



## KANSAS BOARD OF REGENTS

Agenda Call  
Fiscal Affairs and Audit Standing Committee  
Tuesday, January 28, 2014  
Noon-1:00pm, Conference Room B, Teleconference  
Dial in number - - (866) 620-7326  
Conference Code – 476-523-6449

### **FAA AGENDA ITEMS FOR FEBRUARY 12-13, 2014 BOARD MEETING**

#### ***FISCAL AFFAIRS – FEBRUARY 12, 2014 – DISCUSSION***

1. Act on Amendments to the Board Policy Manual to Include Designation of Chief Financial Officer (see attached issue paper)
2. Adopt Resolution Approving the Issuance by the Kansas Development Finance Authority of Energy Conservation Revenue Bonds and Approving the Execution of Various Other Documents in Connection Therewith – KU (see attached issue paper)
3. Act on Naming of Building, PSU, President Scott

#### **OTHER MATTERS**

Next FAA Regular Committee Meeting – WEDNESDAY, FEBRUARY 12, 2014, 10:00 am – 11:50am

Suggested agenda items:

1. Follow up on issues raised during the February 12, 2014 teleconference call regarding FAA items on the Board's agenda and any other questions/clarifications about Board agenda items
2. Audits for committee review and discussion (standing item)
3. FAA 13-06 Update on KSU Veterinary Medical Center enhancement funding (2012 Session)

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4. FAA 13-10 Review state universities' Annual Financial Reports, including Summary of Financial Statistics and Ratios Report
5. Other Committee Business
6. Next meeting dates
  - o AGENDA CALL Tuesday, February 25, Noon, Teleconference
  - o REGULAR MEETING Wednesday, March 12, 10:00am-11:50am, Board Room

## **Amend Board Policy to Include Designation of Chief Financial Officer**

### **Summary and Staff Recommendation**

*The Fiscal Affairs and Audit Committee proposes a revision to the Board Policy Manual to require that each of the Chief Executive Officers of the state universities designate a Chief Financial Officer. The Council of Business Officers approved the proposed policy, and the Council of Presidents also approved the proposed CFO policy. The Governance Committee will consider in February, and contingent upon their approval the policy will be on the Board's February agenda for approval.*

### **Background**

The Fiscal Affairs and Audit Committee was charged with reviewing each of the state universities organizational and functional financial reporting structures (FAA 13-02).

As part of its review, the Committee asked each state university business officer to make a presentation to the Committee on its respective financial reporting structures including the following:

- Organizational chart of financial functions and positions
- Description of where the financial functions and control points occur
- Description of all affiliated corporations by composition and membership (controlled and non-controlled) and their respective organizational relationship to the University.

Presentations were made at the Committee's meetings in September (University of Kansas), October (Emporia State University, Fort Hays State University, and Pittsburg State University), November (Kansas State University), and December (Wichita State University). As a result of this review, the Committee charged staff with developing a specific board policy requiring each state university to chief executive officer to designate a chief financial officer with authority to effectively perform the standard duties and responsibilities of a chief financial officer, including having a broad knowledge and understanding of all of the institution's financial and business matters.

### **Proposed Revision to Board Policy**

#### **CHAPTER II: GOVERNANCE – STATE UNIVERSITIES**

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#### **C. CHIEF EXECUTIVE OFFICER, FACULTY AND STAFF**

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##### **2. Appointments**

###### **a. Chief Executive Officer**

###### **i. General Provisions**

(1) Subject to the policies, rules and regulations of the Board of Regents, the chief executive officer of each state university shall administer the affairs of the university. The Board of Regents holds the chief executive officer responsible and accountable for all operations of the university, including university controlled affiliated corporations, and expects that each chief executive officer shall devote his or her undivided attention and energies to management of the university.

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b. Faculty and Staff

i. General Provisions

(1) In accordance with K.S.A. 76-715, the Board has authorized each state university chief executive officer to make all employee appointment decisions at his or her institution. The chief executive officer may delegate that authority. Each faculty and staff appointment must be approved by the chief executive officer or the chief executive officer's designee.

(2) Provosts, vice presidents or executive vice chancellors, and deans shall serve at the pleasure of the university chief executive officer. Each state university chief executive officer shall designate a chief financial officer for the university, who shall serve at the pleasure of the university chief executive officer. Other university administrative staff positions may be designated as positions that serve at the pleasure of the chief executive officer or at the pleasure of the chief executive officer's designee: provided, however, that such will and pleasure designation is stated in the administrator's written annual notice of appointment. The Board shall be notified of the appointment of any provost, vice-president, executive vice-chancellor, chief financial officer, or other position that reports directly to the university chief executive officer. Such notice shall be given after the appointment occurs and prior to its announcement. The Board shall be notified of the departure of any provost, vice-president, executive vice chancellor, chief financial officer, or other position that reports directly to the university chief executive officer at the time the university chief executive officer becomes aware of the departure or planned departure.

## CHAPTER II: GOVERNANCE – STATE UNIVERSITIES

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D. FISCAL MANAGEMENT AND BUSINESS ADMINISTRATION

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6. Designation of Chief Financial Officer

Each state university chief executive officer shall appoint or designate a chief financial officer for the university. Each chief financial officer shall report directly to the university chief executive officer and shall be endowed with authority to effectively perform the standard duties and responsibilities of a chief financial officer, including having a broad knowledge and understanding of all of the institution's financial and business matters.

**ADOPT RESOLUTION APPROVING THE ISSUANCE BY THE KANSAS DEVELOPMENT FINANCE AUTHORITY OF ENERGY CONSERVATION REVENUE BONDS AND APPROVING THE EXECUTION OF VARIOUS OTHER DOCUMENTS IN CONNECTION THEREWITH – KU**

**Summary and Staff Recommendation**

*The University of Kansas requests authorization to proceed with an energy conservation measure with Siemens Industry Inc., Building Technologies Division that will result in the installation of energy conservation measures at the Medical Center with an estimated cost of \$2.4 million. The University also requests authorization to issue bonds to finance the energy savings and the costs of bond issuance. The bonds will be issued through the Kansas Development Finance Authority and will be a general credit of the University secured with the energy savings from the projects. Staff recommends approval.*

**Background**

As a part of its ongoing energy conservation efforts, and in light of anticipated electric rate increases, the University of Kansas Medical Center (KUMC) engaged Siemens Industry, Inc., Building Technologies Division (Siemens) to conduct an energy audit of the central chilled water power plant for the purpose of identifying energy conservation projects. The audit is complete and the University is ready to proceed with the energy conservation measures and the issuance of revenue bonds.

Siemens recommended the installation of a specialized control system that will optimize the centralized chilled water plant and chilled water distribution system across the campus. The technology solution is called Demand Flow™ which is a patent pending chilled water optimization method that uses coordinated engineering controls strategies in order to produce energy savings of a high order magnitude as compared to other common control strategies.

The central plant at KUMC produces chilled water that is circulated around the campus to air condition the buildings. The project will include new controls in the central plant and associated pumping systems and installation of variable frequency drives at selected locations in the chilled water pumping systems. These measures will serve to reduce electric energy

The project will cost approximately \$2.4 million and will reduce total energy consumption resulting in an attractive payback of only 4.6 years.

If the Board authorizes KU to proceed with the energy measure outlined above, the University requests that the Board adopt a Resolution approving the issuance of bonds by the Kansas Development Finance Authority to finance the project. The bonds will be a general credit of the University secured with the energy savings from the projects. The term of the bonds will not exceed five years, coinciding with the payback period. The Resolution is set forth in full below:

## RESOLUTION

**A RESOLUTION OF THE KANSAS BOARD OF REGENTS APPROVING THE ISSUANCE BY THE KANSAS DEVELOPMENT FINANCE AUTHORITY OF ITS KANSAS DEVELOPMENT FINANCE AUTHORITY REVENUE BONDS, (UNIVERSITY OF KANSAS MEDICAL CENTER ENERGY CONSERVATION PROJECT) TO PROVIDE ALL OR A PORTION OF THE FUNDS NECESSARY TO IMPLEMENT ENERGY CONSERVATION MEASURES ON THE CAMPUS OF THE UNIVERSITY OF KANSAS MEDICAL CENTER; AUTHORIZING THE EXECUTION OF A PLEDGE OF REVENUES AGREEMENT AMONG THE KANSAS BOARD OF REGENTS, THE UNIVERSITY OF KANSAS AND THE KANSAS DEVELOPMENT FINANCE AUTHORITY THAT CONTAINS CERTAIN COVENANTS AND PROVISIONS WITH RESPECT TO THE PLEDGE OF CERTAIN FUNDS OF THE UNIVERSITY THAT WILL PROVIDE FOR THE PAYMENT OF SUCH BONDS; AND AUTHORIZING THE EXECUTION OF VARIOUS OTHER DOCUMENTS RELATING TO THE ISSUANCE OF, SECURITY AND PAYMENT OF SUCH BONDS.**

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**WHEREAS**, the Kansas Board of Regents (the "Board") is vested under the Constitution and laws of the State of Kansas with supervision and control over the University of Kansas (the "University"), including the University of Kansas Medical Center located in the City of Kansas City, Kansas (the "Medical Center"), and is authorized under such laws to adopt this Resolution and perform, execute and carry out, or cause to be performed, executed and carried out, the powers, duties and obligations of the Board under this Resolution in connection with the implementation of energy conservation measures to be located on the campus of the Medical Center; and

**WHEREAS**, pursuant to K.S.A. 75-37,125, the Kansas Corporation Commission (the "KCC") has the authority to approve energy conservation measures for various public entities, including the University; and

**WHEREAS**, the University is negotiating a contract with Siemens Industry Inc., Building Technologies Division that provides for the installation of energy conservation measures on the campus of the Medical Center at an estimated cost of \$2,400,000 (the "Project"), and the KCC has approved the Project in accordance with K.S.A. 75-37,125; and

**WHEREAS**, K.S.A. 74-8960 authorizes the Kansas Development Finance Authority (the "Authority"), on behalf of the Board and the University, to issue its revenue bonds in one or more series in amounts not in excess of the amounts approved for the Project by the KCC, plus all amounts required for costs of issuance, costs of interest on such revenue bonds during the construction of the Project and any required reserves for the payment of principal and interest on such revenue bonds (the "Bonds"); and

**WHEREAS**, the Board hereby finds and determines that it is advisable that the Bonds be issued by the Authority on behalf of the Board and the University pursuant to K.S.A. 74-8901 *et seq.* for the purpose of financing the Project and related costs as hereinbefore set forth; and

**WHEREAS**, prior to the issuance of the Bonds, the Authority will receive from the Secretary of Administration a request to issue revenue bonds for the purpose of financing the Project and paying related interest, costs and reserves on behalf of the Board and the University; and

**WHEREAS**, in conjunction with the issuance of the Bonds, it is necessary to authorize the execution of a Pledge of Revenues Agreement among the Board, the University and the Authority (the "Pledge Agreement"), which contains certain covenants and provisions with respect to the pledge of generally available unencumbered funds of the University, which will secure and provide for the payment of the Bonds; and

**WHEREAS**, it is recognized that the Authority has and will incur additional expenses in relation to the issuance of the Bonds and subsequent administration and enforcement of the Pledge Agreement, and the University desires to reimburse the Authority for said additional expenses through the execution of an Administrative Service Fee Agreement (the "Administrative Agreement").

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

**SECTION 1.** The Board hereby approves the issuance of the Bonds by the Authority on behalf of the Board and the University, in one or more series to finance all or a portion of the costs of the Project in an aggregate principal amount not in excess of the limitations hereinbefore set forth. The Bonds shall be issued substantially in the form and with the repayment terms and provisions contained in the information presented to the Board this date by the Authority and the University, all as may be approved by the Chair or his designee and the General Counsel to the Board.

**SECTION 2.** The Board hereby authorizes and instructs the Chair and President and CEO of the Board to execute the Pledge Agreement and such other documents and certificates necessary to accomplish the purposes set forth in this Resolution and the issuance of the Bonds, in such forms as are approved by the General Counsel to the Board. The Board further authorizes the President of the University to execute on behalf of the University the Pledge Agreement, the Administrative Agreement and such other documents and certificates necessary to accomplish the purposes set forth in this Resolution and the issuance of the Bonds, in such forms as are approved by the General Counsel to the University.

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

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**CERTIFICATE**

We, the undersigned Chair and President and CEO of the Kansas Board of Regents (the "Board"), hereby certify that the foregoing Resolution was lawfully adopted by the Board at its meeting held on February 12, 2014.

**KANSAS BOARD OF REGENTS**

(SEAL)

By \_\_\_\_\_  
Fred J. Logan, Jr., Chair

**ATTEST:**

By \_\_\_\_\_  
Andy Tompkins, President and CEO