Chair Alan Stout called the committee meetings of the Murray State University (MSU) Board of Regents (BOR) to order at 8:10 a.m. and welcomed members of the general public and University community. All Regents were present for the committee meetings.

Academic Affairs Committee  
8 a.m.

Jay Morgan, Chair  
Constantine Curris  
Phil Schooley  
Alan Stout  
Stephen Williams

Jay Morgan, Chair of the Academic Affairs Committee, called the meeting to order at 8:10 a.m. and reported all members were present.

Bachelor of Arts Degree – Japanese Language and Literature, approved

Mr. Williams moved that the Board of Regents, upon the recommendation of the President of the University, approve the proposal for a new degree program – Bachelor of Arts Degree in Japanese Language and Literature. Mr. Stout seconded and discussion followed.

Gary Brockway, Provost and Vice President for Academic Affairs, reported a new degree program – Bachelor of Arts Degree in Japanese Language and Literature – is being advanced to the Board for consideration. The University has been laying groundwork for this program for some time with encouragement and support from the Council on Postsecondary Education (CPE) through their work with the Kentucky Department of Education. The program proposal was developed in response to a critical shortage of foreign language teachers in Kentucky and a desire to bring emerging modern languages into the classroom. The program will play an important role in contributing to the further internationalization of the MSU campus and curriculum.

There are currently three modern language degree programs at MSU – German, French and Spanish. Spanish is a popular program – measured against a threshold of 12 graduates – and produced 14 graduates last year. French and German do not meet this threshold so the University is taking into consideration other foreign language programs that will produce a higher number of graduates. Dean Ted Brown, College of Humanities and Fine Arts, indicated the Bachelor of Arts Degree in Japanese Language and Literature builds on success Professor Yoko Hatakeyama has established through teaching two years of Japanese. A number of students have indicated a desire for additional Japanese language instruction – an option that has not previously been available. The number of students in first-year Japanese classes has increased steadily and there appears to be considerable interest among incoming students. During the recent Admitted Students Fair at least 12 individuals inquired whether MSU offers Japanese – illustrating demand for the language. There is not sufficient demand for Japanese to be offered at eight different public universities in Kentucky which makes it even more important for MSU to establish a Japanese Language degree program, especially considering the University of Kentucky (UK) has already submitted a proposal to the CPE. The Council has asked institutions to work together and discussions have taken place with UK about providing upper-level, online courses, sharing resources and collaborating on summer programs in Japan.

The Japanese Language and Literature program proposal also involves a reallocation of resources. There are currently three faculty positions in German which will be reduced by one (based on demand) and that position will be reassigned for Japanese language instruction. There will then be two Japanese faculty positions, two French and two German professors and three to four Spanish instructors. Tom Lough, Associate Professor of Education, has been successful in securing grant support for these types of programs and the University is currently attempting to secure a grant which would allow placement of two full-time Japanese language teachers in
Christian County schools where there is excitement about the initiative and a desire for students to begin Japanese language instruction in elementary school (with continued instruction throughout middle and high school). Marshall County has also expressed an interest in developing Japanese language courses which for several years have been offered at Murray City and Calloway County schools with those students feeding into MSU’s program. There is every expectation the Bachelor of Arts Degree in Japanese Language and Literature will be successful and it is anticipated the program will produce a substantial number of graduates. Dr. Brown confirmed faculty members outside the Modern Languages Department have interest and experience in the area of Japanese studies. Charlotte Beahan, Professor of History, is fluent in Chinese but is also interested in the Japanese language and the Asian culture and Peggy Schrock, Art Historian and MSU Associate Professor of Art, has also expressed interest in the culture. Within the current fiscal environment the University must build slowly and wisely with resources being devoted toward growing and expanding in appropriate areas. Dr. Brockway reported the Japanese Consulate will move from New Orleans, Louisiana, to Nashville, Tennessee, and during campus meetings the Consulate indicated support for the University’s efforts to move in this direction, further stating they would send students to MSU to participate in the Japanese Language Program. MSU would be one of few universities in the region to offer the program – although there are currently 175 Japanese companies conducting business in Kentucky, accounting for more than one-half of international employment and representing a major economic presence in the Commonwealth.

The motion to approve the proposal for a new degree program – Bachelor of Arts Degree in Japanese Language and Literature – was seconded earlier and the motion carried.

Adjournment

The Academic Affairs Committee adjourned at 8:25 a.m.

Audit Committee
8:30 a.m.

William Adams, Chair
Constantine Curris
Laxmaiah Manchikanti
Alan Stout
Stephen Williams

William Adams, Chair of the Audit Committee, called the meeting to order at 8:25 a.m. and reported all members were present.

WKMS-FM Audits, discussed

Mr. Denton provided the following highlights from the WKMS-FM audits:

- BKD Auditors indicated financial statements for WKMS-FM Radio Station present fairly, in all material respects, the financial position of the Station as of June 30, 2009 and 2008, and its change in financial position and cash flow for these years ended in conformity with accounting principles generally accepted in the United States.
- Total net assets of $699,701 for 2009 compared to $540,910 for 2008 – an increase of $158,791 – which includes several timing differences. Approximately $48,000 from a CPE grant and $60,000 from state appropriations must still be expended.
- For 2009 total net nonoperating revenues of $1,162,868 includes the general appropriation for Murray State ($582,074); donated facilities and administrative support from MSU ($219,572) which represents a calculated number; community service grant from the Corporation for Public Broadcasting (CPB) for $154,979; subscriptions and memberships ($205,927) and investment income ($316).
- Matching a year to funding for the Station is difficult due to increased business and industry contributions and subscriptions and memberships. This year represents one of expenses, including the extended WKMD tower in Madisonville and the WKMT antennae being added to an existing tower in Water Valley, Kentucky.
- This year the Station received $14,000 in stimulus funding from the federal government and $10,000 will be used for acquisition of an emergency generator at Land-Between-the-Lakes. Negotiations continue with Kentucky Emergency Management and Federal Emergency Management Agency (FEMA) to secure a grant for the generator but any money the Station has on hand in the event the grant does not come to fruition places WKMS in a better position to
pursue different funding sources the following year. The remaining $4,000 will be used to fulfill a promise made to listeners in McCracken County. The 92.1 translator encountered frequency interruption from a new radio station in Fredonia, Kentucky, and has requested the Federal Communications Commission (FCC) change the station number to 92.5. The antenna damaged by the ice storm will also be replaced. The HD 24-hour classical signal will be added to this FM source in McCracken County for Paducah listeners. The Station is now aware of new technology which will likely allow the classical service to be added to the existing auxiliary transmitter operated from the 8th Floor of Price Doyle Fine Arts Building later this year. This transmitter provided the broadcast during the ice storm and it is believed the FCC will allow the digital signal to be added to assist individuals experiencing coverage area drop-out. The end result will be restoration of the 24-hour FM source for classical music in this community and the addition of an online source.

In response to Regent inquiries, Mrs. Lochte reported the following:

- Some individuals remain hurt by the WKMS programming change because many do not use online sources for classical music. The Station is working diligently to restore FM signals and cable channels were added in Murray and Hopkinsville. In Madisonville the Station will add a classical service to 105.1 when 90.9 becomes operational. Some individuals have expressed appreciation for the greatly improved balance in programming.

- Regarding nonoperating revenues and general appropriations and the fact there have been significant increases for two consecutive years, last year the Board approved funding to match a grant to build the Madisonville and Fulton stations. There was a one-time payment for the year ended June 30, 2009 ($116,000), to match a $331,000 construction grant from the U.S. Department of Commerce. General appropriations provided to WKMS this year will be approximately the same as in 2008 (including institutional increases) with no special University appropriation.

- Regarding the WKMS Audit and a major source of income from operating activities for business and industry underwriting ($108,962), the Station encountered a period of approximately five weeks where fundraising was flat and although the situation is beginning to improve, it is unknown how the Station’s overall bottom line will be affected. On-the-ground fundraising activities will take place in Hopkins County, Fulton and Martin and the Station is planning its 48th anniversary which will include increased face-to-face activities whether through fundraising or community building in Paducah, Madisonville, Hopkinsville, Mayfield, Murray and Paris (with other communities added as funds become available). Negotiations continue with the Carson Center to trade services to economically host social events. An effort to secure Garrison Keillor for the coming year is also being undertaken and would represent a significant fundraising opportunity. Clarification was provided that it is not the responsibility of the station to secure uncollected pledges.

Mr. Denton reported the WKMS Representation Letter is management’s indication that pertinent information and all records relevant to the audit have been disclosed and management is unaware of any events subsequent to the auditors’ visit which would affect overall findings. During the course of an audit adjustments to financial statement amounts may be proposed and management evaluates those proposals and records adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. An area in which adjustments were proposed and recorded includes reversing the initial recognition of grant receivable and related

Regarding responsibility for internal control over financial reporting, Mr. Denton reported auditors generally protect themselves against assuming responsibility for internal control but will indicate whether potential issues have been discovered. When a small operation handles funds auditors will normally indicate a lack of segregation of duties. Those issues which can be resolved are handled accordingly but the University cannot eliminate every internal control issue and they must be ranked to determine those highest in priority with resources and personnel being expended toward addressing the most critical areas. Mrs. Lochte indicated at the conclusion of the WKMS audit duties were transferred to another individual at the Station who is now opening and listing donations as part of their daily responsibilities. Donations are then sent to the bookkeeper for posting. Once this work is completed donations are sent to the Office of Development for review, followed by the MSU Foundation.
BKD also made recommendations to the Board for consideration given current economic conditions, including:

- Challenge the quality and value of investments
- Review and monitor allowance for uncollectible accounts
- Evaluate financing needs and liquidity plans

Further clarification was provided that reference to materiality is simply an explanation and does not mean material weaknesses exist. In response to a Regent statement that the University must ensure a clear process is in place to handle funds donated to MSU, Mrs. Lochte provided assurance there is a process in place to maintain the integrity of fundraising activities, including those conducted through the Internet (web pledges), and the Station also subscribes to a public radio website management company – Public Interactive – to further ensure security. Once pledges have been received via the Internet they are downloaded by the Station’s Account Specialist and processed immediately in consultation with personnel in the Office of Development. All such transactions are confidential and currently represent a relatively small percentage of total donations. Dr. Dunn provided assurance the auditors review internal control functions closely and if issues were observed they would certainly be cited as material weaknesses. The University and the auditors work constantly to identify better and more efficient ways of conducting business.

In response to a Regent request regarding the internal audit function at the University, Dr. Dunn reported responsibility for this work is currently handled by Al Choate who serves as the University’s Internal Auditor. In 1993 the Board of Regents created a Charter for the Internal Auditor to lay out the broad scope of work the office would undertake and the University operates under that same Charter. Each year the Internal Auditor and the President (with Mr. Denton and General Counsel John Rall) set out a scope of duties or work plan for a particular year to determine which units will be reviewed. There are units which are always included in the cycle of the annual Internal Audit Plan (such as Athletics, University credit cards and President’s travel) but if the President has been apprised of a situation regarding a particular area on campus that would also be included in the Internal Auditor’s work plan for a given year. The Board has not been receiving a yearly report from the Internal Auditor and typically when an audit is completed the report is shared among staff, including the President, Vice President for Finance and Administrative Services, Director of Accounting and General Counsel. The Board could consider whether there is a desire to receive these internal reports or if an annual summary report should be presented. The announcement of the annual workload should remain protected because some units will be added to the Audit Plan for a specific purpose where there is indication of potential issues. The Board agreed the Internal Auditor would continue to review internal controls for various units which are significant in terms of handling cash and a yearly report would be provided to the Board to summarize the outcome of that work. The Internal Auditor can be extremely effective in addressing issues and by receiving a report once a year the Board would become part of the process of reassuring the public the University is handling funds appropriately. While he agrees this represents a good stewardship practice, Dr. Dunn suggested the issue be discussed further during the summer BOR Retreat. Internal control checks are a large part of the Internal Auditor’s duty to ensure fraud is not taking place within a particular unit. The external auditors have access to all information compiled by the Internal Auditor who actually undertakes a portion of BKD’s workload. Confirmation was provided that the current Internal Auditor plans to retire and the search for a replacement is underway.

**WKMS-FM Audits, accepted**

On behalf of the Audit Committee, Mr. Williams moved that the Board of Regents, upon the recommendation of the President of the University, accept the following reports for 2008-09:

a. WKMS-FM Audit Committee Management Letter and Representation Letter  

Dr. Curris seconded and the motion carried.

**Athletics Audits, discussed**

Mr. Denton reported the following with regard to the Independent Accountants’ Report on Application of Agreed-upon Procedures:
The National Collegiate Athletic Association (NCAA) has determined preparation of the Independent Accountants’ Report on Application of Agreed-upon Procedures is necessary as a means of ensuring communication between the President and the Athletics Director. The auditors will complete tests which involve undertaking a number of checks throughout the process, including comparing amounts from one report to another or following expenditures through the entire documentation process.

The auditors reviewed numerous processes within each section of the report and indicated whether these checks agree within a 10 percent scope. The Agreed-Upon Procedures are designed to cover as many areas as possible for internal control of high cost expenditures.

An outline was provided for the source and use of funds involving MSU athletic entities broken down by major sports, other sports and non-program specific (administrative) items. Total revenue for the Athletic Program for 2009 is $12.1 million. Of that amount, $2.1 million is both a calculated revenue and expenditure and is shown as indirect facilities and administrative support of $2.163 million. This process is similar to what occurs with WKMS in that the University takes the square footage of Athletics (compared to campus square footage) and prorates and allocates facilities management, utility and administrative costs. This number has no effect on the bottom line of the report.

No revenue or expenditures in the Racer Foundation are directly tied to athletics and the largest item in the MSU Foundation is unrealized loss for investments for restricted athletic funds.

The University allocates $2.3 million from mandatory fees to the Athletics Program. Ticket sales total $752,469 which includes Men’s Basketball ($500,584), Women’s Basketball ($22,040), Football ($226,689) and Other Sports ($3,156).

In response to a Regent request for clarification of the 10 percent scope, Mr. Denton indicated this refers to the beginning numbers for current and prior year expenses and if the difference is greater than 10 percent further auditor review becomes necessary. Athletic Director Allen Ward monitors conference expenses closely and knows where athletics stands in terms of revenue and expenses. MSU has been at the top in the Ohio Valley Conference (OVC) on alternative revenue generation approaches with sponsorships due to work undertaken by Mr. Ward and staff. The MSU program again ranked first in annual giving and was first in corporate sponsorship – which is especially important in the current economy. All video board advertisements were sold which is another positive indicator.

In response to a Regent question regarding direct institutional support for athletics, Mr. Denton indicated one segment involves the facilities operation and includes utilities and direct costs for upkeep. The square footage of athletic facilities is compared to total institutional square footage and then prorated. With regard to General Fund support for athletics and whether it includes square footage provided for maintenance and operation, $2.1 million is covered from the General Fund. There is a specific line for direct institutional support of $4.8 million which is calculated by allocating Physical Plant and administrative operation support. Specific revenues are subtracted from direct expenditures for the program which results in a number representing institutional subsidy of athletics. There is no line in the budget labeled institutional support and the amount basically represents expenses which must be covered in a given year and if ticket sales and other sources of revenue are down the amount of institutional support increases. From a budgetary control standpoint athletics has an internal budget which must be adjusted to account for any gaps in these amounts. Mr. Ward indicated Athletics does not operate in this fashion on a year-to-year basis and the department is cognizant of where it stands historically in terms of ticket sales and revenue generated. Athletics has not only met revenue goals during his tenure but has actually exceeded them and it has not been necessary to request additional funding from the University – even during coaching transition years. When the Athletic budget is prepared staff members constantly seek new revenue sources in order to secure necessary funding without asking the President to subsidize the Athletic budget. Over the last few years there has been increased Title IX investment and although scholarship and grant-in-aid numbers increase each year the department has raised sufficient revenue to cover budget.

Dr. Dunn reported in order to compete in Division I the University is required to offer a minimum of 14 sports – with a specific number of both men’s and women’s sports. Most likely only two to three sports will generate revenue and when federal law – Title IX – is factored in it becomes clear 14 sports are not sufficient because there must be certain participation rates and ratios must mirror institutional undergraduate enrollment (58 female to 42 male). This requirement has led to the consideration of adding additional sports, including softball, for a total of 16 MSU sports. The University recently underwent Title IX review and the consultant evaluated the institution and indicated Murray State must continue to increase women’s
participation in NCAA sports. Mr. Ward provided assurance the consultant recognized the University’s investment and significant progress has been made with regard to Title IX.

Mr. Ward reported when revenue exceeds budget it remains in the department (depending on amount) and does not reduce direct institutional support. In the past any excess has been used to complete various projects, including investing in summer school and paying down the amount owed for the turf and video boards. Additional revenue is not built into the Athletic budget on an annual, recurring basis and to this point the department has been allowed to maintain any excess. Dr. Dunn indicated if the amount of revenue is significantly over budget then uses for the additional revenue would be discussed among University officials. Mr. Ward indicated this year Athletics expects only $20,000 to $30,000 over budget which will assist with team travel and facility projects for non-revenue sports.

**NCAA Independent Account’s Report, accepted**

On behalf of the Audit Committee, Mr. Williams moved that the Board of Regents, upon the recommendation of the President of the University, accept the following audited financial report:


Dr. Curris seconded and the motion carried.

**Athletic Foundation (Racer Foundation) Compilation, accepted**

Mr. Denton reported a number of years ago the Racer Foundation acquired land in Hopkinsville for the University to establish a campus in that community. The Racer Foundation purchased land and has since sold or donated all but 22 acres of that land. In prior years more activity was taking place in the Racer Foundation and revenues and expenditures were flowing through its operation. The Foundation has reached the point where it basically holds 22 acres of land and limited cash and stocks. The Board decided to move from a full audit when more activity was taking place to undertaking a compilation which amounts to MSU staff preparing a financial report (reviewed by the auditors with no opinion expressed). Dr. Dunn indicated the Racer Foundation had previously been the fundraising arm for Athletics and some years ago many transactions were processed through the Foundation but it no longer serves in that capacity. Mr. Denton reported with regard to the balance sheet for the Racer Foundation cash and investments total approximately $180,000. Real estate has a book value of $154,000 but the land has been estimated to be worth $1 million – indicating the book value is far less than fair market value. At some point the remaining 22 acres will be sold and all Racer Foundation liabilities will be liquidated. The Racer Foundation owes the University approximately $400,000 and when the land is sold payment will be made for that liability. In response to a Regent question regarding discrepancy on behalf of the Racer Foundation as to whether money is owed to the University once the land is sold, Dr. Dunn confirmed that to be the case. The Racer Foundation Board exists to undertake affairs of this entity and it would be their position money is not owed to the University. If Mr. Denton and the auditors believe the Racer Foundation Board has a fiduciary responsibility to move forward with the payback of funds to the University they were asked to be very clear about that opinion and direct the Board to proceed accordingly. It has been a moot issue to this point because there has been no revenue from the sale of land. Mr. Denton confirmed the University pays for Racer Foundation audits and if the land in Hopkinsville is sold and profit exceeds the $400,000 owed to the University, the Racer Foundation will maintain control of the proceeds with the only restriction that the funds be used to support athletic programs as outlined in the Racer Foundation Charter.

On behalf of the Audit Committee, Mr. Stout moved that the Board of Regents, upon the recommendation of the President of the University, accept the following audited financial report:

b. Murray State University Athletic Foundation (Racer Foundation) Compilation for the Year Ended June 30, 2009

Dr. Manchikanti seconded and the motion carried.
Kentucky Institute for International Studies (KIIS) Audits, accepted

Mr. Denton reported the KIIS Audit is a short-period (9-month) audit and represents an unqualified opinion. Due to the program moving to Western Kentucky University, this represents the last audit for KIIS that will be presented to the Board for acceptance. The following highlights were provided:

- Net assets of $333,274 represent funds to be distributed to the KIIS program following audit acceptance.
- The University has waived approximately $900,000 for the period July 1, 2008, through September 30, 2009, and $1.2 million from the previous fiscal year, representing the magnitude of tuition and fees and waivers MSU handled for students enrolled in KIIS programs.
- For the 9-month period there is $2.2 million in operating revenue, including $2 million in operating expenses and operating income (loss) of $183,000. $567,000 was transferred to WKU for the KIIS program and current assets total $333,274.

On behalf of the Audit Committee, Mr. Williams moved that the Board of Regents, upon the recommendation of the President of the University, accept the following audited financial reports:

a. KIIS Program Audit Committee Management Letter and Representation Letter
b. KIIS Program Audit for the Nine Months Ending September 30, 2009

Dr. Manchikanti seconded and the motion carried.

Auditing Services Contract, discussed

Mr. Denton reported a recommendation has been presented to the Board regarding hiring an auditing firm for the next four years. BKD, the University’s auditing firm for the past eight years, recently completed all audits. David Blackburn, Director of Procurement, and Jackie Dudley, Senior Director for Accounting and Financial Services, served as Co-Chairs of an internal Audit Selection Committee which compared and evaluated all proposals submitted. MSU Certified Public Accountants also served on the Committee, including Al Choate, Tommy Stambaugh (Professor of Accounting), Ellen Dale (MSU Foundation), and Amy Sasseen (Accounting and Finance). They considered price, staffing, experience, quality, organization, timing, scheduling, audit approach and references. An award has not yet been made and the Board should be sensitive to this during deliberations.

The Board of Regents adjourned for a break beginning at 9:50 a.m. and ending at 10 a.m.

Closed Session

Mr. Stout moved, seconded by Mr. Williams, that the Audit Committee convene in Closed Session pursuant to KRS 61.810 (1)(k), KRS 45a.857 and KRS 45a.695(4) for the purpose of discussing and evaluating responses to the University’s Request for Proposals for an Audit Firm. The motion carried and the Board of Regents convened in Closed Session at 10:02 a.m.

Open Session

Mr. Stout moved, seconded by Ms. Green, that the Audit Committee convene in Open Session. The motion carried and the Board of Regents convened in Open Session at 10:46 a.m. Mr. Stout reported no action was taken during Closed Session.

Auditing Services Contract, approved

On behalf of the Audit Committee, Dr. Curris moved that the Board of Regents, upon the recommendation of the President of the University, authorize the University to issue a contract in compliance with the terms and conditions set forth in the Request for Proposals for audit services dated November 4, 2009 (RFP-239D-10) to RubinBrown for the performance of the University’s financial and compliance audits for the fiscal year ending June 30, 2010, at a cost of up to $113,500 and further authorize the University to enter into three subsequent one-year contract renewals based upon mutual consent at the following rates:

- Audits for FYE June 30, 2011: $117,690
- Audits for FYE June 30, 2012: $121,980
Audits for FYE June 30, 2013 $126,370

Dr. Manchikanti seconded and the motion carried.

**Adjournment**

The Audit Committee adjourned at 10:50 a.m.

**Buildings and Grounds Committee**
9:30 a.m.

William Adams, Chair
Marilyn Buchanon
Constantine Curris
Kara Mantoother
Stephen Williams

William Adams, Chair of the Buildings and Grounds Committee, called the meeting to order at 10:50 a.m. and reported all members were present.

**Space Utilization Changes on Murray Campus, discussed**

Mr. Williams moved that information regarding space utilization changes on campus be brought before the Buildings and Grounds Committee for information purposes only. Mrs. Buchanan seconded and the motion carried.

Dr. Dunn indicated various administrative units on campus are currently being moved due to space becoming available in Blackburn Science Building when the Biology and Chemistry academic units moved to the new Science Campus. This work has taken place in phases with Phase I having been completed and Phase II currently underway. Phase III is anticipated in order to vacate Ordway Hall and accomplish other smaller moves in conjunction with the opening of the Science Campus. Kim Oatman, Chief Facilities Officer, indicated the following:

- Moves to Blackburn Science Building include the Archaeology Program (from Ordway Hall), the Mid-America Remote Sensing Center (from Lowry Center) and Geosciences (from Wilson Hall as part of Phase II moves).
- Recruitment and Undergraduate Admissions moved from Sparks Hall to the 1st floor Curris Center.
- Phase II work involves moving Financial Aid and Scholarships to the 5th floor of Sparks Hall. Plans call for utilizing the Lowry Center in more significant ways with the growth of the Community College program and to provide a more impressive home for the Honors Program and a physical space for the new Transfer Center.
- A few programs on the 1st floor of Sparks Hall will be temporarily moved to the basement when Financial Aid and Scholarships moves to the 5th floor. Renovation will then occur on the 1st floor of Sparks to accommodate the relocation of Student Loans. Once the Honors Program moves from Wells Hall to the Lowry Center, graduate admissions will move from the basement of Sparks into the space formerly occupied by the Honors Program.
- Phase II space utilization changes are expected to be completed by September at a total cost of approximately $750,000 to $800,000.
- During Phase III the goal will be to move all programs out of Ordway Hall due to building inefficiency. Space will potentially become available in Wilson Hall once Geosciences moves to Blackburn Science. Art labs may also be moved from Ordway to Woods Hall.

Mr. Oatman reported the space utilization study conducted by the CPE indicated Murray State, when compared to other state institutions, had excess square footage on campus (29 percent surplus space). Discussions have taken place on how to reduce MSU square footage which must occur before any new construction will be approved. Ordway Hall must be removed from the University’s inventory or significant resources will need to be dedicated toward renovation (not a feasible option). In 2007 the CPE commissioned the VFA to undertake a space and building condition analysis for all state universities and as a result Ordway Hall was identified as a facility unfit for continued use. The Office of Student Disability Services will be created on the 4th floor of Wells Hall and Copy Express will be relocated from the Business Building to Waterfield Library (which provides space in the College of Business for an ITV classroom). The Small
Business Development Center will also be moved from the College of Business to the Business and Research Center.

Adjournment

The Buildings and Grounds Committee adjourned at 11:05 a.m.

Development/Investments Committee
10:15 a.m.

Alan Stout, Chair
Marilyn Buchanon
Sharon Green
Jay Morgan
Vickie Travis

Alan Stout, Chair of the Development/Investments Committee, called the meeting to order at 11:05 a.m. and reported all members were present.

Murray State University/MSU Foundation Development and Investment Policies and Agreements, discussed

Dr. Dunn reported that in conversation centered on audit approval at the December BOR meeting Dr. Curris referenced the importance of University and MSU Foundation development and investment policies being complementary to one another. It was decided MSU staff would undertake a review of the development and investment policies currently in place to determine if changes or revisions were necessary which would require Board approval. Mr. Denton and Tim Miller, Professor of Accounting and MSU Foundation Executive Director, were part of a group convened to undertake this review. During the process a determination was made that there are no policies which should be recommended for revision and those currently in place are sufficient and appropriate. The Foundation is a separate corporate entity which the Board of Regents confers and counsels with but does not control. Dr. Miller provided assistance in reviewing the MSU Foundation investment policies and procedures and no recommendation for changes to current policy is necessary at this time. At the start of the Hold Thy Banner High comprehensive campaign, Gonser, Gerber, Tinker and Stuhr (GGTS) undertook this same review as part of their foundational work for the initiation of a campaign of this magnitude. Included in the supplemental notebook was information on the Operating Agreement between the University and the Foundation, a history of the Foundation and a copy of development and investment policies.

Bob Jackson, Associate Vice President for Institutional Advancement, reported each year the Office of Development processes millions of dollars in gifts for Murray State University. Nearly all gifts are made to the MSU Foundation, Incorporated but occasionally a gift comes directly to MSU and those are handled by following a very specific process. Development Office staff work closely with the MSU Foundation and the Vice President for Finance and Administrative Services to process gifts to the University and with regard to 12,000 donations last year, a majority now reside with the Foundation. A number of procedures are in place to facilitate this process and after review GGTS suggested very few changes to existing procedure. The pledge form was changed to ensure MSU Foundation, Incorporated was prominently displayed to clarify to donors gifts would go to the Foundation for the benefit of the University. There is a longstanding contractual relationship between the Foundation and the University and the Office of Development follows that model closely. Dr. Miller reported the agreement between the University and the Foundation started in 1987 and every check which comes into the University goes through both the Office of Development and the MSU Foundation. All checks made payable to MSU are transferred to the University and if a gift was intended to go to the Foundation it is endorsed over to that entity. Occasionally donors will leave an estate to the University and MSU may then invest the donation with the Foundation. The Foundation makes investments but the success of those investments is subject to the economy. Maintaining trust and integrity between the Foundation and the University is of utmost importance and when policies and procedures were developed in the early 1990s Dr. Miller contributed knowledge as a student, faculty member, administrator and donor. Mr. Denton indicated when large gifts are received (payable to the University) and donor intent is unclear, staff work with the Office of Development and the MSU Foundation to review a donor’s Will to determine intent. Mr.
Jackson added a contractual agreement is established for every endowment account and scholarship guidelines are signed by both the donor and the Foundation to determine how funds are expended now and in the future. If a large gift comes to the University the Board will be asked to create a quasi-endowment in the Foundation.

**Adjournment**

The Development/Investments Committee adjourned at 11:22 a.m.

**Finance Committee**

11:15 a.m.

Stephen Williams, Chair  
William Adams  
Marilyn Buchanon  
Constantine Curris  
Alan Stout

Stephen Williams, Chair of the Finance Committee, called the meeting to order at 11:22 a.m. and reported all members were present. Two items before the Finance Committee for approval include:

1) Energy-saving projects - electrical generation project scope reduction and master lease financing for electrical generation project, and
2) Budget Preparation Guidelines and Priorities FY 10/11.

**Energy-Saving Projects, approved**

Mr. Denton reported the 2008-10 biennial budget originally authorized the electrical generation project with a scope of $6,050,000 but a change in the Tennessee Valley Authority (TVA) Incentive Rate Program prompted the University to reduce the scope of the project to $1,500,000. Although reduced in scope, the project continues to be extremely beneficial in that it allows MSU to supply critical electrical loads to be used for housing and dining for all on-campus students during an extended outage. A 2,000 kilowatt (kW) diesel-fired generator will be installed to provide electricity to all residence halls, Winslow Dining Hall and the Wellness Center. MSU would enter into a five-year contract with TVA for 2,000 kW of 5MR (Five Minute Response) which will save an estimated $16,000 per year. This means MSU would remove 2,000 kW of electrical load from the TVA grid within a five-minute response time. Mr. Oatman reported by installing the 2,000 kW-generator the University will receive credit on its TVA utility bills (approximately $16,000 per year) because when their energy load gets high they may call on the University to “share the load.” The benefit to the University includes the ability to use the system as necessary – such as an emergency like the ice storm – which would enable Murray State to continue to provide uninterrupted services for students.

Mr. Oatman reported additional projects that will save enough energy to allow the University to pay for the electrical generation project have been incorporated into the initiative. One such project includes installation of a voltage regulation (AdaptiVolt) system at an estimated cost of $445,000 which is anticipated to generate $130,000 per year. AdaptiVolt is a Smart Grid system which constantly monitors and controls voltage by regulating the tap changers on transformers. Capacitors will also be installed on high use motors and are required to improve the power factor, allow greater voltage reduction with AdaptiVolt and reduce system losses (estimated cost of $107,000). Installation of the capacitors could provide an additional $45,000 in annual energy savings. New electrical meters will be installed (estimated cost of $94,000) in all residence halls and will identify high energy use facilities to allow for the most cost effective actions to reduce usage. Through combining these projects the University will have a payback period of nine years. Mr. Denton indicated Board approval is required for the scope decrease which will be submitted to the Capital Projects and Bond Oversight Committee and also to consider financing options, including a Request for Proposals, to secure a better rate and explore existing contracts at other state institutions which could benefit the University.

On behalf of the Finance Committee, Mr. Stout moved that the Board of Regents, upon the recommendation of the President of the University, approve the following:
a. Reduction in scope for the electrical generation project to $1,500,000.
b. The Resolution approving a Master Lease-Purchase Agreement with a financial institution or finance provider in a principal amount not to exceed $1,500,000 for the financing of the acquisition, construction and installation of electrical generation facilities on the campus of the University; authorizing the execution of various documents related to such Master Lease; making certain designations regarding such Master Lease; authorizing and directing the Vice President for Finance and Administrative Services (VPFAS) to act on behalf of the Board of Regents in soliciting proposals from a financial institution or finance provider for financing under the Master Lease; authorizing and directing the VPFAS to further evaluate proposals heretofore given to state universities in the Commonwealth for similar facilities which may be available on similar terms to the University; and authorizing and directing the VPFAS to act on behalf of the Board in selecting the proposal with the most favorable terms to the University.

Mr. Adams seconded and the motion carried.

Budget Preparation Guidelines and Priorities FY 10/11, approved

Mr. Denton reported the Budget Preparation Guidelines and Priorities FY 10/11 being presented to the Board for approval provide a starting point on budget specifics and highlighted the following:

- With regard to overall revenue state appropriations could be reduced by 2 percent in year one of the new biennium and flat funded in year two.
- With regard to tuition, the CPE will shortly determine a tuition parameter –maximum increase amount – and once known that one piece of the revenue picture can be added into the University’s internal budget.
- The University has considered revisiting the proposal brought before the Board last year in terms of uncapping hours. MSU, along with other schools in the state, has considered this option which is currently being reviewed by the CPE. MSU charges for credit hours 1 through 12 – with 12 hours considered full-time. Some other state schools charge tuition for hours above either 12 or 15 at a discounted rate. If the University pursues this option it would most likely charge for hours above 15 – with hours 13, 14 and 15 remaining at zero charge for full-time students. Regardless of any tuition decision the University makes it will continue to waive scholarships by 38 percent on average – meaning MSU collects only 3 percent of a 5 percent tuition increase.
- With regard to expenditure priorities there are fixed costs for health insurance, utilities, technology, other unspecified priorities, etc. The Board has given consideration to faculty and staff salaries but the state budget outlook is not conducive to providing salary increases. MSU continues to reorganize and consider recruitment and retention initiatives and the vice presidents and Provost will be asked to identify expenditures outside these general categories.
- Any salary increases would be dependent on available funding but continued review of faculty ranks (with accompanying stipends and salary equity adjustments) will occur.

On behalf of the Finance Committee, Mr. Adams moved that the Board of Regents, upon the recommendation of the President of the University, approve the Budget Preparation Guidelines and Priorities FY 10/11 as presented. Mrs. Buchanon seconded and the motion carried.

Adjournment

The Finance Committee adjourned at 11:35 a.m.

Faculty/Staff Affairs Committee
10:45 a.m.

Phil Schooley, Chair
William Adams
Marilyn Buchanon
Jay Morgan
Stephen Williams

Phil Schooley, Chair of the Faculty/Staff Affairs Committee, called the meeting to order at 11:35 a.m. and reported all members were present.
Findings of Annual Staff Survey, reviewed

Mr. Schooley thanked former Staff Congress President Gina Winchester; current Staff Congress President Christian Cruce and Beth Sloan, Center for Teaching, Learning and Technology, for providing assistance in compiling and administering the annual Staff Survey and for posting the results. There was an approximate 57 percent response rate with the following highlights:

- Most staff agree MSU is highly regarded in the community and are proud to work at the University (approximately 96 percent).
- One issue which came to the forefront was the need for staff raises likely due to the survey being administered before raises were announced and received in January.

Mrs. Winchester thanked Mr. Schooley for continuing the Staff Survey tradition which began three years ago. Every year the survey has been conducted pay issues have been reflected in employee comments and concerns. If the survey had been administered after the December Board meeting, it is believed results would have been significantly different and appreciation was expressed to the Regents for taking staff concerns over raises into consideration and making necessary equity adjustments over the last two years. Human Resources and Mr. Hoffacker have provided continued support of the Compensation Review Audit currently underway. Ms. Cruce expressed appreciation to the Board for addressing issues of concern to staff and expressed appreciation for the recent raise. Focus will continue on current working conditions at the University to determine where improvements can be made and the initiative is already underway through various committees working with individual departments and units. Mrs. Winchester added staff perception of the Board improved from 67 percent to 82 percent over last year. Dr. Dunn expressed appreciation for the advice and direction information obtained from the Staff Survey provides to the administration. Staff Survey results were provided for informational purposes and required no action.

Adjournment

The Faculty/Staff Affairs Committee adjourned at 11:45 a.m.

Governmental Relations
11:45 a.m.

Vickie Travis, Chair
William Adams
Constantine Curris
Sharon Green
Alan Stout

Vickie Travis, Chair of the Governmental Relations Committee, called the meeting to order at 11:45 a.m. and reported all members were present.

Federal Advocacy Efforts and State Legislative Developments, discussed

Dr. Dunn reported a great deal of activity has taken place in Frankfort and the University has been involved in several federal advocacy efforts, with three Regents giving generously of their time to participate in congressional visits to Washington, D.C. Mr. Jackson thanked Regents Travis, Williams and Stout who have participated and played instrumental roles in several important federal initiatives. Over the last few years Murray State has made very specific and targeted requests for special appropriations from Washington. Such activity is now beginning to pay dividends and during the last three years over $1 million in funding has been appropriated directly to the Breathitt Veterinary Center (BVC) in Hopkinsville, Kentucky. Starting last fall and considering University projects and priorities directed by Dr. Dunn - through the Deans and others – these represent projects which are in demand from a federal ask standpoint. MSU also considered what other universities are requesting in an attempt to mirror some of those requests. MSU had three targeted projects with one directed toward Senator Mitch McConnell, one toward Congressman Ed Whitfield. Last week a University delegation was scheduled to participate in congressional visits in Washington but the group was unable to make the trip due to the weather. Each of the congressional offices was gracious enough to host the University delegation via conference call and representatives from the BOR were included in the conversations. It is believed the discussion was well received and
confirmation was provided that all information has been filed and each congressional office has a copy of the appropriate request from the University. An example includes a project request forwarded to Senator McConnell with regard to better serving the region from a healthcare (dental) standpoint with mobile health units and improved nursing simulation labs. It is hoped these requests will meet with positive results.

Mr. Stout expressed appreciation to Congressman Whitfield and Senator McConnell for taking time to participate in the conference calls with the MSU delegation. The discussions were productive with staff having their undivided attention, provided good focus and allowed for feedback on the issues presented. Mr. Williams complimented staff members, indicating the proposals were extremely well articulated and received. In terms of managing the University’s own expectations it must be aware of the budget deficit reduction phenomenon and question how much discretionary revenue (if any) will be available for grants such as those being proposed. Mrs. Travis reported the request to Senator McConnell involved the MSU service region and a mobile health unit – the Children’s Rural Health Initiative. The proposal to Congressman Whitfield involved the Watershed Studies Institute (WSI).

Dr. Dunn indicated to some degree the process is more art than science and the Development Office collects from across campus requests that could possibly receive attention at the federal level. Each legislator has areas of interest and a last-minute decision could be made that would be favorable to MSU by funding a particular initiative. The process is to some degree a form of negotiation and further illustrates the importance of the Board actively participating by advancing these projects and relaying MSU’s story. Mr. Jackson reported Dean Corky Broughton, College of Health Sciences and Human Services, and Dean Steve Cobb, College of Science, Engineering and Technology, have been extremely helpful over the last several months in formulating plans for particular federal requests. Mr. Williams indicated one aspect which set these applications apart is the way in which staff worked diligently to make them collaborative in conjunction with regional partners and school systems, particularly the health care initiative. This difficult and time consuming work adds extraordinary value to a proposal being advanced as part of the federal appropriations request process.

Mr. Jackson indicated the legislature is in session in Frankfort until April 15, 2010. Yesterday the House met with the various caucuses to discuss the budget and it appears there will be a 2 percent cut in year one and flat funding in year two. Some reports indicated an additional 2 percent decline in year two which does not now appear to be the case. No capital projects are planned in the House and if any projects are funded those decisions and announcements will come in the eleventh hour in conference committee. Agency bond projects are funded with housing and dining revenues and will likely be advanced to the Senate but the House may not act on the budget for the next couple of weeks and it could be the first or second week in March before a budget goes to the Senate. A third aspect of this process is operations and maintenance (O&M) money which is basically new monies provided to universities to be used primarily for new campus buildings. The legislature in the House is reviewing O&M monies and how to make the process more balanced and equitable to all institutions. The universities are taking a 2 percent cut but the House is reviewing a different pool of money for operations and maintenance in order to provide monies from another source. The situation with regard to O&M for Murray State is not currently favorable and the University is lobbying diligently, through discussions and meetings which have taken place in Frankfort over the last several weeks with staff and leadership, appropriations leaders, Senator Ken Winters and Representative Melvin Henley, for making O&M funding distribution more balanced, fair and equitable. It is hoped discussions have captured the attention of legislators and if additional O&M monies are added to the House budget and forwarded to the Senate MSU could be treated more equitably than the CPE proposal currently being recommended – zero funding for O&M for MSU in the second year of the budget funding cycle.

Many legislators monitor legislation which could adversely affect universities, including initiatives such as the Transfer Bill which has passed the House and is in Senator Winter’s committee. A Bonding Bill is also being considered which would provide the University with additional freedom to undertake its own bonding in the housing and dining areas. Another bill would require public institutions, including universities, to disclose even more public entity information. The issue with such legislation is it would take a team of individuals to make the information available. These proposed Bills could be problematic and cost the institutions a significant amount of money which must be accurately conveyed to legislators.
Mrs. Travis added Murray State is playing catch up from years when the University did not participate in this activity and in earlier years more federal money was available but the University did not place itself in a position to receive those monies. The administration is working to rectify this situation and last year provided evidence these efforts are beginning to pay off. In response to a Regent question, Mr. Jackson reported a total of $750,000 will be received from the federal government – for the BVC. All three legislators requested an earmark for a portion of that funding as follows: Congressman Whitfield ($350,000), Senator McConnell ($300,000, representing his first earmark for MSU) and Senator Bunning ($100,000). Dr. Dunn reported the University started with $191,000 in FY08, $330,000 in FY09 and then $750,000 in FY10 and participation in the process is crucial to securing funding. Western Kentucky University received several million dollars in funding but has participated in the process since Dr. Ransdell became President and has become very successful in securing such monies. Mrs. Travis indicated MSU is learning to model Western – making the request more than once if necessary – and discovering legislator interests. Dr. Dunn added there is a relationship building process which must occur, individually as well as for the University as a corporate entity, and MSU is engaging in that process. As legislators are able to see Murray State uses any funding provided in good and helpful ways for the region, this builds credibility for the University and enables the institution make additional requests in subsequent years. The University is moving in the right direction but this momentum must continue.

**Adjournment**

The Governmental Relations Committee adjourned at 12 noon. The committee meetings of the Murray State University Board of Regents also adjourned at 12 noon.

[Signature]
Chair

[Signature]
Secretary