

MINUTES
JOINT MEETING
FINANCE/AUDIT AND CONSTRUCTION COMMITTEES
UNIVERSITY OF SOUTHERN INDIANA
BOARD OF TRUSTEES

March 4, 2004

The Finance/Audit and Construction Committees of the University of Southern Indiana Board of Trustees met in joint session on Thursday, March 4, 2004, in Carter Hall in the University Center. Present were Chair G. Patrick Hoehn and Trustees Tina M. Kern-Raibley and James L. Will Sr. Also present was Vice President for Business Affairs and Treasurer Robert W. Ruble.

Mr. Hoehn called the meeting to order at 11:45 a.m.

(FINANCE/AUDIT)

1. SELECTION OF INVESTMENT BANKER FOR THE NEW DAVID L. RICE LIBRARY PROJECT

In its meeting on May 10, 2003, the USI Board of Trustees authorized the Finance/Audit Committee to evaluate the results of investment banking proposals for the library project, accept a proposal or reject all proposals, and approve financing plans on behalf of the full Board of Trustees.

The summary of responses to the Request for Proposal for investment banking services and the bond analysis (Attachment A) were reviewed by Michael Whipple, assistant treasurer and Business Office director, who recommended approval of RBC Dain Rauscher Investment Services as the investment banker for the new David L. Rice Library project. On a motion by Mr. Will, seconded by Mrs. Kern-Raibley, the selection of RBC Dain Rauscher Investment Services was approved.

2. APPROVAL OF INTERIM FINANCING FOR THE PARKING GARAGE PROJECT

In its meeting on September 10, 2003, the USI Board of Trustees authorized the Finance/Audit Committee to evaluate the results of investment banking proposals for the parking garage project, accept a proposal or reject all proposals, and approve financing plans on behalf of the full Board of Trustees.

Vice President Ruble reported that he had planned to ask the committee to approve an interim financing plan for the project. However, because recent cost estimates exceed the original estimates for the project, he recommended that the approval of a financing plan be tabled. On a motion by Mrs. Kern-Raibley, seconded by Mr. Will, the question of interim financing for the parking garage project was tabled.

3. APPROVAL OF BUDGET APPROPRIATIONS, ADJUSTMENTS, AND TRANSFERS

On a motion by Mrs. Kern-Raibley, seconded by Mr. Will, the budget appropriations, adjustments, and transfers in Attachment C were approved.

4. REVIEW AND APPROVAL OF THE ANNUAL AUDIT PLAN

Vice President Ruble called on Diana Biggs, director of Internal Audit, who reported on the audits completed since July 2003 and the audits currently in process or planned for the remainder of 2004. In addition to the audits, the Audit Plan presented by Ms. Biggs includes time for the staff to assist in the implementation of a new enterprise software project, SCT Banner. A copy of the Audit Plan is appended to these minutes.

On a motion by Mrs. Kern-Raibley, seconded by Mr. Will, the Annual Audit Plan for Fiscal Year 2003-2004, plus six months, was approved.

5. REPORT ON INTERNAL CONTROLS

Ms. Biggs presented a report on internal controls including accounting controls, information system controls, and administrative controls. She noted, within each category, where the University currently conforms to best practices or deviates from best practices. The committee recommended that Vice President Ruble report back to the committee with an action plan for addressing the concerns cited in the report.

(CONSTRUCTION)

6. REVIEW OF RECOMMENDATION FOR REQUEST FOR CONSTRUCTION OF ADDITION TO PARKING LOT E

Vice President Ruble reviewed the following request for the construction of an addition to Parking Lot E. On a motion by Mr. Will, seconded by Mrs. Kern-Raibley, the request was approved for recommendation to the Board of Trustees at its meeting on March 4, 2004.

Parking Lot E, constructed in 2000, is located south of University Boulevard near O'Bannon and Ruston Halls. A proposed expansion of Parking Lot E scheduled during summer 2004 will add approximately 300 parking spaces and will cost an estimated \$400,000, which will be funded from Auxiliary System Reserves. The project will include additional walkways, lighting, curbs, landscaping, and asphalt pavement.

It is recommended that President Hoops be authorized to request approval of the Commission for Higher Education, the State Budget Committee, and the Governor of the State of Indiana for the construction of the expansion of Parking Lot E.

7. REPORT OF CHANGE ORDERS ISSUED BY THE VICE PRESIDENT FOR BUSINESS AFFAIRS (Attachment D)

Vice President Ruble reported on the change orders in Attachment D.

There being no further business, the meeting adjourned at 12:15 p.m.

UNIVERSITY of SOUTHERN INDIANA

Executive Summary

David L. Rice Library Bond RFP Responses

The University issued a Request for Proposal soliciting data from investment banking firms interested in providing funding scenarios for the new Rice Library. Within the request, the firms also were asked to review the existing debt and submit a proposal on refunding all or a portion of that debt. The Request for Proposal was sent to ten firms, and responses were received from seven. The following firms responded:

- ❖ Banc One Capital Markets, Inc.
- ❖ Bank of America Securities
- ❖ Fifth Third Securities, Inc.
- ❖ McDonald Investments
- ❖ NatCity Investments
- ❖ Piper Jaffrey/City Securities
- ❖ RBC Dain Rauscher Investment Services

Each firm was asked to provide responses to a series of questions and to provide its recommendations on funding options. The basic vehicles currently in use are fixed-rate bonds and variable-rate bonds. Both types have positive and negative issues associated with them.

With a fixed-rate issue, the long-term debt structure is known and secured. The most common negatives associated with a fixed-rate issue are that the interest rates are higher and the ability to refund the issue is more difficult. Institutions such as the University normally purchase bond insurance to enhance the view of investors on the issue and reduce interest cost. A variable-rate issue provides an initial savings on the interest rate paid, but those savings are not guaranteed.

Evaluation of Proposals For Investment Banker Services

Banc One Capital Markets, Inc.

Advantages

- ❖ Nationally recognized firm with a strong history in public finance
- ❖ Current provider of investment banking services
- ❖ Primary contact for firm is located in Indianapolis
- ❖ Proposal was well done and easy to follow
- ❖ Firm has national base for bond distribution

Disadvantages

- ❖ Recent announcement of merger

Bank of America Securities

Advantages

- ❖ National firm interested in developing additional business in the state

Disadvantages

- ❖ University has no experience with firm
- ❖ Firm has done only one public higher education issue within state

Fifth Third Securities, Inc.

Advantages

- ❖ Firm has a local connection
- ❖ University has experience with the firm
- ❖ Firm has strong regional presence and is recognized as a banking leader

Disadvantages

- ❖ University has no experience with the firm other than as junior manager with financing of the auxiliary system issue and the firm has limited public higher education experience within the state
- ❖ Day-to-day manager has limited experience with USI

McDonald Investments

Disadvantages

- ❖ University has no experience with the firm
- ❖ Most costly option

NatCity Investments

Advantages

- ❖ University alumnus would be part of issuance team
- ❖ Firm has presence in state

Disadvantages

- ❖ University has no experience with firm
- ❖ Firm has a small [five person] higher education group

Piper Jaffrey/City Securities

Advantages

- ❖ City Securities has an Indianapolis office
- ❖ Combined team has Indiana higher education experience

Disadvantages

- ❖ University has no experience with the firm

RBC Dain Rauscher Investment Services

Advantages

- ❖ Day-to-day account managers have worked with the University on six previous issues
- ❖ National firm with experience in higher education and with USI
- ❖ Current provider of investment banking services
- ❖ Proposal was professional and the day-to-day manager's knowledge of the University should impact favorably upon bond sales

Disadvantages

- ❖ Columbus, Ohio office is new, though staffed by seasoned professionals who are familiar with USI

STAFF RECOMMENDATION

The staff recommends that the Board of Trustees select RBC Dain Rauscher as the investment banker for the current project.

The staff should develop a plan of financing that allows for the consolidation of existing debt and issuance of new debt required to construct approved facilities. Staff anticipates that a fixed-rate issue will provide the University with long-term rates which, under current pricing, would be priced at approximately 4.3 percent to 4.5 percent.

UNIVERSITY of SOUTHERN INDIANA
 Bond Analysis
 for David L. Rice Library Project

	<u>Fixed Rate</u>	<u>Fixed Rate</u>	<u>Fixed Rate</u>	<u>Fixed Rate</u>	<u>Fixed Rate</u>	<u>Fixed Rate</u>	<u>Fixed Rate</u>
Banc One	\$34,555,000	\$34,555,000	\$34,555,000	\$34,555,000	\$34,555,000	\$34,555,000	\$34,555,000
	\$3.32 per \$1,000	\$3.10 per \$1,000	\$3.20 Per \$1,000	\$7.25 per \$1,000	\$3.15 per \$1,000	\$3.75 per \$1,000	\$3.05 per \$1,000
	\$114,723	\$107,121	\$110,576	\$250,524	\$108,848	\$129,581	\$105,393

Par Amount of Bonds

Underwriting Discount

Bonds will be issued as follows:

**Fixed Rate
 Insured
 Twenty-Year Life
 With Capitalized Interest
 Maximize Refunding Opportunities**

UNIVERSITY OF SOUTHERN INDIANA
Analysis and Recommendation for Interim Financing
University Auxiliary System Parking Garage

	<u>Fifth Third Bank</u>	<u>Integra Bank</u>	<u>Old National Bank</u>
Interest Factor	\$3,000,000 LIBOR + 1.25%	\$3,000,000 LIBOR + 1.15%	\$3,000,000 LIBOR + 1.55%
Adjustment Period	Quarterly	Monthly	Monthly
Origination Fee	\$0	\$0	\$1,500
Term	4.75 Years	3 Years	5 Years

(LIBOR - London Interbank Offering Rate)

Recommendations

1. That the University enter in to an agreement with Fifth Third Bank to borrow funds to construct the University Auxiliary System parking garage.
2. That, if practical, the University negotiate a "bank qualified" replacement of this note during January 2005.
3. That the University coordinate replacement of this debt with the issuance of permanent debt when issuing debt for the construction of additional Auxiliary System facilities.

BUDGET APPROPRIATIONS, ADJUSTMENTS, AND TRANSFERS

1. Additional Appropriation of Income

From:	Unappropriated Current Operating Funds		
To:	1-10340	Chemistry Supplies and Expense	1,038
To:	1-10107	Honors Program Personal Services	192
To:	1-10200	School of Liberal Arts Personal Services Supplies and Expense	41,100 4,278
To:	1-10300	School of Science and Engineering Personal Services Supplies and Expense	28,600 3,000
To:	1-10400	School of Nursing and Health Professions Personal Services Supplies and Expense	84,000 4,167
To:	1-10610	Bachelor of General Studies Program Personal Services	14
To:	1-10700	School of Business Personal Services	29,250
To:	1-10910	Academic Skills Personal Services	1,800
To:	1-10300	School of Science and Engineering Supplies and Expense	3,399
To:	1-16221	Art Collection Committee Supplies and Expense	5,750
From:	Unappropriated Designated Funds		
To:	2-23100	Faculty Development Travel Supplies and Expense	840
To:	2-23120	Faculty Enhancement – Liberal Arts Supplies and Expense Capital Outlay	107 1,285
To:	2-23130	Faculty Enhancement – Science and Engineering Supplies and Expense	5,514
To:	2-23140	Faculty Enhancement – Nursing and Health Professions Supplies and Expense	1,395
To:	2-23170	Faculty Enhancement – Business Supplies and Expense	3,775

To:	2-23180	Faculty Enhancement – Education Personal Services Supplies and Expense	4,841 308
To:	2-23300	School of Business Revolving Account Supplies and Expense	40
From:	Unappropriated Auxiliary Funds		
To:	3-30200	University Center Supplies and Expense	2,511
To:	3-30900	New Harmony Operations Supplies and Expense	517

2. Transfer and Appropriation of Funds

From:	2-20050	Student Services Operations	
To:	1-10800	School of Education and Human Services Supplies and Expense	400
To:	2-20760	International Programming Supplies and Expense	1,958
To:	2-23170	Faculty Enhancement – Business Supplies and Expense	400
From:	2-20120	Multicultural Center	
To:	2-20200	Activities Programming Board Supplies and Expense	2,000
From:	2-20300	Student Government Association	
To:	3-33405	Student Housing Association Supplies and Expense	197
From:	3-30200	University Center	
To:	6-60201	Parking Garage Supplies and Expense	400,000
From:	6-60100	Special Projects	
To:	6-60140	Engineering Lab Renovation	100,000
From:	6-60200	Auxiliary Services Parking	
To:	6-60201	Parking Garage Supplies and Expense	600,000
To:	6-60225	Varsity Softball Field Supplies and Expense	50,000

3. Transfer of Funds

From:	2-20050	Student Services Operations	
To:	2-20200	Activities Programming Board	600
From:	2-20063	Labor Day Extravaganza	
To:	2-20061	SpringFest	3,314

**Report to University of Southern Indiana Board of Trustees
 March 4, 2004**

Change Orders Issued by the Vice President for Business Affairs

On September 6, 2001, the Board of Trustees adopted a procedure related to changes in construction contracts which included the following: "Change orders up to \$25,000 may be issued by the Vice President for Business Affairs and reported to the Board of Trustees at its next meeting." Consistent with that policy, the following change orders have been issued.

PROJECT: Science and Education Center

<u>Description</u>	<u>Contractor</u>	<u>Amount</u>
<u>CO13- Contract 01</u> Repair damaged metal exterior panels	Industrial Contractors, Inc.	\$2,940
<u>CO 7- Contract 06</u> Revise window bulkheads, change transitions at existing building, deduct for clean-up charge, extra for work on ceilings due to delay in work, extra for work on display cases, and deduct for moving metal studs in parking lot	Kite, Inc.	\$13,065
<u>CO 8- Contract 06</u> Revise entry canopy framing	Kite, Inc.	\$3,365
<u>CO 3- Contract 12</u> Revise vestibule call buttons	ThyssenKrupp Elevator Corp.	\$194
<u>CO 4- Contract 16</u> Allowance closeout and deduct for use of scaffold	Tri-State Fire Protection, Inc.	(\$3,366)
<u>CO 3- Contract 18</u> Deduct for drywall repair, deduct for use of scaffold, add receptacle, repair conduits in parking lot, change electrical receptacles on lab tables.	Premier Electric, Inc.	\$9,096

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PROJECT: Henry W. and Betty Jane Ruston Hall

	<u>Description</u>	<u>Contractor</u>	<u>Amount</u>
<u>CO- GO3</u>	Modify dumpster screen and change sheet vinyl to vinyl composition tile.	Arc Construction Co., Inc.	\$3,309