

# **FINANCE COMMITTEE**

**Arkansas Higher Education Coordinating Board**

**Conference Call**

**Monday, November 15, 2010**

**9:00 a.m.**

## Finance Committee

Steve Luelf, Chair  
Dr. Joe Bennett  
Dr. Olin Cook  
Bob Crafton

Kaneaster Hodges  
David Leech  
Bob L. Burns, Ex officio

## **AGENDA**

1. Economic Feasibility of Bond Issue for the University of Arkansas at Fort Smith (Jackie Holloway)
2. Economic Feasibility of Debt Issuance for the University of Arkansas for Medical Sciences (Ms. Holloway)

## **ARKANSAS HIGHER EDUCATION COORDINATING BOARD SPECIAL MEETING**

**Conference Call**

**Monday, November 15, 2010**

**9:00 a.m.**

## **AGENDA**

1. Report of the Finance Committee

**ECONOMIC FEASIBILITY OF BOND ISSUE  
UNIVERSITY OF ARKANSAS AT FORT SMITH**

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University of Arkansas at Fort Smith (UAFS) requests approval of the economic feasibility proposal to issue bonds up to \$9.3 million with a term of up to 25 years at an estimated annual interest rate of 4.5 percent. Proceeds from the bond issue will be used for educational & general (E&G) purposes to renovate the Boreham Library. The University of Arkansas Board of Trustees approved this action on November 12, 2010.

The educational and general issue will be approximately \$9.3 million with a maximum annual debt service of \$627,183. Proceeds from this issue will be used to complete the project financing package which includes a \$2 million federal grant from the Economic Development Administration, \$2 million of ARRA (American Recovery and Reinvestment Act) stimulus funds, \$760,000 of GIF funds and approximately \$1.3 million of institutional cash funds. 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.

Relevant data follows:

2009-10 Net Tuition and Fee Revenues.....	\$ 22,197,331
Maximum Allowable Debt Service (\$22,197,331 x 25%).....	5,549,333
Existing Debt Service.....	3,880,510
Estimated Debt Service for Proposed Issue.....	627,183
Amount Remaining for Additional Debt Services.....	\$ 1,041,640

The above data demonstrates that the University of Arkansas at Fort Smith has sufficient revenue to support a bond issue of approximately \$9.3 million with a term of 25 years at an estimated annual interest rate of 4.5 percent.

Any proceeds from the issuance of bonds or acquisition of loans that require AHECB approval and are used for the purchase or construction of new facilities, resulting in additional square footage, will be subject to the AHECB maintenance policy as adopted in October 2010.

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 the University of Arkansas at Fort Smith to issue bonds not to exceed \$9.3 million with a term of 25 years at

an estimated annual interest rate of 4.5 percent to renovate the Boreham Library.

**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 the University of Arkansas and the Chancellor of the University of Arkansas at Fort Smith of the Coordinating Board's resolution.

**ECONOMIC FEASIBILITY OF DEBT ISSUANCE  
UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES**

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University of Arkansas for Medical Sciences (UAMS) requests approval of the economic feasibility of plans to issue bonds not to exceed \$52.45 million with a term of up to 20 years at an estimated annual interest rate of 4.5 percent, and obtain a loan not to exceed \$12 million with a term of up to 10 years at an estimated annual interest rate of 3.0 percent. Proceeds from the bond issue and loan will be used for auxiliary purposes. The University of Arkansas Board of Trustees approved this at its meeting held on November 12, 2010.

The auxiliary bond issue will be approximately \$52.45 million with an annual debt service of approximately \$4,032,154. Proceeds from the bond issue will be used for (a) improving, equipping and furnishing the ninth floor of the new patient tower building, which will add 60 acute care beds and is expected to generate approximately \$1.2 million annually in net margin to UAMS; (b) improving, equipping and furnishing the eighth floor of the Winthrop P. Rockefeller Cancer Institute; (c) equipping a Central Energy Plant expansion and upgrade which will save energy consumption and reduce cost by approximately \$3.5 million; (d) acquiring undeveloped land for expansion and other University related purposes including Ray Winder Field, and any necessary demolition and site preparation; (e) remodeling operating rooms and adding recovery rooms in the surgical suite to increase surgical capacity; and (f) acquiring, improving, renovating, equipping and/or furnishing other capital improvements and infrastructure and acquiring various equipment.

The loan will be approximately \$12 million with annual debt service of \$1,406,766. The loan will be obtained from a revolving loan fund managed by Arkansas Building Authority and established with funds from the federal government under the American Reinvestment and Recovery Act. Proceeds from the loan will be used to fund a portion of the Central Energy Plant.

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.

Relevant data follows:

Projected Pledged Revenues for 2010-11.....	\$ 550,931,332
Maximum Allowable Debt Service (\$550,931,332/120%)...	459,109,443
Existing Debt Service.....	22,485,705
Estimated Debt Service for Proposed Bond Issue.....	4,032,154
Estimated Debt Service for Proposed Loan.....	1,406,766
Pledged Revenues Remaining for Additional Debt Service	431,184,818

The above data demonstrates that the University of Arkansas for Medical Sciences has sufficient revenue to support a bond issue not to exceed \$52.45 million with a term of up to 20 years at an annual interest rate not to exceed 4.5 percent, and obtain a loan not to exceed \$12 million with a term of up to 10 years at an estimated annual interest rate of 3.0 percent.

Any proceeds from the issuance of bonds or acquisition of loans that require AHECB approval and are used for the purchase or construction of new facilities, resulting in additional square footage, will be subject to the AHECB maintenance policy as adopted in October 2010.

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 the University of Arkansas for Medical Sciences to issue bonds up to \$52.45 million with a term of 20 years at an estimated annual interest rate of 4.5 percent and to obtain a loan up to \$12 million with a term of 10 years at an estimated annual interest rate of 3.0 percent for auxiliary purposes.

**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 the University of Arkansas and the Chancellor of the University of Arkansas Medical Sciences of the Coordinating Board's resolution.