

**BOARD OF REGENTS MEETING
MOREHEAD STATE UNIVERSITY**

DeMoss Suite, Center for Health, Education and Research

Thursday, December 7, 2017

1 p.m.

Agenda

- I. CALL TO ORDER**
- II. ROLL CALL**
- III. EMPLOYEE AND STUDENT RECOGNITION**
- IV. PRESIDENT’S RECOMMENDATIONS AND REPORTS**

A. Consent Agenda

- 1. Approve Minutes of September 28, 2017 1-5
- 2. Approve 2017 Fall Graduates6
- 3. Ratify Personnel Actions.....7-11
- 4. Accept 2016-17 Audit Report and Amend Operating Budget.....12-17

B. Recommendations

- 1. Accept First Quarter Financial Report and
Amend Operating Budget.....18-27
- 2. Ratify 2018-2020 Biennial Budget Request28-31
- 3. Approve Personnel Policy PG-64, University Tobacco Use Policy32-34
- 4. Disposal of Real Property35-39
- 5. Approve Naming of Elmer R. Smith College of Business & Technology. 40

C. Reports

- 1. Final 2017 Fall Enrollment and Housing Report..... 41
- 2. Report on Eagle Outreach, Eagle Scholars (provided at meeting)
- 3. Report on Health Insurance and Benefits for Plan Year 201842-45

D. President’s Report

V. OTHER BUSINESS

A. ByLaws Review Ad Hoc Committee Update

B. Closed Session

C. BOR Meetings for Calendar Year 2018

Work Session	February 22	(at Prestonsburg weather permitting)
Quarterly Meeting	March 29	
Audit Committee	May 10	
Work Session	May 10	
Quarterly Meeting	June 7	
Work Session	August 9	
Quarterly Meeting	September 6	
Audit Committee	October 19 (Friday/Homecoming)	
Work Session	October 19 (Friday/Homecoming)	
Quarterly Meeting	December 6	

VI. ADJOURNMENT

VII. ADUC SIGNING/TOPPING OFF CEREMONY 4:15 p.m.

VIII. RECEPTION (at Space Science Center) 5:00 p.m.

**BOARD OF REGENTS MEETING
MOREHEAD STATE UNIVERSITY
September 28, 2017**

The Board of Regents of Morehead State University met at 9:00 a.m. on Thursday, September 28, 2017, in the DeMoss Suite of the Center for Health, Education and Research in Morehead, Kentucky.

CALL TO ORDER

Chair Goodpaster called the meeting to order.

ROLL CALL

The following Board members were present: Paul Goodpaster, Shannon Harr, Eric Howard, Rachael Malone, Wayne Martin, Jonathan Pidluzny, Patrick Price, Kathy Walker and Terri Walters. Debbie Long and Craig Preece were unable to attend.

MEDIA

Jason Blanton, Director of Media Relations, introduced Megan Smedley of The Morehead News, and Leeann Akers of Morehead State Public Radio.

**EMPLOYEE
RECOGNITION**

President Jay Morgan recognized Dr. Edna Schack, professor of education and co-director of MSUTeach, and Dr. Scott Niles, research integrity and compliance director and chair of Staff Congress, for their significant contributions to the University.

**SPOTLIGHT
PRESENTATION**
*Craft Academy for
Excellence in Science and
Mathematics*

Dr. Carol Christian, director of the Craft Academy for Excellence in Science and Mathematics, presented an overview of the program for the Board. The Craft Academy is a dual-credit residential high school on the campus of MSU for high achieving Kentucky students. While in the program, students complete high school while also completing up to two years of college coursework. The program includes a STEM+X component that broadens and enriches the student's educational experience. The STEM+X focus areas are entrepreneurship and innovation, design and creativity, and civic and regional engagement. Two Craft students—Nadia Richardson of Knott County and Brandon Staton of Greenup Co.—joined Dr. Christian and described some of the research projects in which they have been involved.

CONSENT AGENDA

Chair Goodpaster asked if the Board would like to discuss any item on the Consent Agenda as follows:

1. Minutes of June 8, 2017 and August 24, 2017 (V-A-1)
2. Personnel Actions (V-A-2)
3. Revised 2018-2024 Capital Plan (V-A-3)
4. Ratify Diversity Plan (V-A-4)

MOTION: Ms. Walker moved that the items in the Consent Agenda be approved. Dr. Harr seconded the motion.

VOTE: The motion carried unanimously.

**PRESIDENT'S
RECOMMENDATIONS***Student Code of Conduct*

The President recommended:

RECOMMENDATION: That the Board approve revisions to the Morehead State University Student Conduct Code.

Interim Vice President for Student Success Russ Mast said that the revisions to the student code of conduct are suggested to ensure the codes do not violate constitutionally protected rights, most notably, the First Amendment. Other revisions contain procedural changes.

(Additional background information attached to these minutes and marked V-B-1)

MOTION: Mr. Martin moved that the Board approve the President's recommendation. Mr. Price seconded the motion.

VOTE: The motion carried unanimously.

*Police Standard Operating
Procedures Manual
Revision*

The President recommended:

RECOMMENDATION: That the Board of Regents approve a revision to the Morehead State University Police Department Standard Operating Procedures Manual.

(Additional background information attached to these minutes and marked V-B-2)

Mr. Mast stated that the revision to the manual is the inclusion of Chapters 65 through 68, which are based on recommendations of the Kentucky Association of Chiefs of Police during their recent re-accreditation.

MOTION: Ms. Walker moved that the Board approve the President's recommendation. Mr. Martin seconded the motion.

VOTE: The motion carried unanimously.

Disposal of Real Property

The President recommended:

RECOMMENDATION: That the Board of Regents approve the Order to Dispose of Property relating to the razing of six properties including the Blair House, Phillips House and Alumni Center on University Street, the Bell House and Brumagen House on University Boulevard, and the Honors House on Elizabeth Street.

(Additional background information attached to these minutes and marked V-B-3)

Chief Financial Officer and Vice President for Administration Beth Patrick said these buildings have become surplus to the needs of the University and the best interest of the

University would be served by razing the structures and using the land for future development in accordance with the University's Campus Master Plan. All of the buildings are currently utilized as office space. Approximately thirty staff members will be relocated to other locations on campus.

MOTION: Mr. Howard moved that the Board approve the President's recommendation. Ms. Walker seconded the motion.

VOTE: The motion carried unanimously.

REPORTS

Preliminary Fall 2017 Enrollment

Assistant Vice President for Enrollment Services Tim Rhodes presented the preliminary enrollment report for fall 2017. He reviewed the external and internal factors impacting enrollment. The preliminary fall 2017 enrollment is 10,394, a decline of 3.3% overall compared with the previous fall. Students from the traditional service region constitute 51% of new full-time students, 14% are from out-of-state, 9.17% are from under-represented minority populations, and 1.13% are international students. Preliminary fall-to-fall retention for last fall's freshmen stands at 69.2%. The preliminary average ACT of the incoming class is 23 and average high school GPA is 3.52. *(Preliminary Enrollment Report for Fall 2017 attached to these minutes and marked V-C-1)*

BREAK

Chair Goodpaster called for a short break.

Real Property Leases

Ms. Patrick provided the annual report on real property leases effective July 1, 2017. *(Report attached to these minutes and marked V-C-2)*

Personal Service Contracts

Ms. Patrick reported on personal service contracts, which represent all such contracts issued with amounts greater than \$10,000 between May 16, 2017 and September 1, 2017. *(Report attached to these minutes and marked V-C-3)*

Alumni & Welcome Center Update

Vice President for University Advancement Jim Shaw provided an update to the Board on the Alumni & Welcome Center project. He stated that several issues have been encountered in the planning for the project, including significant cost increases and concerns over increased operating and maintenance costs. Also, there would be redundancy between the welcome center and the newly renovated Adron Doran University Center (ADUC). Therefore, he recommended that the private funds that have been donated for the project be focused on enrollment, retention and scholarships, and ADUC be utilized as the central meeting space for alumni in the future. The naming opportunities that were slated for the welcome center would be transferred to ADUC. Dr. Morgan added that he had already spoken with the lead donors to the project and they are supportive of the change. The Board offered no objection to the new plan.

PRESIDENT'S REPORT

Dr. Morgan provided an update on the progress on preparing an updated strategic plan for the University. He also said that employees will be held reasonably harmless on any

additional expenses for 2018 health care, with the exception of smokers/tobacco users, and those whose spouses could obtain health insurance from their own employer. He said that based on the enrollment for fall, the current year budget looks good. However, looking forward, an increase of \$3-4M in pension costs for the University and possibly cuts to the state appropriation in 2018-2019 are expected. ADUC is expected to open in summer/fall of 2018 and the Rocky Adkins Dining Commons will open next month. The University will undergo its ten-year reaccreditation from SACS COC in 2020-2021.

Chair Goodpaster read a prepared statement on behalf of the Board. The statement follows in its entirety:

The Morehead State University Board of Regents is charged with the vision and governance of the University, both to serve its mission to the region and the Commonwealth, and also with respect to its fiscal and financial affairs. The Board understands the fiscal realities of the state budget outlook, skyrocketing pension costs, as well as a changing financial model with performance funding, all of which necessitate a shift in the way MSU strategically positions itself going forward.

Knowing that the University is entering a new funding environment, much of which is outside of its immediate control, the Board of Regents is formally asking the President of the University to begin accelerating the University Strategic Planning process already undertaken, and to take all executive steps necessary to reposition the University to meet the new state performance funding formula, and the new challenges which confront us due to the state budget outlook.

In an attempt to do this, the Board of Regents is requesting that the President proactively and strategically reposition through personnel and operating adjustments approximately 7.5% of the University's 2017-2018 annual budget.

This should be a transformative process and should be undertaken so that the University is well-positioned beginning January 1, 2018 to meet the changing environments within Kentucky. Morehead State University is a great University and we must work to maintain a competitive advantage, and forge ahead for the benefit of our students.

Mr. Martin moved that the Board accept the statement. Ms. Walker seconded the motion. The motion carried unanimously.

CLOSED SESSION

Chair Goodpaster entertained a motion to go into Closed Session at 11:52 a.m. pursuant to KRS 61.810(1) (b) to discuss matters relating to the future acquisition or sale of real property where publicity would be likely to affect the value of a specific piece of property to be acquired or sold. The Board will take no action while in Closed Session.

	<p>Dr. Harr moved that the Board go into Closed Session. Ms. Walters seconded the motion. The motion carried and the Board retired to Closed Session.</p>
OPEN SESSION	<p>Following Closed Session, Chair Goodpaster asked for a motion to return to Open Session. Mr. Price moved that the Board return to Open Session at 12:39 p.m. Ms. Walker seconded the motion. The motion carried. Chair Goodpaster stated that no action was taken during the Closed Session.</p>
BYLAWS COMMITTEE	<p>Chair Goodpaster appointed an ad hoc committee of Mr. Price (chair), Ms. Walters and Dr. Pidluzny to review the Board bylaws.</p>
ANNOUNCEMENTS	<p>Chair Goodpaster announced the next Board work session is November 9, proceeded by a meeting of the Audit Committee, and the next quarterly meeting is December 7. He also reminded Board members of the Browning Orchard Festival on October 1 and Homecoming on October 21. He invited everyone to stay for the tour of the current construction and renovation projects (ADUC, President's Home and the Rocky Adkins Dining Commons) after lunch.</p>
ADJOURNMENT	<p>There being no further business to conduct, Mr. Howard moved that the meeting adjourn at 12:46 p.m. Mr. Martin seconded the motion. The motion carried.</p>

Respectfully submitted,



Sharon S. Reynolds, Secretary
Board of Regents

Recommendation:

That the awarding of degrees to candidates who successfully complete all degree requirements as approved by the faculty of the University at the 2017 Fall Commencement on December 9, 2017, be ratified.

Background:

At the December 9, 2017, Fall Commencement, 658 students that have applied for graduation will be awarded degrees from Morehead State University. This includes 33 associate degrees, 491 bachelor degrees, 122 master degrees, 11 education specialist degrees and 1 doctor of education degree.

RATIFY PERSONNEL ACTIONS

**BOR (IV-A-3)
December 7, 2017**

Recommendation:

That the Board ratify the Personnel Actions for the period September 7, 2017, through November 12, 2017.

Background:

The Personnel Action Request Report includes actions related to:

- 1) full-time and continuing part-time faculty and Executive, Administrative and Managerial employees, excluding supplemental actions not listed under Item 3, below;
- 2) full-time and continuing part-time non-classified Executive, Administrative and Managerial and Professional Staff positions (including supplemental actions);
- 3) supplemental actions for faculty acquiring managerial duties, excluding normal grant activities;
- 4) discipline;
- 5) leave of absences;
- 6) sabbaticals; and
- 7) retirements.

**MOREHEAD STATE UNIVERSITY
ROSTER POSITIONS SUMMARY
11/12/17**

	July 1 Authorized Positions	Current Authorized Positions	+/- Position Adjustments	Current Position Strength	% Current Strength
Office of the President	3.50	3.50	0.00	3.50	100.00
Division of University Advancement	40.75	40.40	-0.35	36.40	90.10
Division of Administration and Fiscal Services	98.75	101.75	3.00	95.75	94.10
Facilities Management	150.00	149.00	-1.00	134.00	89.93
Division of Student Success	187.49	167.49	-20.00	156.49	93.43
Division of Academic Affairs	50.91	48.91	-2.00	46.91	95.91
Caudill College of Arts, Humanities & Social Sciences	135.54	136.14	0.60	118.14	86.78
College of Business and Technology	53.00	53.00	0.00	49.00	92.45
College of Education	65.45	67.45	2.00	60.45	89.62
College of Science	148.33	148.33	0.00	132.58	89.38
Undergraduate Education & Student Success	28.83	46.83	18.00	44.83	95.73
Camden-Carroll Library	29.00	29.00	0.00	28.00	96.55
	<u>991.55</u>	<u>991.80</u>	<u>0.25</u>	<u>906.05</u>	<u>91.35</u>

Note: Positions are expressed in terms of full-time equivalency.

DEFINITIONS OF THE DIFFERENT KINDS OF APPOINTMENTS

- Full-Time Standing:** A Full-Time Standing Appointment designates an appointment that is full-time and for which no ending date is specified. Such appointments are terminable in accordance with the appropriate University policy. Full-time Standing Appointments must be backed with budgeted funds. Full-Time Standing Appointments may be used for all four payroll classification categories namely 1) Academic; 2) Administrative; 3) Staff Exempt; and 4) Staff Nonexempt (see PG-2). Full-Time Standing Appointments may be specified for nine, ten, eleven, or twelve months per fiscal year. This type of appointment is provided all regular University benefits.
- Full-Time Fixed:** A Full-Time Fixed Appointment designates an appointment that is full-time for a fixed period of time and for which an ending date is specified. Such appointments may be specified for nine, ten, eleven, or twelve months. The appointments do not have to be backed by permanent funds. Full-Time Fixed Appointments may be used for all four payroll classification categories namely 1) Academic; 2) Administrative; 3) Staff Exempt; and 4) Staff Nonexempt (see PG-2). This includes instructors and any other individuals in a classification covered by the tenure regulations. Such appointments are discontinued automatically at the specified ending date. Appointments may be terminated before the ending date for cause or business necessity. Full-Time Fixed Appointments may be renewed. Persons appointed to Full-Time Fixed Appointments are not converted to Full-Time Standing Appointments without an appropriate search or search waiver. This type of appointment is provided all regular University benefits.
- Supplemental:** A Supplemental Appointment designates an appointment which is supplementary to a Full-Time Standing or Full-Time Fixed Appointment and has the effect of providing an additional contractual provision beyond the term of the Full-Time Standing or Full-Time Fixed Appointments. For example, a Supplemental Appointment may be used if an individual whose regular appointment is for nine months but whose appointment is extended for one to three additional months. Supplemental Appointments will also be used to designate those appointments which are supplementary to Full-Time Standing or Full-Time Fixed Appointments to compensate for approved additional services normally outside the scope of regular duties. For example, A Supplemental Appointment can be used when an eligible employee is employed to teach a course for additional compensation. Regular University benefits, except sick leave and vacation accrual, continue with a Supplemental Appointment.

APPOINTMENT STATUS ACTIONS
9/7/17 - 11/12/17

Department/Office	Name	Effective Date	Ending Date	Title	Contract Months	Salary	Employment Status	Employment Action
<u>Interim Appointment</u>								
Distance Ed. & Instructional Design	Flora, David	10/16/17	11/15/17	Interim Director		\$1,269.00		
Upward Bound Programs	Lewis, Amanda	09/01/17	11/15/17	Interim Director		\$1,074.00		
<u>Promotions</u>								
Upward Bound Programs	Lewis, Amanda	11/16/17	05/13/18	Director, Upward Bound Programs	12	\$56,686.00	Full-Time Fixed, Probationary	Title Change/Salary Adjustment
<u>Reassignments</u>								
Hist., Phil., Politics, Int'l & Legal Studies	Cornett, Karen	10/16/17		Academic Departmental Specialist	12	\$16.49	Full-Time Standing	Title Change/Transfer
<u>Separations</u>								
Facilities Mngt.-Building Services	Cooper, Patricia	09/30/17		Building Services Technician	12	\$10.62		Retirement
Facilities Mngt.-Building Services	Gee, James	09/30/17		Building Services Technician	12	\$10.75		Retirement
Facilities Mngt.-Building Services	Jolley, J. C.	09/30/17		Building Services Supervisor	12	\$18.39		Retirement
Human Resources	Thompson, Cindy	10/31/17		Sr. Human Resources Assistant (Employment)	12	\$18.39		Retirement
Information Technology	Ori, Zoltan	01/31/18		Network Engineer/Architect	12	\$86,310.00		Retirement
Information Technology	Richmond, Steve	06/30/18		Assistant Vice President for Technology	12	\$125,401.00		Retirement
Institutional Effectiveness	Schafer, Mark	12/31/17		Senior Database/Research Analyst	12	\$54,140.00		Retirement
Leadership & Professional Devel.	McCoy, Janet	11/30/17		Director, Center for Lead. & Prof. Devel.	12	\$76,190.00		Retirement

Total Appointment Status Actions: 12

SUPPLEMENTAL ACTIONS
9/7/17 - 11/12/17

Name	Title	Department/Office	Effective Date	Ending Date	Salary	Description
Hutchinson, Brian	Director of Athletics	Athletics	11/15/17	11/15/17	\$5,000.00	Achieved Academic Progress Rate (APR)
Royar, Robert	Assoc. Prof. of English	Quality Enhancement Plan (QEP)	07/01/17	08/05/17	\$1,667.00	QEP Director
Smith-Stephens, Shannon	Director, Counseling & Health Services	Nursing	09/05/17	12/12/17	\$3,000.00	Teach 3 Credit Hours

Total Supplemental Actions: 3

**ACCEPT 2016-17 AUDIT REPORT
AND AMEND OPERATING BUDGET**

**BOR (IV-A-4)
December 7, 2017**

Recommendation:

That the Board accept the audit report for the fiscal year ended June 30, 2017 as presented by Dean Dorton Allen Ford, PLLC, accept the reports related to the fourth quarter financial information and capital outlay, and amend the operating budget for the 2016-17 fiscal year.

Background:

KRS 164A.570 requires an annual audit to be conducted by all universities in the state system. The audit is to be conducted by an independent public accounting firm. On June 8, 2017, the Board of Regents approved the recommendation of the Audit Committee to appoint Dean Dorton Allen Ford, PLLC to conduct the 2016-17 fiscal year audit. The Board also approved at that time, the Audit Committee's recommendation for the minimum scope of the audit work to be performed.

The Audit Committee met on November 9, 2017. Representatives from Dean Dorton Allen Ford, PLLC presented the University's audited financial statements to the Committee for acceptance. The audit report was issued with an unmodified opinion on the financial statements.

The information contained in the audited financial statements is reflective of all transactions for the fiscal year and serves as the University's fourth quarter financial report to the Board. Also presented as a part of the fourth quarter financial report are amendments to the operating budget and a capital outlay status report.

MOREHEAD STATE UNIVERSITY
Unrestricted Current Funds
Budget Amendments
For the Period April 1, 2017 to June 30, 2017

Description	Opening Budget As of 3/31/2017	Adjustments	Amended Budget As of 6/30/2017
Revenues and Other Additions			
Tuition and Fees	\$ 70,380,849	\$ 17,957	\$ 70,398,806
Government Appropriations	41,969,200	66,391	42,035,591
Indirect Cost Reimbursement	900,000	-	900,000
Sales and Services of Ed. Activities	2,147,198	433,720	2,580,918
Other Sources	3,281,221	258,968	3,540,189
Budgeted Fund Balance - E&G	11,160,059	(123,350)	11,036,709
Auxiliary Enterprises	22,065,222	(9,525)	22,055,697
Budgeted Fund Balance - AUX	3,047,162	190,187	3,237,349
Total Revenues and Other Additions	\$ 154,950,911	\$ 834,348	\$ 155,785,259
Expenditure Authorizations by Division			
Educational & General			
President & Administration	\$ 904,725	\$ 54,450	\$ 959,175
University Advancement	4,623,695	(116,532)	4,507,163
Administration & Fiscal Services	23,031,098	2,064,518	25,095,616
Student Success	19,662,999	350,856	20,013,855
Academic Affairs	56,094,211	709,187	56,803,398
Debt Service & Mandatory Transfers	3,531,165	218,763	3,749,928
Other	27,127,079	(3,088,321)	24,038,758
Total Educational & General	\$ 134,974,972	\$ 192,921	\$ 135,167,893
Auxiliary Enterprises			
Administration & Fiscal Services	\$ 14,198,583	\$ 542,844	\$ 14,741,427
Student Success	835,869	(7,198)	828,671
Debt Service	4,928,191	83,491	5,011,682
Other	13,296	22,290	35,586
Total Auxiliary Enterprises	\$ 19,975,939	\$ 641,427	\$ 20,617,366
Total Expenditure Authorizations	\$ 154,950,911	\$ 834,348	\$ 155,785,259

MOREHEAD STATE UNIVERSITY
Unrestricted Current Funds
Budget Amendments
For the Period April 1, 2017 to June 30, 2017
Notes of Significant Adjustments to Revenue and Other Additions

Sales and Services of Educational Activities

Unbudgeted revenue allocated during the fourth quarter totaled \$433,720

- Eagle Excellence Fund (EEF) support from the MSU Foundation totaled \$214,995
- Athletic revenue allocations totaled \$119,170
 - \$57,013 Other Athletic Revenue
 - \$55,564 Guarantees
 - \$6,722 Athletic Camp Revenue
 - \$575 Gate Receipts
 - (\$704) NCAA Proceeds
- Other miscellaneous revenue allocations totaled \$99,555
 - \$71,644 Academic Affairs
 - \$53,138 Student Success
 - (\$25,227) University Advancement

Other Sources

Unbudgeted revenue allocated during the fourth quarter totaled \$258,968

- Unbudgeted support from the MSU Foundation totaled \$177,501
 - \$86,930 Academic Affairs
 - \$38,565 Student Success
 - \$35,000 Scholarship Support
 - \$8,504 University Advancement
 - \$8,502 Administration & Fiscal Services
- Endowment income allocations to Academic Affairs totaled \$39,506
- Other miscellaneous revenue totaled \$41,961
 - \$29,074 Administration & Fiscal Services
 - \$8,241 Academic Affairs
 - \$4,251 Student Success – E&G
 - \$255 Student Success – Auxiliary
 - \$140 University Advancement

Fund Balance – E&G

Budgeted allocations from Fund Balance for educational and general purposes net funds reverted back to Fund Balance during the fourth quarter totaled (\$123,350)

\$7,284 Additional allocation for KCTCS Respiratory Care Program

\$2,059 Additional allocation for supplemental pay for a faculty member to serve as QEP Director

(Total annual allocation was \$6,177)

(\$132,693) Unspent funds reverted back to Fund Balance

Fund Balance – Auxiliary

Budgeted allocations from Fund Balance for auxiliary purposes during the fourth quarter totaled \$190,187

\$149,670 ADUC Renovation – Temporary Dining *(to be reimbursed by state-funded ADUC project account)*

\$39,727 East Parking Structure & Dining Commons – Phase II *(to be reimbursed by project account managed in Frankfort)*

\$790 ADUC Renovation *(to be reimbursed by state-funded ADUC project account)*

MOREHEAD STATE UNIVERSITY
Budget Amendments Greater Than \$200,000
For the Period April 1, 2017 to June 30, 2017

From:	To:		
Revenue and Other Additions	Division/ Budget Unit	Amount	Description

None.

MOREHEAD STATE UNIVERSITY
Capital Outlay Status Report
Agency Funds
For the Period of April 1, 2017 to June 30, 2017

	<u>Estimated Project Scope</u>	<u>Completion Date</u>	<u>Project Status</u>
I. Equipment Purchases \$200,000 or Greater			
None			
II. Capital Construction Projects, Information Technology Systems or Land Acquisitions \$600,000 or Greater			
East Parking Structure and Dining Commons - Phase I	\$ 15,416,100	December, 2016	Completed
East Parking Structure and Dining Commons - Phase II	\$ 7,606,800		Under Construction
Lappin Hall Cooling System Replacement	\$ 1,661,225		In Progress
Residence Hall - Derrickson Agricultural Complex	\$ 2,735,000	November, 2016	Completed
Residence Hall - On Campus	\$ 28,000,000	November, 2016	Completed
Unified Security and Access Control	\$ 1,400,000		In Progress
IT Infrastructure/Fiber Upgrade	\$ 8,600,000	June, 2017	Completed
Water Treatment Plant Sediment Basin	\$ 1,600,000		In Planning
Veterinary Technology HVAC System Replacement	\$ 731,447		In Progress

**ACCEPT FIRST QUARTER
FINANCIAL REPORT AND
AMEND OPERATING BUDGET**

**BOR (IV-B-1)
December 7, 2017**

Recommendation:

That the Board accept the financial statements and amend the operating budget for the first quarter of the fiscal year that will end June 30, 2018, and amend the operating budget.

Background:

The University has a statutory requirement to furnish quarterly financial reports to the Board of Regents. Financial statements have been prepared as of September 30, 2017, the first quarter of the fiscal year ending June 30, 2018. The statements, along with management's discussion and analysis and budget amendment information are attached.

**Morehead State University
Management's Discussion and Analysis
First Quarter Financial Statements
September 30, 2017**

This discussion and analysis of Morehead State University's financial statements provides an overview of the University's financial activities for the three months that ended on September 30, 2017. The statements and this discussion and analysis have been prepared by Accounting and Financial Services staff.

Using These Financial Statements

This report consists of two basic financial statements. The Statements of Net Position include information about the assets, liabilities, deferred inflows/outflows, and net position of the entire University. The Statements of Revenues, Expenditures and Changes in Net Position provide information about the unrestricted current funds revenues, expenditures and transfers of the University. The statements are prepared on an accrual basis and reflect the results of all transactions that affect the financial status of Morehead State University. These financial statements have not been prepared in full accordance with *Government Accounting Standards Board Statement 35* (GASB 35). Interim statements are prepared using a fund approach to facilitate budget comparisons and management decisions. Year-end statements are prepared in the GASB 35 format.

Financial Highlights

Morehead State University's financial picture remains stable through the first quarter of the 2017-2018 fiscal year. During the period July 1, 2017 through September 30, 2017, the University operated with a surplus of revenues over expenditures and transfers in the amount of \$16,112,083. This level of operating surplus is expected at this time, since most of the billings for the Fall 2017 semester are reflected in the tuition and fees revenue and only expenditures through September 30, 2017 are reflected. As the fiscal year proceeds, the variance between revenues and expenditures will continue to decrease and should reflect a more appropriate operating surplus or deficit.

Significant trends and variances for the three months are summarized as follows:

- Total revenues increased approximately \$1 million from last year to \$62.6 million. The majority of this increase was due to a 4.92% increase in tuition rates for undergraduate students and a 6.2% increase in residence hall rates.
- The percent of actual total revenue to budget was 40.75% at September 30, 2017 and 40.43% at September 30, 2016. This percentage would be expected at this time, since most of the billings for the Fall 2017 semester are reflected in revenue.
- Total expenses were approximately \$46.5 million at September 30, 2017 and \$43.6 million at September 30, 2016. The \$2.9 million increase in actual expenses is primarily related to increases in fixed costs such as debt service, service contracts, and scholarship commitments. The increase is also related to timing differences of when debt service payments were made during each fiscal year.
- Net change in net position decreased \$2.0 million to \$16.1 million as compared to \$18.1 million at September 30, 2016. This is the result of the net effect of the increase in revenues and expenditures.

Morehead State University
Unrestricted Current Funds
Statements of Revenues, Expenditures & Changes in Net Position
For the Three Months Ended September 30, 2017 and 2016

	2017-2018			2016-2017		
	Amended Budget	Actual	Percent of Actual to Budget	Amended Budget	Actual	Percent of Actual to Budget
REVENUES						
Educational and General						
Tuition and Fees	\$71,365,666	\$36,648,869	51.35%	\$70,207,920	\$36,125,891	51.46%
Govt Appropriations	41,642,500	12,516,409	30.06%	41,969,200	12,605,875	30.04%
Indirect Cost Reimbursement	825,000	295,784	35.85%	900,000	131,721	14.64%
Sales & Services Ed Activities	1,696,366	827,953	48.81%	1,766,932	641,924	36.33%
Other Sources	3,407,098	1,955,289	57.39%	2,975,105	1,890,990	63.56%
Budgeted Fund Balance-E&G	9,441,789	-	0.00%	10,562,069	-	0.00%
Total Educational and General	\$128,378,419	\$52,244,304	40.70%	\$128,381,226	\$51,396,401	40.03%
Auxiliary Enterprises						
Housing	\$14,986,254	\$7,858,503	52.44%	\$14,777,200	\$7,680,532	51.98%
University Store	5,360,800	2,117,029	39.49%	5,344,246	2,192,775	41.03%
Food Services	781,500	118,024	15.10%	851,500	120,326	14.13%
Other	1,209,100	278,287	23.02%	1,092,200	262,551	24.04%
Budgeted Fund Balance-Auxiliary	2,924,765	-	0.00%	2,044,209	-	0.00%
Total Auxiliary Enterprises	\$25,262,419	\$10,371,843	41.06%	\$24,109,355	\$10,256,184	42.54%
TOTAL REVENUES	\$153,640,838	\$62,616,147	40.75%	\$152,490,581	\$61,652,585	40.43%

Morehead State University
Unrestricted Current Funds
Statements of Revenues, Expenditures & Changes in Net Position
For the Three Months Ended September 30, 2017 and 2016

	2017-2018			2016-2017		
	Amended Budget	Actual	Percent of Actual to Budget	Amended Budget	Actual	Percent of Actual to Budget
EXPENDITURES AND TRANSFERS BY DIVISION						
Educational & General						
President & Administration	\$814,348	\$208,813	25.64%	\$907,592	\$168,896	18.61%
University Advancement	4,284,815	1,361,392	31.77%	4,560,160	1,246,751	27.34%
Administration & Fiscal Services	23,371,006	8,931,336	38.22%	22,082,021	7,843,395	35.52%
Student Success	18,785,958	5,781,052	30.77%	19,339,103	5,755,319	29.76%
Academic Affairs	55,207,560	11,733,685	21.25%	55,293,666	11,412,473	20.64%
Other	30,756,884	12,536,886	40.76%	30,578,950	11,900,280	38.92%
Total Educational & General	\$133,220,571	\$40,553,164	30.44%	\$132,761,492	\$38,327,114	28.87%
Auxiliary Enterprises						
Housing	\$13,610,171	\$4,023,935	29.57%	\$13,283,851	\$2,790,071	21.00%
University Store	4,658,961	1,106,806	23.76%	4,765,127	2,039,631	42.80%
Food Services	315,843	69,113	21.88%	315,180	60,579	19.22%
Other	1,835,292	751,046	40.92%	1,364,931	376,511	27.58%
Total Auxiliary Enterprises	\$20,420,267	\$5,950,900	29.14%	\$19,729,089	\$5,266,792	26.70%
TOTAL EXPENDITURES AND TRANSFERS BY DIVISION	\$153,640,838	\$46,504,064	30.27%	\$152,490,581	\$43,593,906	28.59%
NET CHANGE IN FUND BALANCE		\$16,112,083			\$18,058,679	

Morehead State University
Statements of Net Position
September 30, 2017 and 2016

	2017	2016
Assets and Deferred Outflows		
Current assets:		
Cash and cash equivalents	\$ 26,638,005	\$ 36,950,327
Accounts, grants and loans receivable, net	19,910,222	16,655,633
Prepaid interest	16,083	16,082
Inventories	1,564,331	1,445,796
Other current assets	177,210	187,210
Total current assets	<u>48,305,851</u>	<u>55,255,048</u>
Noncurrent assets:		
Accounts, grants and loans receivable, net	4,202,121	3,819,446
Prepaid interest	160,828	176,912
Prepaid lease	3,501,000	-
Investments	16,308,299	14,060,616
Capital assets, net	261,979,254	238,005,809
Total noncurrent assets	<u>286,151,502</u>	<u>256,062,783</u>
Total Assets	<u>334,457,353</u>	<u>311,317,831</u>
Deferred Outflows of Resources:		
Pensions	56,508,243	23,948,232
Total deferred outflows of resources	<u>56,508,243</u>	<u>23,948,232</u>
Total assets and deferred outflows of resources	<u>\$ 390,965,596</u>	<u>\$ 335,266,063</u>
Liabilities, Deferred Inflows and Net Position		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 7,412,377	\$ 6,067,941
Unearned revenue	2,243,896	2,506,934
Bonds, notes and capital lease obligations, current portion	6,850,148	5,853,329
Total current liabilities	<u>16,506,421</u>	<u>14,428,204</u>
Long-term liabilities:		
Bonds, notes and capital lease obligations, noncurrent portion	95,087,678	92,220,130
Advances from federal government for student loans	3,397,754	3,423,702
Unearned revenue	290,235	290,235
Net pension liability	264,430,175	219,469,445
Total long-term liabilities	<u>363,205,842</u>	<u>315,403,512</u>
Total Liabilities	<u>379,712,263</u>	<u>329,831,716</u>
Deferred Inflows of Resources:		
Deferred bond reoffering premium	2,231,679	2,418,551
Pensions	10,013,990	7,465,708
Deferred gain on disposal	1,429,844	-
Total deferred inflows of resources	<u>13,675,513</u>	<u>9,884,259</u>
Net Position:		
Net investment in capital assets	157,986,659	137,706,793
Restricted:		
Expendable	11,893,796	13,368,771
Nonexpendable	11,507,399	11,375,022
Unrestricted	(183,810,034)	(166,900,498)
Total net position	<u>(2,422,180)</u>	<u>(4,449,912)</u>
Total liabilities, deferred inflows and net position	<u>\$ 390,965,596</u>	<u>\$ 335,266,063</u>

See Attached Notes To Statements of Net Position

Morehead State University
Notes to the Statements of Net Position
September 30, 2017 and 2016

1. The Statements of Net Position include the unrestricted current funds, restricted current funds, endowment funds, loan funds, and plant funds of the University. Agency funds held for others are not included.
2. Cash and cash equivalents decreased \$10.3 million primarily due to the expenditure of bond proceeds to construct the new student residential facilities and the new parking garage/dining commons. State capital appropriations were also expended for the renovation/expansion of the student services facility.
3. Accounts, grants, and loans receivable are shown net of allowance for uncollectible student accounts of \$1,596,203 at September 30, 2017 and \$1,556,100 at September 30, 2016. Also, included in this category is \$9.4 million in receivables from federal and state grant agencies at September 30, 2017 and \$6.1 million at September 30, 2016.
4. Other current assets include financial commitments from the MSU Foundation for campus construction and renovation projects.
5. Noncurrent accounts, grants and loans receivable represent balances owed to the University from borrowers who have participated in the Federal Perkins Loan Program.
6. Capital assets, net increased approximately \$24 million from the previous year. This was due to increases in construction in progress related to the student services facility expansion/renovation and IT infrastructure. Projects were also completed and capitalized for the parking garage/dining commons and the new student residential facilities. Accumulated depreciation on buildings and equipment was \$186,550,241 at September 30, 2017 and \$178,168,738 at September 30, 2016.
7. Deferred outflows of resources include the amount of pension contributions paid to KTRS and KERS from July 1, 2016 through June 30, 2017. These amounts were paid subsequent to the June 30, 2016 measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Deferred outflows also include amounts related to changes in assumptions used in the calculations by the actuaries.
8. Accounts payable and accrued liabilities include amounts due to vendors and amounts due for withheld and matching portions of payroll taxes and estimated claims payable, but not paid until after the Statements of Net Position date.
9. Unearned revenue from federal and state grants represent amounts received but not expended at the Statements of Net Position date.
10. Bonds and capital lease obligations include the current and long-term portions of amounts borrowed for the purchase of plant assets. On December 1, 2016, the University issued 2016 Series B General Receipts Bonds in the amount of \$6,560,000 to complete the parking garage/dining commons project. Capital leases increased by \$2,995,250 for the IT Infrastructure project. The University also made principal payments on outstanding debt in the amount of \$5.6 million.
11. Net pension liability is due to the implementation of GASB 68, which required Morehead State University to record its proportionate share of the Commonwealth of Kentucky's net pension liability.
12. Deferred inflows of resources include bond premiums from the issuance of the 2014 Series A and B and 2016 Series A General Receipts Bonds. Also, included in this category is the projected difference between projected and actual investment earnings on pension plan investments and changes in assumptions.

MOREHEAD STATE UNIVERSITY
Unrestricted Current Funds
Budget Amendments
For the Period July 1, 2017 to September 30, 2017

Description	Opening Budget As of 7/1/2017	Adjustments	Amended Budget As of 9/30/2017
Revenues and Other Additions			
Tuition and Fees	\$ 71,272,864	\$ 92,802	\$ 71,365,666
Government Appropriations	41,642,500	-	41,642,500
Indirect Cost Reimbursement	825,000	-	825,000
Sales and Services of Ed. Activities	1,659,458	36,908	1,696,366
Other Sources	2,572,170	834,928	3,407,098
Budgeted Fund Balance - E&G	9,259,158	182,631	9,441,789
Auxiliary Enterprises	22,350,100	(12,446)	22,337,654
Budgeted Fund Balance - AUX	2,653,750	271,015	2,924,765
Total Revenues and Other Additions	\$ 152,235,000	\$ 1,405,838	\$ 153,640,838
Expenditure Authorizations by Division			
Educational & General			
President & Administration	\$ 807,041	\$ 7,307	\$ 814,348
University Advancement	4,223,166	61,649	4,284,815
Administration & Fiscal Services	20,366,748	3,004,258	23,371,006
Student Success	19,450,140	(664,182)	18,785,958
Academic Affairs	52,207,687	2,999,873	55,207,560
Debt Service & Mandatory Transfers	4,216,700	-	4,216,700
Other	30,806,051	(4,265,867)	26,540,184
Total Educational & General	\$ 132,077,533	\$ 1,143,038	\$ 133,220,571
Auxiliary Enterprises			
Administration & Fiscal Services	\$ 11,357,317	\$ 754,663	\$ 12,111,980
Student Success	822,926	10,188	833,114
Debt Service	5,394,828	-	5,394,828
Other	2,582,396	(502,051)	2,080,345
Total Auxiliary Enterprises	\$ 20,157,467	\$ 262,800	\$ 20,420,267
Total Expenditure Authorizations	\$ 152,235,000	\$ 1,405,838	\$ 153,640,838

MOREHEAD STATE UNIVERSITY
Unrestricted Current Funds
Budget Amendments
For the Period July 1, 2017 to September 30, 2017
Notes of Significant Adjustments to Revenue and Other Additions

Other Sources

Unbudgeted revenue allocated during the first quarter totaled \$834,928

- Unbudgeted support from the MSU Foundation totaled \$442,503
 - \$428,349 Academic Affairs
 - \$12,654 University Advancement
 - \$1,500 Student Success
- Revenue from Governor's Scholars Program (GSP) totaling \$196,827 allocated to Regional Engagement for expenses of hosting the program in summer 2017
- Endowment income allocations primarily to Academic Affairs totaled \$162,276
- Other miscellaneous revenue totaled \$33,322
 - \$32,483 Academic Affairs
 - \$839 Administration & Fiscal Services

Fund Balance – E&G

Budgeted allocations from Fund Balance for educational and general purposes during the first quarter totaled \$182,631

- \$57,348 Property insurance increase above budgeted projection
- \$63,739 Additional allocation for student billing and payment plan software system
- \$30,000 Engineering services for traffic study
- \$26,389 Liability insurance increase above budgeted projection
- \$8,925 Additional allocation for President's Home remodeling project
- \$130 Additional allocation for Athletic/Academic Tutor Coordinator
- (\$3,900) Unspent funds reverted back to Fund Balance

Fund Balance – Auxiliary

Budgeted allocations for auxiliary purposes during the first quarter totaled \$271,015

- \$259,829 East Parking Structure & Dining Commons – Phase II *(to be reimbursed by project account managed in Frankfort)*
- \$11,186 Andrews Hall *(to be reimbursed by agency bond funds)*

MOREHEAD STATE UNIVERSITY
Budget Amendments Greater Than \$200,000
For the Period July 1, 2017 to September 30, 2017

From: Revenue and Other Additions	To: Division/ Budget Unit	Amount	Description
Other Sources MSU Foundation	Academic Affairs MSU Teach	\$ 323,333	Allocation of funds transferred from the MSU Foundation to support personnel and operating expenses of the MSU Teach Program. This program is designed to integrate best teaching practices within the content areas of math and science that allow students to complete a Bachelor of Science degree within four years while earning teacher certification.
Fund Balance - Auxiliary	Administration & Fiscal Services Auxiliary Facility Remodeling	\$ 259,829	Allocation of Fund Balance for Auxiliary Enterprise (Food Services) purposes to purchase tables, chairs, and other equipment for the Rocky Adkins Dining Commons "The Rock" as part of the East Parking Structure and Dining Commons - Phase II project. This advance of funds will be reimbursed by agency bond funds managed in the Frankfort project account.

MOREHEAD STATE UNIVERSITY
Capital Outlay Status Report
Agency Funds
For the Period of July 1, 2017 to September 30, 2017

	<u>Estimated Project Scope</u>	<u>Completion Date</u>	<u>Project Status</u>
I. Equipment Purchases \$200,000 or Greater			
None			
II. Capital Construction Projects, Information Technology Systems or Land Acquisitions \$1,000,000 or Greater			
East Parking Structure and Dining Commons - Phase II	\$ 7,606,800		In Progress (Substantial Completion)
Lappin Hall Cooling System Replacement	\$ 1,715,937		In Progress
Unified Security and Access Control	\$ 1,400,000		In Progress
Water Treatment Plant Sediment Basin	\$ 1,600,000		In Planning
Veterinary Technology HVAC System Replacement	\$ 731,447		In Progress

**RATIFY 2018-2020
BIENNIAL BUDGET REQUEST**

**BOR (IV-B-2)
December 7, 2017**

Recommendation:

That the Board of Regents ratify the University's 2018-2020 Executive Branch Budget Request.

Background:

On November 3, 2017, the Council on Postsecondary Education approved a 2018-2020 Operating and Capital Budget recommendation for public postsecondary education institutions to the Governor and General Assembly. Morehead State University, as well as the other public postsecondary institutions, was required to submit a 2018-2020 Executive Branch Budget Request by November 15, 2017 to the Office of State Budget Director, Governor's Office for Policy and Management (GOPM) and the Legislative Research Commission (LRC), via the Council on Postsecondary Education. This submission was made by the deadline and in accordance with the Council's recommendation regarding the state appropriation and capital project request approved on November 3, 2017.

Operating Request:

The following is a summary of the Council's 2018-2020 General Fund operating budget request for Morehead State University:

Operating Funds	Fiscal Year 2018-19	Fiscal Year 2019-20
Beginning Base (2017-2018 General Funds)	\$41,642,600	\$41,642,600
Changes to Base		
Special Initiative – KERS Increase	3,283,800	3,283,800
Performance Funding Contribution (1% stop-loss provision)	0	(385,600)
Total Operating Funds Request	\$44,926,400	\$44,540,800

The Council's operating funds recommendation includes an additional budget request for a special initiative to offset mandated increases in the Kentucky Employees Retirement System (KERS) employer-paid retirement contributions for institutions that participate in the system. The employer contribution rate for KERS personnel in non-hazardous positions is expected to increase from 49.47 percent in 2017-2018 to 84.06 percent in 2018-2019, or the full

Prepared by: Teresa Lindgren

Actuarially Required Contribution (ARC). The contribution rate for personnel in hazardous positions is also expected to increase from 23.70 percent to 41.12 percent. This component of the Council's recommendation is listed under the heading "Special Initiative" to signify that any funding, if authorized, will not run through the performance funding model. Specifically, funding for this initiative will be deducted from allocable resources in the model in a manner similar to mandated programs. The recommended funding for this initiative is included as part of the University's operating funds request because it will specifically support the Education and General (E&G) staff retirement benefit costs incurred at our institution. Absent requested funding, the cost increase associated with escalating KERS contribution rates is equivalent of about a 7.9 percent General Fund budget cut.

Senate Bill 153 (i.e. the Postsecondary Education Performance Funding Bill) was signed into law by the Governor on March 21, 2017. The newly enacted legislation called for the funding model for public universities to be phased in over three years, beginning in fiscal year 2018-2019. A hold harmless provision, which prevents the transfer of any state General Fund appropriations among institutions, is included in the first year. In the second and third year, the bill institutes 1 percent and 2 percent stop-loss provisions, which limit the amount of potential transfers among institutions in fiscal years 2019-2020 and 2020-2021, respectively. Beginning in 2021-2022, hold harmless and stop-loss provisions will sunset, allowing 100 percent of allocable resources to be determined by the formula.

The 2018-2020 operating funds request reflects the 1 percent stop-loss provision in fiscal year 2019-2020 as a Performance Funding Contribution. One percent of Net General Funds (total General Funds minus funding for mandated programs and special initiatives) from all institutions will be transferred to the Postsecondary Education Performance Fund (PEPF). The funding model will be run in April of 2019 to determine the distribution of available performance funds to the institutions in 2019-2020.

Trust Fund Request:

The Council's 2018-2020 biennial budget recommendation includes debt service in its agency request on a \$90 million bond issue for the Bucks for Brains Program, \$75 million to be allocated to the research universities (UK and UofL) and \$15 million to be allocated to the comprehensive universities. The requested \$15 million to the comprehensive universities will be allocated based on each institution's share of sector total 2016-2017 General Fund appropriation. The proportionate share identified for Morehead State University is 14.1 percent or \$2,113,000. The funds will be nonrecurring and will require a dollar-for-dollar match with institutional funds from external sources.

Capital Request:

Each biennium the Council is asked to present a recommendation to the Governor and General Assembly that identifies the capital needs of Kentucky's public postsecondary institutions. As part of the 2014-2016 biennial budget request, the Council recommended that elected leadership of the Commonwealth commit to a new capital investment strategy that provided a consistent level of funding over three biennia. This approach aligned with the six-year capital

planning process and was grounded in the results from the comprehensive facilities study conducted in 2007 and later updated in 2013. In the 2014-2016 biennium, the General Assembly provided \$607.8 million to postsecondary education for capital projects related to asset preservation and new and expanded space. In 2016-2018, although the Council recommended a similar capital investment plan as in the previous biennium, no state funding was provided for capital projects in that biennium.

For 2018-2020, the Council recommended to continue to pursue a multi-biennia capital investment strategy that envisions a long-term partnership between the state, postsecondary institutions, and students and families. The Council's request includes funding to pay annual debt service on a \$600 million bond issue to finance asset preservation and renovation projects at the postsecondary institutions. If the requested capital investment funding is authorized, \$600 million in state General Fund supported bonds will be allocated among the postsecondary institutions based on each institution's share of the total asset preservation need as identified in the 2013 update of the facilities study. The proportionate share identified for Morehead State University is 5.3 percent or \$31,699,200. The Council has requested that any appropriations for asset preservation in the upcoming biennium be distributed to the postsecondary institutions in funding pools and that the appropriations would require a dollar-for-dollar match from institution resources. High priority asset preservation and renovation projects eligible for funding from these pools are included in the Capital Budget Request for Morehead State University.

The chart on the following page details capital projects that were included in Morehead State University's 2018-2020 biennial budget request. Projects included were based on the University's 2018-2024 Six Year Capital Plan ratified by the Board on June 8, 2017 and capital funding recommendations made for Morehead State University in the Council's 2018-2020 biennial budget request.

CAPITAL PROJECTS REQUEST 2018-2020					
Priority	Project Title	Total Scope	Restricted Funds	Agency Bonds	Other
1	Renovate Combs Classroom Building	\$ 31,761,000	\$ 31,761,000		
2	Renovate Lloyd Cassity Building	18,481,000	18,481,000		
3	Renovate & Expand Vet Tech Clinical Sciences Center	14,707,000	14,707,000		
4	Repair Camden-Carroll Library Facade	9,592,000	9,592,000		
5	Capital Renewal and Maintenance Pool-E&G	6,283,000	6,283,000		
6	Comply with ADA-E&G	3,837,000	3,837,000		
7	Capital Renewal and Maintenance Pool-Univ. Farm	1,209,000	1,209,000		
8	Capital Renewal and Maintenance Pool-Aux.	3,961,000		3,961,000	
9	Comply with ADA-Auxiliary	1,991,000		1,991,000	
10	Construct New Volleyball Facility-Phase II	2,761,000		2,761,000	
11	Construct Ctr for Health Educ & Research-Phase II	23,527,000	23,527,000		
12	Enhance Library Automation Resources	1,539,000	1,539,000		
13	Water Plant Sediment Basin	1,880,000	1,880,000		
14	Construct Ctr for Excellence in Ed for Perf. Art	65,502,000	60,502,000		5,000,000
15	Renovate Third Street Eats	2,982,000	2,982,000		
16	Reconstruct Central Campus	3,075,000	3,075,000		
17	Replace Electrical Switchgear B	1,845,000	1,845,000		
18	Renovate Howell-McDowell	3,985,000	3,985,000		
19	Acquire Land Related to Master Plan	4,000,000	4,000,000		
20	Enhance Network/Infrastructure Resources-Add'l	3,000,000	3,000,000		
21	Renovate Button Auditorium	17,711,000	17,711,000		
22	Upgrade Campus Fire & Security Systems	2,670,000	2,670,000		
23	Upgrade Instructional PCs/LANS/Peripherals	4,000,000	4,000,000		
24	Upgrade Administrative Office Systems	3,000,000	3,000,000		
25	Construct KY Ctr for Traditional Music-Phase II	1,975,000	1,975,000		
26	Renovate Jayne Stadium	39,761,000	39,761,000		
27	Construct University Welcome Center/Alumni House	7,927,000		1,927,000	6,000,000
28	Renovate Alumni Tower Ground Floor	3,812,000		3,812,000	
29	Construct New Residence Hall	35,789,000		35,789,000	
30	Renovate Cartmell Residence Hall	14,991,000		14,991,000	
31	Replace Exterior Precast Panels-Nunn Hall	3,075,000		3,075,000	
32	Replace Turf on Jacobs Field	1,060,000		1,060,000	
33	Guaranteed Energy Savings/Performance Contracting*	0			0
TOTAL 2018-2020 CAPITAL PROJECTS		\$ 341,689,000	\$ 261,322,000	\$ 69,367,000	\$ 11,000,000

*The state's Guaranteed Energy Performance Projects pool serves as a central project pool authorization for Guaranteed Energy Savings Performance Contracts in any University-owned building. These contracts will function as a lease-purchase procurement, using energy savings as payments for improvement, as provided by KRS 56.770 to 56.784.

**APPROVE PERSONNEL POLICY
PG-64, UNIVERSITY TOBACCO USE POLICY**

**BOR (IV-B-3)
December 7, 2017**

Recommendation:

That the Board approve Personnel Policy PG-64 related to tobacco use on MSU properties as a replacement to UAR 902.01.

Background and Statutory Authority:

In 2011, a University Administrative Regulation (UAR 902.01) was adopted by the University administration to restrict the use of tobacco on MSU properties. Kentucky Revised Statute (KRS) 61.165(4) requires that a written policy related to smoking in all state-owned facilities be adopted by the governing board of each state postsecondary institution.

The following Personnel Policy has been drafted as a replacement to the current UAR 902.01 to facilitate compliance with KRS 61.165(4).

Morehead State University Tobacco Use Policy

DRAFT – 12/7/2017

Description:

Morehead State University (MSU) acknowledges and supports the findings of the Surgeon General that tobacco use in any form, active and/or passive, is a significant health hazard. We further recognize that environmental tobacco smoke has been classified as a Class-A carcinogen and that there is no safe level of exposure to environmental tobacco smoke (ETS), a recognized toxic air contaminant. In light of these health risks, Morehead State University has adopted the following tobacco use policy.

Scope:

This policy is in effect for all persons, at all times, who are attending classes, working, living, visiting, attending/participating in athletic events, programs, and all activities and programs on University owned, leased, or controlled property and in campus owned, leased, or rented vehicles. This includes University property outside the main campus such as farm facilities, golf courses, art galleries, parking lots, performance venues, sporting venues, and functions that are held in these facilities and venues.

Definitions:

1. Tobacco is defined as all tobacco-derived or containing products, including but not limited to cigarettes (clove, bidis, kreteks), cigars and cigarillos, hookah-smoked products, and oral

tobacco (spit and spit-less, smokeless, chew, snuff) and those devices/products giving the appearance of tobacco use such as electronic cigarettes (e-cigarettes) and vaping devices.

2. For the purpose of this policy, the MSU campus shall be defined as that which is contained within the legal property boundaries of all property owned, leased to, or managed by the University. A campus map can be found at www.moreheadstate.edu/about/Campus-Map.

Policy Principles:

Tobacco use is prohibited on all University owned, leased, or controlled property and in University owned, leased, or rented vehicles. This includes but is not limited to all University sidewalks, parking lots, landscaped and recreational areas; at lectures, conferences, meetings and social/cultural events held on University-owned or controlled property; in vehicles owned and/or operated by the University; in privately owned vehicles parked on, or in transit across University property; and in the interior of all buildings and University residences, including residence halls and fraternity and sorority houses on campus.

Tobacco use is prohibited in all buildings, including barns, sheds, covered pavilions and work areas, animal care facilities, and structures at the Eagle Trace Golf Course, University Farm and Browning Orchard.

This policy applies to all faculty, staff, students, visitors, clients, contractors and vendors. This policy is in effect at all times (twenty-four hours a day, seven days a week).

All tobacco industry promotions, advertising, marketing, and distribution are prohibited on campus properties. The distribution or sampling of tobacco and associated products is prohibited on all University owned, leased, or controlled property and at University-sponsored events, regardless of the venue.

The sale of tobacco products and tobacco-related merchandise (including items reflecting logos) is prohibited on all University property and at University sponsored events, regardless of the operating vendor. Tobacco industry and related company sponsorship of athletic or other events is prohibited.

The University does not permit tobacco companies on campus to conduct student recruitment or employment activities.

The University does not accept any direct or indirect funding from tobacco companies.

Policy Exceptions:

Exceptions to this policy are only allowed in designated outside smoking areas approved by the MSU President. Approved smoking areas will be clearly marked with signage and be equipped with appropriate containers for disposal of ash, butts and other waste from tobacco use.

Policy Management and Compliance:

Employee violations of this policy shall be reported to the appropriate supervisor. Student violations of this policy should be reported to the Office of Student Affairs. Visitor violations should be reported to the appropriate Morehead State University employee who has the authority to handle the situation. This may include, for example, the building manager, Dean of Students, the Director of a program, or a University Police Officer, etc.

There shall not be reprisals against anyone reporting violations of this policy. The success of this policy depends on the cooperation and consideration of members of the Morehead State University Community as all students, faculty, and staff share in the responsibility for adhering to and enforcing this policy.

Violation of this regulation may result in corrective action through the appropriate process that includes the *MSU Student Handbook*; *MSU Personnel Policies and Procedures Manual*; or other regulations and policies. Visitors refusing to comply with the Tobacco Policy may be asked to leave campus or may be cited for non-compliance with University policies.

APPROVE DISPOSAL OF REAL PROPERTY

BOR (IV-B-4)
December 7, 2017

Recommendation:

That the Board approve the Orders to Dispose of Property relating to the sale of the three separate properties.

Background:

MSU continues to follow the goals and objectives identified in the Campus Master Plan approved by the Board in 2016. The following properties are not identified as having long-term use for the University in the Campus Master Plan. With Board approval of the property disposals it would be the intent of the administration to request authorization from the state to apply the proceeds from any property sale toward existing University debt obligations. The reduction of the University's footprint will also result in lower annual maintenance and operating cost of campus Educational and General facilities and property.

Statutory Authority:

KRS 164A.575 (7) provides that the governing board shall sell or otherwise dispose of all real or personal property of the institution that is not needed for the institution's use, or would be more suitable consistent with the public interest for some other use, as determined by the board. The determination of the board shall be set forth in an order, and shall be reached only after review of a written request by the institution desiring to dispose of the property. Such request shall describe the property and state the reasons why the institution believes disposal shall be effected.

Written Request to Dispose of Properties:

Written requests to dispose of the following properties are presented with this request for approval to dispose of real property:

1. Sunny Brook Golf Course – Located 2.3 miles northeast of intersection of KY 32 & US 60 on the south side of US 60 Rowan County, Kentucky. The property includes approximately 200 acres used as a 9-hole golf course which was closed after the purchase of Eagle Trace Golf Course in 2006.
2. Former Corbie Ellington Post 126 of the American Legion Building and property – Located adjacent to the north side of the Kentucky Center for Traditional Music between Bishop Avenue and Trumbo Avenue, the property was approved for purchase by the Board of Regents in June 2012. The property includes approximately 0.3 acres and a 3,500-square foot two-story building previously used by the American Legion Post 126.

3. An approximate four-acre lot located in front of the University's Office of Procurement offices and warehouse. The property is located approximately 0.2 miles east of the junction of State Route 32 and Old Cranston Road on the southeast side of Old Cranston Road.

With Board approval, the University would like to pursue a sale of these properties in accordance with provisions defined in KRS 164A.575 (7).

ORDER TO DISPOSE OF PROPERTY

WHEREAS, upon the recommendation of the President on December 7, 2017, the Board of Regents has reviewed the Written Request to Dispose of Property for the tract of land formerly operated as the Sunny Brook Golf Course and located approximately 6 miles east of Morehead on US 60 in Rowan County, Kentucky, and

WHEREAS, the President of Morehead State University declares that the referenced property has become surplus to the University's needs, and

WHEREAS, the sale of the property referenced above is consistent with the University's Campus Master Plan adopted by the Board, and is in the best interest of the University and the Commonwealth of Kentucky.

BE IT RESOLVED, that the President is authorized to proceed with the final negotiation and sale of the acreage on US 60 East of Morehead previously used as a 9-hole golf course known as Sunny Brook Golf Course located in Rowan County, Kentucky.

RECOMMENDED:

Joseph A. Morgan, President

Date

APPROVED:

Paul C. Goodpaster, Chair
MSU Board of Regents

Date

ORDER TO DISPOSE OF PROPERTY

WHEREAS, upon the recommendation of the President on December 7, 2017, the Board of Regents has reviewed the Written Request to Dispose of Property for the tract of land and facility adjacent to the north side of the Kentucky Center for Traditional Music and formerly home to the Corbie Ellington Post 126 American Legion, and

WHEREAS, the President of Morehead State University declares that the referenced property has become surplus to the University's needs, and

WHEREAS, the sale of the property referenced above is consistent with the University's Campus Master Plan adopted by the Board, and is in the best interest of the University and the Commonwealth of Kentucky.

BE IT RESOLVED, that the President is authorized to proceed with the final negotiation and sale of the approximately 0.3-acre tract and two-story facility located between Bishop Avenue and Trumbo Avenue just south of Main Street and north of the Kentucky Center for Traditional Music in Morehead, Rowan County, Kentucky.

RECOMMENDED:

Joseph A. Morgan, President

Date

APPROVED:

Paul C. Goodpaster, Chair
MSU Board of Regents

Date

ORDER TO DISPOSE OF PROPERTY

WHEREAS, upon the recommendation of the President on December 7, 2017, the Board of Regents has reviewed the Written Request to Dispose of Property for the tract of land adjacent to the north of the MSU Office of Procurement offices and warehouse on Old Cranston Road in Morehead, Rowan County, Kentucky, and

WHEREAS, the President of Morehead State University declares that the referenced property has become surplus to the University's needs, and

WHEREAS, the sale of the property referenced above is consistent with the University's Campus Master Plan adopted by the Board, and is in the best interest of the University and the Commonwealth of Kentucky.

BE IT RESOLVED, that the President is authorized to proceed with the final negotiation and sale of the approximately 4-acre tract of land located in front of the MSU Office of Procurement offices and warehouse facility on Old Cranston Road in Morehead, Rowan County, Kentucky.

RECOMMENDED:

Joseph A. Morgan, President

Date

APPROVED:

Paul C. Goodpaster, Chair
MSU Board of Regents

Date

**APPROVE NAMING OF ELMER R. SMITH
COLLEGE OF BUSINESS AND TECHNOLOGY**

**BOR (IV-B-5)
December 7, 2017**

Recommendation:

That the Board of Regents approve the naming of the College of Business and Technology as the **Elmer R. Smith College of Business and Technology**.

Background:

The naming of facilities or components of the University requires a recommendation from the President and approval of the Board of Regents. Traditionally, naming of components or facilities is a permanent means of recognizing those who have provided outstanding support to the institution or given exemplary personal service over a sustained period.

Elmer R. Smith has signed a letter of intent with The Morehead State University Foundation, Inc. to establish the Elmer R. Smith Regents Scholarship Endowment, a fund to benefit Morehead State University students. The endowment will be established within the Foundation by a cash contribution from Mr. Smith in the amount of \$1.5M to be fulfilled by the end of 2019, and an irrevocable estate gift in the amount of an additional \$1.5M.

Morehead State University agreed to name the Elmer R. Smith College of Business and Technology in honor of this charitable commitment. Appropriate signage both inside and outside of the building housing the College will be displayed. Diplomas of graduates from the College will also bear the full name of the College.

A native of Martin County and a graduate of Morehead State University, Mr. Smith is a successful professional who has served in numerous positions within the educational field. He currently serves as the President of Interactive College of Technology in Atlanta, GA, which specializes in computer-based training. In 2003, he was named the outstanding alumni from the college that will bear his name. That same year, Mr. Smith and his late wife created the Donna & Elmer Smith Endowment for CIS Chair. He was inducted into the MSU Alumni Association Hall of Fame in 1999. Mr. Smith has served on the MSU Foundation Board and was named its Member of the Year in 2001.

Along with Jim and Linda Booth, the building housing the Space Science Center—Smith-Booth Hall—is named for Elmer and Donna Smith.

5-Year Enrollment Trends

Term	Headcount		Student Credit Hours		FTE		First-Time Freshmen			
	N	% Change	N	% Change	N	% Change	N	% Change	Average ACT	% Change
Fall 2013	11,358		114,224		7,741		1,685		22.3	
Fall 2014	11,053	-2.7%	113,494	-0.6%	7,678	-0.8%	1,513	-10.2%	22.2	-0.4%
Fall 2015	10,875	-1.6%	112,282	-1.1%	7,592	-1.1%	1,461	-3.4%	22.4	0.9%
Fall 2016	10,748	-1.2%	109,897	-2.1%	7,423	-2.2%	1,273	-12.9%	22.8	2.0%
Fall 2017	10,584	-1.5%	109,232	-0.6%	7,375	-0.7%	1,271	-0.2%	22.8	0.0%

5-Year Enrollment Trends of High School Students

Term	Headcount		Student Credit Hours		FTE	
	N	% Change	N	% Change	N	% Change
Fall 2013	2,523		9,419		628	
Fall 2014	2,508	-0.6%	9,768	3.7%	651	3.7%
Fall 2015	2,499	-0.4%	9,386	-3.9%	626	-3.9%
Fall 2016	2,757	10.3%	10,956	16.7%	730	16.7%
Fall 2017	2,901	5.2%	12,692	15.8%	846	15.8%

Note: This table does not include students enrolled in the Craft Academy.

Enrollment by Level

Undergraduate	9,665
Graduate	919
Grand Total	10,584

Enrollment by Race/Ethnicity

Non URM	9,861
Nonresident Alien	209
Asian	69
White	9,485
Unknown	98
Under-Represented Minority	723
American Indian	21
Black	342
Hispanic	185
Native Hawaiian, Pacific Islander	6
Two or More Races	169
Grand Total	10,584

Origin of First-Time Freshmen

In State	84.97%
In Service Region	50.51%
Out of Service Region	34.46%
Out of State	13.85%
Foreign	1.18%
Grand Total	100.00%

Top 5 Majors of First-Time Freshmen Bachelor Seekers

Biomedical Sciences Area Bachelor of Science	110
Pre-Nursing	110
Veterinary Science Area Bachelor of Science	48
Exercise Science Area Bachelor of Science	43
Provisional Bachelors Degree - Science	40

Quick Facts about Enrollment Numbers for Fall 2017

72.3% retention of Fall 2016 bachelor's GRS cohort students to Fall 2017.

63.2% retention of Fall 2016 bachelor's GRS cohort URM students to Fall 2017.

69.2% retention of Fall 2016 first-time freshmen to Fall 2017.

63.0% retention of Fall 2016 first-time freshmen who were under-represented minorities to Fall 2017.

72.5% retention of Fall 2016 Black first-time freshmen to Fall 2017.

114 students enrolled in the Craft Academy for Fall 2017.

REPORT ON HEALTH INSURANCE AND BENEFITS FOR PLAN YEAR 2018

**BOR (IV-C-3)
December 7, 2017**

Morehead State University remains committed to providing affordable, high-quality health benefits to employees and their families and to provide resources and tools to help and encourage employees to be actively involved in obtaining optimal health. This philosophy benefits both the employee and the University by improving our employees' overall health and well-being through early identification and prevention of disease, thereby reducing the need for medical intervention and health claims. This philosophy will remain constant as we move forward and adjust our health insurance plans to meet employees' needs.

Employees will not see significant changes in the plan design for 2018. Premiums will be held flat for employees; however, there will be an increase to the overall cost to MSU. In previous years, MSU paid approximately 75% of the overall premium cost while MSU employees paid the remaining 25%. In order to keep the employee premiums from rising for 2018 plan year, the cost-share will be shifted to 81% MSU and 19% employee. This translates to MSU covering cost increases of approximately \$1.6 million for the coming year. This report outlines highlights and changes to aid in stabilizing MSU's health insurance plan.

Highlights for 2018 Plan Year

- Anthem remains MSU's carrier (no disruption to the network)
- Same three (3) health insurance plan choices and monthly rates (\$100 increase in deductible/out of pocket on Life Long Savings Plan)
- Partnership with KYRx Coalition will continue to help MSU reduce prescription drug costs/Rx rebates
- Same dental plans and rates and no changes in life insurance

Changes for 2018

- Increasing the wellness financial incentive for biometric outcomes
- Tobacco user surcharge will increase from \$50 to \$100 per month
- Adding a Spousal Surcharge of \$100 per month
- Changing HSA/HRA/FSA administrators to Health Equity
- Adding a Limited Purpose FSA

Health Insurance Provider, Anthem

Anthem will remain as MSU's health insurance provider for the sixth straight year. This consistency means a great deal of relief for employees, as they will not experience a disruption to the network or services. Throughout the year, Anthem has taken proactive approaches to reach out to employees through health related educational webinars for employees and have implemented electronic tools for employees to access 24/7.

For Plan Year 2017, a third health insurance plan was added to increase choices for employees. The Life Long Savings plan added a new feature for employees to consider—the health savings account (HSA). This account differs from the traditional health reimbursement account (HRA) in that it is portable (employees own this account) and earns interest. Per IRS rules, the maximum annual contribution cannot exceed \$3,400 for single coverage. However, the HSA amount can carry over from year to year and there is no maximum limit to this account, unlike a HRA. For 2018, enrollment in the Life Long Savings Plan increased by nearly 9% (see chart below). We will continue to educate employees about the true value of this plan for their long-term health and financial well-being.

Coverage	2017	2018
Life Long Savings Plan	290	316
Enhanced HRA Value Plan	174	165
PPO Plan	355	349

Rx Coalition

Last year, MSU joined a majority of its sister public universities from across the state as well as several private colleges for the purpose of facilitating the most cost-effective provisions of prescription medications. Know Your Rx Coalition is estimated to now have 160,000 covered lives. This membership increases the purchasing power and translates into meaningful savings for employees and the institution. MSU's Rx rebates have been \$112,554.87 in the first quarter 2017 and \$144,168 in the second quarter 2017. We expect to consistently receive rebates of this size on a quarterly basis. MSU employees have provided positive feedback about the service they have received from Know Your Rx. The Coalition pharmacists have aided MSU employees with free plan counseling services and help them identify lower cost prescription alternatives. Know Your Rx pharmacists serve as patient advocates and educate employees on how best to manage their prescription plan.

Dental Plans

Again, for Plan Year 2018 there will be no changes to MSU dental benefits. We will still offer two plans, Delta Dental PPO and Delta Dental Premier. There are no plan design changes or increases in premiums.

Coverage	Delta Dental Premier	Delta Dental PPO
Single	\$13	\$0
2-Person	\$38	\$16
Family	\$67	\$40
MSU Spouses 2-Person	\$16	\$0
MSU Spouses Family	\$45	\$15

Life Insurance

Employee life insurance with Minnesota Life will not change in plans or premiums. We are in the second year of this contract. The contracted rate is good through 2018.

Live Well, Work Well, Increase Financial Incentives

Participation in the Live Well, Work Well program has held steady in 2017 and has remained a popular tool for MSU to increase and incentivize healthy habits to aid in stabilizing health care costs. MSU's automatic HSA and HRA contributions will remain the same as 2017, but maximum incentives employees can earn for the 2018 plan year will increase by \$25 dollars. Below is an updated chart featuring the new amounts that indicate total MSU contributions and how much employees can earn through wellness incentives.

During the first six months of 2017, 617 employees and spouses participated in activities focused on healthy living. In July 2017, the University contributed \$138,375 to employee HRA and HSA accounts for achieving biometric outcomes and activity goals.

	Life Long Savings Plan			Enhanced HRA Value Plan			PPO Plan		
Coverage Level	HSA	Wellness Incentive	Total	HRA	Wellness Incentive	Total	HRA	Wellness Incentive	Total
Single	\$400	\$675	\$1,075	\$200	\$675	\$875	\$100	\$675	\$775
2-Person	\$800	\$1,350	\$2,150	\$400	\$1,350	\$1,750	\$200	\$1,350	\$1,550
Family	\$1,200	\$1,350	\$2,550	\$600	\$1,350	\$1,950	\$300	\$1,350	\$1,650

Tobacco Surcharge

In 2017, MSU implemented a tobacco use monthly surcharge of \$50. For the 2018 plan year, MSU will increase this surcharge from \$50 to \$100 per month to help cover the rising costs of both individual health risks and premiums associated with tobacco use and smoking. In the 2017 plan year, 224 employees paid the surcharge, and in 2018, 220 employees will pay the \$100 monthly surcharge.

Spousal Surcharge

MSU's Office of Human Resources, in consultation with Sibson Consulting, learned that most companies and organizations in the Morehead area are charging a spousal surcharge. In 2018, MSU will begin charging \$100 per month for spouses who could obtain health coverage from their own employer or through a retirement plan. Data on the impact of this change is not presently available at the time of writing this report and may be available by the time of the Board's December meeting.

Health Equity (New HSA/HRA/FSA Administrator)

Employees have experienced difficulty with the current HSA/HRA/FSA administrator. Sorting through these issues required significant time of the HR staff and caused employees frustration. As a result, the Office of Human Resources issued a Request for Proposal in early fall 2017 for a new administrator for employees' HSA/HRA/FSA accounts.

As of January 1, 2018, Health Equity will serve as MSU's administrator for HSA/HRA/FSA accounts. Healthy Equity will provide electronic claim services that will have a direct interface with Anthem. Employees will not have to file additional paperwork to validate claims.

Limited Purpose FSA (LPFSA)

According to IRS rules, an employee who contributes to a HSA cannot have both a HSA and a (full purpose) FSA account. However, the IRS does allow a Limited Purpose FSA account to be used in conjunction with a HSA, allowing the employee to contribute additional pre-tax dollars for the restricted use of dental and/or vision expenses.

Conclusion

Employees will not see a disruption in the network, and will not see an increase in their premiums. We will continue to maintain high quality, market-competitive and affordable health care coverage so that we can sustain our ability to recruit and retain superior faculty and staff who carry out the mission of this University. We believe the adjustments we have made to the 2018 health plan will maintain our position to be market competitive.

What will also remain constant is our commitment to becoming a healthy campus community. The benefits of a healthy campus community will not only impact lower premium costs to both MSU and employees, but we should see a direct benefit in regard to greater productivity. Just as importantly, we will see employees who will enjoy all facets of their lives.