

**FINANCE COMMITTEE**  
**Arkansas Higher Education Coordinating Board**  
**Conference Call**  
**Monday, May 12, 2014**  
**3:00 p.m.**

Finance Committee

Bob Crafton, Chair  
Dr. Charles Allen  
Dr. Joe Bennett

Horace Hardwick  
Sherrel Johnson  
Greg Revels  
Kaneaster Hodges, Ex officio

**AGENDA**

- \*1. Economic Feasibility of Bond Issue for Southern Arkansas University  
(Ms. Chandra Robinson)

**ARKANSAS HIGHER EDUCATION COORDINATING BOARD**  
**SPECIAL MEETING**  
**Conference Call**  
**Monday, May 12, 2014**  
**3:10 a.m.**

**AGENDA**

- \*2. Report of the Finance Committee

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

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Southern Arkansas University requests approval of the economic feasibility of plans to issue bonds of approximately \$10 million with a term of up to twenty (20) years at an annual interest rate not to exceed 5.0 percent. Proceeds from the bond issue will be used for auxiliary housing purposes. The Southern Arkansas University Board of Trustees approved this financing at its meeting on February 11, 2014.

The auxiliary issue will not exceed \$10 million with an annual debt service of \$732,895 and a term of twenty (20) years. The annual debt service on the bond issue will be supported by net auxiliary revenue. Proceeds from the bond issue will be used to purchase the University Village apartments on the campus of Southern Arkansas University in Magnolia, Arkansas. 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:

Estimated 2013-14 Auxiliary Net Revenue.....	\$ 3,023,643
Maximum Allowable Debt Service (\$3,023,643/120%)	2,519,703
Existing Annual Auxiliary Debt Service.....	1,180,939
Estimated Debt Service .....	732,895
Amount Remaining for Additional Debt Service.....	\$ 605,869

The above data demonstrates that Southern Arkansas University has sufficient housing revenue to support an auxiliary bond issue of approximately \$10 million with a term for twenty (20) years at an estimated annual interest rate not to exceed 5.0 percent.

In accordance with board policy, Southern Arkansas University will sustain a building maintenance fund to be supported by auxiliary revenues. 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 77,900 square feet, \$97,375 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 Southern Arkansas University to issue bonds in an amount not to exceed \$10 million with a term of twenty (20) years at an estimated interest rate of 5.0 percent to purchase the University Village apartments on the campus of Southern Arkansas University in Magnolia, Arkansas.

**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.