I. Finance, Technology, and Human Resources Committee
*1:00 p.m. (ET), June 9, 2016
Room T-210 Technical Building
Maysville Community and Technical College, Maysville, Kentucky

Call to Order

Roll Call

Approval Minutes

Approval of March 10, 2016, Meeting Minutes ................................................................. 69

1. **Action: Ratification of Personnel Actions ................................................................. 85
2. **Action: 2016-17 KCTCS Salary Schedule ................................................................. 89
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5. **Update: BuildSmart Agency Bond Issuance ......................................................... 97
7. **Update: Facilities Management and Sustainability Status Report ..................... 107

Next Meeting – September 15, 2016

Adjournment

*Start time will be upon conclusion of the preceding event.

** All items listed with two asterisks (**) are considered to be routine by the Board and will be approved by one motion. An item may be removed from the consent agenda at the request of a regent. Agenda items removed from the consent agenda will be discussed in their normal sequence at the full Board of Regents meeting. Consent agenda items will be discussed separately during committee meetings of the Board of Regents.
CALL TO ORDER
Committee Chair Flynn called to order the meeting of the Kentucky Community and Technical College System Board of Regents Finance, Technology, and Human Resources Committee at 2:06 p.m. (ET) on March 10, 2016. The meeting was held in Conference Room 102B of the KCTCS System Office in Versailles, Kentucky. The press was notified of the meeting on March 2, 2016. Hon. Pamela Duncan, KCTCS Associate General Counsel, served as parliamentarian.

There being a quorum present, the meeting began with the approval of minutes.

APPROVAL OF MINUTES
Chair Flynn asked if there were any corrections to the December 3, 2015, minutes presented in the meeting materials. There being none, the minutes were declared approved as presented.

ADDITIONS OR CHANGES TO THE AGENDA
There were no additions or changes to the agenda.

ACTION: RATIFICATION OF PERSONNEL ACTIONS
RECOMMENDATION: That the KCTCS Board of Regents ratify the personnel actions listed in the agenda materials.

Chair Flynn called on KCTCS President Jay K. Box to present the item. KCTCS Vice President Wendell Followell assisted with the presentation. It was noted that the personnel actions presented were in accordance with reporting guidelines and policies adopted by the KCTCS Board of Regents.

Chair Flynn called for a motion.

MOTION: Mr. Peeples moved and Mr. Martin seconded that the Finance, Technology, and Human Resources Committee recommend that the KCTCS Board of Regents ratify the personnel actions listed in the agenda materials.

VOTE: The motion was approved unanimously.
RECOMMENDATION: That the KCTCS Board of Regents approve the proposed revision to *KCTCS Board of Regents Policy 3.7 KCTCS Retirement Plan Policies* as presented in the agenda materials. (See Attachment A)

Chair Flynn called on President Box to present the item. Vice President Wendell Followell assisted with the presentation.

President Box noted that in 2004, KCTCS established a 401 (a) Retirement Plan as a qualified governmental plan and selected Teachers Insurance and Annuity Association of America - College Retirement Equities Fund (TIAA-CREF) as the Plan’s administrator. The Plan allows for the deferral of taxable income if it maintains qualified status with the Internal Revenue Service (IRS). For the 2005 and 2006 Plan Years, respectively, KCTCS made changes to the Plan increasing the employer contribution from 2 percent of compensation per year to 3 percent of compensation per year, and from 3 percent of compensation per year to 4 percent of compensation per year. As a result of these changes and changes in Internal Revenue Service code, the Plan required amending. At the December 3 – 4, 2015, Finance, Technology, and Human Resources Committee and KCTCS Board of Regents Meetings, the Board took action to amend the Plan and directed KCTCS staff to take appropriate actions to execute the Plan amendments.

Section 3.7 of the Kentucky Community and Technical College System Retirement Plan Policies has been revised accurately to reflect participation in the Plan.

Chair Flynn called for a motion.

MOTION: Ms. Roth moved and Mr. Tarter seconded that the Finance, Technology, and Human Resources Committee recommend that the KCTCS Board of Regents approve the proposed revision to *KCTCS Board of Regents Policy 3.7 KCTCS Retirement Plan Policies* as presented in the agenda materials. (See Attachment A)

Chair Flynn called for the vote.

VOTE: The motion was approved unanimously.

Chair Flynn called on President Box to present the item. Vice President Paul Czarapata assisted with the presentation with online access to the report.

The committee was informed that the *KCTCS Technology Solutions 2015 Accomplishments Report* can be seen at [https://publicsearch.kctcs.edu/publication/ts/Pages/2015AccomplishmentsReport.aspx](https://publicsearch.kctcs.edu/publication/ts/Pages/2015AccomplishmentsReport.aspx). This is the fourth annual report.

Vice President Czarapata presented highlights of the report with the committee.
ACTION: 2015-16 KCTCS ANNUAL BUDGET AMENDMENT

RECOMMENDATION: That the KCTCS Board of Regents approve an amendment (Attachment B) to the 2015-16 KCTCS Annual Budget approved on June 12, 2015. The proposed amendment to the budget will authorize KCTCS President Box to move up to $8,557,300 from the Budget Reserve into the operating budgets of the KCTCS colleges, the systemwide operations and support programs, the Fire Commission, and the Kentucky Board of Emergency Medical Services (KBEMS) as necessary to help address the 2015-16 state budget cut.

Chair Flynn called on President Box to present the item. Vice President Wendell Followell assisted with the presentation.

President Box noted that the 2016-18 Executive Budget proposed by Governor Bevin and presented to the 2016 General Assembly includes a provision that the current fiscal year appropriation to each state-supported institution of postsecondary education, including KCTCS, be reduced by 4.5 percent. For KCTCS, this amounts to $8,557,300.

The KCTCS Board of Regents adopted the 2015-16 budget resolution regarding the 2015-16 Annual Budget for KCTCS that included a Budget Reserve of $21,150,900 for the KCTCS colleges, the systemwide operations and support programs, the Fire Commission, and KBEMS. The Budget Reserve was established by the KCTCS Board of Regents several years ago to be available should an unplanned situation arise requiring funds to maintain KCTCS operations. The budget resolution provides that, “In the event current fund revenues now estimated should not be realized, the KCTCS President shall take appropriate action to reduce budget authorizations to amounts sufficient to ensure that expenditures do not exceed available revenues. The KCTCS President shall report to the Board in advance any major deviations from the approved operating budget.”

President Box noted the timing of Governor Bevin’s proposed reduction to the 2015-16 General Fund appropriation is so late in the current fiscal year that it would make it very difficult, if not impossible, for the colleges and other KCTCS operating units to balance their 2015-16 budgets without having access to the Budget Reserve funds.

Following implementation of this action, the Budget Reserve will retain $12,593,600 going into 2016-17 budget development. This recommended budget amendment is supported by the KCTCS President’s Leadership Team.

Chair Flynn called for a motion.

MOTION: Mr. Peeples moved and Mr. Martin seconded that the Finance, Technology, and Human Resources Committee recommend that the KCTCS Board of Regents approve an amendment (Attachment B) to the 2015-16 KCTCS Annual Budget approved on June 12, 2015. The proposed
amendment to the budget will authorize KCTCS President Box to move up to $8,557,300 from the Budget Reserve into the operating budgets of the KCTCS colleges, the systemwide operations and support programs, the Fire Commission, and the Kentucky Board of Emergency Medical Services (KBEMS) as necessary to help address the 2015-16 state budget cut.

Chair Flynn called for the vote.

VOTE: The motion was approved unanimously.

INFORMATION:
2016-17 KCTCS BUDGET DEVELOPMENT SCENARIOS

Chair Flynn called on President Box to present the item. KCTCS Vice President Wendell Followell assisted with the presentation.

The KCTCS Board of Regents discussion of the following factors was needed in order to provide guidance in the development of a proposed budget for consideration at the June 10, 2016, Board meeting.

President Box provided an overview of the 2016-18 biennial state appropriations to KCTCS as proposed by Governor Bevin. The state appropriation is the primary source of funds to support the KCTCS operating budget.

<table>
<thead>
<tr>
<th>Budget Year</th>
<th>State Appropriation</th>
<th>Enacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>$190,162,300</td>
<td>$181,605,000*</td>
</tr>
<tr>
<td>2016-17</td>
<td>$173,047,700*</td>
<td></td>
</tr>
<tr>
<td>2017-18</td>
<td>$115,422,800**</td>
<td></td>
</tr>
</tbody>
</table>

* Governor’s recommendation includes 4.5 percent reduction in current year and 9 percent reduction in 2016-17 from initial enacted state appropriations for 2015-16.

**Governor’s recommendation in 2017-18 proposes one-third of state appropriations be tied to performance measures.

In addition to state appropriations, tuition revenue supports the KCTCS operating budget. In spring 2016, CPE will establish a tuition rate increase ceiling for each of the universities and KCTCS for 2016-17. Each $1 increase in the KCTCS tuition per credit hour rate in 2016-17 for Kentucky residents will generate approximately $1.3 million in new tuition revenue. Out-of-state students will have corresponding rate increases.

In 2015-16, KCTCS chose to maintain prior year tuition rates and not enact the CPE-approved increase of $3 per credit hour in an effort to promote retention, increase enrollment, and enable KCTCS to further its role as the affordable, accessible entry point into postsecondary education.

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As a means to address growing safety and security concerns on KCTCS college campuses, and to appropriately support ever increasing technological demands, the Board was asked to consider implementing limited charges earmarked to the areas of safety and security and technology resources. Consideration for a one-time application charge is also requested to assist cost avoidance of processing applications and sending recruitment materials that do not result in enrollment.

Fixed costs in certain employee benefits are estimated to increase in 2016-17. Employee benefits include the increased cost of health insurance coverage for continued participation in the state and University of Kentucky health insurance plans, workers’ compensation, long-term disability, and unemployment insurance. Current estimates indicate that the unfunded employee benefit costs could increase by approximately $3 million in 2016-17, a 6.6 percent increase. Utilities and property insurance costs will increase by approximately $1.0 million in 2016-17, a 5.9 percent increase. Thus, the forecast for unfunded fixed cost increases in KERS contributions, employee benefits, utilities, and property insurance is estimated at $4.0 million in 2016-17.

As in the past, the Board must determine compensation increases for KCTCS faculty and staff for 2016-17. The committee discussed awarding a flat dollar amount per full-time faculty and staff, e.g. $500. The increase of $500 per employee also approximates $2.1 million in salary cost and $0.5 million in additional retirement benefits for a total of $2.6 million.

Additionally, each year since 1998-99, the Board of Regents has funded the cost of faculty promotion in rank. In fiscal year 2016-17, the cost of faculty promotions will be approximately $0.8 million.

The Classification Compensation Study has been completed by Hanna Resource Group (HRG), in order to assess KCTCS’s salary and wage competitiveness relative to the market. To implement the first phase of the compensation and classification study over a 3-year period would cost approximately $1.0 million per year, inclusive of benefits and market adjustments for high demand areas for faculty and staff.

To implement the first phase of the compensation and classification study over a 5-year period would cost approximately $0.6 million per year. Implementation of the compensation and classification study could be an alternative to an across-the-board salary and wage increase, if a salary and wage increase were to be awarded.

Chair Flynn called for discussion.

During the discussion of the budget scenarios, the committee indicated the need for focus to be placed on growing enrollment.
UPDATE: KCTCS QUARTERLY FINANCIAL REPORT

Chair Flynn called on President Box to present the item. Vice President Followell assisted with the presentation.

It was reported that information for the second quarter of fiscal year 2015-16, which ended December 31, 2015, was derived from the KCTCS Administrative Financial System. The Statement of Revenues and Expenditures reflects the actual program and operational expenditures compared to the fiscal year 2015-16 budget approved by the KCTCS Board of Regents on June 12, 2015.

Total revenues of $516 million reflect 55 percent of the budgeted revenue and appropriated funds. Current fund expenditures and budget reserve through the fiscal year total $398 million, 45 percent of the expenditures budgeted for the year. As of the end of the first quarter, KCTCS has received 83 percent of budgeted tuition revenue; and 48 percent of the total budgeted financial aid has been received and expended. A total of 100 percent of the nonrecurring budget reserve from prior year funds is in place. It was noted that investment income was down due to the downturn in global markets. KCTCS staff are revising KCTCS’s portfolio for possible rebalance.

The Statement of Net Position, although not specifically required in the Board’s Annual Budget Adoption Resolution, has also been included in the Quarterly Financial Report to give the Board a periodic snapshot of the KCTCS financial position using the most common accounting-based schedule.

UPDATE: THE COMMONFUND INVESTMENT MANAGEMENT

Chair Flynn called on President Box to present the item.

President Box introduced the Commonfund Representatives Lew Wallace and Stuart Ames to give the committee a presentation on Commonfund’s investment management services provided to KCTCS.

The presentation can be found at:
https://publicsearch.kctcs.edu/board/Board%20Meetings/2016/201603/05_Finance/KCTCS%20Presentation%20-%20March%202016.pdf

UPDATE: SUPPLIER DIVERSITY REPORT

Chair Flynn called on President Box to present the item. Vice President Followell assisted with the presentation.

KCTCS defines diverse suppliers as those businesses owned by ethnic minorities, women, veterans, or the physically challenged. Fiscal year (FY) 2016 data indicates that KCTCS has spent $3.4 million (12.6 percent) of a total $27.4 million in impactable discretionary spending with diverse suppliers. Dollars spent with diverse suppliers was slightly higher in FY 2016 (12.6 percent) as compared to 2015 (7.2 percent). Dollars spent with all suppliers decreased in FY 2016 (2.3 percent) as compared to 2015 due to continued tight budgetary constraints.
On October 1, 2015, KCTCS held the third annual KCTCS Supplier Diversity Fair in Elizabethtown at the Pritchard Community Center with over 200 participants. During November 2015, KCTCS began a pilot program with Kentucky’s Procurement Technical Assistance Center (PTAC) as a means to further increase KCTCS spending with diverse businesses. PTAC representatives are working with college and System Office staff to schedule local diversity events in the spring of 2016.

**UPDATE: OFFICE OF AUDIT SERVICES**

Chair Flynn called on Mr. Glenn Paige, Office of Audit Services Director, to provide a semi-annual report on the activities of the Office of Audit Services.

It was noted that the Board and President Box directed significant improvements be made to existing processes and procedures within Student Financial Aid (“SFA”) as soon as possible to ensure that future external audit findings are significantly reduced. Working in concert with the System Office Student Financial Aid, a proactive plan is underway to identify errors, inconsistencies and non-compliance with federal regulations earlier so that appropriate corrective measures can be taken to improve processes and limit A-133 findings by external auditors.

The actions taken to date include enacting corrective actions to address the FY 2015 A-133 audit findings; developing a formal SFA policies and procedures manual for the 2017-18 fiscal year and beyond; implementing an RFP to bring outside servicers to assist schools with default management prevention to lower cohort default rates; implementing a new reporting procedure to ensure that student status changes are reported in a timely basis to the lender or guaranty agency within 30 days. Other actions taken to date include ensuring that data in Return to Title IV (R2T4) calculations for students who completely withdrew during a semester are accurate, well documented and in compliance with federal regulations; developing automated exception reports that are ‘pushed out’ to the colleges on a weekly basis for follow-up, correction, and/or explanation and are used to document exceptions for audit purposes; the development of an online student withdrawal form to promote a more consistent method of capturing and documenting a student’s official withdrawal date.

Given the high priority on the overhaul and redesign of SFA to improve operational efficiency and standardization directed by the KCTCS Board of Regents and management, Audit Services has temporarily suspended its other scheduled activities for the next 3-4 months so it can focus primarily on SFA and the reduction, to the extent possible, of potential audit findings by Crowe Horwath, the new external auditor for KCTCS. In subsequent years, Audit Services plans to dedicate an auditor to monitor and test SFA activities on a continual basis.
The following colleges are in the audit plan for 2016-17: Gateway Community and Technical College, Hazard Community and Technical College, Jefferson Community and Technical College, Madisonville Community College, and Somerset Community College.

**NEXT MEETING**

The next regularly scheduled Finance, Technology, and Human Resources Committee meeting for June 9, 2016, at Maysville Community and Technical College, Maysville, Kentucky.

**ADJOURNMENT**

Ms. Roth moved and Mr. Peeples seconded that the Finance, Technology, and Human Resources Committee adjourn.

VOTE: The motion was approved unanimously. The Finance, Technology, and Human Resources Committee meeting adjourned at 4:03 p.m. (ET).

06/09/16  
Date Approved by the  
Finance, Technology, and Human Resources Committee  

Betsy E. Flynn  
Committee Chair
AS IT WILL APPEAR VERSION

3.7 Kentucky Community and Technical College System Retirement Plan Policies

3.7.1 Retirement Plans

Participation in a KCTCS retirement plan is mandatory and a condition of employment, with the exception of student workers. All eligible employees not enrolled in a KCTCS sponsored plan as of January 1, 2014, shall be required to enroll in a KCTCS sponsored 403(b) defined contribution plan.

3.7.2 Defined Benefit Plans

KTRS is a defined benefit plan for employees employed in selected education-related organizations working in a position that requires certification or a degree from a four-year college or university. KERS is a defined benefit plan for non-instructional employees working in a position with a state university that does not require a degree or certification. The rates for contributions and multipliers for retirement annuities are defined by state statute. An irrevocable, one-time election is made to enter either plan. The employee must remain in that retirement system as long as they are in a position that is covered under that retirement system.

3.7.3 403(b) Defined Contribution Plan

Employees that enroll in a defined contribution plan make an irrevocable, one-time salary reduction (pre-tax) agreement when entering the plan. The employee may not withdraw from the KCTCS 403(b) defined contribution plan as long as that employee remains eligible for plan participation.

3.7.5.1 Contributions as a Percent of Annual Salary

<table>
<thead>
<tr>
<th>By the Participant</th>
<th>By the Institution</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>5%</td>
<td>10%</td>
<td>15%</td>
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</table>
KCTCS, or its designee, will withhold the contribution of the participant from regular salary payments, add its contribution, and remit the combined sum to the retirement plan carrier selected by the participant for the purchase of retirement benefits. Retirement contributions are made on the participant’s salary. Retirement benefits purchased with the combined participant and KCTCS contributions shall become the property of individual participants immediately upon purchase. There is no vesting period. All benefits are for the sole purpose of providing retirement benefits, or death benefits, or both. Participants cannot access their retirement accounts until they separate from service with KCTCS except to use their retirement account as collateral on a 403(b) loan, if allowed, from their 403(b) carrier.

An employee hired with an effective date on or after July 1, 2009 shall be subject to a vesting schedule for employer contributions. An employee must work a total of five years (60 months) of continuous service to be able to complete the vesting period and be eligible to receive the employee’s accrued benefits derived from employer contributions.

In addition to other applicable limitations stated in the plan, and notwithstanding any other provisions of the KCTCS retirement policies to the contrary, the annual compensation of each employee taken into account under the plan shall not exceed the Omnibus Budget Reconciliation Act of 1993 (OBRA ‘93) annual maximum includable compensation limit.

The OBRA ‘93 annual limit is adjusted by the Commissioner of the Internal Revenue Service for increases in the cost of living in accordance with section 401(a)(17)(B) of the Internal Revenue Code. The cost-of-living adjustment in effect for a calendar year applies to any period, beginning in such calendar year over which compensation is determined. This is the determination period. The determination period may not exceed 12 months. If a determination period consists of fewer than 12 months, the OBRA ‘93 annual limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator, which is 12.

Any reference in this plan to the limitation under section 401(a)(17) of the Code shall mean the OBRA ‘93 annual maximum includable compensation limit stated in this provision. The KCTCS Retirement Plan Year is deemed to begin July 1 of a calendar year and end June 30 of the next calendar year.

If compensation for any prior determination period is taken into account in determining an employee’s benefits accruing in the current plan year, the compensation for that prior determination period is subject to the OBRA ‘93 annual limit in effect for that prior determination period.

If by applying the above-stated percentages there would be a violation of federal or state laws, as a result of the employee or employer contributions or both, these percentages shall not be applied to the extent of violating applicable laws. In these cases, the amount of the employer contribution that cannot be forwarded to a retirement plan carrier shall be paid to the employee as a temporary salary increase for the balance of the calendar year.
3.7.3.2 Investments

The participant must advise the retirement plan carrier which investment options have been chosen. If two or more options are selected with a retirement carrier, the part of the retirement contribution that is to be allocated to each option shall be specified. A participant may change the investment options by contacting the retirement carrier.

3.7.3.3 Termination of Contributions

Contributions on behalf of a participant in a retirement plan shall terminate upon cessation of employment or retirement.

3.7.3.4 Retirement Date

Retirement is authorized when the combination of the employee’s age and years of regular full-time service (with a minimum of 15 years of continuous service at the time of retirement) equals or exceeds the number 75. Regular part-time service will be counted on a pro rata basis. Employees that are retiring must provide written notification through normal administrative channels to their appropriate Chancellor or Vice President at least three months in advance of the desired retirement date.

3.7.3.5 Sick Leave Conversion

Former UKCCS employees that were employed by the University of Kentucky prior to July 1, 1995, will receive a payment for unused sick leave if the accrued balance is at least 66 days. The first 22 days will be at full pay and the remaining days will be paid at the rate of the KCTCS retirement contribution rate which is currently 10%.

3.7.3.6 Retirement Benefits

Each participant is entitled at retirement to activate any retirement benefits that have been accrued under the KCTCS retirement plan in accordance with the rules established by the retirement plan carriers. In addition to lump sum or partial lump sum provisions, there will be both annuitized and non-annuitized methods of withdrawal. There may be variances in the retirement withdrawal options among the carriers. All retirement plan carriers do not offer the same withdrawal options.
3.7.3.7 Periods of Service

As used in the defined contribution retirement plan, "period of service" means the number of years of full-time employment, plus credit allowed for part-time employment, plus periods in an approved leave of absence status. Employees can earn only one year of service per calendar year, regardless of any extra part-time employment above the normal 37.5-hour work week within KCTCS.

3.7.3.8 Contributions During a Leave

Contributions shall be made only on the actual salary the employee is paid through the KCTCS payroll. Contributions will not be increased for partial salaries. This includes sabbatical leave.

3.7.3.9 Purchase of Service Credit

The 403(b) defined contribution plan does not have a feature that allows the purchase of service from prior service in military, public employment, or higher education positions. This feature is common in defined benefit plans, but is not used in a defined contribution plan.

3.7.4 401(a) Defined Contribution Plan

The KCTCS President and all executive level employees who report directly to the KCTCS President are eligible for participation in a 401(a) retirement plan. Participation in this plan is in addition to participation in any other retirement plan for which the employee is eligible.

3.7.5 Conversion of Health Insurance Upon Retirement

3.7.5.1 403(b) Defined Contribution Plan Retirees

Employees that meet the retirement criteria will continue to receive a contribution toward the cost of their health insurance plan. Employees under age 65 will remain on a regular health insurance plan until age 65, while employees that retire and are eligible for Medicare will be placed on a Medicare eligible health insurance plan.
Employees hired with an effective date on or after July 1, 2009, and employees whose participation in the 403(b) defined contribution plan began on or after January 1, 2014, who retire under the provisions of KCTCS Board of Regents Policy 3.7 are not eligible for participation in a KCTCS sponsored retiree health plan.

Employees that retire from the Community Colleges under UK benefits at the time of retirement will receive their health insurance credit per UK policy and participate in the UK health plans. Any Community College employee that has retired under the UK benefits will be ineligible for the health insurance credit available through employment under the KCTCS personnel system.

3.7.5.2 KTRS/KERS

Requirements for health insurance coverage in retirement are established by state statute. Employees should contact the appropriate retirement system office for details.

Date Approved by: KCTCS Board of Regents

Date of Last Review: 12.4.15

Date of Last Revision: 8.15.03; 3.13.09; 12.6.13, 12.4.15

(Include all dates in chronological order)

Chair, Board of Regents Date

President, KCTCS Date
Kentucky Community and Technical College System

Board of Regents

2015-16 Annual Budget Amendment Resolution

Whereas, KRS 164.350 directs the KCTCS Board of Regents, upon recommendation of the KCTCS President, to adopt an allocation process for distributing funds appropriated to KCTCS by the General Assembly. Also, KRS 164.350 directs the Board of Regents to assure that the budget planning and implementation processes are consistent with the adopted strategic agenda, the biennial budget, and the missions of KCTCS and its colleges; and

Whereas, the KCTCS Board of Regents adopted the 2015-16 budget resolution regarding the 2015-16 Annual Budget for KCTCS that included a Budget Reserve of $21,150,900 for the KCTCS colleges, the systemwide operations and support programs, the Fire Commission, and KBEMS; and

Whereas, the Budget Reserve was established by the KCTCS Board of Regents several years ago to be available should an unplanned situation arise requiring funds to maintain KCTCS operations; and

Whereas, the budget resolution provides that, “In the event current fund revenues now estimated should not be realized, the KCTCS President shall take appropriate action to reduce budget authorizations to amounts sufficient to ensure that expenditures do not exceed available revenues. The KCTCS President shall report to the Board in advance any major deviations from the approved operating budget.” and

Whereas, the 2016-18 Executive Budget proposed by Governor Bevin and presented to the 2016 General Assembly includes a provision that the 2015-16 General Fund appropriation to each state supported institution of postsecondary education, including KCTCS, be reduced by 4.5 percent. For KCTCS, this amounts to $8,557,300; and

Whereas, given the timing of this proposed reduction to the 2015-16 General Fund appropriation (more than two-thirds of the 2015-16 fiscal year has already passed) it will be very difficult, if not impossible, for the colleges and other KCTCS operating units to balance their 2015-16 budgets without having access to the Budget Reserve funds; and
Whereas, following implementation of this action, the Budget Reserve will retain $12,593,600 going into 2016-17 budget development; and

Whereas, this recommended budget amendment is supported by the KCTCS President’s Leadership Team.

Be it Resolved, that upon due consideration and upon recommendation of the KCTCS President, the KCTCS Board of Regents approves an amendment to the 2015-16 KCTCS Annual Budget authorizing KCTCS President Box to move up to $8,557,300 from the Budget Reserve into the operating budgets of the KCTCS colleges, the systemwide operations and support programs, the Fire Commission, and the Kentucky Board of Emergency Medical Services (KEEMS) as necessary to help address the 2015-16 state budget cut for the remainder of fiscal year 2015-16.

ADOPTED, this eleventh day of March 2016.

Marcia L. Roth, Chair
KCTCS Board of Regents

Betsy E. Flynn, Secretary
KCTCS Board of Regents

Jay K. Box, Ed.D.
KCTCS President
Recommendation

That the KCTCS Board of Regents ratify the personnel actions listed in the agenda materials.

Rationale

- Since personnel actions occur regularly throughout the year, those personnel actions are allowed to take place, subject to Board of Regents ratification, at the next Board meeting.

- The format of this agenda item has been used for the past few years to provide the Board basic information for its action, without providing unnecessary detailed data.
  - Individual personnel actions (certain administrative appointments and retirements, faculty promotions with tenure, and deaths).
  - Summary personnel actions (academic appointments, administrative appointments, reappointments, leaves of absence, retirements, resignations, non-renewal of appointments, and faculty promotions without tenure).

Background

*Kentucky Revised Statute 164.365* gives governing boards exclusive control of employment, tenure, and official relations of employees.
Personnel Actions
Presented to the KCTCS Board of Regents
June 10, 2016

I. Individual Personnel Actions

A. Administrative Appointments

Hazard Community and Technical College
Lindon, Jennifer, President & Chief Executive Officer, 6/1/2016

System Office
Crouch, Alicia, Vice Chancellor, Research & Policy Analysis, 3/1/2016
Hodges, Hannah, Assistant Chief of Staff, 3/1/2016
Schreffler, Paul, Vice Chancellor, Economic Development and Workforce Solutions, 5/16/2016
Veazey, Barbara, College President Emeritus, 7/1/2016

B. Administrative Retirements

West Kentucky Community and Technical College
Veazey, Barbara, President & Chief Executive Officer, 7/1/2016

C. Promotions

Promotions with Tenure
Ashland Community and Technical College
Brown, Sara, Professor, 7/1/2016
Griffith-Green, Nicole, Professor, 7/1/2016
Howard, Warren, Professor, 7/1/2016
Klinepeter, Pamela, Professor, 7/1/2016
Webb, Molly, Professor, 7/1/2016

Bluegrass Community and Technical College
Cropper, Maureen, Professor, 7/1/2016
Eldridge, Brent, Professor, 7/1/2016
Hoekstra, Joshua, Professor, 7/1/2016
Hopper, Kevin, Professor, 7/1/2016
King, Angella, Professor, 7/1/2016
Tucker, Cindy, Professor, 7/1/2016
Camargo, Irene, Associate Professor, 7/1/2016
Huddleston, Angela, Associate Professor, 7/1/2016
White, Tanya, Associate Professor, 7/1/2016

Elizabethtown Community and Technical College
Condiff, Sarah, Associate Professor, 7/1/2016
Davis, John, Associate Professor, 7/1/2016
Erwin, Jill, Associate Professor, 7/1/2016
Lilygren, Deena, Associate Professor, 7/1/2016
Wicks, Edward, Associate Professor, 7/1/2016

Henderson Community and Technical College
Becker, Kara, Associate Professor, 7/1/2016
Mattingly, Carole, Associate Professor, 7/1/2016
Hopkinsville Community College
Cawood, Markéta, Professor, 7/1/2016
Beverly, Elizabeth, Associate Professor, 7/1/2016
McCormack, Sherry, Associate Professor, 7/1/2016

Jefferson Community and Technical College
Peters, Jane, Professor, 7/1/2016
Taylor, Stacy, Professor, 7/1/2016
Waggoner, Reneau, Professor, 7/1/2016
Cartwright, Andrea, Associate Professor, 7/1/2016
Pitchford, Jennifer, Associate Professor, 7/1/2016
Tomei, Dontoe, Associate Professor, 7/1/2016
Wilkerson, Andrew, Associate Professor, 7/1/2016

Madisonville Community College
Florea, Jeff, Professor, 7/1/2016
Edens, Brooke, Associate Professor, 7/1/2016

Maysville Community and Technical College
Walker, Melinda, Associate Professor, 7/1/2016
Weiss, Justin, Associate Professor, 7/1/2016

Southeast Community and Technical College
Helton, Melissa, Associate Professor, 7/1/2016
Johnson, Joseph, Associate Professor, 7/1/2016
Pennington, Joy, Associate Professor, 7/1/2016

West Kentucky Community and Technical College
Simmons, Randy, Professor, 7/1/2016

Promotions without Tenure
Instructor to Assistant Professor, 52
Assistant Professor to Associate Professor, 62
Associate Professor to Professor, 22

D. Special Leaves with pay longer than 90 days
No action to report.

E. Deaths
Ashland Community and Technical College
Vanover, Wayne, Associate Professor, 3/28/2016

Big Sandy Community and Technical College
Loftus, William, Professor, 3/21/2016

II. Summary Personnel Actions

A. Academic Appointments
Nursing – Practical, 1
Radiography, 1
Respiratory Care, 1
MIT: Industrial Maintenance Technology, 1
Administrative Appointments
No action to report.

B. Reappointments
No action to report.

C. Terminal Reappointments
No action to report.

D. Leaves of Absence
- Paid Family and Medical Leave, 1
- Unpaid Family and Medical Leave, 1
- Administrative Leave, 1

E. Non-Administrative Retirements
- Faculty, 5
- Staff, 11

F. Resignations
- Faculty, 6

G. Non-Renewal of Appointment
No action to report.
Recommendation

That the KCTCS Board of Regents approve the 2016-17 KCTCS Salary Schedule (Attachment A), which includes salary ranges for regular full-time faculty and staff. Funding for the salary schedule must be approved by the KCTCS Board of Regents within the KCTCS annual budget.

Rationale

1. The proposed 2016-17 KCTCS Salary Schedule (Attachment A) is the same as the 2015-16 Salary Schedule.

2. The proposed 2016-17 KCTCS Salary Schedule has been designed with consideration of available resources, best practices, and market conditions.

3. The 2016-17 KCTCS Salary Schedule reflects monthly salaries to accommodate the period of assignment in months for regular full-time faculty and staff. Faculty assignments range from 10 to 12 months. Staff assignments range from 9 to 12 months.

4. Regular, full-time positions are slotted into the salary bands of the schedule with consideration of benchmark pricing, internal equity, and academic rank.

5. The salary schedule was last revised by the KCTCS Board of Regents in June 2012.

6. KCTCS has conducted a systemwide compensation and classification study. The study is available to be shared with the Board of Regents at its pleasure.

Background

The Kentucky Postsecondary Education Improvement Act of 1997 as amended authorizes the KCTCS Board of Regents to “…adopt bylaws, rules, and regulations for the government of its members, officers, agents, and employees, and enforce obedience to such rules…” The KCTCS Board of Regents Resolution Endorsing the Development of a KCTCS Compensation and Classification Program, adopted December 6, 2002, states that KCTCS seeks to compensate employees according to their effort and contribution; establish competitive wages and benefits; treat employees with respect, consideration, and courtesy; and develop sound and equitable pay systems that reflect best market practices. Additionally, KCTCS seeks to maintain a compensation program that creates a harmonious working relationship among all employees by providing an exciting, challenging, and rewarding workplace and experience.
# PROPOSED 2016-17 KCTCS Salary Schedule*

*Funding for the salary schedule must be approved annually by the Board of Regents.

## Faculty (Monthly**)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Minimum</th>
<th>Market</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instructor</td>
<td>$3,521</td>
<td>$4,399</td>
<td>$5,279</td>
</tr>
<tr>
<td>Assistant Professor</td>
<td>$3,960</td>
<td>$5,015</td>
<td>$6,071</td>
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<tr>
<td>Associate Professor</td>
<td>$4,572</td>
<td>$5,867</td>
<td>$7,162</td>
</tr>
<tr>
<td>Professor</td>
<td>$5,416</td>
<td>$7,041</td>
<td>$8,665</td>
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</table>

## Staff (Monthly**)

<table>
<thead>
<tr>
<th>Band</th>
<th>Minimum***</th>
<th>Market</th>
<th>Maximum</th>
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<tbody>
<tr>
<td>1</td>
<td>$1,389</td>
<td>$1,703</td>
<td>$2,016</td>
</tr>
<tr>
<td>2</td>
<td>$1,523</td>
<td>$1,874</td>
<td>$2,223</td>
</tr>
<tr>
<td>3</td>
<td>$1,675</td>
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<td>$1,846</td>
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<tr>
<td>5</td>
<td>$2,042</td>
<td>$2,536</td>
<td>$3,031</td>
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<tr>
<td>6</td>
<td>$2,263</td>
<td>$2,821</td>
<td>$3,379</td>
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<tr>
<td>7</td>
<td>$2,515</td>
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<td>9</td>
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<td>$3,513</td>
<td>$4,444</td>
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<tr>
<td>12</td>
<td>$4,454</td>
<td>$5,671</td>
<td>$6,890</td>
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<td>13</td>
<td>$5,035</td>
<td>$6,434</td>
<td>$7,833</td>
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<tr>
<td>14</td>
<td>$5,707</td>
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<td>16</td>
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<td>17</td>
<td>$8,452</td>
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<tr>
<td>18</td>
<td>$9,687</td>
<td>$12,593</td>
<td>$15,498</td>
</tr>
</tbody>
</table>

---

*Applies to regular, full-time positions only.

**Faculty and staff annual salaries are based on the period (number of months) of assignment. Faculty assignments range from 10 to 12 months; staff assignments range from 9 to 12 months.
Recommendation

That the KCTCS Board of Regents approve and report to the Council on Postsecondary Education (CPE) a $9 per student credit hour tuition increase in 2016-17 for in-state students. This action combined with the CPE parameter for tuition rates for out-of-state students results in the following 2016-17 per credit hour tuition rates for KCTCS colleges:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>In-State Students</td>
<td>$156</td>
</tr>
<tr>
<td>Out-of-State Students</td>
<td></td>
</tr>
<tr>
<td>From Contiguous Counties</td>
<td>312</td>
</tr>
<tr>
<td>Other Out-of-State Students</td>
<td>546</td>
</tr>
</tbody>
</table>

Rationale

- KRS 164.020 gives the Council on Postsecondary Education (CPE) the authority to determine tuition rates for Kentucky’s state-supported universities and KCTCS.

- At its April 26, 2016 meeting, CPE established a 4.6 – 6.1 percent tuition rate increase parameter in 2016-17 for in-state students for each state-supported university and KCTCS. This parameter provides that the KCTCS 2016-17 in-state tuition rate may increase to $156 per credit hour. CPE also established the parameter for out-of-state tuition rates requiring that these shall be at least two times the in-state rate.

- The recommended 2016-17 in-state tuition rate is consistent with the CPE parameter for KCTCS in-state tuition.

- The recommended 2016-17 out-of-state tuition rates are consistent with the CPE parameter for KCTCS out-of-state tuition and continue the out-of-state rate structure that KCTCS has used for the past several years.

- The additional tuition revenue for 2016-17 generated by the tuition rate increase will be available to the KCTCS Board of Regents in developing the 2016-17 KCTCS operating budget as presented in Agenda Item I-4, “Action: 2016-17 KCTCS Annual Budget.”

Background

KRS 164.020 gives CPE the authority to determine tuition rates for Kentucky’s state-supported universities and KCTCS. CPE has implemented tuition-setting parameters for 2016-17 for KCTCS and each state-supported university.
Recommendation

That the KCTCS Board of Regents adopt the 2016-17 budget resolution (Attachment A, pages 95 and 96) regarding the 2016-17 Annual Budget for the Kentucky Community and Technical College System. This budget and its provisions will be effective July 1, 2016, through June 30, 2017.

Rationale

• The annual budget directs the use of financial resources available to KCTCS to help achieve the mission and vision of KCTCS. This budget places emphasis and the highest priority on students and the effective and efficient use of available resources.

• The 2016-17 KCTCS budget will:
  o Fund fixed cost increases in current employee benefits programs.
  o Fund the cost of faculty promotions.
  o Fund fixed cost increases in utilities and facility insurance.
  o Maintain a nonrecurring budget reserve for each college, the systemwide operations and support programs, the Fire Commission, and the Kentucky Board of Emergency Medical Services (KBEMS).

• This recommended budget is supported by the KCTCS President’s Leadership Team.

• The proposed resolution (Attachment A) provides for adequate fiscal control and oversight by the KCTCS Board of Regents consistent with common practice within postsecondary education institutions. At the same time, the resolution provides a reasonable amount of discretion to the KCTCS President and establishes limits and thresholds that the President cannot exceed without the expressed consent of the Board.

• The proposed budget and its provisions will be effective for the fiscal year beginning July 1, 2016, and ending June 30, 2017.

Background

KRS 164.350 directs the KCTCS Board of Regents, upon recommendation of the KCTCS President, to adopt an allocation process for distributing funds appropriated to KCTCS by the General Assembly. Also, KRS 164.350 directs the Board of Regents to assure that the budget planning and implementation processes are consistent with the adopted strategic agenda, the biennial budget, and the missions of KCTCS and its colleges.
Be it Resolved, that upon due consideration and upon recommendation of the Kentucky Community and Technical College System (KCTCS) President, the following operating budget authorizations totaling $839,607,200 are approved for KCTCS for the fiscal year beginning July 1, 2016, and ending June 30, 2017. Of this amount, $524,673,300 are unrestricted current funds; and $314,933,900 are restricted funds from sources such as federal, state, private gifts, grants, contracts, or appropriations.

Be it Resolved, that upon due consideration and upon recommendation of the KCTCS President, the capital budget authorization totaling $111,927,000 from bond funds and agency funds is approved, contingent upon receipt and availability of those funds for KCTCS for fiscal year beginning July 1, 2016, and ending June 30, 2017.

In the event current fund revenues now estimated should not be realized, the KCTCS President shall take appropriate action to reduce budget authorizations to amounts sufficient to ensure that expenditures do not exceed available revenues. The KCTCS President shall report to the Board in advance any major deviations from the approved operating budget.

In the event actual annual revenues exceed estimated revenues, the KCTCS President may authorize an increase in the unrestricted current funds expenditure budget up to 2.0 percent of the Board’s authorized expenditure level. Increases greater than 2.0 percent of the authorized expenditure budget must have prior approval of the Board.
The KCTCS Quarterly Financial Report shall contain sections that reflect the KCTCS July 1 opening budget, amendments to the opening budget, and expenditures to date. This report shall provide the necessary detail for amending the budget as permitted by this resolution.

The purchase of any item of equipment greater than $200,000 must have prior approval of the Board of Regents and must be contained in the Biennial Legislative Appropriations Act in accordance with KRS Chapter 45. A capital construction project with a scope greater than $1,000,000 must have the prior approval of both the KCTCS Board of Regents and the Commonwealth Capital Projects and Bond Oversight Committee, pursuant to KRS 45. Equipment and capital construction projects with scopes greater than these amounts shall be reported as part of the KCTCS Quarterly Financial Report.

All units and individuals within KCTCS incurring financial obligations of KCTCS funds resulting from this authorization shall observe and adhere to applicable laws, regulations, and policies of the Commonwealth of Kentucky and the KCTCS Board of Regents, which govern the expenditure and disbursement of funds. Heads of the various budget units shall not authorize nor incur financial obligation in excess of the budget authorization for that budgetary unit.

This budget and its provisions will be effective July 1, 2016, through June 30, 2017.

ADOPTED, this tenth day of June 2016.

Marcia L. Roth, Chair
KCTCS Board of Regents

Betsy E. Flynn, Secretary
KCTCS Board of Regents

Jay K. Box, Ed.D.
KCTCS President
At the June 2016 meeting, KCTCS President Jay K. Box will provide an update on the BuildSmart Agency Bonds issued by the Commonwealth of Kentucky State Property and Buildings Commission on behalf of KCTCS on May 23, 2016.

**Background**

- The 2014 Regular Session of the General Assembly enacted House Bill 235 (the “2014-16 Biennial Budget Bill”) which provided for $194,000,000 of KCTCS Agency Fund Capital Projects referred to as the *KCTCS BuildSmart Investment for Kentucky Competitiveness*.

- The KCTCS BuildSmart initiative is a public-private partnership and investment initiative that will provide a total of $194 million in funding for the top capital project at each of the 16 KCTCS colleges. The benefits of the KCTCS BuildSmart Investment are significant for students, communities, and the Commonwealth. KCTCS students across Kentucky will benefit from having additional state-of-the-art facilities that will further enhance their individual educational experiences and that of their fellow students. Local communities and the Commonwealth of Kentucky will benefit from the enhanced economic and workforce development that will result from these new and renovated facilities throughout the Commonwealth.

- Funding for the KCTCS BuildSmart initiative is to consist of $145,500,000 in authorized agency bonds and $48,500,000 from private and other funds raised by the KCTCS colleges. The agency bonds will be issued by the Kentucky State Property and Buildings Commission on behalf of KCTCS.

- Agency bond debt service is to be paid from revenue collected from a mandatory student fee of $4 per credit hour for all KCTCS students in 2014-15 and an $8 per credit hour mandatory student fee for all KCTCS students beginning in 2015-16 and continuing thereafter until the agency bond debt service is fully paid.

- At the December 2014 Board meeting, the KCTCS Board of Regents adopted three resolutions required to facilitate the capital project financings in support of the KCTCS BuildSmart Investment: the *KCTCS Reimbursement Resolution*, the *KCTCS Mandatory Fee Resolution*, and the *KCTCS Authorizing Resolution*.

- KCTCS has not previously had agency bonds issued on its behalf. These resolutions were required to facilitate the capital project financings.

- On May 23, 2016, the Commonwealth of Kentucky’s State Property and Buildings Commission issued $50,250,000 in bonds for the following BuildSmart Projects – Elizabethtown Community and Technical College, Gateway Community and Technical College, Jefferson Community and Technical College, Madisonville Community College,
and West Kentucky Community and Technical College. Additional information is listed on Attachment A.

- More detailed information on each BuildSmart project is provided in the semi-annual KCTCS Facilities Support Services and Sustainability Status Report presented in the June 10, 2016, Board of Regents meeting materials.

- The Office of Financial Management staff who conduct the bond sales for the Commonwealth of Kentucky’s State Property and Buildings Commission will be available at the meeting to assist in answering questions regarding the bond issuance.

- The Moody’s Investors Service Bond rating for the KCTCS Project 114 Agency Revenue Bonds issued by The Commonwealth of Kentucky State Property and Buildings Commission (Aa3) is Attachment B.
**Issue:** Ky. State Property and Buildings Commission Agency Fund Revenue Bonds, Project No. 114 $43,200,000 Par, 20 years, Final Maturity 10/01/2035

**Bond Proceeds:** $50,250,000

**Projects Funded:** Madisonville, Jefferson, Gateway, West Kentucky, Henderson, and Elizabethtown

**Interest Cost:** 3.02%

**Underwriter:** Citigroup  
**Bond Rating:** Moody’s Aa3, S&P A, Fitch A+  
**Average Annual Debt Service:** $3,331,675

**Underwriter Counsel:** Stites Harbison  
**Sale Date:** May 24, 2016  
**Total Debt Service:** $66,593,362

**Bond Counsel:** Dinsmore & Stohl  
**Settlement Date:** June 16, 2016  
**Total Interest Cost:** $22,038,363

**Trustee:** US Bank

### Kentucky Community & Technical College System

<table>
<thead>
<tr>
<th>College</th>
<th>Project Title</th>
<th>Bond Funds</th>
<th>Matching Funds</th>
<th>Total Authorization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ashland CTC</td>
<td>Renovate Main Bldg - College Drive</td>
<td>$7,500,000</td>
<td>$2,500,000</td>
<td>$10,000,000</td>
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<tr>
<td>Big Sandy CTC</td>
<td>Expansion of Pikeville Campus</td>
<td>$1,500,000</td>
<td>$500,000</td>
<td>$2,000,000</td>
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<tr>
<td>Bluegrass CTC</td>
<td>Newtown Campus Expansion</td>
<td>$18,000,000</td>
<td>$6,000,000</td>
<td>$24,000,000</td>
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<tr>
<td>Elizabethtown CTC</td>
<td>Renovate Owen Classroom Building</td>
<td>$750,000</td>
<td>$250,000</td>
<td>$1,000,000</td>
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<td>Gateway CTC</td>
<td>Construct Urban Campus</td>
<td>$11,250,000</td>
<td>$3,750,000</td>
<td>$15,000,000</td>
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<tr>
<td>Hazard CTC</td>
<td>Construct Comm Intergenerational Center - Lees</td>
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<td>$500,000</td>
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<tr>
<td>Henderson CC</td>
<td>Renovate Campus Wide Facilities</td>
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<td>$5,000,000</td>
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<td>Hopkinsville CC</td>
<td>Construct Ag Health &amp; Career Tech, Ph I</td>
<td>$11,250,000</td>
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<td>Jefferson CTC</td>
<td>Construct Carrollton Campus Phase I</td>
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<td>Madisonville CTC</td>
<td>Construct Postsecondary Ed Center</td>
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<td>$20,000,000</td>
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<td>Maysville CTC</td>
<td>Construct MCTC/MoSU Postsecondary Cntr of Exc, Ph I</td>
<td>$21,000,000</td>
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<td>Owensboro CTC</td>
<td>Construct Advanced Technology Cntr, Phase II</td>
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<tr>
<td>Somerset CC</td>
<td>Construct Arts and Humanities Building - North</td>
<td>$1,500,000</td>
<td>$500,000</td>
<td>$2,000,000</td>
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<tr>
<td>Southcentral CTC</td>
<td>Construct Instructional Complex</td>
<td>$16,500,000</td>
<td>$5,500,000</td>
<td>$22,000,000</td>
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<tr>
<td>Southeast KY CTC</td>
<td>Construct Ed. Alliance Cntr Middlesboro Campus</td>
<td>$7,500,000</td>
<td>$2,500,000</td>
<td>$10,000,000</td>
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<tr>
<td>West KY CTC</td>
<td>Construct 2D Arts School, Phase I</td>
<td>$7,500,000</td>
<td>$2,500,000</td>
<td>$10,000,000</td>
</tr>
</tbody>
</table>

**Total:** $145,500,000 $48,500,000 $194,000,000
May 19, 2016

David Adkins
Kentucky Community and Technical College System
300 N. Main Stret
Versailles, KY 40383

Dear Mr. Adkins:

We wish to inform you that Moody's Investors Service has assigned an underlying rating of Aa3 and an enhanced rating of Aa3 to the Kentucky Community and Technical College System's Project 114 Agency Revenue Bonds to be issued through the Commonwealth of Kentucky State Property and Buildings Commission. The outlook on the underlying and enhanced ratings is stable.

Credit ratings issued by Moody’s Investors Service, Inc. and its affiliates (“Moody’s”) are Moody’s current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities and are not statements of current or historical fact. Moody’s credit ratings address credit risk only and do not address any other risk, including but not limited to: liquidity risk, market value risk, or price volatility.

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May 19, 2016

David Adkins
Kentucky Community and Technical College System
300 N. Main Stret
Versailles, KY 40383

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If there is a conflict between the terms of this rating letter and any related Moody’s rating application, the terms of the executed rating application will govern and supersede this rating letter.

Should you have any questions regarding the above, please do not hesitate to contact the analyst assigned to this transaction, Mary Kay Cooney at 212-553-7815.

Sincerely,

Moody’s Investors Service, Inc
Moody’s Investors Service, Inc.

cc: Ryan Barrow
Commonwealth of Kentucky
Office of Financial Management
702 Capitol Avenue
Room 76
Frankfort, KY 40601
The financial statements depict activity through the third quarter of fiscal year 2015-16; the quarter ending March 31, 2016. Information for these statements was derived from the KCTCS Administrative Financial System.

The Statement of Revenues and Expenses (Attachment A) reflects actual program and operational expenditures compared to the 2015-16 budget approved by the KCTCS Board of Regents, June 12, 2015. This report reflects total revenues of $718 million, 81 percent of the budgeted revenue and appropriated funds. The Statement of Revenues and Expenses also reflects current fund expenses and budget reserve of $620 million, 70 percent of the expenses budgeted for the year. The Statement of Net Position (Attachment B) reflects the overall financial position of the System and includes assets, liabilities, and net position.

Background

The Annual Budget Adoption Resolution (adopted by the Board of Regents at its annual June meeting) states, “The KCTCS Quarterly Financial Report shall contain sections that reflect the KCTCS July 1 operating budget, amendments to the operating budget, and expenditures to date.” Attachment A, the Statement of Current Funds Revenues and Expenses, is designed to fulfill this requirement.

Attachment B, the Statement of Net Position (Balance Sheet), although not specifically required in the Board’s Annual Budget Adoption Resolution, has also been included in the Quarterly Financial Report to give the Board a periodic “snapshot” of the KCTCS financial position using the most common accounting-based schedule.
# STATEMENT OF CURRENT FUNDS REVENUES AND EXPENSES

3/31/2016

## REVENUES

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<th>2015-16</th>
<th>2014-15</th>
<th>PRIOR YEAR</th>
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<td></td>
<td>ORIGINAL</td>
<td>REALIZED</td>
<td>%</td>
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<tr>
<td><strong>General Fund</strong></td>
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<tr>
<td>State Appropriations</td>
<td>$190,162</td>
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<tr>
<td>Tuition and Charges</td>
<td>222,075</td>
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<tr>
<td>Noncredit Tuition</td>
<td>6,002</td>
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<td>72</td>
</tr>
<tr>
<td>Investment Income</td>
<td>1,900</td>
<td>1,083</td>
<td>57</td>
</tr>
<tr>
<td>Governmental Grants and Contracts</td>
<td>42,657</td>
<td>33,069</td>
<td>78</td>
</tr>
<tr>
<td>Sales and Services</td>
<td>23,158</td>
<td>23,795</td>
<td>103</td>
</tr>
<tr>
<td>Other</td>
<td>54,863</td>
<td>41,147</td>
<td>75</td>
</tr>
<tr>
<td>Budget Reserve (Nonrecurring)</td>
<td>21,151</td>
<td>21,151</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total General Fund</strong></td>
<td>561,968</td>
<td>478,164</td>
<td>85</td>
</tr>
<tr>
<td><strong>Restricted Funds</strong></td>
<td>326,146</td>
<td>240,099</td>
<td>74</td>
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<tr>
<td><strong>Total Revenues and</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriated Fund Balances</td>
<td>$888,114</td>
<td>$718,263</td>
<td>81</td>
</tr>
</tbody>
</table>

## EXPENDITURES BY PROGRAM

<table>
<thead>
<tr>
<th></th>
<th>2015-16</th>
<th>2014-15</th>
<th>PRIOR YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ORIGINAL</td>
<td>REALIZED</td>
<td>%</td>
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<tr>
<td><strong>Instruction</strong></td>
<td>$230,875</td>
<td>$156,709</td>
<td>68</td>
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<tr>
<td>Public Service</td>
<td>41,920</td>
<td>27,440</td>
<td>65</td>
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<tr>
<td>Academic Support</td>
<td>45,756</td>
<td>29,157</td>
<td>64</td>
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<tr>
<td>Student Services</td>
<td>67,445</td>
<td>44,289</td>
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<tr>
<td>Institutional Support</td>
<td>103,167</td>
<td>62,717</td>
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<tr>
<td>Student Financial Aid</td>
<td>232,625</td>
<td>201,103</td>
<td>86</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>145,175</td>
<td>77,586</td>
<td>53</td>
</tr>
<tr>
<td><strong>Total Expenditures by Program</strong></td>
<td>866,963</td>
<td>599,001</td>
<td>69</td>
</tr>
<tr>
<td>Budget Reserve (Nonrecurring)</td>
<td>21,151</td>
<td>21,151</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total Expenditures and</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budget Reserve</td>
<td>$888,114</td>
<td>$620,152</td>
<td>70</td>
</tr>
<tr>
<td><strong>Revenues in Excess of Expenditures</strong></td>
<td>$98,111</td>
<td>$129,108</td>
<td></td>
</tr>
</tbody>
</table>
## ASSETS

### 2016 2015

**Current Assets**
- Cash and cash equivalents $234,207 $256,479
- Loans, accounts and gifts receivable, net 46,162 33,099
- Other current assets 1,030 1,013

**Total current assets** 281,399 290,591

### Noncurrent Assets
- Restricted cash and cash equivalents 25,928 19,146
- Loans and other receivables 5,456 5,708
- Endowment investments 49,269 50,233
- Other long-term investments 16,965 17,012
- Capital assets, net 615,907 595,731

**Total noncurrent assets** 713,525 687,830

### Deferred Outflows
- Deferred outflows - KERS 11,722 0
- Deferred outflows - KTRS 6,668 0

**Total deferred outflows** 18,390 0

**Total assets and deferred outflows** 1,013,314 978,421

## LIABILITIES

### Current Liabilities
- Accounts payable and accrued expenses 4,300 3,895
- Employee withholdings and deposits 15,675 16,583
- Compensated absences - current 1,214 1,593
- Unearned revenue 3,864 22,887
- Leases payable - current portion 2,877 2,468

**Total current liabilities** 27,930 47,426

### Noncurrent Liabilities
- Leases payable - noncurrent portion 28,323 17,819
- Compensated absences - noncurrent 10,928 14,350
- Net pension liability - KERS 174,855 0
- Net pension liability - KTRS 209,139 0
- Other long-term obligations 846 1,301

**Total noncurrent liabilities** 424,091 33,470

### Deferred Inflows
- Deferred inflows - KERS 2,247 0
- Deferred inflows - KTRS 15,439 0

**Total deferred inflows** 17,686 0

**Total liabilities and deferred inflows** 469,707 80,896

## NET POSITION

### Net Investment in capital
- 584,707 575,444

### Restricted
- 125,300 106,174

### Unrestricted
- (166,400) 213,907

**Total net assets** $543,607 $897,525
KCTCS Facilities Support Services staff has prepared the semi-annual Facilities Support Services and Sustainability Status Report. The report is included in the separately bound document titled *Facilities Support Services and Sustainability Status Report*. Updates related to KCTCS capital construction projects, sustainability (including facilities utilization) and other initiatives such as Environmental Health and Safety (EHS) and Crisis Management, are included in the report.

**Background**

The KCTCS Board of Regents has asked to be periodically updated on status of capital construction projects and other initiatives of the KCTCS Office of Facilities Support Services. In response to this request, KCTCS staff has provided a semi-annual update (at the June and December Board of Regents meetings). Over the years, the focus of these reports has evolved from primarily providing the status of capital construction projects to include other initiatives, such as sustainability, including facilities utilization; energy management; crisis management; and environmental health and safety.
The Resource Development Report will be presented at the June 10, 2016, Board of Regents meeting. The report covers private giving and sponsored projects, grants, and contracts. Private gift income by donor purpose and source for the System and the donor source by college for the KCTCS colleges are presented in the report. In addition, the largest private gifts during the reporting period are featured. Sponsored Projects, Grants, and Contracts funds are stated by source and purpose for the System Office in total, and total awards to individual colleges are presented. The top grants and contracts received during the reporting period are highlighted. This report will cover gifts from July 1, 2015 through May 12, 2016.

Background

When the Fulfilling the Promise Capital Campaign was completed on October 31, 2011, the reporting format was developed for the Resource Development Report contained in the KCTCS Business Plan. A draft format for the report was presented at the March 2012 meeting for Board review and feedback. The new report format took effect July 2012. The Resource Development Report is presented at the June and December Board meetings.