

ARKANSAS HIGHER EDUCATION COORDINATING BOARD
Special Meeting via Conference Call
September 8, 2006

Minutes of Meeting

The Arkansas Higher Education Coordinating Board held a special meeting via conference call on Friday, September 8, 2006. The purpose of the meeting was to review the Economic Feasibility of a Loan for Arkansas Tech University and the Proposed Higher Education Bond Projects. The meeting convened at 10:00 a.m. with a quorum present.

Coordinating Board present:

Kaneaster Hodges, Chair
David Leech, Vice Chair
Jodie Carter
David Damron
Dr. Dan Grant
Steve Luelf
Mark Smith
Dick Trammel
Dr. Anne Trussell

Coordinating Board absent:

Dr. Lynda Johnson, Secretary
Phil Ford
Bill Johnson

Department staff present:

Dr. Linda Beene, Director
Dr. Steve Floyd, Deputy Director
Dr. Karen Wheeler, Associate Director of Academic Affairs
Dr. Stanley Williams, Senior Associate Director for Finance
Ron Harrell, Associate Director for Planning and Accountability
Claudia Griffin, Financial Manager
Robin Henson, Communications Officer
Christina Miller, Coordinator of Research and Policy Development
John Davidson, Financial Manager
Ashley Pettingill, Financial Officer

Presidents, chancellors, other institutional representatives, members of the press, and guests were also present.

Chairman Hodges thanked Coordinating Board members and guests for participating in the meeting.

Report of the Finance Committee

David Damron presented the report of the Finance Committee and moved approval of Agenda Item No. 1. Dick Trammel seconded the motion, and the Board unanimously approved.

Next, Damron moved approval of Agenda Item No. 2. David Leech seconded the motion, and the Board unanimously approved.

Agenda Item No. 1
Economic Feasibility of Loan
Arkansas Tech University

Arkansas Tech University (ATU) requests approval of the economic feasibility of plans to seek a loan for educational & general (E&G) purposes. The loan will be used to purchase property and for the construction, renovation, and equipping of an academic facility. The E&G loan will be approximately \$4 million with a term of approximately three years at an estimated annual interest rate of 4.67 percent. The Arkansas Tech University Board of Trustees approved this action on August 8, 2006.

Budgeted 2006-07 Tuition and Fee Revenue.....	\$25,151,584
Maximum Allowable Debt Service	
(\$25,151,584 x 25%).....	6,287,896
Existing Debt Service.....	1,593,893
Estimated Debt Service for Proposed Issue.....	268,208
Tuition and Fee Revenue Remaining for	
Additional Debt Service.....	\$4,425,795

The above data demonstrate that Arkansas Tech University has sufficient revenue to support a loan of approximately \$4 million with a term of approximately three years at an estimated annual interest rate of 4.67 percent.

RESOLVED, That the Arkansas Higher Education Coordinating Board considers economically feasible plans for Arkansas Tech University to seek a loan of approximately \$4 million with a term of approximately three years at an estimated annual interest rate of 4.67 percent to purchase property and to construct, renovate, and equip an academic facility.

FURTHER RESOLVED, That the Director of the Arkansas Department of Higher Education is authorized to notify the President and the Chair of the Board of Trustees of Arkansas Tech University of the Coordinating Board's resolution.

Steve Luelf questioned the ability of ATU to repay the loan in three years. Dr. Stanley Williams noted that the \$268,208 would not be enough to repay the loan

in three years. However, ATU plans to combine it with other projects and come to the Board with a bond feasibility proposal by the end of the three years.

David Damron inquired about the location of the additional property being purchased by ATU. Dr. Robert Brown, President of ATU, responded that ATU would be purchasing a Crisis Management Center on Lake Dardanelle.

Chairman Hodges congratulated ATU on the approval of their Economic Feasibility of Loan and encouraged them to keep up the good work.

Dr. Brown thanked the Coordinating Board and ADHE staff for their support.

David Leech moved to recommend agenda item No. 1 to the Full Board for consideration. Chairman Hodges seconded, and the Committee unanimously approved.

Agenda Item No. 2 Proposed Higher Education Bond Projects

Dr. Stanley Williams presented the Proposed Higher Education Projects for the public colleges and universities.

RESOLVED, That the Arkansas Higher Education Coordinating Board approves and endorses the Proposed Higher Education Bond Projects and that the Director is instructed to transmit to the Governor that plan for capital projects for public institutions of higher education to be funded from the proceeds derived from the sale of Higher Education Bonds pending approval of the electorate on November 7, 2006 as called for by Act 1282 of 2005. These projects are described herein and are incorporated in the Plan of Implementation. This resolution is adopted in recognition of the benefits to be derived by institutions of higher education including monetary and less tangible benefits which develop from the immediate availability of resources to construct or renovate facilities, perform critical maintenance facilities, and to upgrade technology, thereby enabling institutions to serve additional students, strengthen academic programs, improve both instructional and information technology, maintain accreditation, and to increase research and grant activities.

FURTHER RESOLVED, That the Director is instructed to seek from the Governor one or more proclamations authorizing the issuance by the Arkansas Development Finance Authority of one or more series of Higher Education Bonds to fund the capital projects described in the Plan of Implementation, subject to the limitations set forth herein, in the Implementation Plan, and in the Act, without further action by the Higher Education Coordinating Board.

FURTHER RESOLVED, That these projects shall be educational and general in nature, and will not include projects relating to auxiliary services or programs such as residence halls, or intercollegiate athletics.

FURTHER RESOLVED, That the Higher Education Coordinating Board has not and shall not authorize the issuance of bonds requiring more than \$24 million in debt service per annum as provided for in the Act.

FURTHER RESOLVED, That the Director shall and is directed to act as the duly authorized designee of the Chairman of the Arkansas Higher Education Coordinating Board in requisitioning the proceeds of the bond sales held by the Trustee and certifying that the funds disbursed thereby are for the payment of Project costs of a higher education project duly approved by the Higher Education Coordinating Board, as reflected in the Implementation Plan.

David Damron asked Dr. Williams to explain how the maximum allocations were computed. Dr. Williams stated that they were computed based on need for space, the amount of existing space, debt service capacity, and enrollment. He said that Governor Huckabee requested that \$50 million be allocated to the colleges and \$100 million to the universities, of which \$10 million would be used to connect the universities to the eCorridor.

Dan Grant asked if the total cost for the eCorridor System had been upgraded. Dr. Williams answered yes. The price has gone up, however, this is simply the cost to connect.

Dick Trammel asked if there were any changes in the fund allocations for each institution. Dr. Williams responded no, only the projects changed.

Steve Luelf questioned the term “educational and general in nature” and “auxiliary,” used in the resolution. Dr. Williams commented that education and general in nature refer to all academic programs. The term auxiliary refers to athletic facilities, dorms, bookstores and food services.

David Leech questioned if the institutions could make changes to the bond proposal in the future. Chairman Hodges responded that this is a one time bond issue. Therefore, it cannot be replicated in the future.

David Leech questioned whether the debt service amount would change. Chairman Hodges responded that it would not. There would only be an extension.

Chairman Hodges moved to recommend Agenda Item No. 2 to the Full Board for consideration. Dick Trammel seconded, and the Committee unanimously approved.

Christina Miller conducted a final roll call, reaffirming the quorum.

Chairman Hodges thanked everyone for participating in the meeting and announced that the next Coordinating Board meeting will be October 27, 2006 at Arkansas Tech University in Russellville.

With no further comments, the meeting adjourned.