WKU pursues $10M line of credit, welcomes new regents
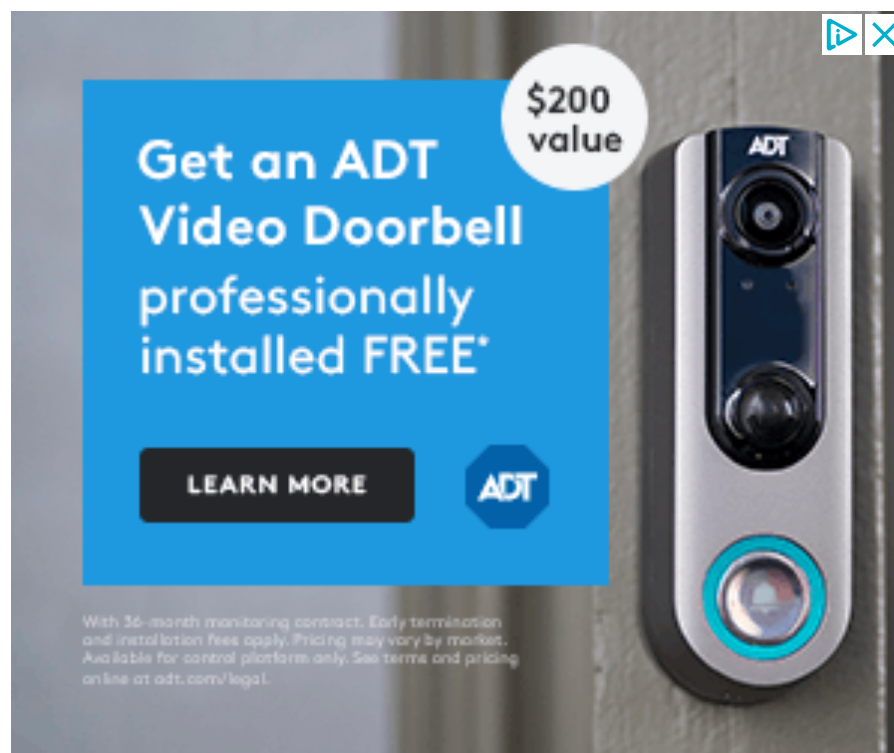
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Western Kentucky University's Board of Regents convened Friday for a slate of committee meetings, which included welcoming new regents and a review of the university's pursuit of a $10 million line of credit, among other business items.

"A lot of people were asking me: 'Why do we need a line of credit if our cash position is good?' " Susan Howarth, WKU's chief financial officer, said in explaining the agenda item. "It's just best practice, plain and simple."

WKU is pursuing the unsecured $10 million line of credit from Truist Bank, formerly BB&T Bank, according to the board's meeting agenda. The line of credit will be tapped only if revenue collections don't align with the university's bill due dates.

As of Friday, the interest rate sits at 2.25%, with interest due monthly, according to the agenda. Any outstanding balance on the line of credit must be paid back by the end of the university's fiscal year on June 30, per state law. It does not carry over into the next fiscal year.

In explaining the matter, Howarth described the amount of cash the university has on hand as "very good," adding WKU has enough to cover about 115 days worth of expenses, "which according to Moody's, our credit rating agency, that's excellent."

"Again, this is just best practice, something most institutions have in place in case it's needed. But no, there's no alarm. There's nothing to be worried about. This was one of the things I had on my check-off list when I started at WKU," Howarth said.
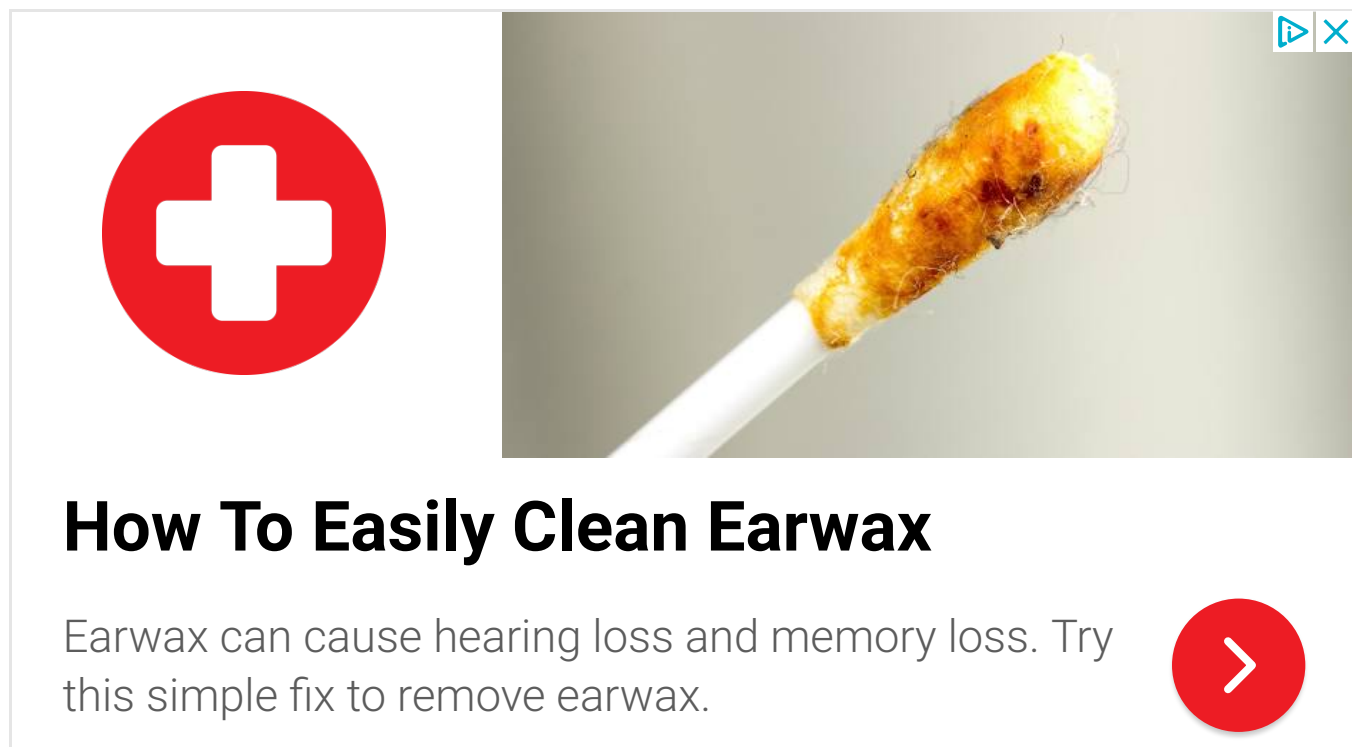
There is no cost associated with establishing the line of credit, Howarth added, only if it is tapped.

Jason McKinney, who is an accountant, endorsed the move.

"This is a piece of advice I give all of my small business clients," he said. "Even if they don't need it, it's just smart to have."

The committee meetings also included a review of WKU's first-quarter revenue and expenses.

Bracing for financial fallout amid the coronavirus pandemic, WKU is aiming to cut more than $27 million in spending in its current fiscal year budget, which the board approved in June and includes faculty and staff salary reductions.

When it comes to payroll, Howarth said the university is spending $29.9 million this year, down from $33.3 million the previous year.

"I think, in summary, what I can say is we're tracking nicely toward meeting that $27 million goal," Howarth said, adding that the university does not currently expect to see an enrollment drop this spring.

Along with growth the university saw in its freshman class this academic year, Regent David Brinkley praised "the ongoing sacrifice of the staff and faculty who agreed to salary reductions that have been imposed by this board and continue to make those sacrifices for the benefit of the greater good of the university in this challenging time period."

Brinkley said he hopes those salary reductions will be reversed when WKU has weathered the current dire straits it finds itself in.

Reading off figures from the university's fifth-week student assessment, WKU President Timothy Caboni offered encouragement about the prospects of spring enrollment.

"We are on track to do even better with persistence from fall to spring this year," Caboni said.

In other business, the board welcomed three new members Friday with the swearing in of Jan West and Wilton Currie Milliken as gubernatorial appointees and student government president Garrett Edmonds as student regent.

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