

FINANCE COMMITTEE

**Arkansas Higher Education Coordinating Board
Conference Call
Thursday, March 29, 2007
9:00 a.m.**

Finance Committee

David Damron, Chair
David Leech
Steve Luef

Dick Trammel
Dr. Anne Trussell
Kaneaster Hodges, Ex officio

AGENDA

1. Economic Feasibility of Bond Issue for Arkansas State University
(Dr. Williams)
2. Change in Bond Projects for UAMS and UA System (Dr. Williams)

**ARKANSAS HIGHER EDUCATION COORDINATING BOARD
SPECIAL MEETING
Conference Call
Thursday, March 29, 2007
9:15 a.m.**

AGENDA

1. Report of the Finance Committee

**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.

The following resolution is presented for the Coordinating Board's consideration:

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.

PROPOSED CHANGES TO HIGHER EDUCATION BOND PROJECTS

The Arkansas Higher Education Coordinating Board approved the list of Higher Education Bond Projects on February 2, 2007. The following revisions are requested concerning that list:

University of Arkansas for Medical Sciences

New Classroom Building – **New Construction.** An amount up to \$12 million is allocated to UAMS for the construction of a 30,000 square-foot classroom building. This represents an **increase** of \$3.5 million from the \$8.5 million previously approved for this project by the Coordinating Board.

Critical Maintenance, Renovation and Technology Improvements – **Maintenance, Renovation and Technology.** An amount up to \$3 million is allocated for critical maintenance, renovation and technology improvements. This represents a **decrease** of \$3.5 million from the \$6.5 million previously approved for this project by the Coordinating Board.

University Hospital Expansion – **New Construction.** An additional amount up to \$5.0 million is allocated to UAMS for the construction of a 500,000 square-foot, 10-story hospital expansion. Allocating additional bond proceeds to the University hospital expansion which requires capital funds will allow use by UAMS of \$5 million in cash funds for e-Corridor construction expenses. Such expenses which were originally thought to be capital, such as purchase for fiber, are now known to be excluded from use of bond funds, such as leasing of fiber.

National Lambda Rail / e-Corridor

E-Corridor. The allocated amount is decreased from \$9,509,746 to \$4,509,746. The reduction in bond funds for this project will be offset by \$5 million in cash funds pledged by UAMS for executing leases of fiber and other non-capital expenditures of constructing e-Corridor.

University of Arkansas System

Critical Maintenance, Renovation and Technology Improvements– **Maintenance, Renovation and Technology**. The University of Arkansas System allocation is amended to include critical maintenance and renovation, as well as technology improvements. The original project was for technology upgrades only. This change addresses critical repair needs of the system office. The total amount of allotment (up to \$55,100) is not changed.

The following resolution is offered for the Board's consideration:

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.