

**ARKANSAS HIGHER EDUCATION COORDINATING BOARD
Special Meeting via Conference Call
June 12, 2014**

Minutes of Meeting

The Arkansas Higher Education Coordinating Board held a special meeting via conference call on Thursday, June 12, 2014. The purpose of the meeting was to consider the economic feasibilities of bond issues for the University of Arkansas, Fayetteville and the University of Arkansas at Fort Smith. The dissolution of the State Board of Higher Education Foundation bank account was also on the agenda. The meeting convened at 10:00 a.m. with all Coordinating Board members present.

Coordinating Board present:

Kaneaster Hodges, Chair
Bob Crafton, Vice Chair
Sarah Argue, Secretary
Dr. Charles Allen
Dr. Joe Bennett
Dr. Olin Cook
Horace Hardwick
Sherrel Johnson
Florine Milligan
Ben Pickard
Greg Revels
Mary Anne Salmon

Coordinating Board absent:

Department staff present:

Shane Broadway, Director
Harold Criswell, Deputy Director
Chandra Robinson, Program Coordinator for Institutional Finance
Callan Callaway, Program Coordinator for Institutional Finance
Jake Eddington, Program Specialist for Institutional Finance
Nichole Abernathy, Executive Assistant

Presidents, chancellors, other institutional representatives, and guests were also present.

Chairman Hodges thanked the Coordinating Board members and guests for participating on the call.

Agenda Item No. 1
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 \$33.5 million in two series with

terms of thirty (30) years for both issues at an estimated annual interest rate not to exceed 5.0 percent for the educational and general (E&G) issue and 6.0 percent for the auxiliary issue.

The E&G issue will not exceed \$27.0 million with an annual debt service of approximately \$1.58 million and a term of thirty (30) years at an estimated annual interest rate not to exceed 5.0 percent. The annual debt service on the bond issue will be supported by several sources of revenue.

The Auxiliary issue will be approximately \$6.5 million with an annual debt service of \$348,622 million and a term of thirty (30) years at an estimated annual interest rate not to exceed 6.0 percent. The annual debt service is to be paid from revenues none of which derives from State appropriation or any student tuition or fees.

RESOLVED, That the Arkansas Higher Education Coordinating Board considers economically feasible plans for the University of Arkansas, Fayetteville to issue bonds not to exceed \$33.5 million in two series both with a maximum of thirty (30) years at an estimated annual interest rate not to exceed 5.0 percent for the E&G issue and 6.0 percent for the Auxiliary issue. Proceeds from the bond issue will be used for various E&G and Auxiliary 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 the University of Arkansas and the Chancellor of the University of Arkansas, Fayetteville of the Coordinating Board's resolution.

Bob Crafton asked why the two series had the difference in interest fees, one 5.0 percent and the other 6.0 percent.

Don Pederson, vice chancellor for finance and administration at UAF, explained that tactical bonds are always at a higher rate because the purchaser of the bonds must pay taxes on the bond's interest earned, so, they earn less interest.

Greg Revels moved to recommend Agenda Item No. 1 to the Full Board for consideration. Dr. Charles Allen seconded, and the Committee unanimously approved.

Nichole Abernathy conducted a roll call to confirm that the vote was unanimous.

Agenda Item No. 2
Economic Feasibility of Bond Issue
University of Arkansas at Fort Smith

The University of Arkansas at Fort Smith requests approval of the economic feasibility of plans to issue bonds of approximately \$11 million with a term of

twenty-five (25) years at an annual interest rate not to exceed 5.0 percent. Proceeds from the bond issue will be used for educational & general (E&G) purposes. The Board of Trustees of the University of Arkansas approved this financing at its meeting on May 21, 2014.

RESOLVED, That the Arkansas Higher Education Coordinating Board considers economically feasible plans for the University of Arkansas at Fort Smith to issue bonds in an amount not to exceed \$11 million with a term of twenty-five (25) years at an estimated interest rate of 5.0 percent to fund the acquisition, construction, equipping and furnishing of a student recreation and wellness center, and acquiring, constructing, improving, renovating, equipping and/or furnishing other capital improvements and infrastructure and acquiring various equipment and/or real property for the University of Arkansas at Fort Smith.

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.

There were no questions.

Dr. Allen moved to recommend Agenda Item No. 2 to the Full Board for consideration. Sherrel Johnson seconded, and the Committee unanimously approved.

Nichole Abernathy conducted a roll call to confirm that the vote was unanimous.

Agenda Item No. 3
Dissolution of the State Board of
Higher Education Foundation Bank Account

The State Board of Higher Education Foundation was established on May 2, 1992. The Board for the Foundation includes three annually elected members: a president, a vice president and a secretary/treasurer. The Foundation was established in order to accept private funds for specific projects for the benefit of higher education in Arkansas.

The funds remaining in the foundation bank account will be used for the final furnishings for the offices of the Arkansas Department of Higher Education (ADHE). No private funds will be accepted going forward to replenish this bank account and it will be closed henceforth.

RESOLVED, That the Arkansas Higher Education Coordinating Board use the funds for final furnishings for the offices of the ADHE.

FURTHER RESOLVED, That the Arkansas Higher Education Coordinating Board approves the dissolution of the State Board of Higher Education Foundation Bank Account.

Director Shane Broadway explained that because ADHE is having trouble providing the articles of incorporation for the SBHE Foundation to the bank, we have been unable to access the account or change the signatures on the account. Therefore, we are requesting that the account be dissolved. The funds will be used to hang institutional photos in ADHE and to purchase final furnishings for the offices.

Sherrel Johnson asked how much was in the account. Director Broadway said \$6088.00.

Bob Crafton noted that the account is drawing about 22 cents interest a month.

Kaneaster Hodges asked if the original source of the funds was private donations. We are not allocating state funds for a private purpose said Hodges.

Director Broadway said correct, the source was private funds.

Kaneaster Hodges asked how the funds would be handled by ADHE.

Director Broadway said once ADHE received the funds, they would be deposited, accounted for and audited. Broadway explained that the Department of Finance and Administration (DFA) has a policy in place for moving private funds to a state account and ADHE would adhere to their process.

Bob Crafton asked if the Foundation Committee would be dissolved at this time as well. Director Broadway said no, that would be a separate issue that would have to be discussed at a later date.

Dr. Charles Allen asked if the Foundation account was originally setup to help pay for the ADE commissioner. Director Broadway said it was.

During the discussions, Greg Revels stated that he was able to find where the SBHE Foundation filed for their articles of incorporation on the Secretary of State's website and it said it was in good standing.

Based on the new information, Chairman Hodges recommended that Agenda Item No. 3 be delayed until further information could be provided. Dr. Charles Allen seconded, and the Committee unanimously approved.

Nichole Abernathy conducted a roll call to confirm that the vote was unanimous.

Report of the Committee

Bob Crafton presented the report of the Finance Committee and moved approval of Agenda Items 1 – 2. Dr. Charles Allen seconded the motion and the Board unanimously approved.

Nichole Abernathy conducted a final roll call, reaffirming the quorum.

Chairman Hodges thanked everyone for participating in the meeting and announced that the next meeting would be July 25, 2014, at the Department of Higher Education in Little Rock.

With no further comments, the meeting adjourned at 11:03 p.m.

Nichole Abernathy

APPROVED:

Sarah Argue, Secretary