

**Morehead State University**  
**Board of Regents**  
**Special Called Meeting/Work Session**  
**and New Member Orientation**

Thursday, August 9, 2018, 9:00 a.m.  
DeMoss Suite, Center for Health, Education and Research

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**Agenda**

- I. CALL TO ORDER**
- II. ROLL CALL**
- III. OATH OF OFFICE ADMINISTERED TO NEW MEMBERS**
  - Mr. Brandon Bryer
  - Mr. Craig Dennis
  - Mr. Sanford Holbrook
- IV. ELECT VICE CHAIR AND SECRETARY; APPOINT TREASURER  
(Pursuant to KRS 164.330)**
- V. AUTHORIZE MODIFICATION OF EXISTING LEASE AGREEMENT**
- VI. SPECIAL CALLED MEETING ADJOURNMENT**

**BREAK FOR GROUP PHOTO**

- VII. WORK SESSION/DISCUSSION (No Action Taken)**
  - Faculty and Staff Recognition – Dr. Morgan
  - 2018-2019 University Goals – Dr. Morgan
  - SACSCOC Accreditation Process – Ms. Ratliff
  - New Capital Campaign Overview – Mr. Shaw
  - Library Orientation – Dean Gregory
  - Board of Regents Evaluation Process – Chair Walker
  - Kentucky Folk Art Center Update – Dr. Morgan

**VIII. UPCOMING MEETINGS AND EVENTS**

- Quarterly Meeting – Thursday, September 6
- Audit Committee Meeting – Friday, October 19
- Work Session – Friday, October 19
- CPE New Board Member Orientation and Training – Monday, October 22
- Quarterly Meeting – Thursday, December 6
- Fall Commencement – Saturday, December 8, 10:30 a.m.
- Work Session – Thursday, February 28
- Quarterly Meeting – Thursday, March 28
- Audit Committee & Work Session – Thursday, May 16
- Quarterly Meeting – Thursday, June 6

**BREAK FOR LUNCH (12:30 pm – 1:00 pm)**

**IX. NEW MEMBER ORIENTATION** (*Mandatory for new members;*

All members welcome)

- Board Member Responsibilities
- Relationships and Communications Protocols
- The Board-President Partnership
- Fiduciary Responsibilities & MSU BOR Bylaws
- Strategic Planning
- Business Processes (e.g. budgeting, personnel)
- Legal Issues and Policies
- MSU Foundation
- Athletics & NCAA

*All Members are invited to attend the Freshmen Induction Ceremony at 4 p.m. in Laughlin Health Building*

# **AUTHORIZE MODIFICATION OF EXISTING LEASE AGREEMENT**

**BOR (V)  
August 9, 2018**

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## **Recommendation:**

That the Board authorize the University President to modify the terms of the existing lease/financing agreement with Kentucky Bank, Inc.

## **Background:**

On September 25, 2014, the Board authorized the University President and/or the Vice President for Administration and Fiscal Services to execute a lease agreement either through the Commonwealth of Kentucky Master Lease Program or a separate third party lender in an amount not to exceed \$10,000,000 to finance the upgrade and expansion of the University's information technology infrastructure network and campus security systems. MSU selected Kentucky Bank, Inc. through a competitive bid process to provide financing for the project and entered into a lease agreement with the bank on June 19, 2015. The terms of the lease agreement included a \$10,000,000 obligation to be repaid over a ten year period at a fixed interest rate of 2.92% as a non-bank qualified tax-free lease. As of July 19, 2018, the remaining principal balance of the obligation is \$8,603,862.95.

In a review of institutional obligations, and taking into account the budget climate, it would be advantageous to the University during the next eight years to extend the financing period in order to substantially decrease the monthly cash payments. On July 23, 2018, Kentucky Bank, Inc. provided an outline of initial proposed terms to modify the original financing agreement for the remaining principle balance for a term of fifteen years. The proposed interest rate is 3.5% for years 1-5, 4.0% for years 6-10, and 4.5% for years 11-15. The modified lease will continue to be a non-bank qualified tax-free lease. If accepted, the resulting lease modification would reduce annual financing payments by over \$350,000 in each of the first five years of the proposed lease term.

The financial amount listed on the Kentucky Bank, Inc. outline represents a balance before the most recent payment. The University would be modifying the terms for a balance not to exceed \$8,603,862.95, plus any applicable restructuring fees.

**AUTHORIZE FINANCING FOR THE UPGRADE AND  
EXPANSION OF THE UNIVERSITY'S INFORMATION  
TECHNOLOGY INFRASTRUCTURE NETWORK  
AND CAMPUS SECURITY SYSTEMS**

**BOR (VII-B-3)  
September 25, 2014**

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**Recommendation:**

That the Board authorize the University President and/or the Chief Financial Officer/Vice President for Administration to execute a loan agreement either through the Commonwealth of Kentucky Master Lease Program or a separate third party lender in an amount not to exceed \$10,000,000 to finance the upgrade and expansion of the University's information technology infrastructure network and campus security systems.

**Background:**

In 2012, MSU partnered with Berry Dunn, McNeil and Parker, LLC to develop a sustainable University Technology Plan. This effort involved a broad based team of technology professionals and University stakeholders whose work resulted in a plan that included 15 technology-related initiatives critical for supporting the goals of MSU's strategic plan, ASPIRE 2014-2018. Four of the 15 recommendations were identified as foundational to the plan, including the upgrade and expansion of the University's information technology infrastructure network.

The Office of Information Technology completed a comprehensive assessment of the current information technology infrastructure network in 2013 with the assistance of BoiseNet, Inc. of Louisville, Kentucky. The assessment served to identify the full scope of need—both now and in the foreseeable future—and to develop an implementation plan and budget estimate for migration to an upgraded and expanded information technology infrastructure network.

MSU submitted a request for competitive proposals in 2014 for companies to partner with the University on development of a final design and implementation of an expanded and upgraded technology infrastructure network needed to meet the instructional and administrative needs of the campus. Pomeroy, Inc., headquartered in Hebron, Kentucky, was selected as that partner and is nearing completion of the final design and multi-year implementation plan.

In addition to an upgrade to the University's technology infrastructure network, campus security systems including card access entry systems in residence halls, campus emergency alert systems, video surveillance and other student safety equipment is planned as part of the infrastructure project. These security systems will operate on the upgraded and expanded infrastructure network.

**Financing**

Under state guidelines, the project will need to be financed either through the Commonwealth of Kentucky Master Lease Program or a third party lender. With Board authorization, the University will conduct a proposal process to obtain third party rates. Those rates

will be compared with the Master Lease rates, and the lowest and best-cost option will be accepted. A lender will require that the Board authorize the issuance of the debt and delegate authority to execute the debt instruments to specific individuals.

The total amount to be financed shall not exceed \$10,000,000 and is dependent upon final design of the infrastructure and outcomes of competitive bids for equipment and software selected for implementation.