

**ARKANSAS HIGHER EDUCATION COORDINATING BOARD
SPECIAL MEETING**

**Tuesday, June 25, 2019
2:00 p.m.**

Conference Call

AGENDA

- *1. Economic Feasibility of Bond Issue for National Park College (Mr. Nick Fuller)
- *2. Economic Feasibility of Bond Issue for Northwest Arkansas Community College (Mr. Fuller)

**ECONOMIC FEASIBILITY OF BOND ISSUE
NATIONAL PARK COLLEGE**

National Park College (NPC) requests approval of the economic feasibility of plans to issue bonds not to exceed \$9.9 million with a maximum term of thirty (30) years at an estimated annual interest rate not to exceed 4.51 percent. Proceeds from the bond issue will be used for auxiliary purposes. National Park College Board of Trustees approved this financing at its meeting on June 6, 2019.

The auxiliary issue will be up to \$9.9 million with an annual debt service of \$612,614 and a term of up to thirty (30) years. Proceeds from the bond issue will be used to provide for the first student housing (on or off campus) project at the College, to fund debt service reserves, provide for capitalized interest and to pay costs of issuing the bonds. The debt service on the auxiliary bond issues 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 total annual auxiliary debt service.

Relevant data follows:

Budgeted 2020-2021 Auxiliary Revenue	\$ 2,767,271
Maximum Allowable Debt Service (\$2,767,271/ 120%).....	\$ 2,306,059
Existing Debt Service	\$ 0
Proposed New Debt Service.....	\$ 612,614
Amount Remaining for Additional Debt Service.....	\$ 1,693,445

The above data demonstrates that NPC has sufficient auxiliary revenue to support a bond issue of approximately \$9.9 million with a term of thirty (30) years at an estimated annual interest rate not to exceed 4.51 percent.

In accordance with ADHE Board policy, National Park College will sustain a building maintenance fund to be supported by revenues derived from auxiliary revenue. These funds will be held in a separate account for the maintenance of the new facility 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. The auxiliary issue will provide additional square footage of approximately 48,000 square feet, resulting in an annual transfer of \$60,000.

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 National Park College to issue bonds in an amount not to exceed \$9.9 million with a term of thirty (30)

years at an estimated interest rate not to exceed 4.51 percent for auxiliary purposes to provide for the first student housing (on or off campus) project at the College, to fund debt service reserves, provide for capitalized interest and to pay costs of issuing the bonds.

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 National Park College of the Coordinating Board's resolution.

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

Northwest Arkansas Community College (NWACC) requests approval of the economic feasibility of plans to secure a loan up to \$4.4 million with a term of ten (10) years at an annual interest rate not to exceed 4.0 percent. Proceeds from the loan will be used for auxiliary purposes. The Northwest Arkansas Community College Board of Trustees approved this financing at its meeting on June 3, 2019.

The auxiliary issue will be approximately \$4.4 million with an annual debt service of approximately \$804,571 and a term of ten (10) years. Proceeds from the loan will be used for implementation costs of the Workday Enterprise Resource Planning (ERP) system. The debt service on the loan issue will be supported by local millage revenue. Coordinating Board policy regarding debt service provides fee revenue should be no less than 120 percent of the estimated total annual debt service.

Relevant data follows:

Budgeted 2019-20 Millage Revenue	\$ 11,256,000
Budgeted 2019-20 Millage Revenue for Capital Improvements (1/3)	\$ 3,752,000
Maximum Allowable Debt Service (\$3,752,000 / 120%)	\$ 3,126,667
Existing Debt Service	\$ 2,254,333
Proposed New Debt Service	\$ 804,571
Amount Remaining for Additional Debt Service	\$ 67,763

The above data demonstrates that Northwest Arkansas Community College has millage revenue to support an auxiliary loan issue of approximately \$4.4 million with a term of ten (10) years at an estimated annual interest rate not to exceed 4.0 percent.

In accordance with board policy, any proceeds from bonds that require AHECB approval, which 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, 2010. The above project does not provide additional square footage.

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 Northwest Arkansas Community College to secure a loan up to exceed \$4.4 million with a term of ten (10) years at an estimated interest rate not to exceed 4.0 percent for auxiliary purposes for the implementation costs of the Workday Enterprise Resource Planning (ERP) system.

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