

FINANCE COMMITTEE

**Arkansas Higher Education Coordinating Board
Conference Call
Friday, February 16, 2018
9:30 a.m.**

Finance Committee

Al Brodell, Chair
Keven Anderson
Chris Gilliam

Greg Revels
Sam Sicard
Dr. Charles Allen, Ex officio

AGENDA

- *1. Economic Feasibility of Bond Issue for National Park College (Ms. Chandra Robinson)
- *2. Economic Feasibility of Bond Issue for Southern Arkansas University (Ms. Robinson)

ARKANSAS HIGHER EDUCATION COORDINATING BOARD SPECIAL MEETING Department of Higher Education Friday, February 16, 2018

AGENDA

- *3. Report of the Finance Committee

**ECONOMIC FEASIBILITY OF BOND ISSUE
NATIONAL PARK COLLEGE**

National Park College (NPC) requests approval of the economic feasibility of plans to issue bonds not to exceed \$14.0 million with a term of up to thirty (30) years at an annual interest rate not to exceed 4.50 percent. Proceeds from the bond issue will be used for educational and general (E&G) purposes. The National Park College Board of Trustees approved this financing at its meeting on January 24, 2018.

The educational and general issue will be approximately \$14.0 million with an annual debt service of \$1,205,375 and a term of up to thirty (30) years. Proceeds will be used to refund Series 2004 and Series 2008 bond issues, fund the construction of a new student commons building, new marine technology building, expansion of the west parking lot, construction of a new student campus entrance and certain improvements to the Fisher Campus Center to add instructional space. The improvements will allow National Park College to educate more students, increase the number of graduates and credentials. As well as positively impact the educational attainment levels in Garland County and the State of Arkansas. Coordinating Board policy regarding debt service for projects financed by local tax or millage provides that annual net millage revenue should be no less than 120 percent of the total annual debt service.

Relevant data follows:

Projected 2017-2018 Millage Revenue	\$ 1,462,000
Maximum Allowable Debt Service (\$1,462,000/120%)	\$ 1,218,333
Existing Debt Service Refunded.....	\$ (900,405)
Proposed New Debt Service	\$ 1,205,375
Amount Remaining for Additional Debt Service	\$ 913,363

The above data demonstrates that National Park College has sufficient millage revenue to support a bond issue of \$14.0 million with a term of up to thirty (30) years at an annual interest rate not to exceed 4.50 percent.

In accordance with board policy, National Park College will sustain a building maintenance fund to be supported by millage revenue. These funds will be held in a separate account for the maintenance of the new facilities by transferring annually to plant funds based on the Association of Physical Plant Administrators (APPA) of Universities and Colleges recommendation. The current APPA recommendation is \$2.50 per gross square foot for educational and general facilities. Based on a total of 59,000 square feet, \$147,500 will be transferred annually.

ADHE 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 National Park College to issue bonds in an amount not to exceed \$14.0 million with a term of up to thirty (30) years at an expected annual interest rate not to exceed 4.50 percent to refund Series 2004 and Series 2008 bond issues, fund the construction of a new student commons building, new marine technology building, expansion of the west parking lot, construction of a new student campus entrance and certain improvements to the Fisher Campus Center.

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 National Park College of the Coordinating Board's resolution.

**ECONOMIC FEASIBILITY OF BOND ISSUES
SOUTHERN ARKANSAS UNIVERSITY**

Southern Arkansas University (SAU) requests approval of the economic feasibility of plans to issue bonds not to exceed \$19,175,000 with a term of thirty (30) years at an annual interest rate not to exceed 4.0 percent. Proceeds from the bond issues will be used for educational and general (E&G) and auxiliary purposes. Southern Arkansas University Board of Trustees approved this financing at its meeting on January 30, 2018.

The educational and general issue will be approximately \$17.0 million with an annual debt service of \$943,550 and a term of thirty (30) years. Proceeds will be used to refund the 2007 Series bonds in the amount of approximately \$11,730,000. New funding in the amount of approximately \$5,000,000 will be used to construct an Education building annex, expand the existing band hall facility, and for other E&G renovation projects. The debt service on the bond issue will be supported by tuition and fee revenue. Coordinating Board policy regarding debt service for E&G projects provides that a maximum of 25 percent of tuition and fee revenue, net of scholarship expense, may be pledged to E&G debt service.

Relevant data follows:

Educational and General Issue

Budgeted 2017-18 Tuition and Fee Revenues, Net.....	\$ 22,033,779
Maximum Allowable Debt Service (\$22,033,779 X 25%)	\$ 5,508,445
Existing Annual Debt Service	\$ 2,604,915
Proposed Debt Service.....	\$ 943,550
Amount Remaining for Additional Debt Service.....	\$ 1,959,980

The above data demonstrates that Southern Arkansas University has sufficient tuition and fee revenue to support an educational and general bond issue of approximately \$17.0 million with a term of thirty (30) years at an estimated annual interest rate not to exceed 4.0 percent.

The auxiliary issue will be approximately \$2,175,000 with an annual debt service of \$123,263 and a term of thirty (30) years. Proceeds will be used to refund the 2005B Series bonds in the amount of approximately \$820,000. New funding in the amount of approximately \$1,250,000 will be used to address critical HVAC needs, residence hall renovations, and other auxiliary renovation projects. The debt service on the bond issue will be supported by student housing revenue. Coordinating Board policy regarding debt service for auxiliary projects provides

that annual auxiliary revenues should be no less than 120 percent of the total annual auxiliary debt service.

Relevant data follows:

Auxiliary Issue

Budgeted 2017-18 Auxiliary Revenues, Net.....	\$ 8,465,958
Maximum Allowable Debt Service (\$8,465,958/120%).....	\$ 7,054,965
Existing Annual Debt Service	\$ 2,221,494
Proposed Debt Service.....	\$ 123,263
Amount Remaining for Additional Debt Service.....	\$ 4,710,208

The above data demonstrates that Southern Arkansas University has sufficient auxiliary revenue to support an auxiliary bond issue not to exceed of approximately \$2,175,000 with a term for thirty (30) years at an estimated annual interest rate not to exceed 4.0 percent.

In accordance with board policy, any proceeds from loans that require AHECB approval, which 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. Southern Arkansas University will sustain a building maintenance fund to be supported by tuition and fee revenue for the educational and general facilities and by auxiliary revenues for the auxiliary facilities. These funds will be held in a separate account for the maintenance of the new facilities by transferring annually to plant funds based on the Association of Physical Plant Administrators (APPA) of Universities and Colleges recommendation. The current APPA recommendation is \$2.50 per gross square foot for E&G facilities and \$1.25 per gross square foot for auxiliary facilities.

The educational and general issue will provide additional square footage of approximately 16,400 square feet, resulting in an annual transfer of \$41,000. The auxiliary issue provides no additional square footage.

ADHE 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 Southern Arkansas University to issue bonds in an amount not to exceed \$19,175,000 with a term of thirty (30) years at an estimated interest rate not to exceed 4.0 percent for educational and general purposes to refund the 2007 Series bonds, to construct an Education building annex, expand the existing band hall facility, and for other E&G renovation projects. The auxiliary purposes will be to refund the 2005B Series bonds, address critical HVAC needs, residence hall renovations, and other auxiliary renovation projects.

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 Southern Arkansas University of the Coordinating Board's resolution.