The Board of Trustees of the University of Central Arkansas convened in a called teleconference meeting at 1:00 p.m., Tuesday, June 1, 2010 with the following officers and members present:

Chair:	Dr. Harold Chakales
Vice Chair	Mr. Scott Roussel
Secretary:	Mr. Bobby Reynolds
	Mr. Victor Green
	Mr. Rush Harding, III

Mr. Randy Sims joined the call for the last agenda item and Mrs. Kay Hinkle was absent.

ACTION AGENDA

Bond Refunding and Issuance - The administration requests authority to pursue refunding approximately $19 million of existing debt to the extent that it is economically feasible. The current feasibility study provided by Crews and Associates shows a net present value cash flow savings of 3.016%. The administration also requests the authority to issue bonds in an approximate amount not exceeding $22 million without increasing the University's overall annual debt service obligation. Final maturity of the refunding and new money bonds shall not exceed 30 years. Additionally, the administration requests authorization to enter into contracts or to take any other necessary action to accomplish the refinancing and the issuance of the bonds.

The proposed use of additional funding is primarily for the construction of a new 300 bed residence hall that will replace Minton Hall, a 234 bed facility built in 1959. The hall has been closed for three years due to the extreme disrepair of the facility. Additional renovations may be made to existing residence halls. Administration will pursue language in the indenture allowing reimbursement for project expenditures occurring prior to the issuance of the bonds that are related to the funded projects.

The anticipated timeline:

- July 2010, AHECB agenda for approval
- August 2010, locking in rates
- September 2010, close
- Late spring/early summer 2011, begin construction
- Fall 2012 occupancy of the new housing facility
- August 2013, all funds must be spent

Issues considered for refinancing:

Educational and General	
Series 1998	$ 4,904,130
Series 2003A	$ 6,989,417
Series 2004A	$ 2,200,808
Series 2004B (Ref)	$ 349,887

	$14,444,242
Auxiliary	
Series 1997 (ref)	$ 304,928
Series 2003B	$ 3,731,787
Series 1997C	$ 1,104,538
	$ 5,141,253
Total	**$19,585,495**

Additional information:

1. Provided with this request is the university's cash position beginning with FY 2003/04 and including projected FY 2009/10 and estimated FY 2010/11. See attachment.

2. Also provided is the operating summary which reflects the current status of the approved operating budget. See attachment.

3. The latest report to the Higher Learning Commission is included to demonstrate the positive trends of the University's financial ratios. See attachment.

4. UCA - Rating Upgrade to A3 from Baa1 (comment from Edmund Hurst, Crews and Associates):

"The University of Central Arkansas recently received a credit boost from Moody's Investors Service. Moody's has been using a separate rating scale for U.S. municipalities and is now recalibrating its U.S. municipal bond ratings to be in line with those that it issues for corporate debt. The municipal ratings have historically been rated lower than comparable corporate credits. As a result, lawmakers and other market participants complained that that old rating scale was unfair. UCA's upgrade to A3 from Baa1 may allow the University to refinance some of its existing debt to lower interest rates and provide them with a lower cost of capital for future projects."

The following resolution was unanimously adopted upon motion by Bobby Reynolds and a second by Victor Green. Rush Harding recused from voting.

"BE IT RESOLVED: That the Board of Trustees authorizes the administration to seek approval from the Arkansas Higher Education Coordinating Board for the refunding of approximately $19 million of bonds and for the issuance of additional bonds not to exceed $22 million whose final maturity date shall not exceed 30 years; and

BE IT FURTHER RESOLVED: That the newly issued bonds will be for the purpose of constructing new and renovating existing student housing; and

BE IT FURTHER RESOLVED: That the Board authorizes the administration to seek language in the bond indenture allowing reimbursement for project expenditures occurring prior to the issuance of the bonds that are related to the funded projects; and

BE IT FURTHER RESOLVED: That the administration is authorized to enter into any contracts or take any other action necessary to accomplish the refunding and the issuance of the bonds."

UCA Multi-Year Analysis of Cash Position									
	A	B	C	D	E	F	G	H	I
1		ESTIMATED	ESTIMATED	FINAL	FINAL	FINAL	FINAL	FINAL	FINAL
2	Statement of Net Assets	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
3	Current Cash and Cash Equivalents	14,989,530	8,954,998	2,606,543	1,501,562	2,169,539	2,808,411	4,393,420	7,966,320
4	Current Investments	-	-	-	-	-	-	2,538,621	2,448,428
5	Noncurrent cash and cash equivalents	3,265,000	4,341,071	1,033,810	-	56,377	-	2,079,671	1,898,178
6	Noncurrent Investments	3,480,307	4,230,000	2,463,353	353,095	364,678	1,618,980	1,973,630	1,930,607
7		21,734,837	17,526,069	6,103,706	1,854,657	2,590,594	4,427,391	10,985,342	14,243,533
8	Cash by Fund								
9	E&G	4,704,568	1,802,190	110,285	220,240	894,885	916,495	82,678	2,879,990
10	E&G			606,608				316,504	1,701,163
11	Aux	2,631,646	301,111	2,370	740	370	20,793	2,359,241	2,246,049
12	Restricted (Grants and Contracts)	3,485,795	3,750,247	-	379,929	252,493	609,212	590,955	303,235
13	Loan (Nursing and Perkins Loans)	1,055,761	750,761	916,554	900,653	1,020,648	1,342,351	1,782,214	2,030,414
14	Endowment	4,600,047	5,314,740	1,856,744	353,095	421,055	1,538,540	1,494,520	1,451,497
15	Unexpended (less held by trustee)	2,206,876	2,130,805	363,091	-	-	-	479,109	654,030
16	R&R	600,000	591,071	621,071	-	-	-	932,627	740,618
17	Debt Retirement	1,665,000	2,250,000	1,626,983	-	-	-	2,037,406	1,268,178
18	Agency	785,144	635,144	-	-	1,143	-	910,088	968,359
19		21,734,837	17,526,069	6,103,706	1,854,657	2,590,594	4,427,391	10,985,342	14,243,533
		-	-	-	-	-	-	-	-
20	Unrestricted amount	7,336,214	2,103,301	719,263	220,980	895,255	937,288	2,758,423	6,827,202
21	Line of Credit				(4,500,000)	(6,000,000)	(3,000,000)		
22	Net Cash Position	21,734,837	17,526,069	6,103,706	(2,645,343)	(3,409,406)	1,427,391	10,985,342	14,243,533

	Notes
1	Lines 2-7, columns D-I represent cash and investments from the Audited Statement of Net Assets
2	Lines 9-19, columns D-I represent cash and investments as reflected within the appropriate funds on the General Ledger
3	Columns B and C are estimates for FY10 (this fiscal year) and FY11 (next fiscal year)
4	Shaded **lines 9 - 11** are totaled on **line 20** and represent the operating cash used for the budgeted expenditures
5	Line 14, Endowments mainly consists of Crow (externally restricted) and the BOT (internally restricted) funds among others.
6	Line 15 currently holds the Stimulus money for FY 10 and projected FY11
7	Line 16 holds funds from Housing, Student Health and Recreational Facilities to complete necessary repairs.
8	Line 17 is required funds held in reserve for existing bond issues
9	Line 18 are funds held for others, i.e. student organizations and clubs
10	Line 21 shows the amount outstanding on the line of credit as of June 30th of that year. This cash infusion is reflected in the cash on hand.
11	Line 22 is Line 19 (total cash and investments) less line 21 (borrowed cash). This represents cash position net of borrowed cash.
12	Cells that contain no amount such as lines 18-21 within columns E, - G demonstate how cash was used from other funds to fund projects and budgetary overspending. Other cells show minimal amounts reflecting the use of those funds as well.
13	Columns E and F on Line 22 show the dismal cash position to which we often refer.
14	Column D Row 22 may appear to be a good cash year (FY09) however, all but $719,263 was either restricted or committed for purposes other than the operating expenses. For all intents and purposes, we ended FY09 with no extra cash, but did manage to pay back the other funds.
15	Column B Row 20, unrestricted cash for FY11 is assuming stable enrollment, no state cuts

University of Central Arkansas
Operating Summary
As of April 30, 2010

		FY10 Rev. Budget	CYTD	PYTD	PY Ending
1	Tuition & Fees	70,128,245.00	67,796,526.21	65,887,146.46	69,946,611.8
2	Appropriations	55,038,257.00	44,253,285.38	41,575,221.40	55,670,632.9
3	Sales & Services	568,282.00	397,284.46	701,699.35	735,969.8
4	Organized Activities	218,786.00	279,180.42	290,551.43	305,950.2
5	Grants & Contracts	422,000.00	299,567.30	377,823.37	453,452.2
6	Investments	100,000.00	158,093.05	48,594.10	40,261.01
7	Other Sources	1,275,204.00	685,887.26	1,053,412.52	1,394,084.7
8	Total E&G Revenue	127,750,774.00	113,869,824.08	109,934,448.63	128,546,962.8
9	Auxiliary Income	32,259,192.00	30,416,735.44	33,652,689.59	34,827,349.30
10	Total Income	160,009,966.00	144,286,559.52	143,587,138.22	163,374,312.15
11	Salaries & Wages	68,515,033.02	58,309,612.09	59,967,410.44	68,591,106.55
12	Benefits	19,579,889.00	15,578,633.74	16,013,970.43	18,581,452.81
13	M&O	26,556,264.98	20,472,430.94	23,420,521.25	26,133,985.83
14	Fee Waivers	4,557,626.00	4,264,405.29	1,390,210.91	5,028,983.67
15	Scholarships	21,699,462.00	18,881,614.85	20,053,412.99	21,592,707.72
16	Purchased Utilities	5,133,890.00	3,311,954.85	3,479,451.52	4,351,931.82
17	Debt Service	8,145,813.00	6,683,426.51	6,702,844.88	7,814,409.28
18	Transfers	5,821,988.00	3,228,249.43	427,874.77	967,428.34
19	Total Expenditures	160,009,966.00	130,730,327.70	131,455,697.19	153,062,006.02
	Net	-	13,556,231.82	12,131,441.03	10,312,306.13

Line	Notes
1	The Current and Prior Year to date activity are not reflective of each other. An accour change was made as of June 30, 2009 when tuition revenues were increased to reflect waiver amount and the fee waiver expense line increased accordingly. They are now b recognized as they occur.
2	Allthough the State of Arkansas has cut UCA's funds by $2,391,781, we are actually ahea our funding distribution schedule from the previous fiscal year for the same number o months by $2.1 million, based on DFA funding schedule. UCA has also received $600,000 economic development funding.
13	M & O expenditures have been severely reduced due to the two cuts in state funding.
14	See note for line 1
15	Reduced scholarship plan is working
18	Accounting change was made in April, 2010 re: administrative charges. These journal entries had previously been recorded as charges equal to 5% of auxiliary income and as income to athletics. With the change, the $1.289 million credit to athletics was reflected a incoming transfer rather than income. Transfers in FY 09/10 also include a transfer of $1.5 million in stimulus reimbursements to the unexpended plant fund. This was not

University of Central Arkansas
Ratio Analysis
For Year Ended June 30, 2009

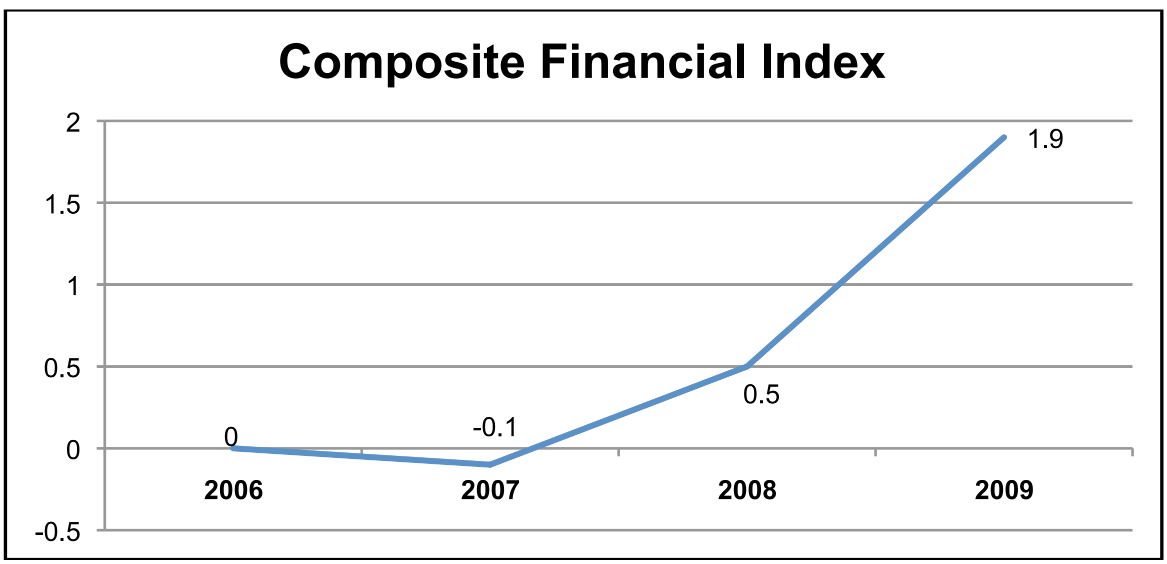
The University's audited financial report for FY2009, released April 6, 2010, and approved by the Legislature on May 14, 2010 contains a restatement for FY2008 and therefore impacts the information previously reported to the Commission.

Composite Financial Index

There are four core high-level ratios that comprise the **Composite Financial Index (CFI)**. This single score permits a strength or weakness in a specific ratio to be offset by another ratio, resulting in a more holistic approach to financial measurement. Having one overall financial measurement helps governing boards and senior management understand the financial status of the institutions.

The Financial Composite Evaluation is divided into zones.

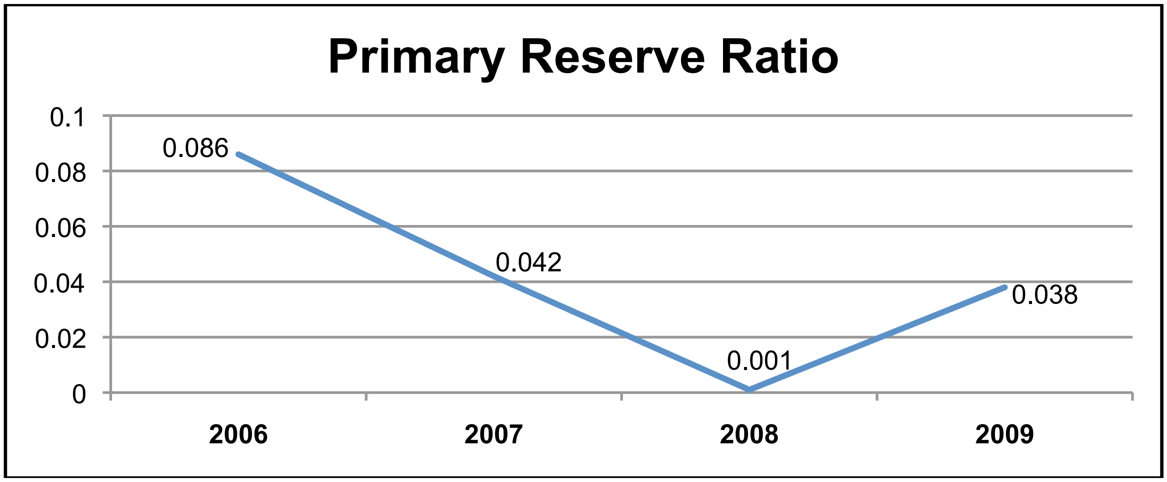
Above the zone	1.1 to 10.0	No review
In the zone	0.0 to 1.0	Review if 2 or more consecutive years; request additional financial documents
Below the zone	-1.0 to 0.0	Review if 1 year; request additional financial documents



The FY2009 CFI of 1.9 demonstrates the significant improvement in the overall financial health of the university. While the administration is pleased with the turnaround, it stands committed to its number one priority of the continued rebuilding of the institution's financial base.

Primary Reserve Ratio

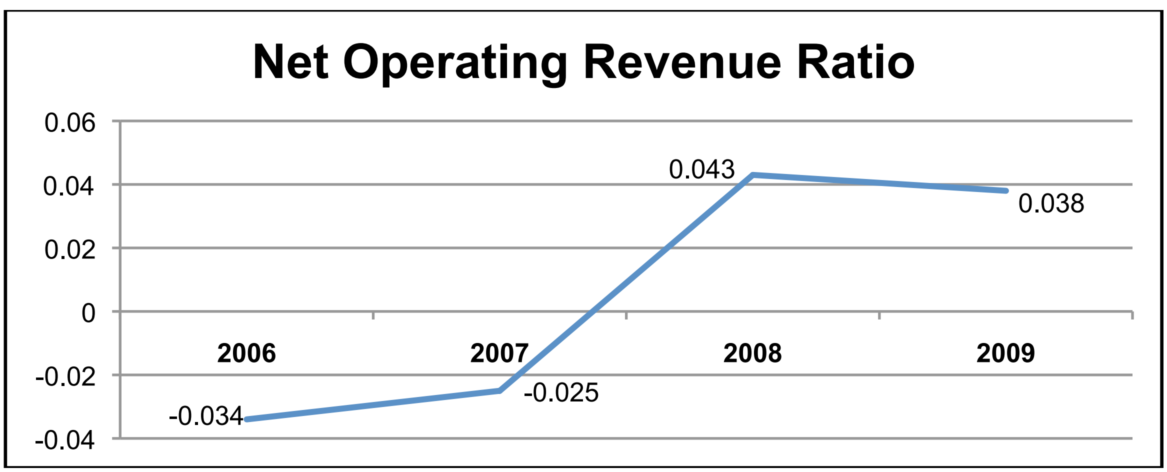
The **Primary Reserve Ratio (PRR)** uses total expenses to define operation size. Analyses of financial statements suggest that a PRR of .40x or better is advisable to give the flexibility needed to carry out their strategic initiatives. This says the institution would have the ability to cover about five months of expenses (40 percent of 12 months) from reserves.



Fiscal Year 2009 demonstrates the effect on the Primary Reserve Ratio after dramatic operational changes were made.

<u>**Net Operating Revenue Ratio**</u>

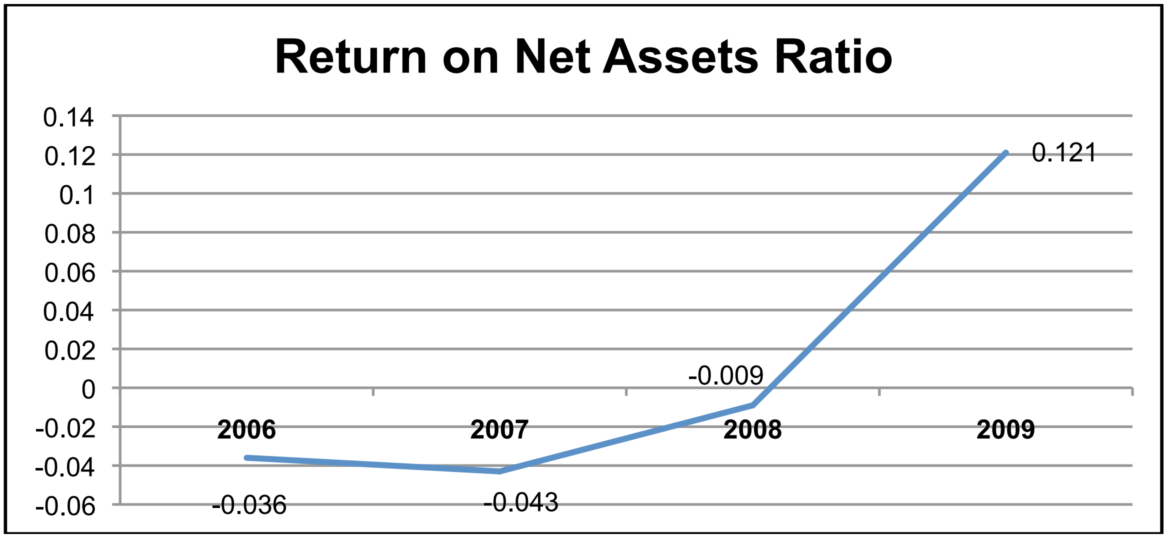
The **Net Operating Revenue Ratio (NORR)** explains how the surplus from operating activities affects the behavior of the other three core ratios. A large surplus or deficit directly impacts the amount of funds an institution adds to or subtracts from net assets, thereby affecting the Primary Reserve Ratio, the Return on Net Assets Ratio and the Viability Ratio. A positive ratio reflects an operating surplus for the year.



In FY2009 the Net Operating Revenue Ratio dropped to .038. This decline is partly a result of a decline in state funding and in market losses.

<u>**Return on Net Assets Ratio**</u>

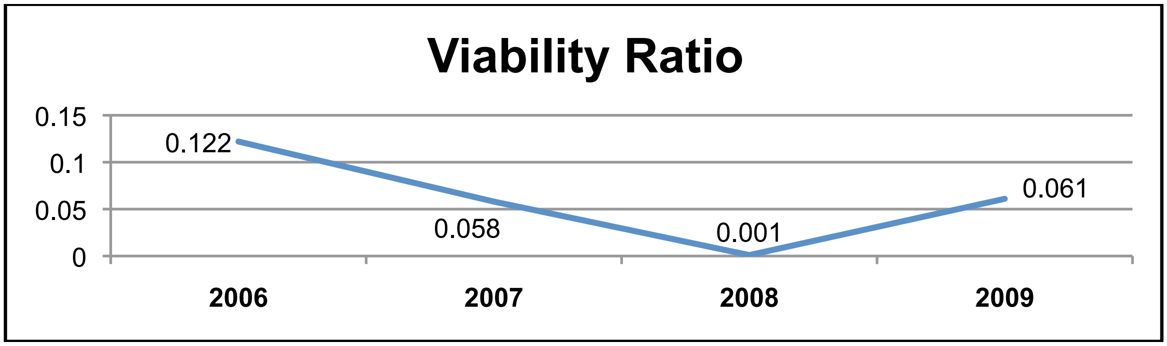
The **Return on Net Assets Ratio** determines whether the institution is financially better off than in previous years by measuring total economic return. This ratio furnishes a broad measure of the change in an institution's total wealth over a single year and is based on the level and change in total net assets, regardless of asset classification. Thus, this ratio provides the most comprehensive measure of the growth or decline in total wealth of an institution over a specific period of time.



For FY2009, the Net Assets Ratio increased to .121 partly as a reflection of the restatement of FY2008.

<u>Viability Ratio</u>

The **Viability Ratio** measures one of the most basic determinants of clear financial health: the availability of expendable net assets to cover debt should the institution need to settle its obligations as of the balance sheet date. A ratio of 1:1 or greater indicates that, as of the balance sheet date, there are sufficient expendable net asset to satisfy debt obligations. Public institutions can operate effectively at a ratio far less, partially because the ongoing benefit of state support is not reflected in the institution's expendable net assets are sufficient to pay off debt.



The Viability Ratio for FY2009 rose sharply as the long-term debt was reduced. The Line of Credit was paid in full January 2009.

Current Year Outlook

Fiscal year 2010 year-end cash balance projections are promising due to the operational changes put in place. In addition, there will be a significant increase in cash reserves from the Stimulus funds. This will further move the campus toward the goal of financial stability.

Next Year Outlook

The proposed budget for FY2011 is predicated on flat spending in operational accounts with the reinstatement of state cuts applied toward reserves. Again, a significant portion of the 2011 Stimulus funds will be applied toward building the reserves.

External Confidence

Moody's Investors Services has revised the University's debt-rating outlook from negative to stable. The improved rating outlook cites the new management team's focus on operating cash and expected gradual recovery of cash reserves. A recent recalibration of Moody's ratings for Municipalities brought UCA from Baa1 to A3. This allows the university to restructure existing debt as well as fund additional capital projects at lower cost.

Capital Projects – Replacement of sidewalks near the President's Home - The administration requests approval of three capital projects. Three sections of sidewalk need to be replaced near the President's home. The sidewalks are in disrepair and may pose a safety issue if not replaced. If approved, these sections will be replaced as funds become available. The projects are:

- The sidewalk in front of the President's home (west side) running adjacent to Donaghey. The estimated cost for this is approximately $85,000.

- The sidewalk on the north side of the President's home adjacent to South Boulevard. The estimated cost for this section is approximately $83,000.

- The sidewalk on the east side (behind the house) and south of the President's home. The estimated cost for this section is approximately $25,000.

For the sections west and north of the house, it proposed that stamped concrete be installed. For the sections east and south of the President's home the existing sidewalk is brick and the brick will either be repaired or, if it cannot be repaired, replaced with stamped concrete.

The following resolution was unanimously adopted upon motion by Rush Harding with a second by Scott Roussel:

> "**BE IT RESOLVED: That the Board of Trustees authorizes the administration to proceed with development of plans for the replacement of the sidewalks near the President's house at the estimated cost indicated above, to solicit bids for construction and to make contract awards in accordance with law."**

Contract – Mass Notification Equipment Service Agreement - Pursuant to Board Policy No. 416, "Contract Review Procedures," the administration must seek Board approval for (i) any contract which will require the expenditure by the University of funds (at anytime) in excess of $250,000, or (ii) any contract with a term exceeding one (1) year, unless the Office of the General Counsel certifies, in writing, that the contract may be terminated by the University on giving of written notice of ninety (90) days or less.

The administration seeks Board approval of a contract with Simplex Grinnell for the maintenance of the Mass Notification Equipment installed last summer. The current agreement expires on June 30, 2010. If approved, this contract will provide for the maintenance of the system through June 30, 2015, at a total contract price of $20,683.40. You will recall that the University installed the Mass Notification Equipment to permit the campus community to be notified in the event of an emergency. The system can sound a siren and make voice announcements as dictated by the circumstances of the emergency.

The following resolution was unanimously adopted upon motion by Rush Harding with a second by Randy Sims:

"BE IT RESOLVED: That the Board of Trustees authorizes the administration to enter into an agreement with Simplex Grinnell to provide for the maintenance of the Mass Notification Equipment."

There being no further business to come before the Board, the meeting was adjourned upon motion by Scott Roussel with a second by Randy Sims.

The University of Central Arkansas Board of Trustees

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Harold Chakales
Chair

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Bobby Reynolds
Secretary