

**ARKANSAS HIGHER EDUCATION COORDINATING BOARD
Special Meeting via Conference Call
December 9, 2009**

Minutes of Meeting

The Arkansas Higher Education Coordinating Board held a special meeting via conference call on Monday, December 9, 2009. The purpose of the meeting was to approve the economic feasibility of a bond issue for the University of Arkansas at Little Rock. The meeting convened at 10:00 a.m. with a quorum present.

Coordinating Board present:

Dr. Bob Burns, Chair
David Leech, Vice Chair
Sarah Argue
Jodie Carter
Dr. Olin Cook
Bob Crafton
Dr. Dan Grant
Kaneaster Hodges
Steve Luelf

Coordinating Board absent:

Dr. Charles Allen
Dr. Joe Bennett
Phil Ford

Department staff present:

Dr. Jim Purcell, Director
Dr. Stanley Williams, Deputy Director
Nichole Abernathy, Administrative Support

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

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

Report of the Finance Committee

Steve Luelf presented the report of the Finance Committee and moved approval of Agenda Item No. 1. Dr. Dan Grant seconded the motion and the Board approved. Kaneaster Hodges abstained from voting.

**Agenda Item No. 1
Economic Feasibility of Bond Issue
University of Arkansas, Fayetteville**

The University of Arkansas, Fayetteville requests approval of the economic feasibility of plans to issue bonds not to exceed \$54 million with a term of up to

30 years at an estimated annual interest rate not to exceed 5.5 percent.

Proceeds from the bond issue will be used for E&G and auxiliary purposes. The University of Arkansas Board of Trustees approved this action at its meeting held on November 13, 2009.

The combination E&G and Auxiliary issue will be approximately \$54 million including the cost of issuance with an annual debt service of approximately \$3.4 million. The E&G issue will be approximately \$44 million with an annual debt service of approximately \$2.75 million and a term of 30 years. The Auxiliary issue will be approximately \$10 million with an annual debt service of approximately \$650 thousand and a term of 30 years.

The proceeds from this issue will be used to fund E&G renovation projects in Peabody Hall for the College of Education and Health Professions (\$8.8 million), Phase I of classrooms and teaching laboratories (\$4.2 million), Old Health Center for Nursing and the Speech and Communication Disorders Clinic (\$5.2 million), Bud Walton Hall for the David and Barbara Pryor Center for Arkansas Oral and Visual History and the Center for Space and Planetary Sciences (\$1.8 million), Davis Hall for University Relations (\$4 million), and Utility Tunnel Expansion (\$1.7 million); to construct the Nanoscale Science and Engineering Building (\$17.5 million); and to purchase property and various equipment (\$672 thousand). The proceeds will also be used to fund auxiliary renovation projects in various residence halls (\$5 million) and one fraternity (\$4.5 million).

Coordinating Board policy regarding debt service provides that a maximum of 25 percent of net tuition and fee revenue may be pledged to educational and general debt service. Net tuition and fee revenue is the gross tuition and fee revenue less unrestricted educational and general scholarship expenditures. Coordinating Board policy regarding debt service for auxiliary projects provides that annual net auxiliary revenues should be no less than 120 percent of the total annual auxiliary debt service. Additionally, Coordinating Board policy requires that a plan be developed for ongoing maintenance for any new facilities constructed with bond proceeds. The University of Arkansas, Fayetteville has embarked upon a multiyear plan to eliminate deferred maintenance and fund the annual upkeep of all facilities. The comprehensive plan includes a \$10/credit hour facilities fee, and other projected revenue which will cover the Nanoscale Science and Engineering Building and include it in the ongoing planned and preventative maintenance program which covers the campus already. This planned and preventative maintenance program is not reactive as the campus has dealt with facilities in the past but is designed to keep new and renovated buildings fully maintained going forward. The campus went through a complete reorganization of resources moving budget from subsidizing new construction and funding renovation for repurposing facilities to planned and preventative maintenance.

RESOLVED, That the Arkansas Higher Education Coordinating Board considers economically feasible plans for the University of Arkansas, Fayetteville to issue bonds not to exceed \$54 million (\$44 million for E&G purposes and \$10 million for Auxiliary purposes) for a period of up to 30 years at an annual interest rate not to exceed 5.5 percent for purposes as requested.

Dr. Olin Cook asked if the \$10 per credit hour facilities fee was included in the \$109 million net tuition and fee revenue. Dr. Williams said that it was.

Bob Crafton asked when the \$10 per credit hour facilities fee would go into effect. UAF Vice Chancellor for Finance and Administration Dr. Don Pederson explained that the current fee is \$4 per credit hour. Over the next few years, \$2 per credit hour will be added until they reach the \$10 per credit hour mark. He explained that the required annual debt service that they are using the facilities fee for only requires less than \$4 that is currently in place. Although the bond issue does not depend on future increases, they do expect those increases to occur.

Steve Luelf asked if the bond issue's 30-year term caused any concern for ADHE. Dr. Williams said that the concern was for residence halls which typically need renovations before the 30 years are up. He said that he doesn't have a problem with the 30 year term for E&G facilities.

Mr. Luelf asked if it is customary to use these funds for fraternities. Dr. Pederson responded that although this has not customarily been done, they are trying to make sure that the facilities are of the quality to provide for a successful environment for their students. He also explained that the bond council has determined that they are allowed to use up to 10 percent of their bond issue for private use.

David Leech moved to recommend Agenda Item No. 1 to the full Board for consideration. Bob Crafton seconded and the Committee approved. (Kaneaster Hodges stated that because he currently serves on the Fayetteville Chancellor's Advisory Board and the Barbara and David Pryor Advisory Board, he would abstain from voting.)

Nichole Abernathy conducted a final roll call, reaffirming the quorum.

In conclusion, Dr. Alan Sugg and Dr. Don Pederson expressed gratitude to the Coordinating Board and Department of Higher Education for their efforts on the bond issue.

With no further comments, the meeting adjourned.

APPROVED:

Nichole Abernathy

Dr. Charles Allen, Secretary