of Daisy Hill residents and short term metered parking.

Engel Road will be rerouted to the west of the new housing development to so that the new green space is limited to pedestrian traffic. The intersection at Engel Road and 15th St. will be moved west of its current location and the road rerouted concurrently alongside Templin Hall.

Extensions of the utility services also are included as part of this work, as required to serve the new facilities and relocation of underground utilities will be required to achieve maximum site utilization.

Treanor Architects, P.A. was selected to design the building and B.A. Green Construction was selected as the Construction Manager at Risk. The design team anticipates that the guaranteed maximum price will be available at the end of April.

The Refunding Bonds

The Authority has previously issued its Revenue Bonds, Series 2005E (Kansas Board of Regents – University of Kansas Projects) (the “Refunded Bonds”) to provide financing for other projects at the University and the University of Kansas Medical Center. The 2005E-1 bonds provided \$12,965,000 to finance the renovation of Hashinger Residence Hall and \$3,065,000 to refinance the 1996E bonds which financed the renovation of Templin Residence Hall. Both of these bonds were secured with a pledge of Housing System Revenues. The 2005E-2 bonds provided \$3,330,000 to finance a portion of the cost of constructing Bluff Garage at the Medical Center. These bonds were secured with a pledge of KUMC Parking System Revenues.

The University requests that refunding revenue bonds in an aggregate principal amount not to exceed \$15,000,000 (the “Refunding Bonds”) be issued by the Authority on behalf of the Board and the University to refund all or a portion of the outstanding Refunded Bonds to achieve interest cost savings. The Refunding Bonds may be issued only if the projected present value savings resulting from the issuance of the Refunding Bonds is not less than 3% of the principal amount of the outstanding Refunded Bonds. The Refunding Bonds will also be secured by a pledge of generally available unencumbered funds of the University and debt serviced with Housing and KUMC Parking System Revenue Funds.

Administrative Costs

In conjunction with the issuance of the proposed bonds, since KDFA has and will incur expenses in relation to the issuance of the proposed bonds and subsequent administration of the Resolution and Pledge of Revenues Agreement(s), it will be necessary to execute an Administrative Agreement to provide for reimbursement of those expenses, as well as other documents and certificates necessary to accomplish the purposes set forth in the Resolution and the issuance and delivery of the bonds.

Conclusion

The Board is asked to adopt the Resolution (set out in full below), which approves the issuance of the bonds and authorizes the Chair and the President and CEO of the Board to execute the Pledge Agreement(s) and Administrative Agreement in such form as is approved by the General Counsel and to execute any and all other documents and certificates necessary to accomplish the purposes of the Resolution and the issuance of the bonds. Staff recommends approval of the Resolution.

RESOLUTION

A RESOLUTION OF THE KANSAS BOARD OF REGENTS APPROVING

THE ISSUANCE BY THE KANSAS DEVELOPMENT FINANCE AUTHORITY OF ITS KANSAS DEVELOPMENT FINANCE AUTHORITY REVENUE BONDS TO PROVIDE ALL OR A PORTION OF THE FUNDS NECESSARY TO CONSTRUCT NEW STUDENT HOUSING FACILITIES TO REPLACE MCCOLLUM RESIDENCE HALL LOCATED ON THE LAWRENCE, KANSAS CAMPUS OF THE UNIVERSITY OF KANSAS, AND REFUND CERTAIN OUTSTANDING REVENUE BONDS OF THE AUTHORITY ISSUED FOR THE BENEFIT OF THE UNIVERSITY OF KANSAS; AND AUTHORIZING THE EXECUTION OF ONE OR MORE PLEDGE OF REVENUES AGREEMENTS AMONG THE KANSAS BOARD OF REGENTS, THE UNIVERSITY OF KANSAS AND THE KANSAS DEVELOPMENT FINANCE AUTHORITY THAT CONTAIN CERTAIN COVENANTS AND PROVISIONS WITH RESPECT TO THE PLEDGE OF CERTAIN FUNDS OF THE UNIVERSITY OF KANSAS THAT WILL PROVIDE FOR THE PAYMENT OF SUCH BONDS.

WHEREAS, the Kansas Board of Regents (the “Board”) is vested under the Constitution and laws of the State of Kansas with supervision and control over the University of Kansas (the “University”), and is authorized under such laws to adopt this Resolution and perform, execute and carry out, or cause to be performed, executed and carried out, the powers, duties and obligations of the Board under this Resolution in connection with the acquisition and improvement of certain facilities located on the campus of the University and the University's operation thereof; and

WHEREAS, the Board and the University have heretofore determined that it is advisable to (i) construct two new residence halls to replace McCollum Residence Hall on the Lawrence, Kansas campus of the University (the “Project”) and (ii) refund for economic savings certain outstanding revenue bonds previously issued by the Kansas Development Finance Authority (the “Authority”); and

WHEREAS, Chapter 136, Section 238(e) of the 2013 Session Laws of Kansas authorizes the Authority, on behalf of the Board and the University, to issue its revenue bonds in an aggregate principal amount of not to exceed \$49,000,000 for the payment of the costs of the Project, plus all amounts required for costs of issuance, costs of interest on such revenue bonds during the construction of the Project, credit enhancement costs and any required reserves for the payment of principal and interest on such revenue bonds; and

WHEREAS, the University has requested that revenue bonds secured by a pledge of generally available unencumbered funds of the University be issued by the Authority pursuant to K.S.A. 74-8901 *et seq.* on behalf of the Board and the University to finance the costs of the Project (the “Project Bonds”); and

WHEREAS, the University has indicated that the aggregate principal amount of the revenue bonds to be issued for the project shall not exceed \$47,800,000 plus all amounts required for costs of bond issuance, costs of interest on the bonds during the construction, credit enhancement costs and any required reserves for payment of principal and interest on the bonds;

WHEREAS, the University intends to pay debt service on the Project Bonds from revenues of the housing and parking systems of the University; and

WHEREAS, the University intends to establish rates and fees in amounts sufficient to operate the housing and parking systems of the University, pay expenses associated with the housing and parking systems, and pay debt service on the Project Bonds; and

WHEREAS, the Authority has previously issued its Revenue Bonds, Series 2005E (Kansas Board of Regents – University of Kansas Projects) (the “Refunded Bonds”) to provide financing for other projects at the University and the University of Kansas Medical Center; and

WHEREAS, the University has requested that refunding revenue bonds in an aggregate principal amount not to exceed \$15,000,000 (the “Refunding Bonds”) be issued by the Authority on behalf of the Board and the University to refund all or a portion of the outstanding Refunded Bonds to achieve interest cost savings; and

WHEREAS, the University has requested that the Refunding Bonds also be secured by the pledge of generally available unencumbered funds of the University; and

WHEREAS, the Board, upon recommendation of the University, hereby finds and determines that it is advisable that the Project Bonds and the Refunding Bonds be issued by the Authority on behalf of the Board and the University, such bonds to be secured by the pledge of generally available unencumbered funds of the University; and

WHEREAS, in conjunction with the issuance of the Project Bonds and the Refunding Bonds, the Board may be required to execute one or more Pledge of Revenues Agreements among the Board, the University and the Authority (the “Pledge Agreements”), which contain certain covenants and provisions with respect to the pledge of generally available unencumbered funds of the University; and

WHEREAS, it is recognized that the Authority has and will incur additional expenses in relation to the issuance of the Project Bonds and the Refunding Bonds and subsequent administration and enforcement of the Pledge Agreements; and the University desires to reimburse the Authority for said additional expenses through the execution of one or more Administrative Service Fee Agreements (the “Administrative Agreements”).

NOW THEREFORE, BE IT RESOLVED BY THE KANSAS BOARD OF REGENTS, AS FOLLOWS:

SECTION 1. The Board hereby approves the issuance of the Project Bonds and the Refunding Bonds by the Authority on behalf of the Board and the University, in one or more series to finance all or a portion of the costs of the Projects and/or redeem the Refunded Bonds, in an aggregate principal amount not in excess of \$62,800,000. The Project Bonds and the Refunding Bonds shall be issued substantially in the form and with the repayment terms and provisions contained in information to be presented to the Board by the Authority and the University, all as may be approved by the Chair or his/her designee and the General Counsel to the Board.

Notwithstanding the foregoing approval, Refunding Bonds may be issued only if the projected present value savings resulting from the issuance of the Refunding Bonds is not less than 3% of the principal amount of the outstanding Refunded Bonds.

SECTION 2. The Board hereby authorizes and instructs the Chair and President and CEO of the Board to execute on behalf of the Board the Pledge Agreements, if required, and such other documents and certificates necessary to accomplish the purposes set forth in this Resolution and the issuance of the Project Bonds and the Refunding Bonds, including any documents and certificates necessary to accomplish any temporary financing entered into in anticipation of the issuance of such bonds, in such forms as are approved by the General Counsel to the Board. The Board further authorizes the Chancellor of the University to execute on behalf of the University the Pledge Agreements, the Administrative Agreements and such other documents and certificates necessary to accomplish the purposes set forth in this Resolution and the issuance of the Project Bonds and the Refunding Bonds, including any documents and certificates necessary to accomplish any temporary financing entered into in anticipation of the issuance of such bonds, in such forms as are approved by the General Counsel to the University.

SECTION 3. This Resolution shall be in full force and effect from and after its adoption.

CERTIFICATE

We, the undersigned Chair and President and CEO of the Kansas Board of Regents, hereby certify that the foregoing Resolution was lawfully adopted by the Board at its meeting held on April 16, 2014.

KANSAS BOARD OF REGENTS

(SEAL)

By _____
Fred Logan, Chair

ATTEST:

By _____
Andy Tompkins, President and CEO

**Approve Johnson County Research Triangle
(JCERT) FY 2015 Budgets – KU and KSU**

**Diane Duffy
VP, Finance & Administration**

Summary

The Johnson County Education Research Triangle Authority (JCERTA) legislation (KSA 19-5001 through 19-5005) was approved by the 2007 Legislature. On November 4, 2008, the voters of Johnson County approved a 1/8 cent sales tax to support three university projects: (1) medical education and life sciences and cancer research programs at the Johnson County locations of the University of Kansas Medical Center; (2) research and education programs in animal health and food safety and security at the City of Olathe location of Kansas State University; and (3) undergraduate and graduate programs at the Edwards campus of the University of Kansas in the City of Overland Park. The JCERTA board can retain up to 2% of the revenues to cover administrative costs and the remainder of the annual revenue (original FY 2010 estimated total revenue from the sales tax was \$15 million) is to be split evenly between the three projects.

The Act restricts the universities' expenditure of these tax revenues to certain purposes and states that "the Kansas Board of Regents shall remain responsible for the governance of these institutions, including approval of any academic programs and the regulation thereof, and shall be responsible to the authority for institutional compliance with the purposes of this act." An annual budget approval is required each year.

In accordance with Board policy, the Fiscal Affairs and Audit Committee review will review and approve the budget proposals at the April 16, 2014 Committee meeting, and recommend the proposals move forward to the JCERTA board for approval at its upcoming meeting.

The Board will be asked to take action to approve the FY 2015 JCERT budgets for K-State Olathe Campus, KU Edwards Campus, and KU Medical Center at the May Board meeting.

Background

The Johnson County Education Research Triangle Authority <http://www.jocotriangle.com/> legislation (KSA 19-5001 through 19-5005) was approved by the 2007 Legislature. In November 2008, the voters of Johnson County approved a 1/8 cent sales tax to support three projects at the University of Kansas, the University of Kansas Medical Center, and Kansas State University. The ballot language was as follows:

Shall the Johnson County Education Research Triangle Authority be created and, for its purposes, shall a one-eighth of a cent (0.125%) retailers' sales tax be imposed in Johnson County, pursuant to KSA 19-5002, for the purpose of supporting projects and programs related to (1) medical education and life sciences and cancer research programs at the Johnson County locations of the University of Kansas Medical Center; (2) research and education programs in animal health and food safety and security at the City of Olathe location of Kansas State University; and (3) undergraduate and graduate programs at the Edwards campus of the University of Kansas in the City of Overland Park, with the revenue from the tax being distributed in equal shares to the three institutions, consistent with the statute, and used for building construction, academic and research program development and growth, faculty and staff recruitment and retention, and operation and maintenance.

In April, 2009, the Board established a budget approval and reporting process to help ensure university and Board compliance with the statutes, and in May, 2009, approved budgets for the three projects for the first year of this program, FY 2010. Because of a decline in sales tax revenues during the recession, the FY 2010 and FY 2011 revenue estimates were revised downward to \$13 million and expenditures for each project were adjusted accordingly. For FY 2012 JCERT revenues were \$14.6 million, and FY 2013 were xxx (KBOR staff

is getting this figure). The FY 2014 budget assumed total JCERT sales tax revenues of \$15.3 million. The FY 2015 proposed budgets are built assuming JCERT sales tax revenues of \$16.2 million. The estimated budget for FY 2016 projects JCERT sales tax revenues of \$16.5 million.

In accordance with the Board's process, the Universities prepare annual budgets for their portion of the JCERT revenue, to include debt service, maintenance, operations, and, where appropriate, research, and undergraduate and graduate educational programs. In order that the JCERT Authority also has the opportunity to review the proposed use of funds, the Board of Regents Fiscal Affairs and Audit Committee reviewed the proposed budgets at its April meeting.

The law requires each participating university to certify, to the Authority Board and to the Board of Regents that expenditures of funds received from the Authority are made in compliance with the Act, Board policy and applicable state and federal laws. Furthermore, any revenue bonds that pledge the JCERT funds for repayment must be approved by the Board of Regents, regardless of what entity acts as obligor on the bonds. According to the Authority's by-laws, the universities are to certify expenditures to the Authority on an annual basis; the universities' certification to the Board is on the same schedule. The Universities keep the tax revenue funds in segregated accounts and submit the accounts and expenditures from the accounts for an annual independent audit paid for by the JCERTA Board. The JCERTA Board contracts with external auditors for a financial audit to be completed by September 1 of each year. A copy of the external audit is provided to the Board and the Universities. In addition, annually the Universities issue reports to the JCERTA Board to be included in the required JCERT Annual report. The Universities provide the same report to the Board of Regents.

The following are the proposed three year budget plans and year in review reports for the development of the Business, Education, Science and Technology (BEST) Building and new degree programs at KU's Edwards Campus in Overland Park; Clinical Research Center at Fairway; and the International Animal Health and Food Safety Institute at K-State's Innovation Campus in Olathe.

**Proposed Fiscal Year 2015
JCERTA Budget
Edwards Campus
Business, Engineering, Science, and Technology (BEST)**

Background

The Edwards campus of the University of Kansas, will use the funds from the Johnson County Research Triangle Authority (JCERTA) sales tax for the construction, debt service and maintenance of a new 75,000 square foot building, and to pay the costs initially of 10 new degrees, including 4 bachelors and 4 masters degrees in business, engineering, science, and technology as well as two Professional Science Masters degrees.

The Business Engineering, Science and Technology (BEST) building was dedicated on March 2, 2012. The building contains 21 classrooms, including four computer lab classrooms, an open computer lab, 35 faculty offices, and a 400 seat conference center. The total cost of the building was \$22.9 million and was financed with \$3.9 million from sales tax collections and \$19 million in bonds.

Expenditure Categories

A draft two year budget is attached for reference and planning purposes. While only the FY 2015 budget is being approved at this time, the additional year provides a clear picture of all expenses for building support and operations, and the programmatic costs.

Below are details of the FY 2015 budget which is presented for approval.

Administrative/Student Services (including Scholarships): \$ 1,330,812

KU and KSU have each agreed to establish a \$50,000 scholarship program from JCERTA funds. The scholarships are to be awarded to Johnson County residents. The criteria for the scholarships at KU are as follows: Students must be enrolled in an undergraduate or graduate program at the Edwards Campus that was funded by the JCERTA tax. The scholarship can be applied toward the cost of tuition, fees and/or books. Additional requirements include residence in Johnson County, a minimum cumulative grade point average of 2.5, and enrollment in a minimum of six hours at KU Edwards Campus. Preference will be given to students with financial need. Completion of the Free Application for Federal Student Aid (FAFSA) is required. In fall 2012 (fall 2011, spring 2012), 22 students received the Triangle award. The average amount was \$3,000.00 per semester. In 2013, (fall 2012, spring 2013) 41 students received the Triangle award. The average amount per semester was \$1,500.00. In 2014 (fall 2013, spring 2014) 24 students received the Triangle award, 10 of whom received \$3,000.00 each, and the remaining received \$1,500.00 each. This fund will become increasingly competitive as we add additional programs.

Student advising, student services/administrative and public relations and marketing will increase while the programs are gearing up. Staff costs are estimated at \$1,085,812 with the addition of 4 new staff to support recruitment, student services and communications/marketing. Other operating costs are \$195,000. This amount differs from previous years in that Public Relations and Recruitment costs will be reported by program.

Programmatic Costs: \$3,549,616

Ongoing costs in FY14 for the Bachelor's in Business Administration is approximately \$1,000,000 from JCERTA funds. The Bachelor of Information Technology launched in fall 2012, ongoing costs are \$450,250. Three programs launched in the fall of 2013, Master of Science in Project Management, Master of Engineering in Project Management, and Professional Science Masters (PSM) in Applied Science (Concentration in Environmental Assessment) and have ongoing costs of \$375,941 for the two project management degrees, and \$188,725 for the PSM. Additionally, two programs were launched in the Spring of 2014, the Master of Science in Educational Technology with FY15 costs of \$264,250, and a Bachelor's in Exercise Science with FY15 costs of \$272,500. The Bachelor of Applied Science in Biotechnology will launch during FY15, with operational costs of \$327,950, and a one-time lab startup cost of \$482,500. Future new degrees scheduled to launch over the next year include the Master of Accounting, and the Professional Science Master in GIS.

Facility Expense (including Debt Service): \$2,314,062

The annual debt service is just under \$2 million per year. The total principal on the 2010M bonds is \$20,990,000 and the repayment term is 15 years. The bonds were a combination of tax exempt bonds (\$6,125,000) and taxable Build America Bonds (\$14,865,000) with an all-inclusive interest rate of 3.11%. The University expects to receive \$216,980 in subsidies from the Federal Government for interest on the Build America Bonds.

The estimated cost of custodial services and building operations is \$334,544.

Reserves

A capital reserve in the amount of \$100,000 has been established for future deferred maintenance. As programming becomes more established, this reserve will continue to grow to offset maintenance issues as they arise. Additionally, an operations reserve in the amount of \$100,000 has been established to cover operations should there be a decline in sales tax revenue. This, too, will grow as programs grow.

**Johnson County Education Research Triangle
KU Edwards Campus Budget**

3/26/2014

	Approved FY 14 Budget			Proposed FY15 Budget			Estimated FY16 Budget		
	JCERT	Other Sources (Tuition)	Total	JCERT	Other Sources (Tuition)	Total	JCERT	Other Sources (Tuition)	Total
Revenue									
JCERT Sales Tax	\$ 5,100,000		\$ 5,100,000	\$ 5,400,000		\$ 5,400,000	\$ 5,500,000		\$ 5,500,000
Interest Earnings	5,640		5,640	5,940		5,940	6,050		6,050
Tuition		600,000	600,000		660,000	660,000		1,070,625	1,070,625
Recovery of Prior Year Encumbrances						-			-
Build American Bonds Interest Subsidy	237,656	-	237,656	216,980	-	216,980	216,980	-	216,980
Total Revenue	5,343,296	600,000	5,943,296	5,622,920	660,000	6,282,920	5,723,030	1,070,625	6,793,655
Expenditures									
Administrative/Student Services									
Scholarships	50,000		50,000	50,000		50,000	50,000		50,000
Salaries and Fringes 15.49 FTE (staff)	942,814		942,814	1,085,812		1,085,812	1,208,778		1,208,778
Public Relations and Recruitment	420,000		420,000	25,000		25,000	25,000		25,000
Library	24,623		24,623	20,000		20,000	20,000		20,000
Administration and Travel	126,000	-	126,000	150,000	-	150,000	150,000	-	150,000
Total Administrative/Student Services	1,563,437		1,563,437	1,330,812		1,330,812	1,453,778		1,453,778
Programmatic									
BBA Spring 2011	1,005,480	354,270	1,359,750	1,000,000	397,500	1,397,500	835,000	562,500	1,397,500
BSIT Fall 2012	347,900	-	347,900	450,250	-	450,250	361,605	90,000	451,605
Project Management - MS & ME Fall 2013	268,340		268,340	375,941		375,941	264,960	67,500	332,460
PSMAS - Environmental Assessment Fall 2013	115,400		115,400	188,725		188,725	162,350	22,500	184,850
Educational Technology Spring 2014	127,100		127,100	264,250		264,250	190,141	82,500	272,641
Exercise Science Spring 2014	137,600		137,600	272,500		272,500	195,600	90,000	285,600
BAS in Biotech (includes Director) Fall 2014	268,660		268,660	327,950		327,950	239,109	75,000	314,109
Lab Cost	242,478	240,022	482,500	220,000	262,500	482,500	-		-
Graphic Design Spring 2014	129,080		129,080	-		-	-		-
Future Degrees	-	-	-	450,000	-	450,000	369,375	80,625	450,000
Total Programmatic	2,642,038	594,292	3,236,330	3,549,616	660,000	4,209,616	2,618,140	1,070,625	3,688,765
Facility Expense									
Building Maintenance	40,000		40,000	40,000		40,000	40,000		40,000
Communications	42,000		42,000	42,000		42,000	42,000		42,000
Custodial Service	58,000		58,000	58,200		58,200	58,200		58,200
Withheld by Trustee for Debt Service & Trustee Expenses	1,981,080	-	1,981,080	1,979,518	-	1,979,518	1,984,018	-	1,984,018
Security	38,000		38,000	38,760		38,760	38,760		38,760
Technology	40,000		40,000	40,000		40,000	40,000		40,000
Utilities	167,000	-	167,000	115,584	-	115,584	117,896	-	117,896
Total Facility Expense	2,366,080	-	2,366,080	2,314,062	-	2,314,062	2,320,874	-	2,320,874
Construction									
Total Expenditures	6,571,555	594,292	7,165,847	7,194,490	660,000	7,854,490	6,392,792	1,070,625	7,463,417
Revenue less Expenditures	(1,228,259)	5,708	(1,222,551)	(1,571,570)	-	(1,571,570)	(669,762)	-	(669,762)
Less Current Amount Set aside for Capital Reserve				100,000		100,000	100,000		100,000
Less Current Amount Set aside for Operations Reserve				100,000		100,000	100,000		100,000
Operating Account - Beginning Balance	4,054,673	28,480	4,083,153	2,751,359	-	2,751,359	979,789	-	979,789
Operating Account - Ending Balance	\$ 2,826,414	\$ 34,188	\$ 2,860,602	\$ 979,789	\$ -	\$ 979,789	\$ 110,027	\$ -	\$ 110,027
All Accounts - Ending Balance									
Operating Account	\$ 2,826,414	\$ 34,188	\$ 2,860,602	\$ 979,789	\$ -	\$ 979,789	\$ 110,027	\$ -	\$ 110,027
Capital Reserve				100,000		100,000	200,000		200,000
Operations Reserve				100,000		100,000	200,000		200,000
Total All Accounts - Ending Balance	\$ 2,826,414	\$ 34,188	\$ 2,860,602	\$ 1,179,789	\$ -	\$ 1,179,789	\$ 510,027	\$ -	\$ 510,027

**Proposed Fiscal Year 2015
JCERTA Budget
The University of Kansas Clinical Research Center**

Summary of the Project:

The University of Kansas Clinical Research Center (CRC) opened to patients on January 23, 2012. Funds from the Johnson County Education Research Triangle sales tax (JCERT) and revenue bonds supported by the sales tax were used to renovate the facility. Sales tax receipts are now being used to pay debt service and maintain the building, and to pay the costs of the clinical research infrastructure supporting clinical trials designed to translate discoveries made in the laboratory into treatments for patients. The facility will also serve to support internal and external conferences such as The Midwest Cancer Alliance Partners Advisory Board.

The total square footage of the building after renovation is 82,400 SF. There is 24,400 SF of clinic space, 8,300 SF of lab space, 20,600 SF of office space, and 29,100 SF of public space including sitting areas and conference rooms. The cost to renovate and equip the facility was approximately \$19.4 million funded with \$14.4 million in bond proceeds and approximately \$5 million in JCERT funds.

Expenditure Categories

A draft two year budget is attached for reference and planning purposes. While only the FY2015 budget is being submitted for approval at this time, the additional year provides a clear picture of expenses for the clinical research program and building support and operations. Also provided is information on other revenue sources that support the operations of the CRC.

Below are details of the FY 2015 budget which is presented for approval.

Clinical Research Center Staff and Operating Expenses: \$3,363,016

These funds will be used to fund staff salaries for clinical support positions and operating costs. These support positions will all be located in the new facility and are critical to the clinical trials activity.

Facilities Operating Costs including Debt Service: \$2,038,036

The annual debt service is just over \$1 million per year. The total principal on the 2010P bonds is \$15,930,000 and the repayment term is 20 years (FY 2030). The bonds were a combination of tax exempt bonds (\$3,950,000) and taxable Build America Bonds (\$11,980,000) with an all-inclusive interest cost of 3.0%. The University will receive \$169,182 in subsidies from the Federal Government for interest on the Build America Bonds.

JCERT funds of \$817,421 will be used to provide utilities cost, custodial and security staff, other facility services.

Reserve for Capital Expenditures: \$50,000

These funds will be used to repair, renovate, or improve equipment at CRC.

Reserve for Operations:

In FY2014, \$400,000 was put aside as reserve for operations. There is no additional reserve needed in FY2015.

**Johnson County Education Research Triangle
KUMC Clinical Research Center Budget**

3/26/2014

	Approved FY14 Budget			Proposed FY15 Budget			Proposed FY16 Budget		
	JCERT	Other Sources	Total FY14 Budget	JCERT	Other Sources	Total FY15 Budget	JCERT	Other Sources	Total FY15 Budget
Sources of Funds									
Revenue									
JCERT Sales Tax	\$ 5,100,000		\$ 5,100,000	\$ 5,400,000		\$ 5,400,000	\$ 5,500,000		\$ 5,500,000
Clinical Trial Collection		313,684	313,684		450,000	450,000		585,000	585,000
Facility Rent Collection		500,080	500,080		500,080	500,080		-	-
Interest Earnings									
Build American Bond Subsidy	175,500	-	175,500	169,182	-	169,182	169,182	-	169,182
Total Revenue	5,275,500	813,764	6,089,263	5,569,182	950,080	6,519,261	5,669,182	585,000	6,254,182
Total Sources of Funds	5,275,500	813,764	6,089,263	5,569,182	950,080	6,519,261	5,669,182	585,000	6,254,182
Expenditures									
Payroll									
Director, Phase I Program & startup	178,458		178,458	247,650		247,650	247,650		247,650
2 Physician Positions	205,325		205,325	223,520		223,520	325,120		325,120
Research Leadership	321,671		321,671	360,074		360,074	445,799		445,799
Research Scientists	325,830		325,830	380,720		380,720	380,720		380,720
Research Laboratory Staff	200,864		200,864	60,536	45,000	105,536	47,036	58,500	105,536
Research Nursing & Study Coordination	275,817	313,684	589,501	251,467	250,000	501,467	283,542	321,000	604,542
Research Administrative Support	206,467	-	206,467	157,387	135,000	292,387	116,887	175,500	292,387
Total Payroll	1,714,432	313,684	2,028,116	1,681,353	430,000	2,111,353	1,846,753	555,000	2,401,753
Other Operating Expenses									
Operating Expenses	125,700		125,700	155,700	20,000	175,700	114,840	30,000	144,840
Telephone & Networking	15,000		15,000	15,000		15,000	15,000		15,000
Mass Spec Lease	160,963		160,963	160,963		160,963	160,963		160,963
KUH Clinical Services Settlement Cost - Operations	1,350,000		1,350,000	1,350,000		1,350,000	1,350,000		1,350,000
KUH Clinical Services Settlement Cost - Facility Rent	-	500,080	500,080	-	500,080	500,080	-	-	-
Total Other Operating Expenses	1,651,663	500,080	2,151,742	1,681,663	520,080	2,201,742	1,640,803	30,000	1,670,803
Facility Expenses									
Facility Operating Costs	793,613		793,613	817,421		817,421	841,944		841,944
Withheld by Trustee for Debt Service & Trustee Expenses	1,227,822	-	1,227,822	1,220,615	-	1,220,615	1,220,615	-	1,220,615
Total Facility Expenses	2,021,435	-	2,021,435	2,038,036	-	2,038,036	2,062,558	-	2,062,558
Construction Costs									
Total Expenditures	\$ 5,387,529	\$ 813,764	\$ 6,201,293	\$ 5,401,051	\$ 950,080	\$ 6,351,131	\$ 5,550,114	\$ 585,000	\$ 6,135,114
Revenue less Expenditures	(112,029)	-	(112,029)	168,131	-	168,131	119,068	-	119,068
Less Current Amount Set aside for Capital Reserve	50,000		50,000	50,000		50,000	50,000		50,000
Less Current Amount Set aside for Operations	400,000		400,000			-			-
Operating Account - Beginning Balance	3,037,659	186,469	3,224,128	2,719,478	348,986	3,068,464	2,837,609	348,986	3,186,595
Operating Account - Ending Balance	2,475,630	186,469	2,662,099	2,837,609	348,986	3,186,595	2,906,676	348,986	3,255,663

All Accounts - Ending Balance									
Operating Account	\$ 2,475,630	\$ 186,469	\$ 2,662,099	\$ 2,837,609	\$ 348,986	\$ 3,186,595	\$ 2,906,676	\$ 348,986	\$ 3,255,663
Capital Reserve	100,000		100,000	150,000	-	150,000	200,000	-	200,000
Operations Reserve	400,000	-	400,000	400,000	-	400,000	400,000	-	400,000
Total All Accounts - Ending Balance	\$ 2,975,630	\$ 186,469	\$ 3,162,099	\$ 3,387,609	\$ 348,986	\$ 3,736,595	\$ 3,506,676	\$ 348,986	\$ 3,855,663

**Proposed Fiscal Year 2015
Kansas State University Olathe
JCERTA Budget**

Narrative summary

The first building of the K-State Olathe campus opened in April 2011. Financed through a KDFA \$30 million, 30 year bond with the pledge of JCERTA revenue, the 108,000 square foot International Institute for Animal Health and Food Safety occupies 8 acres on the 38 acre campus and is part of the Kansas Biosciences Park.

The first cohort of graduate students pursuing JCERTA-supported programs in animal health and food safety were enrolled in Fall 2013. As of Spring 2014, five biosciences-related graduate degree programs are being offered in addition to three other programs in adult education (Master's and PhD level). There currently are almost 30 faculty and administrative staff directly supporting educational and research programs. Over 160 faculty from K-State's Manhattan and Salina campuses have also contributed to various academic programs over the last three years.

Research activities at K-State Olathe are well underway representing the broad areas of veterinary medicine and animal health, food science and food/produce handling, biological and agricultural engineering, and water. The first faculty member hired in January 2013 recently received top ranking for her team's project resulting in a \$1 million, four year award from the U.S. Department of Agriculture for a project focused on food security and handling of post-harvest vegetables.

Other highlights include (1) the Merck Animal Health sponsored Microbial Surveillance Laboratory in partnership with K-State's Veterinary Diagnostic Laboratory; and (2) the K-State Olathe Innovation Accelerator funded through a \$1.25 million, five year award from the Economic Development Administration.

Engagement activities include science-based partnerships with K-12 schools in Johnson County including assistance in curriculum development with Blue Valley CAPS and Olathe 21st Century programs. In the last two years, over 10,000 students and teachers have engaged in food and health focused programs with K-State Olathe. An additional 30,000 plus individuals have participated in various professional development and educational activities over the last three years.

Economic development is also a strategic priority of this campus through workforce training and entrepreneurial partnerships with the private sector. As an example, the partnership initiated in 2011 with SmartVet USA (subsidiary of Australian SmartVet Pty Ltd) has resulted in a patented technology for delivering pharmaceuticals to cattle. SmartVet is already developing plans for a manufacturing facility with anticipated employment capacity of over 50 people.

EXPENDITURE CATEGORIES

Debt Service on Bonds – \$2,023,084

Bonds were issued in September, 2009 and debt service payments began in March, 2010. Payments escalated until reaching \$2,019,275 in FY 2012 and continue at approximately that level for the remaining 28 years.

Special District Assessment and Taxes – \$252,619

Kansas State Olathe owns 38 acres within the 91 acre Kansas Biosciences Park in Olathe, Kansas. A special benefit district was created to develop the infrastructure in the park and expenses are split proportionately between Kansas State and the Kansas Biosciences Authority. In addition, the property is subject to approximately \$24,000 in additional special assessments in the area. K-State Olathe is responsible for payment of 41% of the \$6.5 million in special assessments on the benefit district for the next 20 years.

Scholarships – \$50,000

Kansas State University agreed, with the University of Kansas, to provide \$50,000 per year in scholarships for residents of Johnson County. Any unspent funds will carry forward to the next year. As programs increase in FY 15, these funds will begin to be spent more rapidly.

Facilities Operations, Maintenance and Deferred Maintenance - \$1,365,000

This amount represents the utilities and maintenance costs for the facility, including custodial, engineering, security, AV/IT, and landscape services. In addition, \$500,000 is being set aside to fund a deferred maintenance reserve.

Programmatic Personnel Costs - \$817,740

This includes the salaries and fringe benefits for the administrative staff.

Academic Programs - \$1,613,480

These funds are used for personnel, fringe benefit costs, and program costs for the academic and research programs in Animal Health, Food safety and security, and K-12 outreach programs in those focus areas. In addition, significant KSU funds and the tuition collected from Olathe courses fund several graduate programs.

Office and Administrative - \$209,000

This category covers office supplies, travel, marketing, audit, legal, and other administrative expenses.

**Kansas State Olathe Campus Budget
Fiscal Year 2015 - Proposed**

	Current year Budget FY 2014	Proposed TOTAL FY 2015	Proposed FY 2015		Proposed TOTAL FY 2016	Proposed FY 2016	
			JCERT	KSU		JCERT	KSU
REVENUE							
JCERT tax revenue	5,100,000	5,400,000	5,400,000	-	5,500,000	5,500,000	-
Transfer to bond reserve	(2,030,495)	(2,023,084)	(2,023,084)	-	(2,022,585)	(2,022,585)	-
KSU Allocation	868,615	856,630	-	856,630	856,630	-	856,630
Urban Water Institute	90,000	90,000	-	90,000	90,000	-	90,000
Tuition estimate	168,000	200,000	-	200,000	250,000	-	250,000
Campus Fee estimate	61,000	72,500		72,500	90,715		90,715
Building use fees	66,500	80,810	92,810	(12,000)	80,810	92,810	(12,000)
Interest income	3,000	3,000	3,000	-	3,000	3,000	-
Total Revenue	4,326,620	4,679,856	3,472,726	1,207,130	4,848,570	3,573,225	1,275,345
EXPENDITURES							
Special Tax Assessment - Benefit district	258,585	252,619	252,619		246,898	246,898	
Salaries - Administration	695,878	817,740	711,440	106,300	840,000	732,000	108,000
KSU Foundation (development)	141,676	140,000	-	140,000	140,000	-	140,000
Information Technology	39,122	160,000	40,000	120,000	160,000	40,000	120,000
Operations & Maintenance	488,750	517,600	517,600		535,000	535,000	
Utilities	300,000	330,000	330,000		330,000	330,000	
Deferred maintenance	400,000	500,000	500,000		500,000	500,000	
Subtotal - Operations & Maintenance	1,188,750	1,347,600	1,347,600	-	1,365,000	1,365,000	-
Other Operating Expenses	200,000	209,000	209,000		220,000	220,000	

**Kansas State Olathe Campus Budget
Fiscal Year 2015 - Proposed**

	Current year Budget FY 2014	Proposed TOTAL FY 2015	Proposed FY 2015		Proposed TOTAL FY 2016	Proposed FY 2016	
			JCERT	KSU		JCERT	KSU
Program Budget - Academic							
Academic administration & support	261,050	340,760	100,000	240,760	340,760	100,000	240,760
Urban Water Institute	90,000	115,000	-	115,000	115,000	-	115,000
Sensory and Consumer Research Center	118,000	55,000	-	55,000	-	-	-
General Academic Programs	33,000	40,000	40,000		40,000	40,000	
Adult Education Faculty+support	98,000	100,165	-	100,165	100,165	-	100,165
Bio-Ag Engineering Faculty+support	227,000	196,330	184,330	12,000	196,330	184,330	12,000
Food Science Faculty+support	126,424	133,165	97,165	36,000	133,165	97,165	36,000
Horticulture Faculty+support	90,000	92,165	92,165	-	92,165	92,165	-
Veterinary Medicine Faculty+support	41,673	95,000		95,000	95,000		95,000
Tuition return to depts	108,000	100,000		100,000	100,000		100,000
Innovation Accelerator	100,000	100,000	100,000	-	100,000	100,000	-
Scholarships	50,000	50,000	50,000		50,000	50,000	
Food program Manager+support	102,650	97,820	97,820		97,820	97,820	
K-12 outreach Director+support	121,250	113,075	113,075		113,075	113,075	
Subtotal - academic programs	1,567,047	1,628,480	874,555	753,925	1,573,480	874,555	698,925
TOTAL EXPENDITURES	4,091,058	4,555,439	3,435,214	1,120,225	4,545,378	3,478,453	1,066,925
Net (Rev-Exp)	235,562	124,417	37,512	86,905	303,192	94,772	208,420
Carry forward - JCERT funds	3,408,959	3,644,521	3,644,521		3,644,521	3,644,521	
Carry forward - KSU funds	1,230,997	1,230,997		1,230,997	1,230,997		1,230,997
Balance Forward - All funds	4,875,518	4,999,935	3,682,033	1,317,902	5,178,710	3,739,293	1,439,417