

S B R R

SENATE FINANCE COMMITTEE REPORT

DATE: 4/12/91

FURTHER:

DATE TURNED INTO OFFICE: 4-30-91

The Finance Committee considered SENATE BILL NO. 232

"An Act relating to revenue bonds issued by the University of Alaska and approving the issuance of revenue bonds for construction of a student recreation center at the University of Alaska Fairbanks; and providing for an effective date."

and recommended:

- replace with _____ CS _____
 - or adopt _____ CS SR 232 (HES)
 - attached amendment(s)
 - _____ letter of intent adopted
- same title
 - new title
 - technical title change (HB only)

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

appropriation-no fiscal note

APPROVES PREVIOUS:

Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

U of A 4/11/91

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

1.

2.

Co-Chairs: Signatures and Recommendations

STATE OF ALASKA
1991 LEGISLATIVE SESSION

R/SFC 4-30-91 No. 1

Bill Version: SB 232

(S) Publish Date: 4/12/91

Revision Date: _____ Department Affiliation: _____
 Title: University of Alaska BRU: University of Alaska Fairbanks
Revenue Bonds Component: UAF/Fairbanks Campus
 Sponsor: Senator Steven Frank
 Requestor: _____ COMPONENT SERIAL NO.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

Changes in CS SB 232 (YES)
 have no fiscal impact. This
 fiscal note is appropriate.

12 APR 91 date MSJ Comptroller (initial)

Prepared By: Jim Lynch, Controller Phone: 907-474-7711
 Division: University of Alaska Date: 04/11/91
 Approved by Commissioner: Jim Lynch for Brian Rogers
 Agency: University of Alaska Date: 04/11/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

CS FOR SENATE BILL NO. 232 (HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered: 4/12/91
Referred: Finance

Sponsor(s): SENATOR FRANK

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to revenue bonds issued by the University of Alaska; and providing for
2 an effective date."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 * Section 1. AS 14.40 is amended by adding a new section to read:

5 Sec. 14.40.254. UNIVERSITY REVENUE BONDS. (a) Subject to AS 14.40.253, the board
6 may issue revenue bonds to pay the cost of acquiring, constructing, or equipping a facility that
7 the board determines is necessary.

8 (b) The board may enter into an agreement with a trustee or bond owner for the purpose
9 of securing payment of revenue bonds issued by the University of Alaska to acquire, construct,
10 or equip a facility that the board determines is necessary. The agreement may include the fixing
11 and collection of fees, charges, or rentals pledged to secure payment of the revenue bonds and
12 agreement regarding the use of the proceeds of the revenue bonds.

13 (c) The state pledges not to limit or alter rights vested under this section in the University
14 of Alaska to fulfill the terms of a contract with revenue bond owners.

i (d) The board may pledge revenue received by the University of Alaska as fees, charges,
2 or rentals in order to secure payment of the revenue bonds. A pledge of revenue received by the
3 University of Alaska is considered a perfected security interest and is valid and binding from the
4 time the pledge is made. The pledge creates an immediate lien against property pledged without
5 physical delivery or other act.

6 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).




Alaska State Legislature

SENATE

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

TO: Senator Pat Pourchot, Co Chair
Senator Jay Kerttula, Co Chair
Senate Finance Committee

FROM:  Senator Steve Frank

RE: SB 232(HESS) - Univ. of Alaska Revenue Bonds

DATE: April 30, 1991

SB 232 would complete the legislative authority given last year to the University to issue debt by allowing them to pledge University revenues for the repayment of revenue bonds.

The Senate HESS Committee removed section 2. from the original bill which gave specific authority to the University to issue revenue bonds for the planned student activity center at UAF. Since student center is also authorized under section 1. of the bill (the general revenue bond authority) the committee felt that section 2. was not necessary.

Additionally, the committee inserted language suggested by the Attorney General's Office and the Department of Revenue, Division of the Treasury that reads "under this section" in section 1.(c) to make it clear that no broader rights were being implied or given than that necessary for this bill's purposes.

Thank you for your consideration.

James F. Lynch
Controller and Associate Vice
President for Finance



813 Gruening Building
Fairbanks, Alaska 99775-6300
(907) 474-7711
(907) 474-6167 (FAX)

University of Alaska
Statewide System of Higher Education

April 8, 1991

Mr. Rick Solie, Legislative Aid
Office of Senator Steve Frank
Alaska State Senate
P.O. Box V
Juneau, AK 99811

Re: Senate Bill 232, University of Alaska Student Recreation
Center Revenue Bond Authorization

Dear Rick:

This letter is in response to your request for information regarding the student recreation center debt authorization request.

In its narrowest sense, the bill provides authorization to issue revenue bonds for a specific project, the Fairbanks campus student recreation center; and in a broader sense it provides the university with the ability to pledge university receipts to secure that debt or any debt issued under ~~AS 44.40.253~~.

A student referendum was held in October 1990 at which the Fairbanks studentbody approved a proposal for assessment of a separate activity fee of \$75 per semester for payment of debt service to construct an indoor recreation center on campus. Based on that statement of student commitment for the project, the Board of Regents approved seeking legislative authorization to issue revenue bonds for the recreation center. The university administration is supportive of the project because of the personal commitment by the students to pay for the facility and its improvement in the quality of student life on campus. However, although the student commitment on a per student basis is quite large, the revenue base is relatively small for a project this size. Depending on design and construction costs, the project may have to be scaled down, or other revenue sources pledged, in order to make the financing feasible and attractive to underwriters, bond insurers and investors. Details of the project are enclosed.

The bill also gives the university a broader base of revenue to pledge as support for debt transactions. Historically, specific revenues have been pledged to finance specific projects such as housing fees for student housing, student fees for the Anchorage recreation center, and power plant rent for plant construction. Although specific pledging of project revenues keeps the issue neat and tidy from an accounting perspective, it provides

considerably less security from the perspective of investors, bond insurers and rating agencies. It results in higher interest rates, higher bond issuance costs and restrictive covenants such as debt service and renovation reserves, property and liability insurance requirements, and environmental hazard indemnification.

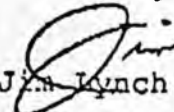
~~In principle, a broader revenue base for support of a specified debt provides a more attractive debt instrument for investors. This provision will put the university in a better position to obtain more favorable rates, terms and conditions than merely being forced to accept the dictates of bond insurers, rating agencies and underwriters.~~ For example, in structuring a debt issue for a specialized service facility, such as the student recreation center, the project fees may be adequate to pay the actual debt service, but bond insurers, rating agencies or the market may require pledged fees to be 125 percent or 140 percent of the estimated annual debt service. The minimal revenue pledge may also require alternative terms and conditions to provide comfort to the investor such as higher interest rates, large debt service and renovation reserves, and a host of restrictions on construction and operation of the facilities.

A broader revenue base will allow the university to put together more sensible, flexible and saleable financing packages. For instance, ~~it may be able to pay the actual debt service with project fees, but provide a critical margin of security to investors by an additional pledge of other student fees; it may be able to structure the debt over a shorter term if considered necessary for market or debt policy reasons; it may be able to structure level debt service payments or subsidize the student contribution in early years, so as to take advantage of higher student contributions resulting from a larger student population and fee inflation in later years.~~

The university has issued very little long-term debt. Its total FY91 debt service, including principal and interest payments, for long-term debt is \$2.7 million (approximately 1.3 percent of unrestricted current fund revenues, which is extremely low) and levels off at approximately \$2 million in FY94. The Board of Regents is currently working on debt policy which will place constraints on further debt issuances. Enclosed for your information is a draft copy of the Regents' debt policy relating to facilities and real property improvements, a copy of a university long-term debt service schedule and a copy of a schedule of revenue bond debt comparison for several other states which I received from Dan Kaplan of John Nuveen & Co. several months ago.

If you have any questions or if I can be of any assistance, please let me know.

Sincerely,


J. M. Lynch

WOHLFORTH, ARGETSINGER, JOHNSON & BRECHT

PETER ARGETSINGER
JULIUS J. BRECHT
CYNTHIA L. CARTLEDGE
ROBERT M. JOHNSON
BARBARA E. KISSNER
THOMAS F. KLINKNER
ANDREW M. LEBO
BRADLEY E. MEYEN
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KENNETH E. VASSAR
ERIC E. WOHLFORTH

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900 WEST 5TH AVENUE, SUITE 600

ANCHORAGE, ALASKA 99501

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OF COUNSEL
ROGER G. CONNOR

April 4, 1991

Mr. Rick Solie
Office of Senator Steve Frank
Alaska State Senate
P.O. Box V
Juneau, Alaska 99811

RE: University of Alaska Legislative Bill
Our File Number 3120.0004

Dear Mr. Solie:

You have asked me to explain the technical reason for the Bill relating to Bonds issued by the University of Alaska and approving the issuance of Revenue Bonds for Construction of a Student Recreation Center at the University in Fairbanks.

The bill is a necessary addition to the legislation passed last year allowing the University to issue debt. The bill provides that the University may enter into agreements securing bonds and that those agreements may provide for the fixing and collecting of fees, rentals, or charges of the University to secure bonds. The bill also gives the Board of Regents power to pledge revenues to secure bonds.

The power to pledge revenues to secure bonds is an essential element of the permission to issue revenue bonds. Revenue bonds are by nature bonds secured only by the revenues of particular facilities. The existing permission of the University to issue debt lacked the essential feature of the ability to pledge revenues of the University to secure that debt. The proposed bill remedies that omission.

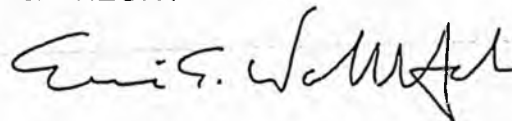
Mr. Rick Solie
April 4, 1991
Page 2

In addition, the bill contains a specific authorization for indebtedness in respect of the student recreation center in Fairbanks.

If you desire further information, please contact me.

Very truly yours,

WOHLFORTH, ARGETSINGER, JOHNSON
& BRECHT



Eric E. Wohlforth

:gt

cc: Mr. James Lynch
University of Alaska, Fairbanks

University of Alaska
Total Debt Service Schedule
December 31, 1990

	Notes	Revenue Bonds	Leasehold Obligations	Certificates of Participation	Total
FY91	\$ 992,276.08	\$ 530,067.90	\$ 1,144,607.50	\$ 53,889.53	\$ 2,720,841.01
FY92	993,176.08	524,511.65	1,139,720.00	162,313.76	2,657,407.73
FY93	2,072,215.02	528,749.16	1,137,820.00	180,638.76	3,738,784.18
FY94	475,285.80	527,430.41	940,170.00	187,791.26	1,942,886.21
FY95	475,435.80	539,736.65	1,178,505.00	194,273.76	2,193,677.45
FY96	191,935.80	527,167.91	1,171,002.50	205,086.26	1,890,106.21
FY97	191,935.80	529,567.91	1,170,077.50	209,726.26	1,891,581.21
FY98	191,935.80	531,442.90	1,160,510.00	218,603.76	1,883,888.70
FY99	191,935.80	527,736.65	1,162,027.50	221,326.26	1,881,699.95
FY00	191,935.80	522,884.16	1,159,075.00	223,338.76	1,873,894.96
FY01	191,935.80	470,233.06	1,156,365.00	229,641.26	1,818,533.86
FY02	191,935.80	439,617.43	658,535.00	229,878.76	1,290,088.23
FY03	191,935.80	289,732.31	656,858.75	229,303.13	1,138,526.86
FY04	191,935.80	230,551.03	657,450.00	237,503.13	1,079,936.83
FY05	191,935.80	132,410.25	654,957.50	244,228.13	979,303.55
FY06	191,935.80	128,810.25	654,005.00	239,662.50	974,751.05
FY07	191,935.80	130,210.25	654,115.00	233,806.26	976,261.05
FY08	191,935.80	50,135.25	650,312.50	103,687.50	892,383.55
FY09	191,935.80				191,935.80
FY10	191,935.80				191,935.80
FY11	191,935.80				191,935.80
FY12	159,932.12				159,932.12
	<u>\$ 8,239,293.70</u>	<u>\$ 7,160,995.13</u>	<u>\$ 17,106,113.75</u>	<u>\$ 3,604,699.04</u>	<u>\$ 36,111,101.62</u>

**Comparison of State General
Obligation and University Debt
(dollars in thousands)**

	<u>Alaska</u>	<u>Delaware</u>	<u>Montana</u>	<u>North Dakota</u>	<u>Oklahoma</u>	<u>Vermont</u>	<u>Wyoming</u>
Population	534,000	633,000	819,000	679,000	3,305,000	541,000	507,000
General Obligation Debt	\$490,000	\$456,530	\$83,390	\$138,095	\$80,376	\$271,810	\$ -0-
G.O. Ratings	Aa/AA-	AA/AA+	Aa/AA-	Aa/AA-	Aa/AA	Aa/AA	NR/NR
University Revenue Debt (1)	\$9,390	\$45,515	\$123,828	\$26,375	\$66,040	\$63,530	\$46,265
Ratings (2)	NR/NR	NR/AA+	Aaa/AAA	A1/A	A/A	A/AA	Aaa/AAA

(1) Student fee, general receipts or auxiliary enterprise fund debt.

(2) Triple A ratings are for insured issues.

Note: All but three state university systems (Hawaii, Mississippi and Oregon) have received legislative authorization for some type of university revenue bond financing.

Source: Moody's Bond Record
S & P Municipal Bond Bank

John Vosmek Architect

16 January 1991

UAF ATHLETIC FACILITY DESIGN RECEIVES STUDENT APPROVAL AND SUPPORT

John Vosmek Architect has recently completed preliminary plans and a model of a student recreation center for the campus of the University of Alaska - Fairbanks. The design and model were used as informational materials in a successful campaign to win student approval of a fee assessment to service approximately \$5,000,000 in bonds to support the project. Snow on the ground from October to May and temperatures commonly dropping to -40F make indoor recreation space particularly important to the quality of life and recruitment and retention on this campus.

The student recreation center will house the first increment of an indoor running course and a multi-purpose space (to support three basketball, tennis or volleyball courts or, with a roll-out synthetic turf, a multi-purpose indoor field). Space for free weights and conditioning equipment, a dance and aerobics area and support facilities for cross country skiing are included with recreational lockers and changing rooms. The design also defines additions to accommodate an extended indoor running course and needed circulation and handicapped access improvements, which would be accomplished with complementary state funds.

This step toward the funding of the facilities improvements is part of a multi-year effort to find funding alternatives during the economic downturn which started in 1985-1986 in the state of Alaska.

Revisions updating an athletic facilities master plan for the campus, originally drafted in 1986, are currently being completed.

PROJECT SUMMARY

Project:	Student Recreation Center (Fieldhouse) University of Alaska - Fairbanks
Client:	University of Alaska Facilities Planning and Constr.
Constr. Budget:	approx. \$4,000,000 (\$6,600,000 incl. site/access)
Area:	55,700 sf (77,700 sf)
Completion:	Fall 1992 (earliest)

University of Alaska

Student Recreation Center on Fairbanks Campus

Background

A self evaluation study in 1985 determined that the Physical Education intramural, recreation and athletic program on the University of Alaska Fairbanks campus has major constraints because of facility inadequacies. Nationally recommended standards for recreational facilities show UAF currently at a deficit of 30,000 square feet and project a deficit of 60,000 square feet by the year 2000.

A comprehensive master plan to aid the orderly implementation of both the immediate and long term facilities for athletic and recreation needs was developed in 1986. Last Fall, the master plan was revised to prioritize the enhancement of student recreation and intramural facilities in the most cost-effective manner.

The proposed recreation center will be primarily for student use. A committee of student representatives will ensure the new facility is responsive to the recreational needs and interests of students.

Project Scope

It is the recommendation of the Department of Athletics and Campus Recreation that a new all-weather multipurpose facility (est. 40,000 square feet) be built adjacent to the hockey arena that would include an elevated indoor jogging track (8 laps to a mile) and a synthetic playing surface which would consist of three (3) basketball courts. Any one of the courts could accommodate the following activities: volleyball, badminton, tennis, soccer, dance, or free play. A portable mesh netting would separate each court. With the three courts covered with artificial turf, it would be used for soccer, softball, and flag

football. On the second floor, along with a jogging track, will be a weight and conditioning area. In the future, a connection of the Student Recreation Center to the existing Fatty Center will be built to complete the project.

Funding

A student petition, with over four hundred signatures, was presented to the UAF Administration in December of 1989, asking for a referendum on the proposed project. The petition proposed that funding for design and construction of the Student Recreation Center come from the sale of revenue bonds to be amortized over the twenty years by an increase in student activity fees. The referendum was approved by student vote on October 25, 1990.

At its meeting on February 21-22, 1991, the Board of Regents approved the funding concept for the facility on the Fairbanks Campus and authorized the University Administration to request the legislature enact legislation authorizing the University of Alaska to issue tax exempt revenue bonds, certificate of participation, or other financing instruments for the construction of the facility. Further, the Board of Regents motion included the authorization to initiate action to secure interim and permanent financing and construction of the facility at a cost of approximately \$5.9 million, inclusive of cost of debt issuance and financing reserves.

DRAFT

January 21, 1991

FINANCIAL STATEMENT FOR
UAF STUDENT RECREATION CENTER

Construction Estimate 1/16/91	\$4,076,863
Total Project Cost Estimate	\$5,435,817
Rounded	\$5.5 Million

UAF Enrollment Figures:

A \$75/semester additional activity fee would be charged to students carrying eight (8) or more credits.

Spring 1990 - 3,437 students
Fall 1991 - 3,763 students (before drop/add)

For estimating purposes, we used 3,600 students with 8 or more credit hours:

3,600 students X \$150/year = \$540,000/year fee income.

OPTION 1

Use student fees to pay off debt over twenty years

Annual debt service (20 yrs) for 5,500,000 @ 7.5% interest = \$539,511/per yr.

OPTION 2

Not Approved by BOR

Request state financing assistance for \$2.5 million and reduce the debt to ten (10) years.

\$3,000,000	Student Financed Debt
\$2,500,000	State Appropriation
<u>\$5,500,000</u>	Total Project Cost

Annual debt service (10 yrs) for \$3,000,000 @ 7.5% interest = \$437,058/per yr.

(This could produce approximately \$100,000/yr cushion against declining enrollments or unfunded operating costs or early debt retirement).

NOTE: This option requires amending the FY92 Capital Request.

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tography and digital data bases related to surveying and land records, natural resource inventories, and related data;

(9) prepare and publish on a regular basis research findings and periodicals relating to the center's activities;

(10) assist state agencies and municipalities in the development of policies, procedures, and capabilities for public access to automated geographic information;

(11) recommend, in consultation with the Telecommunications Information Council and affected state and local agencies and advisory boards, model standards and strategies relating to the implementation, indexing, documentation, mapping, data exchange, and other aspects of land records management and geographic information system development.

(c) The university shall include in its annual report to the legislature a summary of the center's revenue and expenditures during the preceding two years. (§ 3 ch 74 SLA 1990)

Cross references. — For legislative findings and purpose, see §§ 1 and 2, ch. 74, SLA 1990 in the Temporary and Special Acts; for progress report required by February 15, 1991, see § 4, ch. 74, SLA

1990 in the Temporary and Special Acts. Effective dates. — Section 3, ch. 74, SLA 1990, which enacted this section, took effect on September 2, 1990.

Article 2. Board of Regents and President of the University of Alaska.

Section

- 253. Financing notice and approval
- 255. Investment of surplus money

Sec. 14.40.253. Financing notice and approval. If the University of Alaska intends to enter into an obligation, except for refinancing obligations, under AS 14.40.040(5) with an annual payment by the university anticipated to exceed \$1,000,000, the university shall provide notice to the legislature. The notice must include the anticipated annual payment amount, the anticipated financing, and the total construction, acquisition, or other costs of the project. ~~The university may not enter into an obligation requiring a financing notice under this section, other than a refinancing obligation, unless the project has been approved by the legislature by law.~~ An appropriation for the project does not constitute approval of the project for the purpose of this section. (§ 2 ch 181 SLA 1990)

Effective dates. — Section 14, ch. 181, SLA 1990 makes this section effective July 1, 1990.

SLA 1990 provides that this section does not apply to projects authorized by law before July 1, 1990.

Editor's notes. — Section 12, ch. 181,

Chapter 40. The University of Alaska and the Community Colleges.

Article

1. Establishment and Organization of the University of Alaska (§§ 14.40.040, 14.40.088, 14.40.095)
2. Board of Regents and President of the University of Alaska (§§ 14.40.253, 14.40.255)
3. Property and Funds of the University of Alaska (§§ 14.40.325, 14.40.400, 14.40.453)
5. Optional University Retirement Board (§§ 14.40.661 — 14.40.799)
6. Alaska Education Trust Fund (§§ 14.40.803 — 14.40.817)

Article 1. Establishment and Organization of the University of Alaska.

Section

40. General powers of the university
88. Establishment of Institute for Circumpolar Health Studies

Section

95. Establishment of a center for information technology at University of Alaska Anchorage

Sec. 14.40.040. General powers of the university. There is created and established a corporation to be called the University of Alaska. It may in that name

- (1) sue and be sued;
- (2) receive and hold real and personal property;
- (3) contract and be contracted with;
- (4) adopt, use, and alter a corporate seal;
- (5) borrow money, issue debt, or enter into long-term obligations, for the purchase of facilities, goods, or services; the obligations may be secured, in whole or in part, by debt issued by another party;

(6) do and have done all matters necessary for the purpose of any function set out in this chapter. (§ 37-10-2 ACLA 1949; am § 1 ch 181 SLA 1990)

Effect of amendments. — The 1990 amendment, effective July 1, 1990, added paragraph (5), redesignated former paragraph (5) as paragraph (6), and made a minor stylistic change.

Sec. 14.40.088. Establishment of Institute for Circumpolar Health Studies. (a) The University of Alaska shall establish an Institute for Circumpolar Health Studies in an appropriate unit of the university at its Anchorage campus. The institute shall consist of a research and instruction branch and an administration and information branch.

(b) The institute shall

- (1) encourage international cooperation, especially among circumpolar nations, with regard to research, studies, information, and instruction relating to circumpolar health issues;

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n. Upon notification of appearance, a school or was previously held in a manner that, if requested, the record shall immediately be corrected regarding flagged records of the child. If the school or school record. (§ 1 ch 202

transfer. Within 14 days from this or another school or school district a certified secondary school or a copy of a transfer request with the request if the record has been requested for a record that shall immediately notify the district may not for- (SLA 1990)

700 — 14.30.720, of age; school district or a regional (A 1990)

Part V

Finance and Business Management

Chapter I

Debt and Credit

A. Scope:

This policy applies to all external debt transactions of the University.

B. Purpose:

The purpose of this policy is:

1. To maintain the creditworthiness of the University and the state of Alaska;
2. To minimize the cost of capital for acquisition and construction and/or leasing of facilities;
3. To provide guidelines for debt financing the acquisition or construction of essential facilities and other real property improvements; and
4. To provide guidelines for equipment financing and other credit transactions.

C. Facilities and Real Property Improvements:

1. All facilities and other real property debt issuances must be approved by the Board of Regents.
2. The University's annual debt service, including any proposed issue, shall not exceed 5% of the University's unrestricted revenues.
3. Refunding or refinancing debt shall be issued only if it results in a net present value savings, eliminates restrictive covenants or provides other benefits which can be clearly demonstrated.
4. Each debt issue, or homogeneous group of debt issues, shall have a level or declining debt service schedule.
5. The final maturity for any new debt issues, excluding refunding issues, shall not exceed 75% of the useful life of the facility purchased or constructed with the proceeds.

Regents' Policy 05.01.09
Debt and Credit Policy

6. The final maturity for any refunding issues, excluding interim or temporary financings, shall not exceed the final maturity of the debt being refunded.
7. Debt proceeds not expended for direct acquisition or financing costs in accordance with the expenditure plan approved by the Board shall be used to defease or redeem the related debt at the earliest allowed time.
8. Debt proceeds shall not be used to pay or reimburse University departments or employees for the cost of services or expenses unless such costs are directly assignable to the project in accordance with the expenditure plan approved by the Board.
9. The University shall engage an external financial advisor for each debt issue to prepare a letter of comment and recommendation (including the type of financing, call, security and credit enhancement features, term, time and manner of sale, reasonableness of costs and other terms and conditions) and evaluate at the time of issuance the reasonableness of interest rates, underwriter fees, financing costs, reserve requirements and other related issues.
10. The University shall engage external bond counsel for each tax-exempt debt issue to perform all services customarily provided by bond counsel, including preparation or review of all debt authorizing resolutions and related documents and agreements.
11. The University shall use appropriate competitive procedures for selection of financing consultants, bond counsel, underwriters, trustees, bond insurance and for sale of debt.
12. The University shall provide the State Bond Committee notice of all debt issuances 60 days prior to planned issuance, including a description of the project and details of the financing plan.
13. The Commissioner of Revenue shall be invited to participate in the organization and management of all presentations to rating agencies and the preparation of official statements.

SUMMARY OF ACTIONS
Board of Regents' Meeting
April 18-19, 1991

by the Finance, Facilities, and Land Management Committee. This motion is effective April 19, 1991."

(12) Regents' Policy 05.01.09 - Debt and Credit

PASSED

"The Board of Regents approves the revisions to regents' policy 05.01.09 as presented in Reference 11. This motion is effective April 19, 1991."

d. **FINANCE, FACILITIES, AND LAND MANAGEMENT
COMMITTEE REPORT - INFORMATION AND OTHER
ITEMS**

Information only - no action required.

PART V

FINANCE AND BUSINESS MANAGEMENT

CHAPTER I

Debt and Credit

A. Scope:

This policy applies to all external debt transactions of the University.

B. Purpose:

The purpose of this policy is:

1. To maintain the creditworthiness of the University and the state of Alaska;
2. To minimize the cost of capital for acquisition and construction and/or leasing of facilities;
3. To provide guidelines for debt financing the acquisition or construction of essential facilities and other real property improvements; and
4. To provide guidelines for equipment financing and other credit transactions.

C. Facilities and Real Property Improvements:

1. All facilities and other real property debt issuances must be approved by the Board of Regents.
2. The University's annual debt service, including any proposed issue, shall not exceed 5 percent of the University's unrestricted revenues.
3. Refunding or refinancing debt shall be issued only if it results in a net present value savings, eliminates restrictive covenants or provides other benefits which can be clearly demonstrated.
4. Each debt issue, or homogeneous group of debt issues, shall have a level or declining debt service schedule.

5. The final maturity for any new debt issues, excluding refunding issues, shall not exceed 75 percent of the useful life of the facility purchased or constructed with the proceeds.
6. The final maturity for any refunding issues, excluding interim or temporary financings, shall not exceed the final maturity of the debt being refunded.
7. Debt proceeds not expended for direct acquisition or financing costs in accordance with the expenditure plan approved by the Board shall be used to defease or redeem the related debt at the earliest allowed time.
8. Debt proceeds shall not be used to pay or reimburse University departments or employees for the cost of services or expenses unless such costs are directly assignable to the project in accordance with the expenditure plan approved by the Board.
9. The University shall engage an external financial advisor for each debt issue to prepare a letter of comment and recommendation (including the type of financing, call, security and credit enhancement features, term, time and manner of sale, reasonableness of costs and other terms and conditions) and evaluate at the time of issuance the reasonableness of interest rates, underwriter fees, financing costs, reserve requirements and other related issues.
10. The University shall engage external bond counsel for each tax-exempt debt issue to perform all services customarily provided by bond counsel, including preparation or review of all debt authorizing resolutions and related documents and agreements.
11. The University shall use appropriate competitive procedures for selection of financing consultants, bond counsel, underwriters, trustees, bond insurance and for sale of debt.
12. The University shall provide the State Bond Committee notice of all debt issuances 60 days prior to planned issuance, including a description of the project and details of the financing plan.
13. The Commissioner of Revenue shall be invited to participate in the organization and management of all

presentations to rating agencies and the preparation of official statements.

D. Equipment Lease-Purchase Transactions:

No University officer shall engage in any borrowing, lease-purchase or financing arrangements on behalf of the University without the specific prior approval of the vice president for finance and a review of all related agreements by University counsel. Any request for such approval shall be forwarded by the regional university chief financial officer to the vice president for finance with all of the information necessary to evaluate the request, including an explanation of what is being purchased, the cash price and related expenses for an outright purchase, copies of the proposed financing terms and agreements, and an explanation of why the financing is in the best interest of the University.

E. Corporate Charge/Credit Cards:

The vice president for finance is authorized to execute corporate charge and/or credit card agreements on behalf of the University. Corporate charge or credit cards may only be authorized and used in unusual circumstances where

(1) other standard procurement and billing processes are not feasible for such activity.

(2) procedures are established for the full payment of charges on a regular basis, and

(3) the vice president for finance determines the arrangement is in the best interest of the University.

Each request by a regional university chief financial officer for authorization of a charge or credit card should include an explanation of the circumstances under which the card will be used, procedures for control and security of the card, estimates of the volume of activity and payment frequency, and a justification as to why the arrangement is in the best interest of the University.

SUMMARY OF ACTIONS
Board of Regents' Meeting
February 21-22, 1991

5. University of Alaska Fairbanks Yupik Museum/Library/Cultural Center at Bethel - Consultant Selection

PASSED

"The Board of Regents approves the architect selection for the University of Alaska Fairbanks Yupik Museum/Library/Cultural Center at Bethel as presented and authorizes the university administration to negotiate and award a contract. This motion is effective February 22, 1991."

6. University of Alaska Fairbanks Fire Station - Site Selection Approval

PASSED

"The Board of Regents approves site selection for the new University of Alaska Fairbanks Fire Station to be located north of Kuskokwim Way on the Fairbanks campus of the University of Alaska Fairbanks. This motion is effective February 22, 1991."

7. University of Alaska Fairbanks Student Recreation Center - Approval of Funding Concept

PASSED AS AMENDED

"The Board of Regents approves the funding concept for the proposed University of Alaska Fairbanks Student Recreation Center and authorizes the university president, the secretary of the Board of Regents, and other administrators to request that the Alaska State Legislature enact legislation authorizing the University of Alaska to issue tax exempt revenue bonds, certificates of participation, or other financing instruments for the construction of a recreation center on the Fairbanks campus; to initiate action to secure interim and permanent financing and construction of such a recreation center under Option 1 at a total cost of approximately \$5.9 million to include the cost of debt issuance and financing reserves. This motion is effective February 22, 1991."

8. University of Alaska Fairbanks Air-Cooled Condenser Expansion - Revised Consultant Selection

PASSED

"The Board of Regents approves the list of consultants for the University of Alaska Fairbanks air-cooled condenser expansion

MOTION

"The Finance, Facilities and Land Management Committee recommends that the Board of Regents approve site selection for the new University of Alaska Fairbanks Fire Station to be located north of Kuskokwim Way on the Fairbanks campus of the University of Alaska Fairbanks. This motion is effective February 21, 1991."

7. University of Alaska Fairbanks Student Recreation Center -
Approval of Funding Concept **Reference 7**

PROJECT SCOPE:

A master plan study to provide facility expansion guidelines for University of Alaska Fairbanks athletic and recreation facilities on the Fairbanks campus was developed in January 1986 with funds from a 1984 direct appropriation.

Phase I of the proposed long-range development is a \$5.9 million, 40,000 square foot, all-weather recreation center west of the existing Patty Ice Arena. This project will take a large step in meeting the needs of the university community for recreation and intramural activities. The recreation center will provide flexible space for an indoor soccer field, basketball courts, indoor tennis courts, volleyball and badminton courts, indoor softball or other field activities. An indoor, eight-laps to a mile jogging track and associated support facilities will be located on the mezzanine level. By nationally recognized standards, UAF now has a 30,000 square foot deficit for this type of space and a projected deficit of 60,000 square feet by the year 2000. A future capital project currently estimated at \$3.5 million will link the main Patty building, the ice rink, the student recreation center and provide handicapped access for the complex and a limited amount of new program space.

CONSULTANT:

The consultant for this master plan was Gordon, Beard, Grimes, Bahls and Domries (GBD Architects) with John Vosmek, Jr., AIA Architect from Portland, Oregon.

FUNDING SOURCE:

A student petition with over four hundred signatures was presented to the UAF administration in December 1989, asking

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for a referendum on the project. The referendum was approved on October 25, 1990. The petition proposed that funding for design and construction of the recreation center come from a revenue bond sale to be amortized by an increase in student activity fees. A copy of the financial statement is attached. Legislative approval is needed for a revenue bond sale and would be sought from the 1991 legislature.

Current estimates of financing and construction costs indicate that Option 1 (see **Reference 7** for options) may not be feasible without down-sizing the student recreation center to a point where it may not be practical to complete the facility as planned. Option 2 provides a conservative financing package and will provide for construction of a complete stand-alone student recreation center.

SCHEDULE:

October 25-26, 1990	Presentation to UAF Student General Body and Student Vote
February 21-22, 1991	Board of Regents Approve Concept to Sell Bonds
March-June, 1991	Seek Legislative Approval
July, August, September, 1991	Bond Sale
August 15-16, 1991	Board of Regents Approve Architect Selection
December 12-13, 1991	Board of Regents Approve Schematic Design, and Authorize to Bid and Award
January-March 1992	Staff Review Design Development and Construction Documents
March 1992	Invitation for Bids Issued
April 1992	Bid Opening and Award
May 1992-August 1993	Construction
September, 1993	Occupancy

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September 1993 - August 1994 Warranty

STUDENT SUPPORT:

As an information item, the results of the student referendum were taken to the December 10-11, 1990 Board of Regents' meeting.

The president recommends that:

MOTION

"The Finance, Facilities, and Land Management Committee recommends that the Board of Regents approve the funding concept for the proposed University of Alaska Fairbanks Student Recreation Center and authorize the university president, the secretary of the Board of Regents, and other administrators to request that the Alaska State Legislature enact legislation authorizing the University of Alaska to issue tax exempt revenue bonds, certificates of participation, or other financing instruments for the construction of a recreation center on the Fairbanks campus; to initiate action to secure interim and permanent financing and construction of such a recreation center under option number ___ at a total cost of approximately _____ million to include the cost of debt issuance and financing reserves; and to amend the FY92 capital budget request, as appropriate, for the option selected. This motion is effective February 21, 1991."

8. University of Alaska Anchorage - Kenai Peninsula College Campus Land Exchange **Reference 8**

The University of Alaska Anchorage Kenai Peninsula College Master Plan indicates that future growth of the campus will most likely progress southerly on the bluff overlooking the Kenai River. This property is owned by the state of Alaska and managed by the Division of Parks and Outdoor Recreation for public recreation purposes.

In the interest of providing for long-term campus expansion options and greater public access to the Kenai River, the university has worked with the state Division of Parks to modify the boundary of the Kenai River Recreation Area and allow for a

FINANCIAL STATEMENT FOR
UAF STUDENT RECREATION CENTER

Reference 7

Construction Estimate 1/16/91	\$4,076,863
Total Project Cost Estimate	\$5,435,817
Capitalized Interest & Cost to Issue Bonds	\$ 400,000
	Rounded
	\$5.9 Million

UAF Enrollment Figures:

A \$75/semester additional activity fee will be charged to students carrying eight (8) or more credits.

Spring 1990 = 3,437 students

Fall 1991 = 3,763 students (before drop/add)

For estimating purposes, we used 3,600 students with 8 or more credit hours:

Faculty and staff currently pay \$100/per year for activity cards. An increase to \$200/per year is contemplated.

3,600 students X \$150/year = \$540,000/year fee income.

500 staff X \$200/year = \$100,000/year fee income.

\$640,000/year total fee income.

OPTION 1

Use student & staff fees to pay off debt over twenty years

Annual debt service (20 yrs) for 5,900,000 @ 7.5% interest = \$578,748/per yr.

The difference between income and debt is \$61,252/yr. This could be used as a cushion against diminished enrollment or to retire the debt earlier).

OPTION 2

Request state financing assistance for \$2.9 million and reduce the debt to ten (10) years.

\$3,000,000

Student Financed Debt

\$2,900,000

State Appropriation

\$5,900,000

Total Project Cost

Annual debt service (10 yrs) for \$3,000,000 @ 7.5% interest = \$437,058/per yr.

(The difference between income debt is approximately \$200,000/yr. This could be used as a cushion against declining enrollments or to retire the debt earlier).

NOTE: This option requires amending the FY92 Capital Request.
