

FINANCE COMMITTEE

**Arkansas Higher Education Coordinating Board
Conference Call
Thursday, March 19, 2020
9:00 a.m.**

Finance Committee

Keven Anderson, Chair	Chris Gilliam
Al Brodell	Chad Hooten
Bill Clary	Greg Revels
	Dr. Jim Carr, Ex officio

AGENDA

- *1. Economic Feasibility of Loan Issue for East Arkansas Community College (Mr. Nick Fuller)

ARKANSAS HIGHER EDUCATION COORDINATING BOARD SPECIAL MEETING

**Department of Higher Education
Thursday, March 19, 2020**

AGENDA

- *2. Report of the Finance Committee

**ECONOMIC FEASIBILITY OF LOAN ISSUE
EAST ARKANSAS COMMUNITY COLLEGE**

East Arkansas Community College (EACC) requests approval of the economic feasibility of plans to secure a loan not to exceed \$2.7 million with a term of up to twenty (20) years at an annual interest rate not to exceed 2.5 percent. Proceeds from the loan will be used for educational and general (E&G) purposes. East Arkansas Community College Board of Trustees approved this financing at its meeting on February 20, 2020.

The E&G loan issue will be up to \$2.7 million with an annual debt service of \$231,415 and a term of up to twenty (20) years. Proceeds from the loan will be used to finance an Energy Performance Project under the guidelines of the Arkansas Energy Performance Contracting (AEPC) Program overseen by the Arkansas Energy Office. The project includes full interior and exterior campus lighting retrofit to LED for all College facilities, new campus lighting and energy management controls for all College facilities, weatherization and building envelop improvements to multiple facilities, and replacement of 33 obsolete heating/air conditioning systems. As required by the AEPC Program, these improvements will generate annual savings guaranteed by the Energy Service Company, which will exceed the total project cost (construction, equipment and financing). Coordinating Board policy regarding debt service for E&G projects provides that a maximum of 25 percent of net tuition and fee revenue less unrestricted E&G scholarship expenditures may be pledged to E&G debt service.

Relevant data follows:

Budgeted 2019-20 Net Tuition and Fee Revenue	\$ 1,977,991
Maximum Allowable Debt Service (\$1,977,991 X 25%)	\$ 494,498
Existing Debt Service	\$ 0
Proposed New Debt Service	\$ 231,415
Amount Remaining for Additional Debt Service	\$ 263,083

The above data demonstrates that East Arkansas Community College has sufficient tuition and fee revenue to support a loan issue of \$2.7 million with a term of up to twenty (20) years at an annual interest rate not to exceed 2.50 percent.

Any proceeds from loans that require AHECB approval, are used for the purchase or construction of new facilities, and result in additional square footage are subject to the AHECB maintenance policy as adopted in October of 2010. The projects contemplated herein do not provide additional square footage to the campus.

DHE Executive Staff recommend that the Arkansas Higher Education Coordinating Board approve the following resolution:

RESOLVED, That the Arkansas Higher Education Coordinating Board considers economically feasible plans for East Arkansas Community College to secure a loan not to exceed \$2.7 million with a term of up to twenty (20) years at an expected annual interest rate not to exceed 2.5 percent to finance an Energy Performance Project under the guidelines of the Arkansas Energy Performance Contracting (AEPC) Program overseen by the Arkansas Energy Office. As required by the AEPC Program, these improvements will generate annual savings guaranteed by the Energy Service Company.

FURTHER RESOLVED, That the Director of the Division of Higher Education is authorized to notify the President and the Chair of the Board of Trustees of East Arkansas Community College of the Coordinating Board's resolution.