

TITLE: Kentucky State University Management Improvement Plan

DESCRIPTION: Staff recommend the Council approve the outlined modifications to the Kentucky State University Management Improvement Plan in accordance with HB 250 (2022).

PRESENTERS: Travis Powell, Vice President and General Counsel

SUPPORTING INFORMATION

Funding for Facilities Management Services

On October 31, 2022, the Council adopted a Management Improvement Plan for Kentucky State University (KSU) HB 250 (2022). One of the Objectives in the “Accounting and fiscal reporting systems, collections, budget, and internal controls over expenditures and financial reporting” Plan Area outlined in the legislation was for KSU to “Implement a long-range planning process to support the strategic and capital investment decision-making process.” The initial Deliverable for the Objective was to “Contract for custodial, grounds, and facilities management.”

On October 12, 2022, Kentucky State University’s Board of Regents, pursuant to KRS 45A.380, approved a declaration of emergency relating to campus facilities, transportation, maintenance, and custodial services. As indicated by that declaration, KSU requires onsite expertise in facility management to improve the use and maintenance of its assets, boost performance, and increase student and employee satisfaction - all while supporting the University’s focus on controlling cost, providing quality service, and the mitigating the risk of environmental and safety hazards.

After the emergency declaration, KSU began engaging with the Sodexo corporation to provide the following services to raise the condition of KSU’s campus and facilities to an Association of Physical Plant Administrators (APPA) Level 3 standard from the current conditions that are below APPA Level 5, which is the lowest level quantified by APPA (The Association of Higher Education Facilities Officers).:

- onsite leadership management

- training and oversight of KSU staff
- deferred maintenance plan
- locksmith access control system
- energy consumption management
- project management
- campus landscape management
- waste management/recycling
- HVAC systems management
- commercial cleaning
- facilities usage program
- pest control program management

KSU has annually budgeted \$5.5 million for campus facilities, maintenance, and custodial services, however the institution has consistently overrun the budget with actual expenses exceeding \$7 million, as evidenced by historic data trends.

The Sodexo Personal Service Contract and Management Agreement is for the period January 2023 to December 2023, which straddles the second half of FY 2023 and the first half of FY 2024. The cost incurred by the University during the contract period will depend on the actual services performed (professional leadership, work order tracking system, labor, technology, and in-house staff training) by Sodexo. The total cost of the contract, however, shall not exceed \$3,068,784.46:

- Second-half FY 2023 (January 2023 –June 2023) projected budgetary impact is \$1,573,097.49.
- First-half FY 2024 (July 2023 – December 2023) projected budgetary impact is \$1,495,686.97.

The trend toward budget overrun coupled with the additional expense of Sodexo services to raise current facilities standards to a more acceptable level and the unbudgeted expenditure of \$676,507.23 for an energy savings performance contract payment requires that KSU seek additional resources to support facilities. As such, KSU has requested that the Council provide \$1,200,000 in FY 23 to support facilities and infrastructure expenditures. The current Plan allocates \$3.3 million of the \$5 million appropriated in FY 2022-2023, which leaves \$1.7 million for the Council to allocate for the remainder of the fiscal year.

After extensive discussions with KSU administration and providing significant input on the contractual obligations set forth in the agreement, President Thompson and CPE

staff support this request and recommend the Council approve the allocation of \$1.2 million in FY 2023 to support this initiative.

Method of Transfer of Incentive Funds to KSU

Council staff recommends that the following be added to the KSU Management Improvement Plan “Plan Evaluation” section to outline how funds will be transferred upon successful completion of deliverables or achieving benchmarks:

Upon successful completion of deliverables, or achieving benchmarks, that result in the distribution of funds, CPE shall enter into memoranda of agreement with KSU to facilitate the transfer the designated funds. The MOA shall outline the terms and conditions for distribution of funds, which may include but shall not be limited to, invoicing and expenditure justification, project reporting requirements, and XXX. CPE shall be provided full access to any vendors engaged through the funding provided in order to help ensure the successful completion of the underlying objective.