

TITLE: Delegation of Authority to Approve Insurance Claim Projects

RECOMMENDATION: Staff recommends that the Finance Committee approve a new policy that will allow the Council president to approve insurance claim projects on their behalf and recommended final approval by the Council at its June 9, 2023, meeting.

PRESENTERS: Shaun McKiernan, Executive Director of Finance and Budget, CPE
Ryan Kaffenberger, Senior Associate of Finance and Budget, CPE

BACKGROUND INFORMATION

The Council's powers and duties are set forth in KRS 164.020. Part 11 of the statute outlines a requirement for the Council to approve capital projects (see below).

(11) (a) Except as provided in paragraph (b) of this subsection, [the Council shall] review and approve all capital construction projects covered by KRS 45.750(1)(f), including real property acquisitions, and regardless of the source of funding for projects or acquisitions. Approval of capital projects and real property acquisitions shall be on a basis consistent with the strategic agenda and the mission of the respective universities and the Kentucky Community and Technical College System.

KRS 45.750(1)(f)1. defines "capital projects" as:

Any capital construction item, or any combination of capital construction items necessary to make a building or utility installation complete, estimated to cost one million dollars (\$1,000,000) or more in cash or other consideration.

Over the past year, campus officials brought two capital project requests to the Council that came about as the result of damage caused by emergency weather conditions. Both projects were KCTCS facilities in Eastern Kentucky that had sustained significant flood damage, and both projects resulted in insurance claims that financed 100% of the project costs. These projects were approved at a previously scheduled special meeting of the Council on October 31, 2022.

At this time, Northern Kentucky University has a project underway to repair damage to dormitories caused by extreme cold and freezing this past winter, but it is unclear whether the project will exceed the \$1,000,000 threshold requiring capital project

approval. Campus officials anticipate that the cost to restore the dormitories to their previous condition will be financed 100% with insurance proceeds.

After consulting with campus officials and CPE's Vice President and General Counsel, staff believes the best way to approve capital projects that will be financed completely with funds derived from insurance claims is to delegate authority for that approval to the Council president. Projects like those involving flood damage at KCTCS facilities are often of an emergency nature and should be addressed as expeditiously as possible. The requested delegation of approval authority for this narrowly tailored subset of insurance-claim capital projects will allow institutions to proceed in a timely manner to undertake such projects without requiring a specially called meeting of the Council.

RECOMMENDATION

Staff recommends that the Finance Committee endorse for full Council approval the requested delegation of authority to the Council president to approve capital projects funded entirely (100%) with insurance proceeds that are designed to restore university or KCTCS-owned facilities to their previous condition.

Since many of the projects approved using this policy will be the result of emergency situations, it is important for institutions to address the projects in a timely manner. The requested delegation of authority will facilitate and expedite the approval process. If this request is authorized, staff will report to the Council any and all insurance claim projects approved by the Council president at the next regularly scheduled Council meeting.