

WASHBURN UNIVERSITY OF TOPEKA
BOARD OF REGENTS
MINUTES
November 9, 2017

I. Call to Order

Chairperson McGivern called the meeting to order at 3:01 p.m. in the Kansas Room of the Memorial Union on the Washburn University campus.

II. Roll Call

Present were: Mr. Beck, Mr. Boles, Mr. Hoferer, Mr. McGivern, Mrs. Parks, Mr. Sneed (arrived 3:08), Mrs. Sourk, Mrs. Van Etten (arrived 3:03) and Mr. Wolgast.

III. Approval of Minutes of the September 21, 2017 meeting

Motion by Regent Wolgast and second by Regent Parks to approve the Minutes of the September 21, 2017 meeting. Motion passed.

IV. Officer Reports

A. Chair's Report

Chairman read the Purple Heart Proclamation that was read earlier at the ceremony for Washburn being declared a Purple Heart Institution.

B. President's Report

President Farley introduced Michelle Shipley, Department Chair for the Health Information Technology program in the School of Applied Studies, for her 15 years of service as advisor to the Washburn chapter of Phi Theta Kappa National Honors Society. The Society is for students who are enrolled in associate degree programs. Program has been active at Washburn since 1986.

Dr. Farley introduced Dean Stephenson who introduced the Sigma Alpha Iota music fraternity who recently was awarded the Katherine Becker Chapter Achievement Award. The award is given annually to the chapter who meet certain objectives. Chapter president Jessica Knieff discussed the various service projects the chapter had done which led to their award.

President Farley introduced Dean Sollars who introduced Dr. Pam Schmidt, Assistant Professor of Accounting and three students, Maureen Dombrow, Matthew Hicks and Liberty Beecham, who worked on project to help the Topeka Ride Share program. The students wrote a paper on their project and presented at a conference in Chicago. Out of 11 state Midwest region, these students won best undergraduate paper award at the conference.

Dr. Farley reported that the National Association of Student Personnel Administrators (NASPA) recently recognized Angela Valdivia and Lauren Edelman for their work as administrators at Washburn. Dr. Grospitch accepted on their behalf. Dr. Grospitch also recognized Walt Frederick for his work in supporting Washburn's receiving recognition as a purple heart university.

President Farley informed the Board that Bob Dole, Washburn alumnus, was awarded congressional gold medal this fall and will be presented in January. Highest civilian honor given by Congress.

Dr. Farley advised that Washburn recently held a Women in Science day. On Oct 31, more than 250 7th grade female students came to campus to work on science projects in the labs at Washburn.

President Farley reported that 70 Washburn Tech students received scholarships based on grades, instructor recommendations and achievements, a 15% increase from the previous year. Marshall Meek and Washburn Foundation were involved with that process.

V. New Business

The Liquidated Claims approval was being removed at the request of Jim Martin. It was moved by Regent Hoferer and second by Regent Parks to approve the revised Consent Agenda. Motion passed.

As approved by action of the Board:

A. Consent Agenda

- 1. Liquidated Claims Approval – September 2017**
- 2. Liquidated Claims Approval – October 2017**

Liquidated Claims Approvals withdrawn from the agenda with the consent of the Board.

3. Faculty/Staff Personnel Actions

Grant leave of absence for Spring 2018 to: Sarah Springsteen-Trumble, Lecturer International Programs, Lee Snook, Professor Music, and Ann Marie Snook, Professor and Chair Music; and add two new positions: 1.0 FTE Certified Production Technician Technical Instructor at Washburn Tech at an annual salary of \$54,500, and IT Security Analyst at an annual salary of \$60,000;

- 4. Designate Dr. Brenda Patzel as Professor Emeritus; Dr. Annie Collins, Ms. Patricia Joyce and Dr. Mary Ellen McBride as Assistant Professor Emeritus; and Ms. Barb Stevenson as Lecturer Emeritus**

Designate Dr. Brenda Patzel as Professor Emeritus; Dr. Annie Collins, Ms. Patricia Joyce and Dr. Mary Ellen McBride as Assistant Professor Emeritus; and Ms. Barb Stevenson as Lecturer Emeritus; and,

- 5. Renewal and Extension of Topeka Neighborhood Revitalization Plan**

Renew and extend the Neighborhood Revitalization Plan for one year.

B. Action Items

1. Corporate Resolution

Vice-President for Administration and Treasurer Jim Martin presented the item, stating that currently Washburn is holding scholarship monies from several years back with Stifel Nicklaus but looking to move those funds over to the Foundation. This action is to allow payment of scholarship funds from this account until the funds are transferred to Foundation. It was moved by Regent Sourk and seconded by Regent Wolgast to authorize execution of the Corporate Resolution. Motion passed.

2. Washburn USW Local 307L-4 Memorandum of Agreement

Vice-President for Administration and Treasurer Jim Martin presented the item. The proposed changes the Memorandum of Agreement (MOA) will increase the wage for the position of Maintenance Tech I. There has been difficulty in filling position due to the low wage now being offered. The increase should help fill the opening. At the same time, this will also reclassify the Plumber position to a Maintenance Tech II – Backflow, which will reduce the rate of pay for that position. These changes will be a net zero effect on wages. It was moved by Regent Van Etten and seconded by Regent Sourk to approve change to Memorandum of Agreement. Motion passed.

3. Softball Field Improvement C18014

Vice-President for Administration and Treasurer Jim Martin presented the item. Changes are necessary to the softball field to remain compliant with NCAA regulations. This involves adding netting to the dugouts. There are also drainage issues in the infield. This work will address both of these concerns and will be done before the season begins in spring 2018. It was moved by Regent Parks and seconded by Regent Boles to approve the contract for the work on the softball fields. Motion passed.

4. Living Learning Center Chiller Replacement

Vice-President for Administration and Treasurer Jim Martin presenting. The LLC has two large chillers, or air conditioning units, which were installed when building was constructed in 1998. At the beginning of this academic year it became apparent they were not working, so Washburn rented a chiller from Trane to cover LLC through the first months of the semester. This item is to replace both chillers in February. It was moved by Regent Hoferer and seconded by Regent Van Etten to approve the contract to purchase the new chillers. Motion passed.

5. Washburn Tech Purchase Electrical Technology Equipment

Vice-President for Administration and Treasurer Jim Martin presenting. Greenlee Technical Equipment offered equipment to use in an electrical certification program. Additional equipment is needed and funding for the purchase is through Perkins

Grant by KBOR. Associate Director of Tech Clayton Tatro advised that the program provides certifications not only for our academic program but additional certifications that make the students more employable. This program is similar to establishing a national training center like Washburn Tech did previously for Trane and Case. It was moved by Regent Van Etten and seconded by Regent Wolgast to purchase the additional equipment. Motion passed.

6. Greater Topeka Partnership Contribution

Vice-President for Academic Affairs JuliAnn Mazachek, presented the item. Many entities for the City and County were involved in a strategic and planning endeavor, which led to adoption of Momentum 2022 plan. Momentum 2022 leads to a new partnership of these various entities that will start later this year. Washburn has been asked to contribute to the partnership a total \$25,000 per year for 5 years. This contribution will replace the contributions currently made to several entities, such as Forge and Heartland Visioning, which will be part of the new partnership. The previous individual contributions totaled approximately \$20,000 per year. Regent Boles abstained from the discussion and vote. It was moved by Regent Parks and seconded by Regent Van Etten to approve the contribution plan. Motion passed.

C. Information Item(s)

1. Depository Security Transactions

Vice-President for Administration and Treasurer Jim Martin present the item. Financial institutions are required to obtain extra securities if the amount being held at the institution is greater than covered by FDIC. This requirement moves up and down as the amount of cash being held at the institution goes up or down. This transaction releases \$13M of bonds which is related to amount of our cash being held in their accounts.

2. Report of Purchases between \$25,001 and \$50,000

3. The Frank Agency

Director of Enrollment Management Richard Liedtke presented on enrollment and marketing. Dr. Liedtke introduced the Enrollment Management Team to acknowledge their work in the success achieved in the second year in a row of record direct from high school enrollment. Dr. Liedtke then introduced Susan Reeder from The Frank Agency who presented the work they have performed as it relates to recruitment of students.

4. Indoor Practice Facility

Vice-President for Administration and Treasurer Jim Martin introduced Greg Schwerdt of Schwerdt Design. Mr. Schwerdt presented on the proposed design for the Indoor Practice Facility. Mr. Martin then presented alternatives for funding the project. Regent Beck requested that Mr. Martin's prepared remarks be placed into the minutes. NOTE: The written remarks are attached to the minutes.

The meeting adjourned at 5:09.

/s/

Marc Fried
Secretary, Board of Regents

Vice President for Administration and Treasurer, Jim Martin's written comments:

Additions to physical plant such as the building of an indoor practice field require sizable sources of capital as the builders of the facility will require payment during construction. The three sources of capital to fund such a project we look to first are:

- 1) University Reserves:** Reserves are liquid unencumbered University funds. Normally, reserves are created when University revenues exceed University expenditures over time, and/or when Shawnee county sales tax collections exceed what we budgeted for them. We will update our reserve balance when our current financial audit is complete this year, but we anticipate we will have around \$9 million of reserves at the end of the fiscal year.
- 2) Fundraising:** The Washburn Foundation has already raised some funds for the indoor practice field. As a general statement, the amount the Foundation can raise for a project is dependent on donor capacity to give and donor interest in the project.
- 3) Bond Issuances:** The University's primary source of borrowing is through the issuance of long term bonds. [Note: possible negative consequence to nonprofit bond issuers from current pending legislation] This type of capital is generally available to the University if the U.S. economy is functioning (which it is), the University has adequate bond capacity and credit rating (which we do) and the University has a dedicated cash source to pay off the bonds. Typically these bonds are paid off annually from a dedicated cash source such as the sales tax receipts.

Let me segue briefly on the subject of paying off bonds. A facility like the indoor practice field should generate some cash but not enough to pay off bonds issued to build it. For indoor practice field related bonds to be issued, we would need to dedicate a stable multiyear cash source to retire the bonds, such as a portion of the sales tax receipts.

Sales tax receipts: As a refresher, we receive the proceeds of a .65% sales tax on Shawnee county retail sales. Most of our sales tax receipts are used to fund University operations but last year, we collected approximately \$2.4 million over budget. Sales tax receipts in excess of budget has historically been a recurring item and has grown over time. It should continue under current Shawnee county economic conditions and current tax law. However, this level of collections is not guaranteed and has declined before during periods of slowdown in the economy. It would also be compromised if legislative actions such as enactment of a sales tax exemption for food was passed. However, as it stands today, it could be used to pay off a bond issue related to the indoor practice field.

Today, we estimate the \$2.4 million of sales tax receipts could be used to retire approximately \$20 million of debt.

I have fielded questions about the funding of this facility from regents since I took this job. These questions reinforce the need for careful consideration of risks involved prior to moving forward with the facility and moving forward with the issuance of bonds to pay for it. Here are some paraphrased questions I have fielded and answers I have given.

What is the University's bond rating and what does it mean? Moody's currently rates our bonds as A1 (which is the same as Fort Hays and Pitt State). However, Moody's has not rated our bonds since the building of Lincoln Hall and the issuance of \$27 million of related bonds issued then. Taking into consideration Lincoln Hall bonds and potential indoor practice field bonds, it would not surprise me if our ratings slipped to A2, the same rating as Emporia State. The University's bond rating affects our ability to borrow and the interest rate and terms and conditions we would agree to, in order to satisfy the bondholders.

Are there other downside risks if the \$2.4 million of sales tax money holds steady over time and we pay off the bonds with it? The required use of sales tax receipts to pay off the bonds will decrease or eliminate our major source of funding to build reserves in future years. Put another way, using all the sales tax receipts outlined above to pay off the bonds and using all the University existing reserves identified above to finance the indoor practice field could leave the University with little in reserves and a difficult path to rebuild the reserve balance. With future economic growth in Shawnee County, we can "grow" out of the problem. With a flat or declining local economy, the problem will persist. This will impact the University's future ability to fund other capital projects and weather economic and operational downturns.

Are there other current projects which should be considered in a discussion of the indoor practice field? The proposed new law school will also likely require the use of University reserves, fundraising and bond financing which could be paid off with sales tax receipts.

Final Comment: The University has other sources of cash flow which are less suited to fund an indoor practice field. These include state appropriations, property tax receipts, and tuition and fees.