

**FINANCE COMMITTEE**  
**Arkansas Higher Education Coordinating Board**  
**Conference Call**  
**Thursday, June 12, 2014**  
**10:00 a.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 the University of Arkansas, Fayetteville  
(Ms. Chandra Robinson)
- \*2. Economic Feasibility of Bond Issue for the University of Arkansas at Fort Smith  
(Ms. Robinson)
- \*3. Dissolution of the State Board of Higher Education Foundation Bank Account

**ARKANSAS HIGHER EDUCATION COORDINATING BOARD**  
**SPECIAL MEETING**  
**Conference Call**  
**Thursday, June 12, 2014**  
**10:10 a.m.**

**AGENDA**

- \*4. Report of the Finance Committee

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

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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 University of Arkansas Board of Trustees approved the two series at its meeting held on May 21, 2014.

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 bond proceeds will be used for the following projects:

- (1) acquiring the Cato Springs Research Center building, grounds and adjacent property with an approximate annual debt service of \$458,853 supported by the existing budgeted annual lease costs of the facility with additional square footage of 28,982,
- (2) renovating the Central Heating Plant Building and upgrading the production infrastructure with additional approximate annual debt service of \$215,213 supported by utility revenues,
- (3) renovating, improving, equipping and furnishing the Field House building for use as a performing arts center with additional approximate annual debt service of \$488,172 supported by Facility Fee Revenue,
- (4) renovating, improving, equipping and furnishing space in the Agricultural, Food and Life Science Building for use as classrooms with an approximate annual debt service of \$173,334 supported by Facility Fee revenue,
- (5) renovating, improving, equipping and furnishing a previously purchased warehouse and small office building. A second, smaller deteriorated warehouse will be demolished, and the remaining warehouse will be renovated and expanded by two floors. Total square footage for the completed project will be approximately 34,000 square feet. The Art and Design District is located just south of the main campus between Government Avenue and Hill Avenue. The Department of Art is growing rapidly, and will be moving its expanded Foundations Studio courses, Sculpture labs, and MFA research studios to the district for use by its students and faculty, helping to accommodate the continuing growth of

the Department with an approximate annual debt service of \$243,231 supported by Facility Fee,

- (6) acquiring, constructing, improving, renovating, equipping, and/or furnishing other capital improvements and infrastructure and acquiring various equipment and/or real property if proceeds are available.

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:

**Educational and General Issue**

Budgeted 2013-2014 Net Tuition and Fee Revenue .....	\$187,363,281
Maximum Debt Service (\$187,363,281 X 25%) .....	\$46,840,820
Existing Debt Service .....	\$22,387,530
Proposed Debt Service .....	\$1,581,000
Amount Remaining for Additional Debt Service .....	\$22,872,290

The above data demonstrates that the University of Arkansas, Fayetteville has sufficient tuition and fee revenue to support a bond issue of approximately \$27.0 million with a term of thirty (30) years at an estimated annual interest rate not to exceed 5.0 percent.

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. The bond proceeds will be used to renovate, construct, and furnish (1) housing for the Pi Kappa Alpha Fraternity, and (2) other capital improvements and infrastructure and various equipment for auxiliary purposes if proceeds are available. The annual debt service will be paid from revenues generated by the fraternity through room rates, parlor fees to all active members, and any other revenues of the fraternity.

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:

**Auxiliary Issue**

Total Net Auxiliary Revenues.....	\$40,782,730
Maximum Debt Service (\$40,782,730 / 120%).....	\$33,985,608
Existing Debt Service .....	\$25,418,687

Proposed Debt Service .....	\$348,622
Amount Remaining for Additional Debt Service .....	\$8,218,299

The above data demonstrates that the University of Arkansas, Fayetteville has sufficient auxiliary fee revenue to support a bond issue of approximately \$6.5 million with a term of thirty (30) years at an estimated annual interest rate not to exceed 6.0 percent.

In accordance with board policy, The University of Arkansas, Fayetteville will sustain a building maintenance fund to be supported by tuition and fee revenue and 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 \$2.50 per gross square foot for E&G facilities and \$1.25 for Auxiliary facilities. Based on an estimated total of 62,982 square feet for E&G, \$157,455 will be transferred annually. The estimated new Auxiliary square footage funded by this fund issue is 26,629, therefore \$33,286 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 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.

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

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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.

The E&G issue will not exceed \$11 million with an annual debt service of \$694,006 and a term of twenty-five (25) years. The annual debt service on the bond issue will be supported by net tuition and fee revenue. Proceeds from the bond issue will be used 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. Coordinating Board policy regarding debt service provides that a maximum of 25 percent of net tuition and fee revenue may be pledged to E&G debt service. Net tuition and fee revenue is the gross tuition and fee revenue less unrestricted educational and general scholarship expenditures.

Relevant data follows:

Projected 2014-15 Net Tuition and Fee Revenue .....	\$ 32,259,631
Maximum Debt Service (\$32,259,631 x 25%).....	8,064,908
Existing Debt Service .....	4,561,623
Proposed Debt Service .....	694,006
Amount Remaining for Additional Debt Service .....	\$ 2,809,279

The above data demonstrates that the University of Arkansas at Fort Smith has sufficient tuition and fee revenue to support an E&G bond issue of approximately \$11 million with a term of twenty-five (25) years at an estimated annual interest rate not to exceed 5.0 percent.

In accordance with board policy, the University of Arkansas at Fort Smith will sustain a building maintenance fund to be supported by tuition and fee 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 \$2.50 per gross square

foot for E&G facilities. Based on a total of 48,139 square feet, \$120,348 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 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.

**DISSOLUTION OF THE STATE BOARD OF  
HIGHER EDUCATION FOUNDATION BANK ACCOUNT**

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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.

The following resolution is presented for Board consideration:

**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.