

FINANCE COMMITTEE
Arkansas Higher Education Coordinating Board
Conference Call
Friday, September 30, 2016
10:30 a.m.

Finance Committee

Greg Revels, Chair
Dr. Charles Allen
Chris Gilliam

Sherrel Johnson
Sam Sicard
Jim von Grep
Bob Crafton, Ex officio

AGENDA

- *1. Economic Feasibility of Loan Issue for the University of Arkansas Community College at Batesville (Ms. Tara Smith)
- *2. Economic Feasibility of Loan Issue for South Arkansas Community College (Ms. Smith)
- *3. Economic Feasibility of Bond Issue for the University of Arkansas, Fayetteville (Ms. Smith)

ARKANSAS HIGHER EDUCATION COORDINATING BOARD
SPECIAL MEETING
Conference Call
Friday, September 30, 2016
10:40 a.m.

AGENDA

- *4. Report of the Finance Committee

**ECONOMIC FEASIBILITY OF LOAN
UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT BATESVILLE**

The University of Arkansas Community College at Batesville (UACCB) requests approval of the economic feasibility of plans to secure a loan from the College Savings Bond Revolving Loan Fund in the amount of \$2,000,000 with a term of ten (10) years with an annual interest rate not to exceed 0.68 percent. Proceeds from the loan will be used for educational & general (E&G) purposes, along with reserves set aside for this project. The University of Arkansas Board of Trustees approved this loan financing at its meeting on September 8, 2016.

The educational and general issue will be \$2,000,000 with an estimated annual debt service of \$207,556. Proceeds from the loan issue will be used to construct a Workforce Training Center including classrooms, offices, student lounge, clean lab, conference room, innovation hub, rest rooms, and a large open area for teaching workforce training courses/programs.

The debt service on the loan will be supported by revenue from tuition and fees. Coordinating Board policy regarding debt service for educational and general projects provides that a maximum of 25 percent of tuition and fee revenue, net of scholarship expense, may be pledged to educational and general debt service.

Relevant data follows:

Budgeted 2016-17 Net Tuition and Fee Revenue	\$ 3,162,354
Maximum Debt Service (\$3,162,354 X 25%)	790,589
Existing Debt Service	394,624
Proposed Debt Service	207,556
Amount Remaining for Additional Debt Service	\$ 188,409

The above data demonstrates that the University of Arkansas Community College at Batesville has sufficient tuition and fee revenue to support a loan of \$2,000,000 with a term of ten (10) years with an annual interest rate not to exceed 0.68 percent.

In accordance with board policy, University of Arkansas Community College at Batesville will sustain a building maintenance fund to be supported by tuition and fee 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 E&G facilities. Based on a total of approximately 15,000 square feet, \$37,500 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 approves the loan from the College Savings Bond Revolving Loan Fund to The University of Arkansas Community College at Batesville (UACCB) for \$2,000,000 with a term of ten (10) years at an interest rate not to exceed 0.68 percent to construct a Workforce Training 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 the University of Arkansas and the Chancellor of the University of Arkansas Community College at Batesville of the Coordinating Board's resolution.

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

South Arkansas Community College requests approval of the economic feasibility of plans to obtain a loan not to exceed \$2.5 million with a term of up to fifteen (15) years at an annual interest rate not to exceed 2.05 percent. Proceeds from the loan will be used for educational and general (E&G) purposes. South Arkansas Community College Board of Trustees approved this financing at its meeting on September 20, 2016.

The educational and general loan will not exceed \$2.5 million with an annual debt service of \$226,869 and a term of up to fifteen (15) 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 on both east and west campuses, new campus lighting controls for both campuses, energy management controls for all buildings on both campuses and control integration in the Health and Natural Science Building, weatherization and high efficiency boilers for the Whitfield and Administration buildings, a new 200T Air Cooled Chiller for the Computer Technology Building and adding the CT Building to the campus chilled water loop. 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 2016-17 Net Tuition and Fee Revenue	\$ 4,415,145
Maximum Allowable Debt Service (\$4,415,145 X 25%)	\$ 1,103,786
Existing Debt Service	\$ 271,223
Proposed New Debt Service	\$ 226,869
Amount Remaining for Additional Debt Service	\$ 605,694

The above data demonstrates that South Arkansas Community College has sufficient tuition and fee revenue to obtain a loan not to exceed \$2.5 million with a term of up to fifteen (15) years at an annual interest rate not to exceed 2.05 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.

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 South Arkansas Community College to obtain a loan not to exceed \$2.5 million with a term of up to fifteen (15) years at an expected annual interest rate not to exceed 2.05 percent to finance an Energy Performance Project under the guidelines of the Arkansas Energy Performance Contracting (AEPC) Program overseen by the Arkansas Energy Office.

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 South Arkansas Community College of the Coordinating Board's resolution.

**ECONOMIC FEASIBILITY OF BOND ISSUES
UNIVERSITY OF ARKANSAS, FAYETTEVILLE**

The University of Arkansas, Fayetteville requests approval of the economic feasibility of plans to issue bonds not to exceed \$120.0 million with a term of twenty (20) years at an annual interest rate not to exceed 5.50 percent. Proceeds from the bond issue will be used for auxiliary purposes. The University of Arkansas Board of Trustees approved this financing at its meeting on September 8, 2016.

The auxiliary issue will be approximately \$120 million with an annual debt service of approximately \$6.0 million in years 1-5 and \$8.8 million in years 6-20 with a term of twenty (20) years. Proceeds from this bond issue will be used to fund the Donald W. Reynolds Razorback Stadium project, which includes a north end zone expansion, improvements and updates to existing areas in the stadium, and replacement of the Broyles Athletic Center. The total amount of the project is expected to be approximately \$160.0 million. The remaining project funding will be from athletic revenues and transfers of donations and other revenues from the Razorback Foundation. The debt service on the bond issue will be supported by auxiliary revenues.

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 2016-17 Athletic Revenue.....	\$	105,736,950
Maximum Allowable Debt Service (\$105,736,950 / 120%)		88,114,125
Existing Debt Service.....		9,609,316
Proposed Debt Service		8,798,357
Amount Remaining for Additional Debt Service.....	\$	69,706,452

The above data demonstrates that the University of Arkansas, Fayetteville has sufficient athletic revenue to support an auxiliary bond issue of approximately \$120.0 million with a term of twenty (20) years at an estimated annual interest rate not to exceed 5.50 percent.

In accordance with board policy, the University of Arkansas, Fayetteville will sustain a building maintenance fund to be supported by auxiliary 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 \$1.25 per gross square foot for auxiliary facilities. Based on a total of approximately 302,894 new square feet, \$378,618 will be transferred annually.

ADHE Executive Staff recommends 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, Fayetteville to issue bonds in an amount not to exceed \$120.0 million with a term of twenty (20) years at an estimated interest rate not to exceed 5.50 percent for auxiliary purposes to fund the Donald W. Reynolds Razorback Stadium project, which includes a north end zone expansion, improvements and updates to existing areas in the stadium, and replacement of the Broyles Athletic 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 University of Arkansas and the Chancellor of the University of Arkansas, Fayetteville of the Coordinating Board's resolution.