

FCR 11

Office of the President
June 24, 2016

Members, Board of Trustees:

PROPOSED REVISION TO GOVERNING REGULATION:
CAPITAL PROJECT AND GIFT APPROVAL

Recommendation: that the Board of Trustees receive and vote to accept for the first reading the attached revision to *Governing Regulation (GR) II, Governance of the University*, related to increases in: 1) the threshold amount for capital projects requiring Board of Trustee approval; and 2) the minimum level for gift acceptance requiring Board of Trustee approval.

Background: House Bill 80, enacted by the 2016 General Assembly, and signed by the Governor on April 27, 2016, increases the thresholds of capital-related activities that do not require legislative authorization for institutions of higher education. The amount for any capital construction item, or any combination of capital construction items necessary to make a building or utility installation complete requiring authorization, will increase from six hundred thousand dollars (\$600,000) to one million dollars (\$1,000,000), effective July 15, 2016. Per GR II, the University Athletics Committee and the University Health Care Committee (when appropriate) review and the Finance Committee reviews and makes recommendations to the Board in the areas of capital construction of \$600,000 or more. The attached revision updates the GR to reflect the legislative increase of the capital project approval threshold from \$600,000 to \$1,000,000.

In addition, it is recommended that the minimum level of gifts to be accepted by the Board of Trustees increase to \$1,000,000. At its June 2005 meeting, the Board of Trustees approved revisions to GR II to include increasing the minimum level of gifts to be accepted by the Board of Trustees from \$100,000 to \$400,000, where it remains today. As the University's efforts to raise significant private support have grown, the quantity of gifts and pledges at this level has increased significantly. Recognizing today's value of private support with inflation, it is recommended that the minimum level of gifts to be accepted by the Board of Trustees increase to \$1,000,000, including pledges of \$1,000,000 to be paid over five years or less.

This recommendation is supported by the President, the General Counsel, the Executive Vice President for Finance and Administration, the Provost, and the Vice President for Philanthropy. This proposed revision will be reviewed by the University Senate, Staff Senate, and Student Government Association in accordance with GR XIII prior to Board approval (second reading) at the September 2016 meeting.

A revised copy of GR II is attached. Proposed additions are underlined; proposed deletions are lined through.

Action taken: Approved Disapproved Other _____



Governing Regulation, Part II

Governance of the University of Kentucky

Major Topics

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Introduction

The governance of the University of Kentucky is vested by law in the Board of Trustees (KRS 164.131). Within the limits set by the Federal and State Constitutions and the federal and state laws,* the Board of Trustees is the final authority in all matters affecting the institution and exercises jurisdiction over the

* The Council on Postsecondary Education in Kentucky (KRS 164.020) has powers and duties that relate to the governance of the University of Kentucky.

(7) Provides needed information to the Board of Trustees.

c. Audit and Compliance Committee

This Committee:

- (1) Reviews recommendations and appoints the external auditors;
- (2) Receives and reviews the annual financial and other reports from the external auditors and reports on such to the Board of Trustees; and
- (3) Receives and reviews reports from the Chief Audit Executive on the University's system of internal controls and compliance with applicable laws, regulations, and University policy, and reports on such to the Board of Trustees.

d. Finance Committee

This Committee:

- (1) Ensures the financial stability and long-term economic health of the University by monitoring the financial operations of the University and its affiliated corporations and making appropriate recommendations to the Board of Trustees to ensure achievement of the University's mission;
- (2) Consistent with KRS 164A.550 through 164A.630, maintains oversight responsibility for the financial management of the University in the areas of accounting, auditing, payroll, purchasing, capital construction, real property, and affiliated corporations;
- (3) Oversees the budgets of the University by reviewing and recommending to the Board of Trustees on the annual operating budgets;
- (4) Ensures that accurate and complete financial records are maintained by reviewing and recommending to the Board of Trustees on:
 - (a) annual financial reports,
 - (b) interim financial reports,
 - (c) long-term debt obligations,
 - (d) gifts and pledges to the University of ~~\$1,000,000~~400,000 or more, if payable over five (5) years or less.
 - (e) capital projects of ~~\$1,000,000~~600,000 or more,
 - (f) leases over \$200,000 per year,
 - (g) disposition of property,
 - (h) sale of assets, and
 - (i) financial transactions not provided for in the annual operating budget.

e. Human Resources and University Relations Committee

This committee:

- (1) Reviews recommendations to the Board of Trustees regarding policies pertaining to employee benefits, rights, and privileges requiring Board of Trustees approval;
- (2) Reviews recommendations relating to the economic, social, and public policy environments within which the University operates that directly affect the University; and

- (3) Reviews policies or policy proposals regarding marketing and development as well as public, governmental, and alumni relations.

f. Investment Committee

- (1) Under delegation from the Board of Trustees, and consistent with KRS 164A.550 through 164A.630, the Investment Committee is responsible for review and oversight of the endowment investment programs of the University and its affiliated corporations. These responsibilities include:
 - (a) formulating and reviewing investment policies;
 - (b) appointing, monitoring and evaluating investment managers and consultants; and
 - (c) reviewing and approving plans for the general management of the endowment funds of the University.
- (2) In addition to the Trustee members, the Investment Committee may, from time to time, have the Chair of the Board of Trustees appoint, upon recommendation of the University President, non-voting Community Advisory Members to assist it in its functions by providing specialized advice and support. Said Community Advisory Members shall be selected on the basis of their expertise in such areas as investment management and finance. The appointments of Community Advisory members to the Investment Committee shall be for three years and may be reappointed for an unlimited number of three year terms. The maximum number of Community Advisory members authorized at any one time shall be three (3).
- (3) The Investment Committee Chair reports to the Board of Trustees after each meeting of the committee on the performance results of endowment investments. Policies of the committee are implemented by the Office of the Treasurer in carrying out the day-to-day operations of the University's endowment funds.

g. Nominating Committee

This committee:

- (1) Nominates officers of the Board of Trustees and members of the Executive Committee; and
- (2) Reviews and recommends the appointment of trustees to the boards and committees of the University and its affiliated entities.

h. University Athletics Committee

- (1) The NCAA requires a member institution's chief executive officer to have ultimate responsibility and final authority for the conduct of the intercollegiate athletics program. In addition, the Southern Association of Colleges and Schools (SACS) requires an institution's chief executive officer to have ultimate responsibility for, and exercise appropriate administrative and fiscal control over, the intercollegiate athletics program. To assist the President in carrying out this responsibility, the Athletics Committee is responsible for:
 - (a) Providing counsel to the President concerning matters or activities of the Athletics Department;

(b) Reviewing the Athletics Department's annual budget and audit reports, major expenditures and acquisitions, and construction of facilities if the cost is expected to exceed ~~\$1,000,000~~600,000; and

(c) Providing needed information to the Board of Trustees.

(2) The membership of the Committee shall be composed of five (5) voting Trustee members and up to three (3) non-voting Community Advisory members. In addition, the Faculty Athletics Representative shall serve as an *ex officio*, non-voting member. The membership of the Athletics Committee, including the Chair, shall be appointed by the President in consultation with the Chair of the Board of Trustees. The initial Board member appointments to the Athletics Committee shall be staggered terms in the following manner: two (2) members for three (3) years, two (2) members for four (4) years, and one (1) member for five (5) years. Board members appointed thereafter shall serve for three-year terms and may be reappointed.

(3) The University Athletics Committee shall provide to the full Board a brief update at each Board meeting if the Committee has met.

i. University Health Care Committee

(1) This Committee:

(a) Serves as the governing body and governing authority to manage and operate the University Hospitals in accordance with the Conditions of Participation promulgated by the Centers for Medicare and Medicaid Services and with the laws and regulations governing the operations and services of hospitals in the Commonwealth of Kentucky; and

(b) Oversees the University's clinical enterprise, including management oversight for the development of policies, rules, and regulations for the governance of the University Hospitals and clinical enterprise.

(2) Policies of the Committee are implemented by the Executive Vice President for Health Affairs in carrying out the day-to-day operations of the University Hospitals and clinical enterprise.

(3) The membership of the Committee shall be composed of five (5) voting Trustee members, seven (7) non-voting Advisory Members, and up to seven (7) non-voting Community Advisory Members. Each member shall be appointed by the Chair of the Board of Trustees, acting upon recommendation of the President of the University. The initial Board of Trustee member appointments to the University Health Care Committee shall be for staggered terms in the following manner: two members for three years, two members for four years and one member for five years. Board members appointed thereafter shall serve for three-year terms and may be reappointed.

(4) The University Health Care Committee may create sub-committees and shall create committee rules to guide their governance consistent with The Joint Commission. (See University Health Care Committee Operating Rules, approved by the Board of Trustees December 7, 2010)

(5) The University Health Care Committee shall provide to the full Board a brief update at each meeting if the Committee has met.

3. Special Committees

Special committees may be established and appointed at any time by the Chair of the Board of Trustees and with such charge as the Board of Trustees Chair may determine. Special committees