

**ARKANSAS HIGHER EDUCATION COORDINATING BOARD
Special Meeting via Conference Call
March 29, 2007**

Minutes of Meeting

The Arkansas Higher Education Coordinating Board held a special meeting via conference call on Thursday, March 29, 2007. The purpose of the meeting was to review the Economic Feasibility of a Bond Issue for Arkansas State University and proposed changes to Higher Education Bond Projects for the University of Arkansas for Medical Sciences and the University of Arkansas System. The meeting convened at 9:00 a.m. with a quorum present.

Coordinating Board present:

Kaneaster Hodges, Chair
David Leech, Vice Chair
Jodie Carter
David Damron
Phil Ford
Steve Luel
Dick Trammel
Dr. Anne Trussell

Coordinating Board absent:

Dr. Lynda Johnson, Secretary
Dr. Dan Grant
Mark Smith

Department staff present:

Dr. Linda Beene, Director
Dr. Stanley Williams, Senior Associate Director for Finance
Dale Ellis, Communications Officer
Christina Miller, Assistant Director of Planning and Accountability
Nichole Abernathy, Administrative Support

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. David Leech seconded the motion, and the Board unanimously approved.

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

Agenda Item No. 1
 Economic Feasibility of Bond Issue
 Arkansas State University

Arkansas State University (ASU) requests approval of the economic feasibility of issuing bonds totaling approximately \$40.4 million with a term of 30 years at an estimated annual interest rate of approximately 4.9 percent. Proceeds from the bond issue will be used for both Educational and General (E&G) and auxiliary purposes. Approximately 58 percent of the bond proceeds will be used for auxiliary purposes for the construction of two residential facilities and deferred maintenance projects for other residential facilities. The remaining 42 percent of the bond proceeds will be used for the construction and furnishing of a student recreation center for the education and general purposes of student health, physical education, and recreation. The ASU Board of Trustees approved this bond issue at its meeting on March 9, 2007.

The debt service for the residential facilities will be secured by a pledge of housing revenues and other auxiliary revenues. The debt service for the student recreation center will be secured by tuition and fees. According to Coordinating Board policy, the net revenue from residence halls and other auxiliary purposes must be a minimum of 120 percent of the annual debt service and the debt service backed by tuition and fees cannot exceed 25% of tuition and fee revenue.

Relevant data follow:

Residence Hall (Auxiliary) Portion:

Projected 2009-2010 Net Auxiliary Revenue.....	\$ 7,235,980
Maximum Allowable Annual Debt Service (\$7,235,980/120%)	6,029,983
Existing Auxiliary Debt Service.....	3,999,237
Estimated Debt Service for Residence Hall Portion of	
Proposed Bond Issue	1,529,557
Amount Remaining for Additional Debt Service.	\$ 501,189

Student Recreation Center (E&G) Portion:

Projected 2009-2010 Tuition and Fee Revenue.....	\$53,401,140
Maximum Allowable Annual Debt Service	
(\$53,401,140 X 25%).....	13,350,285
Existing E&G Debt Service.....	2,512,172
Estimated Debt Service for E&G Portion of	
Proposed Bond Issue	1,074,990
Amount Remaining for Additional Debt Service.	\$ 9,763,123

The above data demonstrate that ASU has sufficient auxiliary and tuition and fee revenue to support a bond issue totaling approximately \$40.4 million with a term of 30 years at an estimated annual interest rate of approximately 4.9 percent.

RESOLVED, That the Arkansas Higher Education Coordinating Board considers economically feasible plans for Arkansas State University to issue bonds of approximately \$40.4 million with a term of 30 years at an estimated average annual interest rate of approximately 4.9 percent as requested by the institution for the educational and general and auxiliary purposes listed in this agenda item.

FURTHER RESOLVED, That the Coordinating Board instructs the Director of the Arkansas Department of Higher Education to inform the President and Chair of the Board of Trustees of Arkansas State University of this decision.

David Damron asked why the projected income was used rather than the actual income. Dr. Williams responded that the projected income included the new residence halls, which were not finished. Jennus Burton, Vice President for Finance and Administration at ASU, stated that ASU used a very conservative approach in projecting the income.

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

Agenda Item No. 2 Proposed Changes to Higher Education Bond Projects

Dr. Stanley Williams presented the proposed changes to Higher Education Bond Projects for the University of Arkansas for Medical Sciences and the University of Arkansas System.

RESOLVED, That the Arkansas Higher Education Coordinating Board approves and endorses the revisions to the proposed Higher Education Bond Projects as described in this agenda item and that these projects are incorporated in the Plan of Implementation.

FURTHER RESOLVED, That the Director is instructed to transmit to the Governor the plan for capital projects for public institutions of higher education to be funded from the proceeds derived from the sale of Higher Education Bonds.

FURTHER RESOLVED, That all requirements and limitations approved for the Higher Education Bond Projects by the Arkansas Higher Education Coordinating Board on November 4, 2005 apply to these changes.

Chancellor Dodd Wilson, of the University of Arkansas for Medical Sciences (UAMS), explained that UAMS originally intended to use some cash funds for the hospital expansion; however, they wanted to exchange bond funds for the cash intended for the project.

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.

Chancellor Robert Potts, of Arkansas State University–Jonesboro, thanked the Coordinating Board for approving their Economic Feasibility of Bond Issue and thanked Dr. Beene and ADHE staff members for their help.

Chairman Hodges thanked everyone for participating in the meeting and then thanked Dr. Beene and ADHE staff members for all they've done for higher education. He then announced that the next Coordinating Board meeting would be April 27, 2007 at NorthWest Arkansas Community College in Bentonville.

With no further comments, the meeting adjourned.

Nichole Abernathy

APPROVED:

Dr. Lynda Johnson, Secretary