

BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003

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BUSINESS AFFAIRS AND HUMAN RESOURCES
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INSTITUTION/AGENCY AGENDA
BOISE STATE UNIVERSITY

REQUEST FOR AUTHORITY TO PLAN, DESIGN AND CONSTRUCT A MULTI-MODAL CENTER / PARKING STRUCTURE

SUBJECT

Boise State University requests authority to proceed with planning, design and construction of a Multi-modal Center / Parking Structure.

BACKGROUND

This project will consist of a multi-modal center and a parking structure for up to 1,200 cars. The multi-modal center will serve residents of Southwest Idaho who wish to transfer from their automobile, bicycle, bus or walking to another form of transportation. The facility will include a transfer station, bike lockers, and other facilities to aid public transportation.

For FY2003, Boise State University has received \$373,778 of Federal Transportation Administration (FTA) 5309 funding for environmental assessment and preliminary engineering for this project. The University must provide a 20% match (\$93,435) toward this phase of the project, which will include the identification of probable sites for the facility (for FTA consideration).

DISCUSSION

The anticipated construction cost of the Multi-modal Center / Parking Structure is \$10,000,000. The University is seeking to fund 80% of this cost through the TEA-21 re-authorization. A FY2004 5309 grant application has also been submitted to the US Congressional Delegation and eventually the Federal Transportation Administration for an additional \$2,000,000 for property acquisition for the facility. The Community Planning Association of Southwest Idaho (COMPASS) has approved a list of Congressional priorities which ranks this project as the second-highest priority for the Treasure Valley.

IMPACT

The required 20% matching funds for the construction of the Multi-modal Center / Parking Structure will be provided from parking permit revenues.

STAFF COMMENTS

This project is in the beginning planning stage. BSU has submitted a grant for property acquisition (\$2M) and is pursuing construction funding (\$10M) through the Transportation Equity Act (TEA). It is anticipated to take several years to obtain federal funding for the project. Regular updates will keep the Board informed about the project and the funding.

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**INSTITUTION/AGENCY AGENDA
BOISE STATE UNIVERSITY (cont.)**

BOARD ACTION

A motion to approve the request from Boise State University to proceed with the planning and design stage of a multi-modal center/parking structure. As the plans are finalized BSU will seek Board approval for the construction costs.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003

INSTITUTION/AGENCY AGENDA
BOISE STATE UNIVERSITY (cont.)

STUDENT HEALTH INSURANCE CONTRACT/PREMIUMS

SUBJECT

Student Health Insurance Plan (SHIP) Renewal 2003-2004
Report of New Student Health Insurance Rates

BACKGROUND

Boise State University has negotiated with Collegiate Risk Management, Inc. a student health insurance rate of \$368.50 per semester for the 2003-2004 academic year. The Health & Wellness Advisory Committee has reviewed this renewal rate proposal. This rate is a \$125.00 increase, or 51% over the current rate. This increase is in response to significant losses the first two years of the plan with the current carrier. After careful review of the alternatives, we determined that competitive rebidding of the plan, rather than retaining the current carrier, would have resulted in even more significant premium increases.

DISCUSSION

The benefit package offered by this plan provides for the relevant student needs for specialized and emergency health care services. However, this "success" results in high rates of service utilization. Health claims payments have totaled 13% more than insurance premium revenue collected. Additionally, medical inflationary trending has averaged 14-18% annually over the past two years.

It is projected that future premium increases will be more moderate as the SHIP program becomes mandatory for all full-fee paying students this fall (unless they can provide proof of comparable coverage). Part-time students will no longer be eligible to voluntarily enroll in the plan, which will also improve the financial viability of the program. Voluntary enrollment leads to significant adverse selection and a bad-risk enrollee's pool (predominately, only those students who know they need health services, voluntarily enroll in the plan). Last policy year, part-time students generated \$250,000 in health claims payments vs. \$40,000 in insurance premium collections.

IMPACT

Student health insurance premiums are paid by students. There is no impact to the University budget.

BOARD ACTION

A motion to authorize Boise State University to contract with CRM, Inc. to provide student health insurance for 2003-2004 at a rate of \$368.50 per student per semester.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

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INSTITUTION/AGENCY AGENDA

BOISE STATE UNIVERSITY (cont.)

INFORMATION ITEM

2003-2004 HOUSING ROOM & BOARD RATES

Boise State University has approved the following room & board rates effective with the Fall Semester, 2003-2004

| APARTMENTS | 2002-2003 | 2003-2004 | % Increase |
|---------------------------|------------------|------------------|-------------------|
| University Heights | | | |
| 1 bedroom | \$ 458.00 | \$ 480.00 | 4.80% |
| 2 bedroom | \$ 498.00 | \$ 525.00 | 5.42% |
| University Manor | | | |
| 1 bedroom | \$ 458.00 | \$ 480.00 | 4.80% |
| 2 bedroom | \$ 498.00 | \$ 525.00 | 5.42% |
| University Park | | | |
| grad unit | \$ 280.00 | \$ 295.00 | 5.36% |
| 2 bedroom | \$ 503.00 | \$ 530.00 | 5.37% |
| 3 bedroom | \$ 539.00 | \$ 566.00 | 5.01% |
| University Village | | | |
| 2 bedroom | \$ 548.00 | \$ 575.00 | 4.93% |
| Other Rentals | | | |
| 1803 Donald Circle | \$ 666.00 | \$ 693.00 | 4.1% |
| 1809 Donald Circle | \$ 750.00 | \$ 780.00 | 4.0% |

| RESIDENCE HALLS | 2002-2003 | 2003-2004 | % Increase |
|--|------------------|------------------|-------------------|
| Meal Plan Number (Double Occupancy) | | | |
| Plan 1 or 4 | \$ 4,179.00 | \$ 4,513.00 | 8.0% |
| Plan 2 or 5 | \$ 4,047.00 | \$ 4,371.00 | 8.0% |
| Plan 3 or 6 | \$ 3,859.00 | \$ 4,168.00 | 8.0% |
| Meal Plan Number (Single Occupancy) | | | |
| Plan 1 or 4 | \$ 4,746.00 | \$ 5,126.00 | 8.0% |
| Plan 2 or 5 | \$ 4,614.00 | \$ 4,983.00 | 8.0% |
| Plan 3 or 6 | \$ 4,426.00 | \$ 4,780.00 | 8.0% |
| Meal Plan Number (Single Occupancy- Large Room) | | | |
| Plan 1 or 4 | \$ 5,513.00 | \$ 5,954.00 | 8.0% |
| Plan 2 or 5 | \$ 5,381.00 | \$ 5,811.00 | 8.0% |
| Plan 3 or 6 | \$ 5,193.00 | \$ 5,608.00 | 8.0% |

One-time Construction Credit (Morrison & Driscoll Only) \$ (150.00)

Definitions:

Meal Plan Option #1: 19 Meals per week, 3 each weekday, 2 on Sat & Sun.

Meal Plan Option #2: Any 15 of the 19 meals available.

Meal Plan Option #3: Any 10 meals of the 19 available.

Meal Plan Option #4: Block Plan - 135 meals + \$150/semester of flex dollars.

Meal Plan Option #5: Block Plan - 110 meals + \$200/semester of flex dollars.

Meal Plan Option #6: Block Plan - 75 meals + \$235/semster of flex dollars.

BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003

INSTITUTION/AGENCY AGENDA
BOISE STATE UNIVERSITY (cont.)

BOISE STATE UNIVERSITY FOUNDATION AUDIT FY2002 and BRONCO
ATHLETIC FOUNDATION AUDIT FY2002

SUBJECT

In compliance with Board Policy, copies of the audits of the Boise State University Foundation, Inc., and the Bronco Athletic Foundation, Inc. for the fiscal year ended June 30, 2002 are on file at the Office of the State Board of Education. Copies of the reports are also available in the Office of the Vice President for Finance and Administration at Boise State University.

STAFF COMMENTS

Boise State University Foundation, Inc. had total assets of \$65,792,677; liabilities of \$17,006,669; and a fund balance of \$48,786,008, as of June 30, 2002. Of the total assets, \$62,253,128, or 95%, are restricted in accordance with the purposes established by the donor. The Foundation's revenues for FY02 consisted of contributions, donated services and other revenues of \$4,663,275; interest and dividends of \$1,746,031; and change in fair value of investments of (\$3,348,129). Expenditures consisted of distributions to Boise State University for \$2,480,580; scholarships \$1,732,920; departmental support \$380,495; interest expense \$360,110 and other \$62,230, resulting in a net decrease to fund balance of \$1,985,158. The Foundation had outstanding net pledges of \$1,463,136 at June 30, 2002

BOARD ACTION

No action is required.

BUSINESS AFFAIRS AND HUMAN RESOURCES
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**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**INSTITUTION/AGENCY AGENDA
IDAHO STATE UNIVERSITY**

APPROVAL TO INCREASE PROJECT BUDGET – RENDEZVOUS BUILDING

SUBJECT

The design for the Rendezvous Building is nearly complete and the final project budget estimate has been developed. Idaho State University requests approval to increase the budget for the previously approved project from \$37,314,000 to \$38,873,000.

BACKGROUND

For FY2002, Idaho State University received an appropriation of \$14,000,000 to construct a new classroom building. This building, with the addition of 300 student apartments and a student union annex, is currently being called the Rendezvous Building. In FY2001, Idaho State University received an appropriation of \$1,500,000 for the programming and schematic design. At the State Board of Education Meeting held September 21-22, 2000, approval was given to add \$250,000 to this appropriation to contract the design firm to plan and do the schematic design for the housing units and the student union annex.

Upon completion of the schematic design, the project returned to the State Board of Education for approval, and at the meeting held September 20-21, 2001, the State Board of Education approved the completion of the design development, construction drawings, and construction of the housing and student union annex portions of this project, with an estimated budget of \$37,314,000.

DISCUSSION

Construction is anticipated to begin on or about September 1, 2003. The plans have been reviewed and numerous adjustments to reduce the estimated cost have been made. The Idaho Division of Public Works, the project design firm, and the construction manager are all in agreement that the requested budget increase is necessary in order to construct the building as planned.

The budget is broken down into three components. The appropriated portion for the classroom building is still within the original budget; however, the housing and student union components have increased by a total of 4.18%, bringing the total estimated cost for the entire project to \$38,809,000, as shown on the following table:

| | <u>Housing</u> | <u>Student Union</u> | <u>Classrooms</u> | <u>Total</u> |
|-----------------|----------------|----------------------|-------------------|--------------|
| Original Budget | \$15,000,000 | \$6,750,000 | \$15,500,000 | \$37,250,000 |
| Revised Budget | \$16,354,000 | \$6,955,000 | \$15,500,000 | \$38,809,000 |
| Amount Incr | \$ 1,354,000 | \$ 205,000 | \$ -0- | \$ 1,559,000 |
| % Increase | 9.03% | 3.04% | -0- | 4.18% |

BUSINESS AFFAIRS AND HUMAN RESOURCES
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INSTITUTION/AGENCY AGENDA
IDAHO STATE UNIVERSITY (cont.)

IMPACT

The estimated cost for this project is \$38,809,000; \$16,354,000 for the housing portion will be funded from bonding supported primarily by housing revenue, \$6,955,000 for the student union portion will be funded from student facility fees, and \$15,500,000 for the classroom portion will be funded by state appropriation.

STAFF COMMENTS

Additional revenue to support the increased budget will be generated from student fees (housing fees and mandatory fees).

BOARD ACTION

A motion to approve the request by Idaho State University to increase the project budget for the Rendezvous Building from \$37,314,000 to \$38,873,000.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**INSTITUTION/AGENCY AGENDA
IDAHO STATE UNIVERSITY (cont.)**

APPROVAL TO INCREASE PROJECT BUDGET – PERFORMING ARTS CENTER

SUBJECT

Idaho State University requests approval to increase the project budget for the L.E. & Thelma E. Stephens Performing Arts Center from \$30,000,000 (approved November 19-20, 1998) to \$34,000,000. This will allow for completion of the interior of the concert hall portion of the project.

BACKGROUND

In November, 1997, the State Board of Education granted approval for ISU to construct a performing arts center. In November, 1998, the State Board of Education granted approval to increase the previously approved budget of \$12,000,000 to \$30,000,000.

The project was bid in October, 2001, and the bids were too far over budget to allow the project to proceed. The project was redesigned with several major alternate bids added and was bid again in April, 2002. The bids were again over budget; however, by not accepting the alternate build-out of the interior of the concert hall, the low bid was accepted and construction began in May, 2002.

DISCUSSION

Funding is now in place for the completion of the concert hall and Idaho State University seeks approval to increase the project budget to \$34,000,000. The construction of the building is approximately 45% complete and with the addition of the completed concert hall, the estimated opening date is early Fall of 2004.

IMPACT

Funding for this project has been entirely from gifts and grants. During the 1999 Legislative session, approval was given for ongoing occupancy costs; custodial, utilities, maintenance, etc.

STAFF COMMENTS

The additional \$4,000,000 will come from contributions already received or pledges that will be received prior to completion of the project.

BOARD ACTION

A motion to approve the request by Idaho State University to increase the project budget for the L.E. & Thelma E. Stephens Performing Arts Center from \$30,000,000 (approved November 19-20, 1998) to \$34,000,000.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**INSTITUTION/AGENCY AGENDA
IDAHO STATE UNIVERSITY (cont.)**

2003 UNIVERSITY GENERAL REVENUE BONDS

SUBJECT

Authorization for issuance of bonds to refund two bank notes and to refund bonds, both resulting in savings to the University, and to construct certain improvements.

BACKGROUND

Idaho State University requests State Board approval to issue approximately \$39,503,000 in tax-exempt revenue bonds ("2003 Bonds") to refund two bank notes and to refund bonds, both resulting in savings to the University, and to construct certain improvements. The Series 2003 Bonds will be used for the following purposes:

| | <u>Amount</u> |
|---|--------------------|
| Finance the University's portion of the Rendezvous Ctr | appx. \$23,820,000 |
| Finance energy savings improvements | appx. 6,125,000 |
| Refund two bank notes issued to purchase student housing facilities | appx. 1,300,000 |
| Refund the outstanding Student Facilities Fee Revenue Bonds, Series 1993 and the outstanding Student Fee Revenue Bonds, Series 1995, to take advantage of lower interest rates and Achieve a debt service savings | appx. 8,000,000 |

The University is also using this refunding opportunity to amend certain covenants in its bond resolution to provide additional flexibility and savings in the future.

DISCUSSION

Rendezvous

For several years, the University has been planning to construct an integrated mixed use facility in the center of the Pocatello campus containing classroom, housing and student services facilities to be known as the "Rendezvous" or the "Rendezvous Center." The Board approved the Rendezvous Project as a University project at the Board meeting in September, 2001.

BUSINESS AFFAIRS AND HUMAN RESOURCES
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INSTITUTION/AGENCY AGENDA
IDAHO STATE UNIVERSITY (cont.)

The 2001 Legislature appropriated funds for the classroom portion of Rendezvous, but budget holdbacks during 2002 forced the University to suspend activity on the project despite having completed pre-construction drawings and other pre-development on the project. The University did not want to proceed with its financing until State funds became available. On May 3, 2003, House Concurrent Resolution No. 30 (the "Concurrent Resolution") was adopted by the Idaho Legislature. The Concurrent Resolution provides for the issuance of bonds by the Idaho State Building Authority (the "Building Authority") to finance, among other State projects, the classroom portion of the Rendezvous Center. The adoption of the Concurrent Resolution enables the University to resume work on Rendezvous and to put in place the financing it needs for the housing and student services portion of the project.

Approximately \$23,800,000 of the proceeds of the Series 2003 Bonds will be used to finance the construction of the housing and student services portion of Rendezvous. The 107,800 square foot, 79-suite housing facility will house up to 302 students. It is designed as a suite style facility that follows the current trend in campus housing. The student services portion of the building will serve as the central interactive hub of the building, supporting the social aspect of the program. It will seat in excess of 520 people at meal time, as well as contain meeting rooms for private parties and other campus events. The dining facilities in the Rendezvous Center will provide food service for the housing facility, as well as providing a new central campus retail food service establishment. Rendezvous will also house a satellite bookstore to service the needs of the upper campus population.

Building Authority Financing

The Building Authority is authorized by Idaho Code Section 67-6401 et seq. to issue bonds to finance, build and own buildings for units of State government, including the University. See agenda item TAB 9 related to the agreements with the Idaho State Building Authority (ISBA) Agenda for the terms and conditions of the Building Authority financing to protect the University's interest in the project.

For the reasons set forth below, the University has determined to proceed with the issuance of the 2003 Bonds at this time:

- (i) Energy Project, described below, must commence construction of certain key items in July, 2003;
- (ii) Issuing all of the University's 2003 Bonds at one time achieves an economy of scale of costs of issuance and time commitments of University personnel;
- (iii) Issuing all the 2003 Bonds enables the University to immediately implement the covenant changes to the Bond Resolution because the new

BUSINESS AFFAIRS AND HUMAN RESOURCES
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INSTITUTION/AGENCY AGENDA
IDAHO STATE UNIVERSITY (cont.)

- bondholders are counted toward the consent of bondholders needed to approve the favorable changes to the Bond Resolution;
- (iv) Interest rates are very favorable, thus increasing the savings on the refinancing of the 1993 and 1995 bonds; and
 - (v) As described in ISBA Agenda item TAB 9, the Building Authority plans to issue its bonds for its portion of the Rendezvous Project in July, 2003, and has requested that all University funds be available at the time of the Building Authority's bond sale. The terms with the Building Authority have been finalized and are to be approved at this meeting. The Building Authority is obligated to proceed in good faith to issue the bonds, and the commencement date under the Ground Lease and the Facilities Lease does not occur until such bonds are in fact issued.

The Energy Project

In mid 2002, the University commissioned an energy audit of the University's facilities by CMS Viron Corporation ("Viron"). That audit made numerous recommendations on how the University could update its equipment with current energy efficient technologies and thereby realize savings in operating expenses. Following the audit, the University has been negotiating the terms of an Energy Performance Contract with Viron (the "Agreement"). At the December 11-12, 2002 Board meeting, the Board approved the concept for the Agreement and delegated to the Executive Director the completion of the Agreement and financing.

Documents

Documents relating to the issuance and sale of the 2003 Bonds are being prepared. The University expects to obtain an "A" category rating on the 2003 Bonds from Standard and Poor's Corporation and Moody's Investor Service, and, depending on interest rates and bond insurance costs, the University may find it more advantageous to purchase bond insurance to result in a rating of "AAA/Aaa" on the 2003 Bonds.

The 2003 Bonds would be issued as Additional Bonds under the Board's Resolution adopted September 17, 1992 (the "Resolution"), on a parity with all other bonds issued under the Original Resolution. The Bonds will be secured by the Matriculation Fee and the Student Facilities Fee/Facilities and Revenues from the Housing System.

Bond pricing will occur during the day of June 26, 2003, and be finalized by approximately 1:00 p.m. Accordingly, the University requests consideration of this agenda item after 2:00 p.m. on June 26.

**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**INSTITUTION/AGENCY AGENDA
IDAHO STATE UNIVERSITY (cont.)**

FISCAL IMPACT

The University estimates that the lower interest rates will result in approximately \$900,000 total debt service savings on the bonds and the bank notes being refinanced. The present value of this savings is approximately \$700,000.

STAFF COMMENTS

With the current record low interest rates, refinancing provides a great opportunity to save money. Also by financing the energy savings improvements, savings will be generated from financing the improvements with the contractor. The majority of the bonds fund the housing and student services facility. These projects have been approved by the Board, with project increases requested in the prior agenda item. Moody's has rated the issue "A2" and Standard & Poor's rating is "A."

BOARD ACTION

A motion to approve a Supplemental Resolution for the 2003 Bonds, the title of which is as follows:

A SUPPLEMENTAL RESOLUTION of Idaho State University authorizing the issuance and sale of \$_____ ¹ General Refunding and Improvement Revenue Bonds of The Board of Trustees of Idaho State University, Series 2003, authorizing the execution and delivery of a Bond Purchase Agreement and providing for other matters relating to the authorization, issuance, sale and payment of the Series 2003 Bonds.

1. Exact amount will be available at the meeting. Approximately \$39,345,000.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**INSTITUTION/AGENCY AGENDA
IDAHO STATE UNIVERSITY (cont.)**

STUDENT HEALTH INSURANCE CONTRACT/PREMIUMS

SUBJECT

Idaho State University requests State Board approval to enter into a contract for student health insurance coverage for FY2003-2004.

BACKGROUND

Idaho State University's student health insurance carrier has been GM Southwest, underwritten by Clarendon National Insurance Company, for the past five years. For FY2003, the premium for full-time students was \$275.00 per semester, which was a 5% increase from the previous year.

DISCUSSION

Effective for the Fall Semester, 2003, the premium for full-time students will increase to \$311.00 per semester, a 13.09% increase.

Student health insurance is mandatory for full-time fee paying students that have no insurance coverage. The deductible is \$100 per injury or sickness, which is waived if the student goes to the campus Student Health Center. Coverage is 75% UCR with a maximum benefit of \$20,000 per occurrence. Vocational Education students pay \$124.00 per session for five sessions per year.

IMPACT

\$0.00. The student health insurance contract does not obligate the University for payment to the contractor.

STAFF COMMENTS

The university coordinates the health insurance program for their students. All costs are supported by the student insurance premiums.

BOARD ACTION

A motion to grant approval for Idaho State University to enter into a contract with Clarendon National Insurance Company to provide student health insurance.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003

INSTITUTION/AGENCY AGENDA
IDAHO STATE UNIVERSITY (cont.)

2003-2004 HOUSING ROOM & BOARD RATES

Idaho State University has approved the following room and board rates effective with the Fall Semester, 2003.

| | <u>2002-2003</u> | <u>2003-2004</u> | <u>% Increase</u> |
|---|------------------|------------------|-------------------|
| Residence Halls | | | |
| Room & Board/Double Occupancy: | | | |
| Plan A (19 meals/week with no Flex) | \$4,410 | \$4,680 | 5.77% |
| Plan B (14 meals/week + \$200 flex/sem) | 4,300 | 4,680 | 8.12% |
| Plan C (10 meals/week + \$150 flex/sem) | 4,210 | 4,430 | 4.97% |
| Plan D (7 meals/week + \$150 flex/sem) | 3,730 | 3,970 | 6.05% |
| Room & Board/Single Occupancy: | | | |
| Plan A (19 meals/week with no flex) | 5,050 | 5,350 | 5.61% |
| Plan B (14 meals/week + \$200 flex/sem) | 4,940 | 5,350 | 7.66% |
| Plan C (10 meals/week + \$150 flex/sem) | 4,850 | 5,100 | 4.90% |
| Plan D (7 meals/week + \$150 flex/sem) | 4,370 | 4,640 | 5.82% |
| Graduate Student Residence Complex/Suites | | | |
| (All are NEW PLANS – monthly) | | | |
| Double Occupancy/Schubert Heights | | 150 | |
| Single Occupancy/Graduate House | | 400 | |
| Single Occupancy/West Campus | | 505 | |
| Single Occupancy/Studio Suites | | 400 | |
| Apartment Units (monthly) | | | |
| One Bedroom/West Campus | 445 | 450 | 1.11% |
| One Bedroom | 415 | 425 | 2.35% |
| Two Bedroom/1 bath | 495 | 505 | 1.98% |
| Two Bedroom/1½ bath | 530 | 540 | 1.85% |
| Two Bedroom/2 bath | 560 | 585 | 0.88% |

BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003

INSTITUTION/AGENCY AGENDA
IDAHO STATE UNIVERSITY (cont.)

ISU BENGAL FOUNDATION AUDIT FY2002

SUBJECT

In compliance with Board Policy, a copy of the audit of the Idaho State University Bengal Foundation, for the fiscal year ended June 30, 2002, is on file at the Office of the State Board of Education. Copies of the report are available in the Office of Financial Services at ISU.

BOARD ACTION

No action is required.

**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**INSTITUTION/AGENCY AGENDA
UNIVERSITY OF IDAHO**

STUDENT HEALTH INSURANCE CONTRACT/PREMIUMS

SUBJECT

Request authorization for the Vice President for Finance and Administration to enter into a contract with Student Resources for the Student Health Insurance Program policy underwritten by The MEGA Life and Health Insurance Company for 2003-04, with the potential to renew on an annual basis if the renewal quote is acceptable to the University. The contract will reserve the University's right to terminate the fully insured contract on 30-days notice. It will also allow the University to enter into a self-funded financial arrangement during FY04, with Board approval.

BACKGROUND

The University of Idaho and Combined Insurance Company of America did not come to mutual agreement on a renewal quote for the University's Student Health Insurance program. Combined Insurance Company of America submitted a renewal proposal requesting a rate increase in excess of 60%, which would attempt to partially recover underwriting losses from the 2001-02 plan year and expected losses from the 2002-03 plan year. Given that we had a fully insured contract with Combined, we found this increase to be unacceptable and proceeded with a formal request for proposals process one year ahead of schedule.

DISCUSSION

The proposal from Student Resources and The Mega Life and Health Insurance Company was found to be advantageous and was selected as the preferred provider by the review committee. Details of the proposed plan are included in the Report to the Board Office.

IMPACT

The new contract amount is \$2,931,000, which represents a 43 % increase over last year. The premiums for undergraduate students will increase 23%, with the remaining increase being assumed by spouses and graduate students, who represent a heavier portion of the claims. The contract is funded via these student-paid premiums. The 2003-04 plan offers significant improvements in scope of services to students, benefit enhancements, advances in technology utilizing an electronic medical records system, and cost of services to students that is below our peer institutions.

STAFF COMMENTS

The university coordinates the health insurance program for their students. All costs are supported by the student insurance premiums.

**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**INSTITUTION/AGENCY AGENDA
UNIVERSITY OF IDAHO (cont.)**

BOARD ACTION

A motion to approve the request by University of Idaho to authorize the Vice President for Finance and Administration to enter into a contract with Student Resources for the Student Health Insurance Program policy underwritten by The MEGA Life and Health Insurance Company for 2003-04, with the potential to renew on an annual basis if the renewal quote is acceptable to the University.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003

INSTITUTION/AGENCY AGENDA
UNIVERSITY OF IDAHO (cont.)

Report to the Board Office
2003-2004 University of Idaho Student Health Program
June 2003

The 2002-2003 academic year continued a major transition for the Student Health Program for the Moscow campus. Primary care services were outsourced, following a comprehensive request for proposal process, to Moscow Family Medicine. The results from this outsourcing are very positive. Significant improvements in scope of services, advances in technology (e.g., Student Health Services at the University of Idaho is one of the few student health programs in the nation to utilize an electronic medical records system), and student/dependent user satisfaction have been achieved during this first year of the contract. In addition, the University of Idaho is providing outstanding services at a health fee cost well below our peer institutions as a result of this outsourcing arrangement. Savings have been achieved through increased provider productivity and the ability of Moscow Family Medicine to interface with the personal health insurance for students who choose to waive participation in the University's student health insurance program.

Essential enhancements for our student health program are being implemented for 2003-2004. For example, we have hired a psychiatrist to serve UI students, replacing a one-day per week contract with a rotating psychiatrist from Saint Joseph's Hospital in Lewiston. We are also consolidating our health education and wellness programs and exploring opportunities for community grants in partnership with our local hospital, Gritman Medical Center.

Discussions with Moscow dentists took place in late fall 2002 with the idea of creating a self-insured dental clinic for UI Student Health Insurance Program enrollees. Unfortunately, the local group of dentists could not reach consensus about how to approach coordinating services for students. Options for providing dental services for students will continue to be explored.

The University is in compliance with the health insurance policies adopted by both the University and the SBOE. At the University of Idaho, all degree-seeking undergraduate or graduate students physically enrolled for classes or completing other required degree work within the State of Idaho, who are enrolled for eight (8) credit hours at the UI Centers or four (4) credit hours at the Moscow campus were required to carry health insurance as a condition of enrollment. The health insurance enrollment requirement for international students was continued regardless of degree-seeking status or credit hours.

The University of Idaho, like many colleges and universities from a national perspective, received a significant rate increase from our incumbent insurance carrier, Combined Insurance Company of America. Combined requested a rate increase in excess of

BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003

INSTITUTION/AGENCY AGENDA
UNIVERSITY OF IDAHO (cont.)

60%, which would attempt to partially recover underwriting losses from the 2001-02 plan year and expected losses from the 2002-03 plan year. Given that we had a fully insured contract with Combined, the University found this increase to be unacceptable and we proceeded with a formal request for process one year ahead of schedule.

Although we only received two proposals, the proposal from Student Resources and The Mega Life and Health Insurance Company was found to be advantageous and has been accepted, pending approval of the Regents. Features of this proposal include the following:

- The proposal allows the University to continue working with its own claims administrator, Klais & Company of Akron, Ohio. This assures that students will have very few, if any, transition concerns regarding the change in companies indemnifying the risk for our program. Both covered students and local health care providers report that Klais is providing outstanding services.
- Our arrangement continues to include self-funding of a significant portion of the claims liability (e.g., prescription drug claims dispensed through our on-campus Pharmacy and our primary care funding arrangement with Moscow Family Medicine). Self-funding these services/benefits allows the University to provide a much more fiscally efficient program.
- Although the monthly cost for the program is increasing from \$53.66 to \$66.50 (23.9%), we have been able to maintain a program that provides outstanding coverage, which students can rely on for their sole source of health insurance protection (our program also complies with national standards for student health insurance/benefit endorsed by the American College Health Association – see http://www.acha.org/info_resources/stu_health_ins.pdf).

Relative to ACHA's standards, the University of Idaho's program continues to operate with no pre-existing condition exclusion and provides a lifetime maximum benefit of \$500,000. Several important adjustments are being made to the program to encourage utilization of health care resources and to achieve appropriate balance between benefits provided and out-of-pocket costs for covered persons who utilize services:

- ? The in-network coinsurance is being reduced from 90% to 80%, but the annual 100% payment threshold remains at \$20,000.
- ? The prescription drug copayment at our on-campus Pharmacy is increasing from \$15 to \$20 for generic medications and \$15 to \$30 for brand medications.
- ? Mega Life is providing a comprehensive medical evacuation and repatriation program, with unlimited benefits, for UI students who travel abroad and international students while they are in the United States.

**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**INSTITUTION/AGENCY AGENDA
UNIVERSITY OF IDAHO (cont.)**

- ? The University of Idaho and Moscow Family Medicine jointly agreed to discontinue offering the "Bridge Plan" that allowed for pre-funding of care at Student Health Services for students who are covered by private insurance. Only 110 students selected chose to purchase this supplemental coverage program during the 2002-03 academic year.

The changes for the student health program for the 2003-2004 academic year are being implemented, in large part, because of the success achieved over the past two years for the redesign of our student health program. Over 700 students transitioned off of their parental/personal health insurance coverage to join our student health insurance program in the fall of 2001. An additional 1,000 students became insured under our program for the fall of 2002 as a result of our adoption of a health insurance requirement. Today, over 4,000 students obtain health insurance through the University of Idaho's program.

Many parents and students continue to inform the University that our program provides an assurance of quality coverage at a cost that is increasingly favorable compared to the contributions required to maintain their employer-sponsored health insurance coverage. National reports indicate that student health insurance programs that provide high quality coverage are becoming increasingly valuable to students and parents because of the cost shifting that is occurring among employer-sponsored health insurance programs.

Comprehensive Student Health Insurance Plan Semester Costs

| Cost Components | Fall or Spring Semester Student- Only | Fall or Spring Semester Spouse | Fall or Spring Semester Per Child |
|---|--|---|--|
| Mega Life and Health Insurance Company | | | |
| Expected Claims (net of retro) | \$226.00 | \$547.50 | \$335.80 |
| Retrospective Reserve (held by UI) | \$15.00 | \$37.50 | \$101.20 |
| Retention | <u>\$68.00</u> | <u>\$165.00</u> | <u>\$23.00</u> |
| Total Possible Premium | \$309.00 | \$750.00 | \$460.00 |
| Moscow Family Medicine | \$28.82 | \$90.10 | \$53.53 |
| Klais & Company | \$11.00 | \$0.00 | \$0.00 |
| UI Benefits and Plan Expenses | \$50.18 | \$33.90 | \$33.47 |
| Total Cost of Coverage | \$399.00* | \$874.00 | \$547.00 |

*This cost figure is subject to change pending review of State Mandated Benefits. Questions about University of Idaho Student Health Program may be referred to Dr. Hal Godwin at 208-885-2210, or by e-mail to hgodwin@sub.uidaho.edu.

**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**INSTITUTION / AGENCY AGENDA
UNIVERSITY OF IDAHO (cont.)**

2003-2004 ROOM AND BOARD RATES

The University has approved the room and board rates as detailed on pages 23 and 24.

BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003

University of Idaho Traditional Residence Hall Room and Board Rates 2003-04

| Traditional Residence Hall Room and Board Rates | Annual Rate | | | Semester Rate | | |
|--|-------------|------------|----------|---------------|------------|----------|
| | *FY04 rates | FY03 rates | Increase | *FY04 rates | FY03 rates | Increase |
| Double Room and Meal Plan* #1 | \$5,168.00 | \$ 4,973 | 3.92% | \$ 2,584.00 | \$ 2,487 | 3.90% |
| Double Room and Meal Plan* #2 | \$5,000.00 | \$ 4,805 | 4.06% | \$ 2,500.00 | \$ 2,402 | 4.08% |
| Double Room and Meal Plan* #3 | \$4,746.00 | \$ 4,549 | 4.33% | \$ 2,373.00 | \$ 2,274 | 4.35% |
| Targhee Hall Double Room and Meal | \$ 4,942.00 | \$ 4,767 | 3.67% | \$ 2,471.00 | \$ 2,384 | 3.65% |
| Targhee Hall Double Room and Targhee Meal Plan* | \$4,942.00 | \$ 4,767 | 3.67% | \$ 2,471.00 | \$ 2,384 | 3.65% |
| Steel House Co-op - Double Room/Co-op Meal Plan* | \$4,024.00 | \$ 3,845 | 4.66% | \$ 2,012.00 | \$ 1,923 | 4.63% |
| Single Room and Meal Plan* #1 | \$ 6,368.00 | \$ 6,073 | 4.86% | \$ 3,184.00 | \$ 3,037 | 4.84% |
| Single Room and Meal Plan* #2 | \$6,200.00 | \$ 5,905 | 5.00% | \$ 3,100.00 | \$ 2,952 | 5.01% |
| Single Room and Meal Plan* #3 | \$5,946.00 | \$ 5,649 | 5.26% | \$ 2,973.00 | \$ 2,824 | 5.28% |
| Targhee Hall Single Room and Targhee Meal Plan | \$ 6,142.00 | \$ 5,867 | 4.69% | \$ 3,071.00 | \$ 2,934 | 4.67% |
| Steel House Co-op – Single Room/Co-op Meal Plan | \$ 5,224.00 | \$ 4,945 | 5.64% | \$ 2,612.00 | \$ 2,473 | 5.62% |
| McConnell Hall: (Additional Charge) | \$80.00 | \$ 80.00 | 0% | \$40 | \$ 40.00 | 0% |
| Fall Only Agreement: Additional Fee | ----- | ----- | 0% | \$ 400.00 | \$ 400.00 | 0% |

*Rates Do Not include tax due to possible sales taxes may fluctuations. The meal plan portion only, of the Room and Board Rates, is taxed. At the current 6% Idaho State Tax rate, add an additional \$85 - \$119/about 2% to the above Annual Rates.

2003-2004 Living Learning Community Package Rates

| Living Learning Community Package Rates | Annual Rate | | | Semester Rate | | |
|--|-------------|------------|----------|---------------|------------|----------|
| | *FY04 rates | FY03 rates | Increase | *FY04 rates | FY03 rates | Increase |
| FRESHMAN LIVING LEARNING COMMUNITY PACKAGES | | | | | | |
| FLLC Double Room Package* | \$ 5,196.00 | --- | --- | \$ 2,598.00 | --- | --- |
| FLLC Single Room Package* | \$ 6,396.00 | --- | --- | \$ 3,198.00 | --- | --- |
| FLLC Super Double Package* | \$ 5,446.00 | --- | --- | \$ 2,723.00 | --- | --- |
| FLLC Super Single Package* | \$ 6,646.00 | --- | --- | \$ 3,323.00 | --- | --- |
| FLLC Super Double as Triple Package* | \$ 4,794.00 | --- | --- | \$ 2,397.00 | --- | --- |
| FLLC Super Single as Double Package* | \$ 5,196.00 | --- | --- | \$ 2,598.00 | --- | --- |
| LIVING LEARNING COMMUNITY PACKAGES (NON-FRESHMAN) | | | | | | |
| LLC Double Room Package* | \$ 4,148.00 | --- | --- | \$ 2,074.00 | --- | --- |
| LLC Single Room Package* | \$ 5,348.00 | --- | --- | \$ 2,674.00 | --- | --- |
| LLC Super Double Package* | \$ 4,398.00 | --- | --- | \$ 2,199.00 | --- | --- |
| LLC Super Single Package* | \$ 5,598.00 | --- | --- | \$ 2,799.00 | --- | --- |
| LLC Super Double as Triple Package* | \$ 3,746.00 | --- | --- | \$ 1,873.00 | --- | --- |
| LLC Super Single as Double Package* | \$ 4,148.00 | --- | --- | \$ 2,074.00 | --- | --- |

The Freshman Living Learning Community Package includes \$974* (before tax) in Dining per semester (which can be upgraded). The Living Learning Community Package (non-Freshman) includes \$450* (before tax) in Dining per semester (which can be upgraded).

*Rates Do Not include tax due to possible sales tax fluctuations. The Dining portion only, of the Freshman Living Learning Community Package and the Living Learning Community Package, is taxed. At the current 6% Idaho State Tax rate, add an additional \$98/about 2% to the Freshman Living Learning Community Package Annual Rate and \$45/about 1% to the Living Learning Community Package (non-Freshman) Annual Rate.

It is proposed to establish the Living Learning Community Deposit at \$250 and to raise the Traditional Residence Hall Deposit (and Application Fee) from \$150 to \$250.

Liquidated Damages Remain unchanged at \$5 per day, Minimum Charge \$300-- Maximum Charge \$1,000.

BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003

2003-2004 Monthly Apartment Rates 2 Tier Plan

| 12 MONTH AGREEMENT | FY04Rate | FY03Rate | | Dollar |
|--------------------------------------|------------------|------------------|-----------------|-----------------|
| Apartment Rates | Per Month | Per Month | Increase | Increase |
| Alumni Residence Center | \$ 346 | \$ 325 | 6.54% | \$ 21 |
| Graduate Student Residence # B | \$ 440 | \$ 414 | 6.21% | \$ 26 |
| Graduate Student Residence #C | \$ 423 | \$ 398 | 6.26% | \$ 25 |
| South Hill Apartments: 1 Br. | \$ 432 | \$ 407 | 6.23% | \$ 25 |
| South Hill Apartments: 2 Br. | \$ 460 | \$ 433 | 6.15% | \$ 27 |
| South Hill Apartments: 3 Br. | \$ 527 | \$ 497 | 6.01% | \$ 30 |
| South Hill Vista: 2 Br. | \$ 505 | \$ 476 | 6.05% | \$ 29 |
| South Hill Vista: 3 Br. | \$ 572 | \$ 540 | 5.93% | \$ 32 |
| South Hill Vista: 4 Br. | \$ 629 | \$ 594 | 5.84% | \$ 35 |
| Elmwood Apartments: 1 Br. Grnd. Flr. | \$ 451 | \$ 425 | 6.18% | \$ 26 |
| Elmwood Apartments: 1 Br. | \$ 462 | \$ 435 | 6.18% | \$ 27 |
| Elmwood Apartments: 2 Br. | \$ 598 | \$ 565 | 6.15% | \$ 33 |

| *<THAN 12 MONTH AGREEMENT | FY04Rate | FY03Rate | | Dollar |
|---|------------------|------------------|-----------------|-----------------|
| Apartment Rates | Per Month | Per Month | Increase | Increase |
| **Alumni Residence Center | \$ 376 | \$ 355 | 5.99% | \$ 21 |
| Graduate Student Residence # B | \$ 470 | \$ 444 | 5.79% | \$ 26 |
| Graduate Student Residence #C | \$ 453 | \$ 428 | 5.82% | \$ 25 |
| South Hill Apartments: 1 Br. | \$ 462 | \$ 437 | 5.80% | \$ 25 |
| South Hill Apartments: 2 Br. | \$ 490 | \$ 463 | 5.76% | \$ 27 |
| South Hill Apartments: 3 Br. | \$ 557 | \$ 527 | 5.66% | \$ 30 |
| South Hill Vista: 2 Br. | \$ 535 | \$ 506 | 5.69% | \$ 29 |
| South Hill Vista: 3 Br. | \$ 602 | \$ 570 | 5.61% | \$ 32 |
| South Hill Vista: 4 Br. | \$ 659 | \$ 624 | 5.56% | \$ 35 |
| ***Elmwood Apartments: 1 Br. Grnd. Flr. | \$ 481 | \$ 455 | 5.77% | \$ 26 |
| ***Elmwood Apartments: 1 Br. | \$ 492 | \$ 465 | 5.75% | \$ 27 |
| ***Elmwood Apartments: 2 Br. | \$ 628 | \$ 595 | 5.59% | \$ 33 |

*Less-than-12-Month Agreement is \$30 more per month to offset turnover costs , same as previous year, no change

**Less Than 12-Month Agreement for Elmwood is only permitted in the event of a student graduating.

| |
|---|
| Other Apartment Fees , same as previous year, no change |
| Carpet cleaning charges: Studio unit, \$20; 1-bedroom unit, \$30; 1-bedroom w/loft and 2-bedroom unit, \$40; 3-bedroom unit, \$50; 4-bedroom unit, \$60. No Change. |
| There is a \$170 Deposit and a \$30 non-refundable Apartment Application Processing Fee. No change. |
| Post Doctorate's, Faculty and Staff month-to-month rate: \$40.00 additional per month on the base 12-Month rate. No Change. |

**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**INSTITUTION/AGENCY AGENDA
LEWIS-CLARK STATE COLLEGE**

STUDENT FEE REVENUE NOTE PURCHASE AGREEMENT – SERIES 2003 NOTE

SUBJECT

Request authority for issuance of a Student Fee Revenue Note Purchase Agreement to provide partial funding for the acquisition and construction of a Campus Classroom and Activity Center.

Issuance not to exceed \$1,591,000 as a tax-exempt student fee revenue note to partially finance the construction of a Campus Classroom and Activity Center.

BACKGROUND

Lewis-Clark State College has planned for nearly ten years the construction of a multi-purpose facility meeting the needs of our students and the college. For funding purposes, the project has brought together students, college patrons, and government. The project will be financed by a pledged student fee, community contributions through the college's foundation, state appropriations and bond proceeds through the Idaho State Building Authority.

LCSC, with student support, initially approved a fee in 1997, and increases to the fee in 1998, 1999 and 2002 for the purpose of funding \$2,000,000 of the Center's total cost. The college has a current balance of approximately \$409,000 in fees. Accordingly, the need to finance has been reduced to a maximum of \$1,591,000 ($\$2,000,000 - 409,000 = \$1,591,000$).

In the Fall of 1997, the LCSC Foundation embarked upon a \$1.5 million fund raising campaign. By June 30, 2003, the Foundation will have raised \$1,265,763 in cash and will have approximately \$234,237 in pledges receivable that will be realized by June 30, 2006. Cash for the construction fund is required by July 16, 2003. The Foundation, through a resolution adopted on June 4, 2003, approved bridge financing through Wells Fargo Bank Northwest N.A. through an assignment of pledges at a rate of 3.95% to be repaid as pledges are received.

The 109,180 square-foot facility consists of an events center-gym, multi-purpose room, classrooms, conditioning and workout rooms, locker room and shower facilities, treatment and exam spaces, offices and related support spaces, concession facilities, storage areas, public lobbies and restroom facilities, and storage areas and building mechanical spaces. In addition, the site work consists of the addition of several new parking lots, new access roads and sidewalks, a new trash pick-up facility, various new utility installations, and site landscaping.

**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**INSTITUTION/AGENCY AGENDA
LEWIS-CLARK STATE COLLEGE (cont.)**

The College and the Division of Public Works are making final adjustments to the project budget that will result in overall cost savings. Budget revisions will be forwarded to the State Board office as they become available.

Funding Summary

| | |
|---------------------------------|---------------------|
| Permanent Building Fund | \$2,022,000 |
| Idaho State Building Authority | \$10,868,000 |
| Student Fee Revenue Note | \$1,591,000 |
| Student Fee Cash | \$409,000 |
| LCSC Foundation | \$1,500,000 |
| <hr/> | |
| <u>Total Project Cost</u> | <u>\$16,390,000</u> |

DISCUSSION

Student Fee Revenue Note

Documents relating to the issuance and sale of the Note are being prepared by Wells Fargo Brokerage Services, LLC and the College. This issuance will not be rated and it will not be insured. The Note will have a tax-exempt rate of 3.97% with nine annual payments. Final payment will occur on July 15, 2013.

The Note will be issued by a State Board of Education Resolution adopted on this date and will be secured by the College's pledged revenues under the Resolution.

Action on this agenda item consists of a motion to approve the Resolution for the Student Fee Revenue Note, the titles of which are, respectively, as follows:

A RESOLUTION OF THE STATE BOARD OF EDUCATION
AND THE BOARD OF REGENTS OF THE UNIVERSITY OF
IDAHO, ACTING IN ITS CAPACITY AS THE BOARD OF
TRUSTEES OF LEWIS-CLARK STATE COLLEGE,
AUTHORIZING THE ISSUANCE AND SALE OF STUDENT
FEE REVENUE NOTES, SERIES 2003 IN THE PRINCIPAL
AMOUNT OF UP TO \$1,591,000, TO FINANCE A
PORTION OF THE COST OF CONSTRUCTION OF A
CAMPUS CLASSROOM AND ACTIVITY CENTER,
PROVIDING FOR RELATED MATTERS.

IMPACT

The college has been collecting a facility fee from the students since 1997 which provides the cash. This fee will remain in place to pay off the note.

**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**INSTITUTION/AGENCY AGENDA
LEWIS-CLARK STATE COLLEGE (cont.)**

STAFF COMMENTS

This project has been the primary issue for LCSC since the mid-1990's. The funding has been secured for the state's portion of the facility (assuming ISBA bonds are issued) so this is the remaining funding issue. The facility fee is in place so if enrollment levels are maintained, student fee revenue will be sufficient to pay off the note.

BOARD ACTION

A motion to approve the Resolution for the Student Fee Revenue Note as follows:

A RESOLUTION OF THE STATE BOARD OF EDUCATION
AND THE BOARD OF REGENTS OF THE UNIVERSITY OF
IDAHO, ACTING IN ITS CAPACITY AS THE BOARD OF
TRUSTEES OF LEWIS-CLARK STATE COLLEGE,
AUTHORIZING THE ISSUANCE AND SALE OF STUDENT
FEE REVENUE NOTES, SERIES 2003 IN THE PRINCIPAL
AMOUNT OF UP TO \$1,591,000, TO FINANCE A
PORTION OF THE COST OF CONSTRUCTION OF A
CAMPUS CLASSROOM AND ACTIVITY CENTER,
PROVIDING FOR RELATED MATTERS.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003

INSTITUTION/AGENCY AGENDA
LEWIS-CLARK STATE COLLEGE (cont.)

SUBJECT

Summary for Student Health Insurance Plan (SHIP) for Lewis-Clark State College

BACKGROUND

In February 2002, the Idaho State Board of Education made policy that mandates all full-fee paying students attending classes in Idaho to be covered by health insurance. This policy shall become effective July 1, 2003. (Idaho State Board of Education policy III.P.16.b.)

DISCUSSION

As required by Board policy, all Full Fee-Paying Students enrolled for eight (8) or more credit hours will automatically be covered under the College's SHIP. The premium will automatically be charged to all International Students, regardless of credit hours, and all full-fee paying Domestic Students each semester. Domestic Student's with existing health insurance coverage will be exempted from participation in the SHIP offered by the College by providing proof of comparable insurance and completing and filing a waiver each academic semester.

The Contract Period will be for one (1) year with option to renew upon mutual agreement of the contracting parties for one (1) year intervals for a total of five (5) consecutive renewals. The College shall provide written notice to the Contractor of its intent to extend this Contract at least 120 days prior to the end of the initial term or the successive one-year renewal. If the Contractor does not desire to extend the Contract, the Contractor shall so notify the College in writing no later than ten days after the date of the College's notice of intent under this paragraph. Any renewal shall be under the same terms and conditions as the prior year of the Contract unless otherwise agreed to by the contracting parties.

The College may terminate the Contract by providing the Contractor with written notice 120 days prior to the end of the initial term.

Contractor

Renaissance Agencies, Inc.
1437 Seventh Street, Suite 400
Santa Monica, CA 90401

Guarantee Trust Life Insurance Company (underwriter)
1275 Milwaukee Avenue
Glenview, IL 60025

**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**INSTITUTION/AGENCY AGENDA
LEWIS-CLARK STATE COLLEGE (cont.)**

IMPACT

Benefits:

If the Insured incurs expense resulting from an accident occurring, or sickness contracted and causing loss, during the policy term, the major medical insurance will reimburse the following covered medically necessary eligible expenses, subject to the following limits: (1) Treatment by a physician or surgeon; (2) hospital confinement; (3) services of a registered graduate nurse; (4) x-rays and diagnostic imaging; (5) operating room; (6) emergency room; (7) anesthesia; (8) laboratory service; (9) surgical dressings; (10) prescription medicines; (11) plaster casts; (12) use of wheelchair or crutches; and (13) ambulance.

Coverage to pay 80% of the reasonable and customary eligible expense incurred up to an aggregate maximum of \$15,000 for any one injury or sickness provided that payment may be made only for eligible expenses resulting from such services or treatment rendered within one year from the date of the accident or one year from the first date of treatment for a sickness.

Student Cost:

| PREMIUM - \$150 Deductible | | |
|---|-------------|----------------|
| For <i>all</i> Eligible Students (SHIP includes Intercollegiate Athletic Injury Coverage – \$2,500 max as a listed benefit) | | |
| | Fall | *Spring |
| Student Only - Mandatory | 146 | 202 |
| Student & Spouse | 348 | 480 |
| Student & Child(ren) | 356 | 491 |
| Student, Spouse & Child(ren) | 558 | 769 |

**** Spring semester includes summer coverage***

| Institute for Intensive English (8 week term) | |
|--|----|
| Institute for Intensive English Students (per 8-week term) | 40 |

STAFF COMMENTS

The university coordinates the health insurance program for their students. All costs are supported by the student insurance premiums.

BOARD ACTION

A motion to approve the request by Lewis-Clark State College to enter into a contract with Renaissance Agencies, Inc. to provide student health insurance underwritten by Guarantee Trust Life Insurance Company.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**INSTITUTION/AGENCY AGENDA
LEWIS-CLARK STATE COLLEGE (cont.)**

FY2003-2004 ROOM AND BOARD RATES

The College has approved the following room and board rates effective Fall 2003:

| | <u>2002-2003</u> | <u>2003-2004</u> | <u>% Change</u> |
|----------------------------------|------------------|------------------|---------------------|
| Residence Halls | | | |
| Room & Board/Double Occupancy: | | | |
| Meal Plan(Platinum) | \$3,980 | \$4,201 | + 5.6% |
| Meal Plan (Diamond) | \$3,750 | \$3,997 | + 6.6% |
| Meal Plan (Gold) | \$3,590 | \$3,777 | + 5.2% |
| Room & Board/Single Occupancy: | | | |
| Meal Plan (Platinum) | \$4,415 | \$4,651 | + 5.3% |
| Meal Plan (Diamond) | \$4,185 | \$4,447 | + 6.3% |
| Meal Plan (Gold) | \$4,025 | \$4,227 | + 5.0% |
| Parrish House (Room Only) | | | |
| Single Room | \$2,135 | \$2,320 | + 8.7% |
| Double Room | \$1,765 | \$1,935 | + 9.6% |
| Double or Triple w/o bath | \$1,460 | \$1,615 | +10.6% |

**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**INSTITUTION/AGENCY AGENDA
LEWIS-CLARK STATE COLLEGE (cont.)**

LCSC FOUNDATION AUDIT FY 2002

SUBJECT

In compliance with Board Policy, a copy of the audit of the Lewis-Clark State College Foundation, Inc., for the fiscal year ended June 30, 2002, is on file at the Office of the State Board of Education. Copies of the report are available in the Administrative Services office at Lewis-Clark State College.

STAFF COMMENTS

Lewis-Clark State College Foundation, Inc. had assets of \$3,423,866, liabilities of \$202,710, and a fund balance of \$3,221,156 as of June 30, 2002. Of the assets, \$3,369,216 or 98.4% are restricted in accordance with the purpose established by the donor. The Foundation's revenue for FY02 consisted of gifts of \$366,446, interest of \$45,651, other income of \$8,332, and change in fair value of investments of (\$55,897). Expenditures consisted of Scholarships \$174,108, Activity Center Building Project \$60,094, LCSC Supported Activities \$57,021, and Other \$91,517.

BOARD ACTION

No Board action is required.

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BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003

SUBJECT

Approval of FY2004 Appropriated Funds Operating Budgets and Capital Budgets

BACKGROUND

Per Board policy (V.B.3.b.(2)), "each institution, school or agency prepares an operating budget for the next fiscal year based upon guidelines adopted by the Board. Each budget is then submitted to the Board in a summary format prescribed by the executive director for review and formal approval before the beginning of the fiscal year." The State Department of Education, the community colleges, Idaho State Historical Society, and the Idaho State Library are exempt from this section of the policy. The operating budgets have been developed based on appropriations passed by the legislature during the 2003 session.

Also presented for approval is the Capital Budget, which identifies projects funded by the Permanent Building Fund and institutional requests from other fund sources.

DISCUSSION

The operating budgets are presented in two different formats. The budgets for agencies, health programs, and special programs contain a budget summary (displayed by program, by source of revenue, and by expenditure classification) and a budget overview that briefly describes changes from the previous fiscal year. For the college & universities, postsecondary professional-technical education and agricultural research and cooperative extension, additional information is provided. In addition to the budget summary by function and by classification and the budget overview, these budgets provide an availability and allocation of funds worksheet that identifies the source of additional revenue for FY04 and the allocation of the additional funds. Also, personnel costs are summarized by type of position and individual position changes are detailed.

The FY04 Budget Reports Index on page 34 provides a guide to the various budgets.

IMPACT

Approval of the budgets establishes the fiscal spending plans for FY2004.

STAFF COMMENTS

The budgets have been developed according to legislative intent and/or Board guidelines.

BOARD ACTION

A motion to approve the FY2004 operating budgets for the Office of the State Board of Education, the School for the Deaf and the Blind, Professional-Technical Education, Health Programs, Special Programs, Public Broadcasting, Vocational Rehabilitation, the College and Universities, Agricultural Research & Cooperative Extension, and the Capital Budget as detailed in Tab 5.

Moved by_____ Seconded by_____ Carried Yes_____ No_____

BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003

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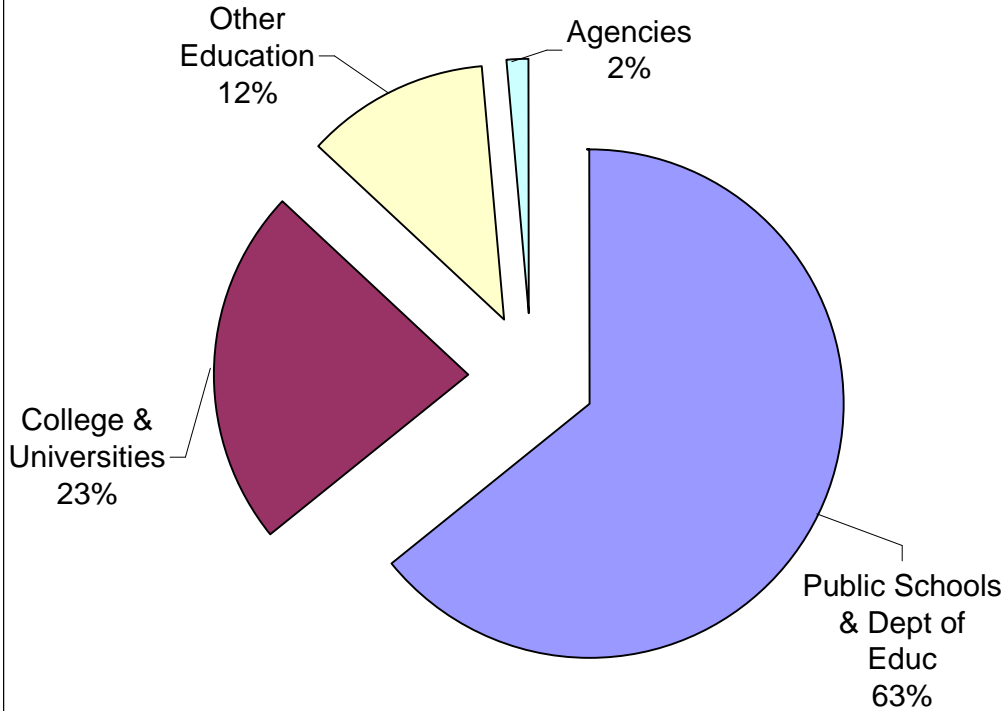
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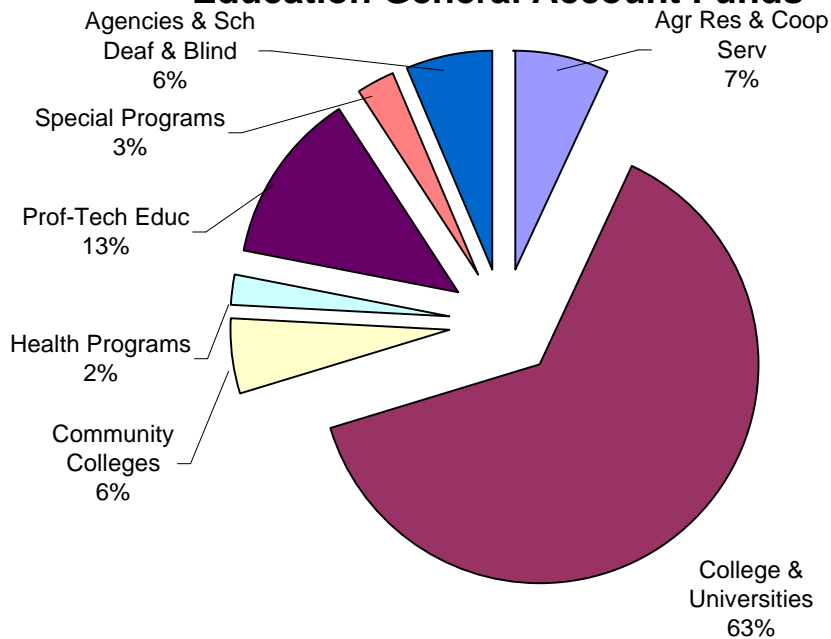
State Board of Education

FY04 General Account Funds by Program

Includes Public Schools and Department of Education General Account Funds



Excludes Public Schools and Department of Education General Account Funds



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Office of the State Board of Education
FY 2004 Operating Budget

| | FY 2003 BUDGET | FY 2004 BUDGET | PERCENT OF CHANGE |
|--|---------------------------|---------------------------|------------------------------|
| By Program: | | | |
| Administration | 1,371,900 | 1,721,000 | 25.45% |
| Assessment | 3,966,100 | 3,260,600 | -17.79% |
| Idaho's MOST | 735,000 | 252,100 | -65.70% |
| Governor's Initiative - Incentive Grants | 100,000 | 85,900 | -14.10% |
| Miscellaneous Receipts | 5,000 | 10,000 | 100.00% |
| GIANTS | | 17,000 | |
| System Wide Needs | 75,000 | 75,000 | 0.00% |
| Total Programs | 6,253,000 | 5,421,600 | -13.30% |
| By Fund Source: | | | |
| General Fund | 5,513,000 | 5,142,500 | -6.72% |
| Federal Funds | 320,300 | 148,200 | -53.73% |
| Miscellaneous Revenue | 419,700 | 130,900 | -68.81% |
| Total Funds | 6,253,000 | 5,421,600 | -13.30% |
| By Expenditure Classification: | | | |
| Personnel Costs | 1,405,300 | 1,206,700 | -14.13% |
| Operating Expenditures | 4,747,700 | 4,119,000 | -13.24% |
| Capital Outlay | 0 | 0 | |
| Trustee/Benefit Payments | 100,000 | 95,900 | -4.10% |
| Total Expenditures | 6,253,000 | 5,421,600 | -13.30% |
| FTP | 21.00 | 19.4 | -7.62% |

Budget Overview

Administration/Assessment funds are appropriated in HB353 and HB462, and System Wide Needs funds are appropriated in HB471. Miscellaneous Revenue consists of grants from the J.A. & Kathryn Albertson Foundation, Proprietary Schools fees, and the GIANTS program. Federal funds consist of a grant related to Idaho's MOST. The FY04 budget includes a base reduction of \$416,700 for Administration and Assessment.

**IDAHO SCHOOL FOR THE DEAF AND THE BLIND
FY 2004 OPERATING BUDGET**

| | FY 2003 BUDGET | FY 2004 BUDGET | % OF CHANGE |
|--------------------------------|-------------------|-------------------|----------------|
| Major Program | | | |
| Education and Support Services | 7,468,700 | 7,615,300 | 1.96% |
| Source of Revenue | | | |
| General Fund (0001) | 7,051,500 | 7,183,600 | 1.87% |
| Federal Funds (0348) | 127,100 | 127,100 | 0.00% |
| Miscellaneous Receipts (0349) | 103,100 | 117,600 | 14.06% |
| Dedicated Endowments (0481-03) | 187,000 | 187,000 | 0.00% |
| GRAND TOTAL | 7,468,700 | 7,615,300 | 1.96% |
| Expenditure Class: | | | |
| Personnel Costs | 6,206,100 | 6,325,000 | 1.92% |
| Operating Expenditures | 1,204,100 | 1,217,300 | 1.10% |
| Capital Outlay | 58,500 | 73,000 | 24.79% |
| GRAND TOTAL | 7,468,700 | 7,615,300 | 1.96% |

The FY 2004 appropriation for the Idaho School for the Deaf and the Blind includes \$118,900 for Personnel Cost Rollups within the MCO decision unit for cost increases to the state employee medical insurance program. The appropriation also includes \$13,200 for non-standard adjustments for risk management fees, State Controller fees and State Treasurer fees. No General Fund appropriation was provided for Capital Outlay. The appropriation includes dedicated and Federal funding for Capital Outlay related expenditures.

HB 457 provides for 121.52 FTP which is the same FTP count as in FY 2003.

IDAHO PUBLIC TELEVISION
FY 2004 Operating Budget

| | FY 2003 Budget | FY 2003 Less Holdback | FY 2004 Budget | % Change |
|------------------------|-------------------|--------------------------|-------------------|-------------|
| By Program: | | | | |
| Programming | 1,906,300 | 1,906,300 | 1,213,821 | -36.33% |
| Technical Services | 2,827,330 | 2,759,830 | 1,278,613 | -54.78% |
| Communications | 394,582 | 394,582 | 399,157 | 1.16% |
| * Production | 689,179 | 689,179 | 1,282,215 | 86.05% |
| ** Administration | 1,120,849 | 1,120,849 | 1,315,125 | 17.33% |
| Marketing | 927,915 | 927,915 | 972,872 | 4.84% |
| Total | 7,866,155 | 7,798,655 | 6,461,803 | -17.85% |
| By Fund Source: | | | | |
| General Fund | 1,929,700 | 1,862,200 | 1,528,200 | -20.81% |
| Federal Funds | | | 42,000 | 100.00% |
| Dedicated CPB Funds | 804,600 | 804,600 | 820,200 | 1.94% |
| Local Funds | 5,131,855 | 5,131,855 | 4,071,403 | -20.66% |
| Total | 7,866,155 | 7,798,655 | 6,461,803 | -17.85% |
| By Standard Class: | | | | |
| Personnel | 3,234,210 | 3,234,210 | 3,129,892 | -3.23% |
| Operating Expenditures | 3,010,560 | 2,968,060 | 3,146,861 | 4.53% |
| Capital Outlay | 1,621,385 | 1,596,385 | 185,050 | -88.59% |
| Total | 7,866,155 | 7,798,655 | 6,461,803 | -17.85% |
| FTE | 55 | 55 | 53 | -3.64% |

Budget Overview

This budget contains no merit or equity increases in salary and reflects a decrease in general funded positions of two. Capital outlay is replacement capital funded with private dollars to replace aging equipment used in the production of local programming. The Education Department was combined with Programming. Ready-to-Learn, First Book, and the National Teachers Training Institute education projects were moved to the Programming Department and will continue to be a priority to Idaho PTV. This budget is based on dollar amounts available at the time this budget was produced. More money may become available from Federal and local sources during FY 2004 and Idaho Public Television would ask permission to spend these funds

Notes:

FY 2003 budget per Senate Bill 1525

FY 2004 budget per House Bill 422

* Production increases were due to one-time funds attributed to a regional partnership.

** The Administrative budget increase was due to an increase in non-standard adjustments.

**IDAHO DIVISION OF VOCATIONAL REHABILITATION
FY 2004 BUDGET IMPACT STATEMENT**

The appropriated budget for SFY 2004 is 1.4% less in total than the amount originally appropriated for SFY 2003 and does not include one-time funding for Capital Outlay. The State Renal Disease program's funding encountered a 1% reduction, which will impact the number of clients the program will be able to serve. The Funding for the Epilepsy League of Idaho was reduced by 3.6%. The funding for the State Independent Living Council (SILC) was spared somewhat and was increased due to the granting of additional authority to spend monies received from the Idaho Task Force from a sub-lease between the SILC and the Idaho Task Force. The Vocational Rehabilitation Program (VR Program) was reduced by 1.5%.

The VR program received \$283,700 less than what was requested in the Maintenance of Current Operations (MCO) budget resulting in a loss of Federal funds for the program. State General Funds for the VR program were reduced significantly, which has resulted in a deficit in matching funds of \$70,628.16. This deficit will result in a loss of \$260,959 of the federal funds granted for this program. Total loss to the VR program is \$331,587.16. This reduction in the VR Program will hamper efforts in providing services to the targeted populations of youths in transition, migrant seasonal farm workers and individuals with end-stage renal disease, as well as the general population. In addition, the overall Division production levels will deteriorate due to rising costs, lack of resources and the steady increase in the demand for our services.

There also lies the potential for the reduction in field staff and the closure of sub-regional offices in outlying geographical locations, which will significantly impact services and outreach to rural areas of our state. In addition, the Division is prepared to continue efforts in controlling operating expenses to offset reductions in the budget and limit the effects of funds available to provide services to people with disabilities.

If the Division were not able to serve all those who come to us, it would force Vocational Rehabilitation into to an order of selection in which only those with the most significant disabilities would be served. Individuals with less significant disabilities will be placed on a waiting list until funds are available to provide services.

The VR program also did not receive the \$259,600 of Capital Outlay funds requested. A loss of capital outlay funding will eliminate the replacement of vehicles, computers and other equipment items scheduled for replacement in SFY 2004. In addition, the inability to invest in certain information technology items will limit the Division's ability to progress with goals and objectives set forth in its Strategic Plan in the area of technology.

**IDAHO DIVISION OF VOCATIONAL REHABILITATION
FY 2004 BUDGET IMPACT STATEMENT (cont.)**

The impact of appropriations for SFY 04 for the Epilepsy League is a reduction of statewide information services with regard to epilepsy. The erosion of the amount of money available for outreach services to rural Idaho is presenting serious challenges. In FY 2002, over \$10,000 more was expended than was available through a contract with Vocational Rehabilitation but the Epilepsy League was able to subsidize the over-expenditure through other sources, i.e. fundraising activities, donations, etc. This fiscal year that deficit will increase to \$13,000 to \$14,000 but, again, the Epilepsy League has relied on reserves and other sources. This is not an option for next fiscal year.

FY 2004 budget is a major concern to the Epilepsy League of Idaho since it is losing those ancillary funds that have been relied on in the past. The Epilepsy League of Idaho will eliminate staff training, which is problematic since there are significant advances being made in the field of epilepsy. Quality of service will diminish as a result of the elimination of training. Level of service is the next area we will reluctantly be looking at. The League will attempt to identify alternative sources of funds but if not successful, it may be faced with closing the North Idaho office.

The SFY 2004 budget appropriation for the State Independent Living Council was impacted by a 2.0% increase. Although the 2004 budget is over the amount appropriated for 2003, it still falls short of the requested amount necessary for the management of the State Plan. The SILC did receive supplemental authority due to a sub-lease agreement between the SILC and the Idaho Task Force in which the SILC will receive \$500 a month in program income. The supplemental authority is in operating and will offset the increase in rent the SILC is now paying.

As a result of the decrease in funding, the SILC will have to adjust payments made to the Independent Living Centers and reduce operating expenditures of the SILC, which will reduce the SILC's ability to implement and monitor the State Plan for Independent Living Services.

IDAHO DIVISION OF VOCATIONAL REHABILITATION
FY2004 Operating Budget

COMPARISON BY PROGRAM

| PROGRAM | ORIGINAL SFY 2003 | REVISED SFY 2003 | SFY 2004 BUDGET | CHANGE | % CHANGE |
|---|----------------------|----------------------|----------------------|---------------------|-----------------|
| Renal Disease | 541,400.00 | 522,450.00 | 535,900.00 | (5,500.00) | -1.016% |
| Vocational Rehabilitation | 16,786,800.00 | 16,677,250.00 | 16,541,000.00 | (245,800.00) | -1.464% |
| Epilepsy League | 72,900.00 | 70,300.00 | 70,300.00 | (2,600.00) | -3.567% |
| SILC (State Independent Living Council) | 292,200.00 | 289,600.00 | 298,100.00 | 5,900.00 | 2.019% |
| | <u>17,693,300.00</u> | <u>17,559,600.00</u> | <u>17,445,300.00</u> | <u>(248,000.00)</u> | <u>-1.4017%</u> |

COMPARISON BY FUND

| FUND | | | | | |
|---------------------------------------|----------------------|----------------------|----------------------|---------------------|-----------------|
| State General Fund | 3,819,100.00 | 3,685,400.00 | 3,673,000.00 | (146,100.00) | -3.826% |
| Rehabilitation Revenue & Refunds Fund | 609,000.00 | 609,000.00 | 609,000.00 | - | 0.000% |
| Federal Grants Fund | 12,841,300.00 | 12,841,300.00 | 12,733,400.00 | (107,900.00) | -0.840% |
| Miscellaneous Revenue Fund | 423,900.00 | 423,900.00 | 429,900.00 | 6,000.00 | 1.415% |
| | <u>17,693,300.00</u> | <u>17,559,600.00</u> | <u>17,445,300.00</u> | <u>(248,000.00)</u> | <u>-1.4017%</u> |

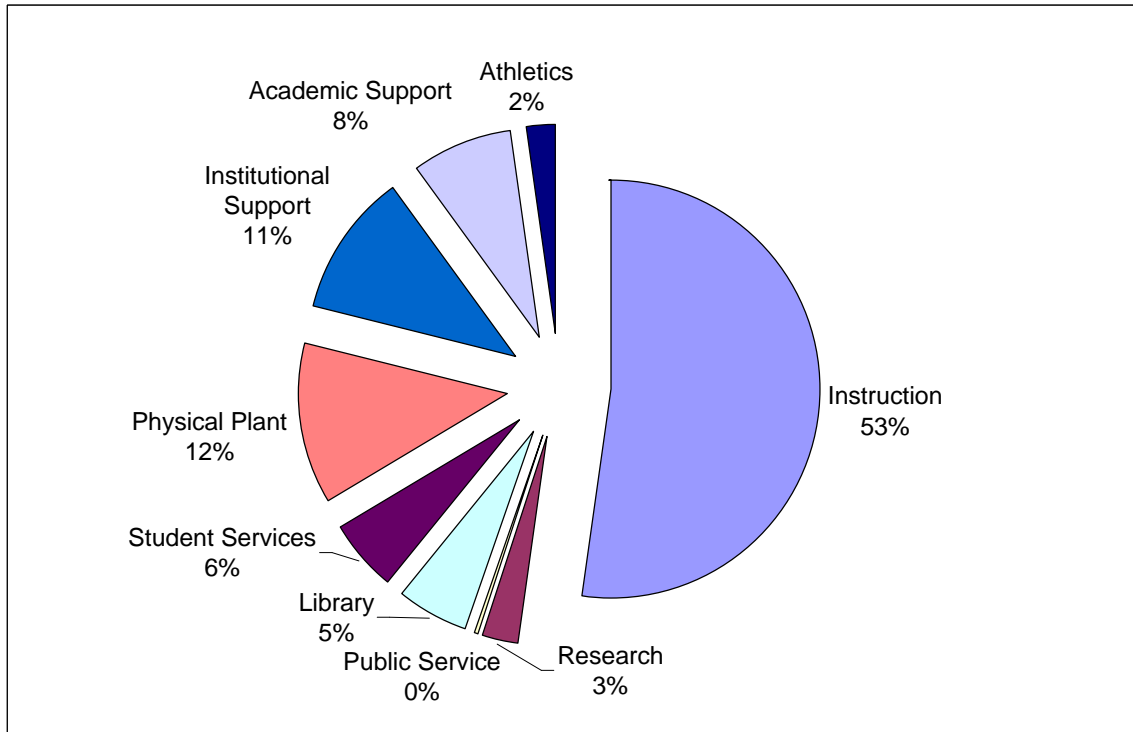
COMPARISON BY CLASS

| CLASS | | | | | |
|------------------------------|----------------------|----------------------|----------------------|---------------------|-----------------|
| Personnel Costs | 7,234,200.00 | 7,234,200.00 | 7,369,600.00 | 135,400.00 | 1.872% |
| Operating Expenditures | 1,429,900.00 | 1,429,900.00 | 1,439,200.00 | 9,300.00 | 0.650% |
| Capital Outlay | 303,200.00 | 303,200.00 | - | (303,200.00) | -100.000% |
| Trustee and Benefit Payments | 8,726,000.00 | 8,592,300.00 | 8,636,500.00 | (89,500.00) | -1.026% |
| | <u>17,693,300.00</u> | <u>17,559,600.00</u> | <u>17,445,300.00</u> | <u>(248,000.00)</u> | <u>-1.4017%</u> |

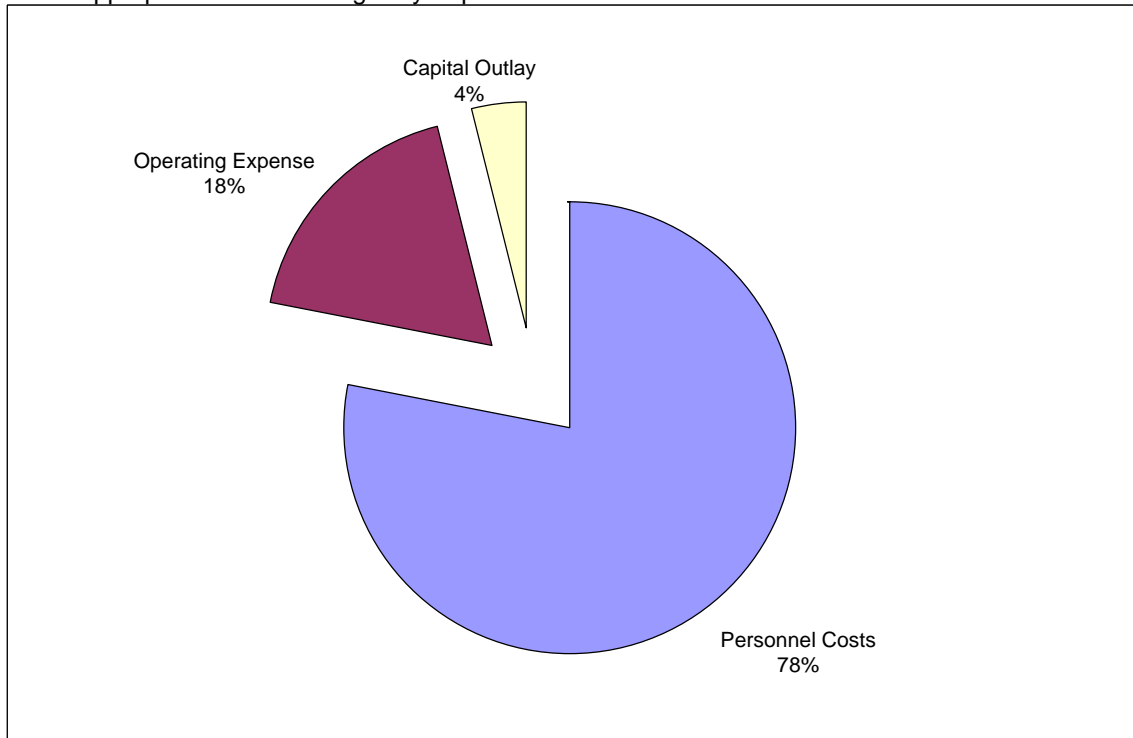
| | | | | |
|-----|--------|--------|--------|--|
| FTE | 150.00 | 150.00 | 150.00 | |
|-----|--------|--------|--------|--|

College & Universities

FY04 Appropriated Funds Budget By Function



FY04 Appropriated Funds Budget By Expenditure Classification



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BOISE STATE UNIVERSITY

Budget Distribution by Activity and Expense Class

July 1, 2003 - June 30, 2004

| By Function/ Exp Class | FY2003 Original Budget | | FY2004 Original Budget | | Changes from Prior Year | |
|-------------------------------|------------------------|----------------|------------------------|----------------|-------------------------|--------------|
| | Amount | % of Total | Amount | % of Total | Amount | % Chge |
| By Function: | | | | | | |
| Instruction | \$49,582,757 | 52.53% | \$52,643,346 | 52.57% | \$3,060,589 | 6.17% |
| Research | 1,207,135 | 1.28% | 1,274,273 | 1.27% | 67,138 | 5.56% |
| Public Service | 593,833 | 0.63% | 601,776 | 0.60% | 7,943 | 1.34% |
| Library | 5,731,529 | 6.07% | 5,925,251 | 5.92% | 193,722 | 3.38% |
| Student Services | 5,859,852 | 6.21% | 6,258,185 | 6.25% | 398,333 | 6.80% |
| Physical Plant | 9,631,387 | 10.20% | 10,176,735 | 10.16% | 545,348 | 5.66% |
| Institutional Support | 10,994,669 | 11.65% | 11,718,628 | 11.70% | 723,959 | 6.58% |
| Academic Support | 9,029,672 | 9.57% | 9,690,606 | 9.68% | 660,934 | 7.32% |
| Athletics | 1,755,466 | 1.86% | 1,851,700 | 1.85% | 96,234 | 5.48% |
| Total Bdgt by Activity | \$94,386,300 | 100.00% | \$100,140,500 | 100.00% | \$5,754,200 | 6.10% |
| By Expense Class: | | | | | | |
| Personnel Costs: | | | | | | |
| Salaries: | | | | | | |
| Faculty | \$30,520,818 | 32.34% | \$32,394,875 | 32.35% | \$1,874,057 | 6.14% |
| Executive/Admin | \$2,914,119 | 3.09% | \$2,881,923 | 2.88% | (32,196) | -1.10% |
| Managerial/Prof | 11,778,338 | 12.48% | 11,660,750 | 11.64% | (117,588) | -1.00% |
| Classified | 9,386,223 | 9.94% | 9,291,509 | 9.28% | (94,714) | -1.01% |
| Grad Assist | 1,788,782 | 1.90% | 1,845,085 | 1.84% | 56,303 | 3.15% |
| Irregular Help | 1,338,007 | 1.42% | 1,513,782 | 1.51% | 175,775 | 13.14% |
| Total Salaries | \$57,726,287 | 61.16% | \$59,587,924 | 59.50% | \$1,861,637 | 3.22% |
| Personnel Benefits | 17,385,631 | 18.42% | 20,143,053 | 20.11% | 2,757,422 | 15.86% |
| Total Pers Costs | \$75,111,918 | 79.58% | \$79,730,977 | 79.62% | \$4,619,059 | 6.15% |
| Operating Expense: | | | | | | |
| Travel | \$518,815 | 0.55% | \$516,587 | 0.52% | (2,228) | -0.43% |
| Utilities | 2,801,097 | 2.97% | 2,821,097 | 2.82% | 20,000 | 0.71% |
| Insurance | 539,028 | 0.57% | 559,028 | 0.56% | 20,000 | 3.71% |
| Other Oper. Exp | 10,678,463 | 11.31% | 11,535,377 | 11.52% | 856,914 | 8.02% |
| Total Oper. Exp | \$14,537,403 | 15.40% | \$15,432,089 | 15.41% | \$894,686 | 6.15% |
| Capital Outlay: | | | | | | |
| Depart Equipment | \$2,357,455 | 2.50% | \$2,451,509 | 2.45% | 94,054 | 3.99% |
| Library Acquisitions | 2,379,524 | 2.52% | 2,525,925 | 2.52% | 146,401 | 6.15% |
| Total Cap Outlay | \$4,736,979 | 5.02% | \$4,977,434 | 4.97% | \$240,455 | 5.08% |
| Tot Bdgt by Exp Class | \$94,386,300 | 100.00% | \$100,140,500 | 100.00% | \$5,754,200 | 6.10% |
| TOTAL FTE POSITIONS | 1,131.95 | | 1,147.33 | | 15.38 | 1.36% |

IDAHO STATE UNIVERSITY

Budget Distribution by Activity and Expense Class

July 1, 2003 - June 30, 2004

| By Function/ Exp Class | FY2003 Original Budget | | FY2004 Original Budget | | Changes from Prior Year | |
|-------------------------------|------------------------|----------------|------------------------|----------------|-------------------------|--------------|
| | Amount | % of Total | Amount | % of Total | Amount | % Chge |
| By Function: | | | | | | |
| Instruction | \$47,996,129 | 57.68% | \$51,167,000 | 58.26% | \$3,170,871 | 6.61% |
| Research | 1,810,141 | 2.18% | 1,909,718 | 2.17% | 99,577 | 5.50% |
| Public Service | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Library | 4,088,208 | 4.91% | 4,280,884 | 4.87% | 192,676 | 4.71% |
| Student Services | 4,856,567 | 5.84% | 4,948,302 | 5.63% | 91,735 | 1.89% |
| Physical Plant | 9,513,866 | 11.43% | 9,876,241 | 11.24% | 362,375 | 3.81% |
| Institutional Support | 7,830,466 | 9.41% | 8,255,476 | 9.40% | 425,010 | 5.43% |
| Academic Support | 5,068,123 | 6.09% | 5,096,079 | 5.80% | 27,956 | 0.55% |
| Athletics | 2,045,300 | 2.46% | 2,295,200 | 2.61% | 249,900 | 12.22% |
| Total Bdgt by Activity | \$83,208,800 | 100.00% | \$87,828,900 | 100.00% | \$4,620,100 | 5.55% |
| By Expense Class: | | | | | | |
| Personnel Costs: | | | | | | |
| Salaries: | | | | | | |
| Faculty | \$29,431,730 | 35.37% | \$31,045,203 | 35.35% | \$1,613,473 | 5.48% |
| Executive/Admin | 2,837,744 | 3.41% | 2,824,472 | 3.22% | (13,272) | -0.47% |
| Managerial/Prof | 7,069,903 | 8.50% | 7,364,445 | 8.38% | 294,542 | 4.17% |
| Classified | 9,474,921 | 11.39% | 9,602,878 | 10.93% | 127,957 | 1.35% |
| Grad Assist | 1,402,092 | 1.69% | 1,402,092 | 1.60% | (0) | 0.00% |
| Irregular Help | 1,909,185 | 2.29% | 1,975,822 | 2.25% | 66,637 | 3.49% |
| Total Salaries | \$52,125,575 | 62.64% | \$54,214,911 | 61.73% | \$2,089,337 | 4.01% |
| Personnel Benefits | 15,535,188 | 18.67% | 16,981,496 | 19.33% | 1,446,308 | 9.31% |
| Total Pers Costs | \$67,660,762 | 81.31% | \$71,196,407 | 81.06% | \$3,535,645 | 5.23% |
| Operating Expense: | | | | | | |
| Travel | 702,841 | 0.84% | 746,794 | 0.85% | 43,953 | 6.25% |
| Utilities | 2,473,651 | 2.97% | 2,606,989 | 2.97% | 133,338 | 5.39% |
| Insurance | 656,689 | 0.79% | 656,689 | 0.75% | 0 | 0.00% |
| Other Oper. Exp | 9,228,453 | 11.09% | 9,951,630 | 11.33% | 723,177 | 7.84% |
| Total Oper. Exp | \$13,061,634 | 15.70% | \$13,962,102 | 15.90% | \$900,468 | 6.89% |
| Capital Outlay: | | | | | | |
| Depart Equipment | 652,407 | 0.78% | 683,478 | 0.78% | 31,071 | 4.76% |
| Library Acquisitions | 1,833,997 | 2.20% | 1,986,913 | 2.26% | 152,916 | 8.34% |
| Total Cap Outlay | \$2,486,404 | 2.99% | \$2,670,391 | 3.04% | \$183,987 | 7.40% |
| Tot Bdgt by Exp Class | \$83,208,800 | 100.00% | \$87,828,900 | 100.00% | \$4,620,100 | 5.55% |
| TOTAL FTE POSITIONS | 991.22 | | 1,013.39 | | 22.17 | 2.24% |

UNIVERSITY OF IDAHO

Budget Distribution by Activity and Expense Class

July 1, 2003 - June 30, 2004

| By Function/ Exp Class | FY2003 Original Budget | | FY2004 Original Budget | | Changes from Prior Year | |
|-------------------------------|------------------------|----------------|------------------------|----------------|-------------------------|---------------|
| | Amount | % of Total | Amount | % of Total | Amount | % Chge |
| By Function: | | | | | | |
| Instruction | \$54,060,743 | 48.29% | \$56,577,268 | 47.72% | \$2,516,525 | 4.65% |
| Research | 6,204,458 | 5.54% | 6,219,666 | 5.25% | 15,208 | 0.25% |
| Public Service | 165,175 | 0.15% | 166,687 | 0.14% | 1,512 | 0.00% |
| Library | 6,460,230 | 5.77% | 6,520,541 | 5.50% | 60,311 | 0.93% |
| Student Services | 5,492,837 | 4.91% | 5,707,351 | 4.81% | 214,514 | 3.91% |
| Physical Plant | 16,714,285 | 14.93% | 18,031,853 | 15.21% | 1,317,568 | 7.88% |
| Institutional Support | 12,723,947 | 11.37% | 14,243,860 | 12.01% | 1,519,913 | 11.95% |
| Academic Support | 8,261,864 | 7.38% | 9,127,414 | 7.70% | 865,550 | 10.48% |
| Athletics | 1,863,161 | 1.66% | 1,970,660 | 1.66% | 107,499 | 5.77% |
| Total Bdgt by Activity | \$111,946,700 | 100.00% | \$118,565,300 | 100.00% | \$6,618,600 | 5.91% |
| By Expense Class: | | | | | | |
| Personnel Costs: | | | | | | |
| Salaries: | | | | | | |
| Faculty | \$34,046,974 | 30.41% | \$34,213,574 | 28.86% | \$166,600 | 0.49% |
| Executive/Admin | 4,248,995 | 3.80% | 4,238,222 | 3.57% | (10,773) | -0.25% |
| Managerial/Prof | 8,858,098 | 7.91% | 9,423,896 | 7.95% | 565,798 | 6.39% |
| Classified | 14,852,413 | 13.27% | 14,885,157 | 12.55% | 32,744 | 0.22% |
| Grad Assist | 2,612,377 | 2.33% | 2,701,131 | 2.28% | 88,754 | 3.40% |
| Irregular Help | 1,470,792 | 1.31% | 1,451,752 | 1.22% | (19,040) | -1.29% |
| Total Salaries | \$66,089,649 | 59.04% | \$66,913,732 | 56.44% | \$824,083 | 1.25% |
| Personnel Benefits | 20,060,451 | 17.92% | 21,411,668 | 18.06% | 1,351,217 | 6.74% |
| Total Pers Costs | \$86,150,100 | 76.96% | \$88,325,400 | 74.50% | \$2,175,300 | 2.53% |
| Operating Expense: | | | | | | |
| Travel | 708,416 | 0.63% | 636,559 | 0.54% | (71,857) | -10.14% |
| Utilities | 3,777,060 | 3.37% | 4,613,160 | 3.89% | 836,100 | 22.14% |
| Insurance | 1,005,500 | 0.90% | 1,281,900 | 1.08% | 276,400 | 27.49% |
| Other Oper. Exp | 15,761,724 | 14.08% | 19,168,781 | 16.17% | 3,407,057 | 21.62% |
| Total Oper. Exp | \$21,252,700 | 18.98% | \$25,700,400 | 21.68% | \$4,447,700 | 20.93% |
| Capital Outlay: | | | | | | |
| Depart Equipment | 1,570,701 | 1.40% | 1,566,301 | 1.32% | (4,400) | -0.28% |
| Library Acquisitions | 2,973,199 | 2.66% | 2,973,199 | 2.51% | 0 | 0.00% |
| Total Cap Outlay | \$4,543,900 | 4.06% | \$4,539,500 | 3.83% | (\$4,400) | -0.10% |
| Tot Bdgt by Exp Class | \$111,946,700 | 100.00% | \$118,565,300 | 100.00% | \$6,618,600 | 5.91% |
| TOTAL FTE POSITIONS | 1,226.30 | | 1,225.48 | | (0.82) | -0.07% |

LEWIS CLARK STATE COLLEGE

Budget Distribution by Activity and Expense Class

July 1, 2003 - June 30, 2004

| By Function/ Exp Class | FY2003 Original Budget | | FY2004 Original Budget | | Changes from Prior Year | |
|-------------------------------|------------------------|----------------|------------------------|----------------|-------------------------|--------------|
| | Amount | % of Total | Amount | % of Total | Amount | % Chge |
| By Function: | | | | | | |
| Instruction | \$8,053,973 | 47.94% | \$8,594,799 | 48.98% | \$540,826 | 6.72% |
| Research | 29,703 | 0.18% | 38,591 | 0.22% | 8,888 | 0.00% |
| Public Service | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Library | 807,634 | 4.81% | 784,754 | 4.47% | (22,880) | -2.83% |
| Student Services | 1,313,229 | 7.82% | 1,390,279 | 7.92% | 77,050 | 5.87% |
| Physical Plant | 2,091,579 | 12.45% | 2,151,448 | 12.26% | 59,869 | 2.86% |
| Institutional Support | 2,249,637 | 13.39% | 2,359,000 | 13.44% | 109,363 | 4.86% |
| Academic Support | 1,628,025 | 9.69% | 1,589,292 | 9.06% | (38,733) | -2.38% |
| Athletics | 625,520 | 3.72% | 639,737 | 3.65% | 14,217 | 2.27% |
| Total Bdgt by Activity | \$16,799,300 | 100.00% | \$17,547,900 | 100.00% | \$748,600 | 4.46% |
| By Expense Class: | | | | | | |
| Personnel Costs: | | | | | | |
| Salaries: | | | | | | |
| Faculty | 5,161,051 | 30.72% | 5,273,425 | 30.05% | \$112,374 | 2.18% |
| Executive/Admin | 1,093,787 | 6.51% | 1,092,818 | 6.23% | (969) | -0.09% |
| Managerial/Prof | 1,879,996 | 11.19% | 1,933,760 | 11.02% | 53,764 | 2.86% |
| Classified | 1,809,482 | 10.77% | 1,840,967 | 10.49% | 31,485 | 1.74% |
| Grad Assist | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Irregular Help | 250,138 | 1.49% | 275,900 | 1.57% | 25,762 | 10.30% |
| Total Salaries | \$10,194,454 | 60.68% | \$10,416,870 | 59.36% | \$222,416 | 2.18% |
| Personnel Benefits | 3,253,167 | 19.36% | 3,534,330 | 20.14% | 281,163 | 8.64% |
| Total Pers Costs | \$13,447,621 | 80.05% | \$13,951,200 | 79.50% | \$503,579 | 3.74% |
| Operating Expense: | | | | | | |
| Travel | 0 | 0.00% | 0 | 0.00% | 0 | |
| Utilities | 604,802 | 3.60% | 627,800 | 3.58% | 22,998 | 3.80% |
| Insurance | 111,100 | 0.66% | 107,700 | 0.61% | (3,400) | -3.06% |
| Other Oper. Exp | 2,378,977 | 14.16% | 2,579,400 | 14.70% | 200,423 | 8.42% |
| Total Oper. Exp | \$3,094,879 | 18.42% | \$3,314,900 | 18.89% | \$220,021 | 7.11% |
| Capital Outlay: | | | | | | |
| Depart Equipment | 84,000 | 0.50% | 109,000 | 0.62% | 25,000 | 29.76% |
| Library Acquisitions | 172,800 | 1.03% | 172,800 | 0.98% | 0 | 0.00% |
| Total Cap Outlay | \$256,800 | 1.53% | \$281,800 | 1.61% | \$25,000 | 9.74% |
| Tot Bdgt by Exp Class | \$16,799,300 | 100.00% | \$17,547,900 | 100.00% | \$748,600 | 4.46% |
| TOTAL FTE POSITIONS | 241.06 | | 245.34 | | 4.28 | 1.78% |

SYSTEM SUMMARY

Budget Distribution by Activity and Expense Class

July 1, 2003 - June 30, 2004

| By Function/ Exp Class | FY2003 Original Budget | | FY2004 Original Budget | | Changes from Prior Year | |
|-------------------------------|------------------------|----------------|------------------------|----------------|-------------------------|--------------|
| | Amount | % of Total | Amount | % of Total | Amount | % Chge |
| By Function: | | | | | | |
| Instruction | \$159,693,602 | 52.13% | \$168,982,413 | 52.14% | \$9,288,811 | 5.82% |
| Research | 9,251,437 | 3.02% | 9,442,248 | 2.91% | 190,811 | 2.06% |
| Public Service | 759,008 | 0.25% | 768,463 | 0.24% | 9,455 | 1.25% |
| Library | 17,087,601 | 5.58% | 17,511,430 | 5.40% | 423,829 | 2.48% |
| Student Services | 17,522,485 | 5.72% | 18,304,117 | 5.65% | 781,632 | 4.46% |
| Physical Plant | 37,951,117 | 12.39% | 40,236,277 | 12.42% | 2,285,160 | 6.02% |
| Institutional Support | 33,798,719 | 11.03% | 36,576,964 | 11.29% | 2,778,245 | 8.22% |
| Academic Support | 23,987,684 | 7.83% | 25,503,391 | 7.87% | 1,515,707 | 6.32% |
| Athletics | 6,289,447 | 2.05% | 6,757,297 | 2.09% | 467,850 | 7.44% |
| Total Bdgt by Activity | \$306,341,100 | 100.00% | \$324,082,600 | 100.00% | \$17,741,500 | 5.79% |
| By Expense Class: | | | | | | |
| Personnel Costs: | | | | | | |
| Salaries: | | | | | | |
| Faculty | \$99,160,573 | 32.37% | \$102,927,077 | 31.76% | \$3,766,504 | 3.80% |
| Executive/Admin | 11,094,645 | 3.62% | 11,037,435 | 3.41% | (57,210) | -0.52% |
| Managerial/Prof | 29,586,335 | 9.66% | 30,382,851 | 9.38% | 796,516 | 2.69% |
| Classified | 35,523,039 | 11.60% | 35,620,511 | 10.99% | 97,472 | 0.27% |
| Grad Assist | 5,803,251 | 1.89% | 5,948,308 | 1.84% | 145,057 | 2.50% |
| Irregular Help | 4,968,122 | 1.62% | 5,217,256 | 1.61% | 249,134 | 5.01% |
| Total Salaries | \$186,135,965 | 60.76% | \$191,133,437 | 58.98% | \$4,997,473 | 2.68% |
| Personnel Benefits | 56,234,437 | 18.36% | 62,070,547 | 19.15% | 5,836,110 | 10.38% |
| Total Pers Costs | \$242,370,401 | 79.12% | \$253,203,984 | 78.13% | \$10,833,583 | 4.47% |
| Operating Expense: | | | | | | |
| Travel | 1,930,072 | 0.63% | 1,899,940 | 0.59% | (30,132) | -1.56% |
| Utilities | 9,656,610 | 3.15% | 10,669,046 | 3.29% | 1,012,436 | 10.48% |
| Insurance | 2,312,317 | 0.75% | 2,605,317 | 0.80% | 293,000 | 12.67% |
| Other Oper. Exp | 38,047,617 | 12.42% | 43,235,188 | 13.34% | 5,187,571 | 13.63% |
| Total Oper. Exp | \$51,946,616 | 16.96% | \$58,409,491 | 18.02% | \$6,462,875 | 12.44% |
| Capital Outlay: | | | | | | |
| Depart Equipment | 4,664,563 | 1.52% | 4,810,288 | 1.48% | 145,725 | 3.12% |
| Library Acquisitions | 7,359,520 | 2.40% | 7,658,837 | 2.36% | 299,317 | 4.07% |
| Total Cap Outlay | \$12,024,083 | 3.93% | \$12,469,125 | 3.85% | \$445,042 | 3.70% |
| Tot Bdgt by Exp Class | \$306,341,100 | 100.00% | \$324,082,600 | 100.00% | \$17,741,500 | 5.79% |
| TOTAL FTE POSITIONS | 3,590.53 | | 3,631.54 | | 41.01 | 1.14% |

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**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**BOISE STATE UNIVERSITY
FY2004 BUDGET OVERVIEW
GENERAL EDUCATION**

| | |
|------------------------------------|-----------------------------|
| FY 2003 Operating Budget | \$94,386,300 |
| Net Adjustments | (630,300) |
| FY 2004 Increases | |
| MCO Increases | 1,391,700 |
| Est. Increased Student Fee Revenue | <u>4,992,800</u> |
| FY 2004 Operating Budget | <u>\$100,140,500</u> |

General Information

Boise State University's FY 2004 general account base budget has a net increase of \$761,400 from the prior year. This represents a 1.14% increase in State funding. Student Fees increased approx. 9%, resulting in projected new revenue of \$4,992,800. The total increase in funding to support university operations is \$5,754,200.

There were no funds provided for salary increases for the second consecutive year.

The \$761,400 of new state funding helps to partially off-set the significant increase in health care costs, state imposed fees related to Controller and Treasurer Fees, inflationary increases for library acquisitions as well as other fixed cost increases.

Boise State held an open fee hearing in March and a subsequent meeting of the University's Executive Budget Committee (members include faculty representatives, student leaders, staff representatives and vice presidents). This committee thoughtfully reviewed the fee hearing minutes and recommended the 9% student fee increase.

The increased revenue from student fees will be used to cover the remaining costs associated with fixed cost increases and infrastructure needs related to dramatic increases in student enrollment.

Boise State University will continue it's current course of cautious and limited hiring, consolidated use of buildings and reduced hours for heating and cooling buildings. It is anticipated that Boise State will be able to avoid up to \$200,000 in energy costs due to reduced hours of heating and cooling of buildings.

**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**BOISE STATE UNIVERSITY (cont.)
FY2004 BUDGET OVERVIEW
GENERAL EDUCATION**

Boise State will continue to review programs and operations to seek potential new ways to trim costs while still meeting student enrollment pressures, preserving critical programs, faculty and staff necessary to meet our role and mission. The phased-in integration of the 'one front door nursing curriculum' is on track to be complete in FY 2005. This process is moving the practical nursing program from the Larry Selland College of Applied Technology to the Department of Nursing in the College of Health Sciences.

Student enrollments are projected to continue their dramatic rise, and many core classes are now full for the fall semester. Although some new sections have been added, the recent request to revert \$2 million to the state impacts our ability to quickly respond to enrollment demands as well as we would like.

Although the FY 2004 budget remains challenging for Boise State University, we look forward to the new West Campus facility and remain dedicated to working through the current challenges. We anticipate using one-time reserve funds when BSU West comes on-line in approx. 18 months. This facility will need to be furnished and equipped – at a cost of well over \$1 million. In addition, we anticipate additional funding of \$350,000 necessary due to project delays and additional salary funds due to increased positions necessary to staff and maintain operations at that facility.

Boise State University
AVAILABILITY AND ALLOCATION OF FUNDS FOR FY2004
GENERAL EDUCATION
APPROPRIATED FUNDS ONLY

| 1 | FUNDS AVAILABLE: | FTE | AMOUNT |
|----|---|------------------------|-----------------------------|
| 2 | FY03 On-going Operating Budget | | \$94,386,300 |
| 3 | Adjustments: | | |
| 4 | One-time Funding | | (134,200) |
| 5 | Base Reduction (Endowment Funds Loss) | | (496,100) |
| 6 | FY04 Operating Budget Base | | <u>\$93,756,000</u> |
| 7 | | | |
| 8 | Additional Funding for FY04: | | |
| 9 | Personnel Benefits | | 1,098,300 |
| 10 | Risk Mgmt/Controller/Treasurer Fees | | \$113,200 |
| 11 | Enrollment Workload | | 56,000 |
| 12 | New Occupancy Costs | | 40,100 |
| 13 | One-Time Allocation for Facilities Support | | 84,100 |
| 14 | Changes in Student Fee Revenue | | <u>4,992,800</u> |
| 15 | Total Additional Funding Above Base | | <u>\$6,384,500</u> |
| 16 | | | |
| 17 | Total Funds Available for FY04 | | <u><u>\$100,140,500</u></u> |
| 18 | | | |
| 19 | ALLOCATION OF FUNDS: | | |
| 20 | FY03 Original Operating Budget | 1,131.95 | \$94,386,300 |
| 21 | Adjustments: | | |
| 22 | One-time Funding | | (134,200) |
| 23 | Net Base Reduction | | (496,100) |
| 24 | FY04 Operating Budget Base | <u>1,131.95</u> | <u>\$93,756,000</u> |
| 25 | MCO Increases: | | |
| 26 | MCO Increases to Budget Base (Excl Nonstd Adj): | | |
| 27 | Salary Adjustments-CEC, Prom, Other | | |
| 28 | Faculty | | \$68,616 |
| 29 | Executive/Administrative | | 0 |
| 30 | Managerial/Professional | | 0 |
| 31 | Classified | | 0 |
| 32 | Irregular Help | | 0 |
| 33 | Graduate Assistants | | 0 |
| 34 | Total Changes to Existing Positions | <u>0.00</u> | <u>\$68,616</u> |
| 35 | | | |
| 36 | Inflationary Increases: | | |
| 37 | OE and CO | | \$864,541 |
| 38 | Fringe Benefits | | 1,407,422 |
| 39 | Library Acquisitions | | 146,400 |
| 40 | Total Inflationary Increases | | <u>\$2,418,363</u> |
| 41 | Total MCO Increases | <u>0.00</u> | <u>\$2,486,979</u> |
| 42 | | | |
| 43 | Other Adjustments/Allocations of Funds: | | |
| 44 | | | |
| 45 | New Occupancy Costs (academic usage of Rec. Ctr.) | | \$40,100 |
| 46 | One-Time Facilities Support - Physical Plant | | 84,100 |
| 47 | Reserve for Instructional Needs | | 2,914,160 |
| 48 | Intercollegiate Athletics | | 106,400 |
| 49 | Summer School Support Funding | | 268,020 |
| 50 | Adjunct salaries for fall sections | | 115,000 |
| 51 | PT Faculty to Full Time (A. Klautsch) | 1.00 | 0 |
| 52 | Misc. Reallocations (Fund Shifts) | 4.87 | 0 |
| 53 | College of Health Science | 4.50 | 243,526 |
| 54 | Division of Extended Studies (classified personnel fund shift from local) | <u>5.01</u> | <u>126,215</u> |
| 55 | Total Other Adjustments | <u>15.38</u> | <u>\$3,897,521</u> |
| 56 | | | |
| 57 | | | |
| 58 | FY04 Original Operating Budget | <u><u>1,147.33</u></u> | <u><u>\$100,140,500</u></u> |

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**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**IDAHO STATE UNIVERSITY
FY2004 BUDGET OVERVIEW
GENERAL EDUCATION**

The FY04 operating budget (\$87,828,900) represents an increase of 5.55% over FY03. The additional revenue derived from the 10% student fee increase provides significant support for maintaining quality education for our students. Our desire has been to maintain existing programs while assessing the financial value of specific classes as well as investing in programs where there is demonstrated need.

Through the student fee increase, we were able to restore the '03 cuts to the adjunct faculty pool (\$1,116,500) as well as expanding instructional offerings in key areas. They include:

- 1) Expansion of health related programs in Boise (\$241,900 , 4.50 FTE)
- 2) Nursing, Paramedic & Dental programs in Pocatello (\$328,000, 1.68 FTE)
- 3) Engineering, Geosciences and Nuclear Science (\$312,300, 3.0 FTE)
- 4) Communication & Theater & Anthropology (\$127,100, 2.0 FTE).

Student fees also provided an increase for non-personnel operating budgets to offset general inflation. Additionally the increase allowed us to resume funding of our Intercollegiate Athletic gender equity plan.

The University continues to explore ways of increasing efficiency while maintaining/improving services the public demands.

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IDAHO STATE UNIVERSITY
AVAILABILITY AND ALLOCATION OF FUNDS FOR FY2004
GENERAL EDUCATION
APPROPRIATED FUNDS ONLY

| | <u>FTE</u> | <u>AMOUNT</u> |
|--|------------|---------------------|
| 1 FUNDS AVAILABLE: | | |
| 2 FY2003 Operating Budget Base | | 83,208,800 |
| 3 | | |
| 4 State Endowment Reduction | | -448,600 |
| 5 | | |
| 6 Additional Funding for FY2004: | | |
| 7 Enrollment Workload Adjustment | | \$148,100 |
| 8 Risk Management/Controller Fees | | -4,700 |
| 9 Library Books & Periodicals | | 0 |
| 10 One-Time Facilities Support | | -45,800 |
| 11 MCO Allocation - Fringe Benefits | | 842,300 |
| 12 Changes in Student Fee Revenue | | 4,128,800 |
| 13 Total Additional Funding Above Base | | \$5,068,700 |
| 14 Total Funds Available for FY2004 | | <u>\$87,828,900</u> |
| 15 | | |
| 16 ALLOCATION OF FUNDS: | | |
| 17 FY2004 Original Operating Budget | 991.22 | \$83,208,800 |
| 18 | | |
| 19 MCO Increases to Budget Base: | | |
| 20 Salary Adjustments-CEC, Prom, Equity, Other | | |
| 21 Faculty | | \$117,903 |
| 22 Exempt - Non Faculty | | 36,366 |
| 23 Classified | | 0 |
| 24 Irregular Help | | 0 |
| 25 Graduate Assistants | | 0 |
| 26 Total Changes to Existing Positions | 0.00 | \$154,269 |
| 27 | | |
| 28 Inflationary Increases: | | |
| 29 Fringe Benefits | | \$947,622 |
| 30 Utilities | | 94,300 |
| 31 Departmental Operating Expenses | | 680,335 |
| 32 Total Inflationary Increases | 0.00 | \$1,722,257 |
| 33 Total MCO Increases | 0.00 | \$1,876,526 |
| 34 | | |
| 35 Enhancements to Budget Base by Source by Function by College: | | |
| 36 Enrollment Workload/Addl Fee Revenue | | |
| 37 Nursing - Assoc of Sci | 1.00 | 94,274 |
| 38 Paramedic Program - Pocatello | | 119,967 |
| 39 Engineering/Geosciences | 2.00 | 162,272 |
| 40 Communication & Theater | 1.00 | 52,945 |
| 41 Anthropology | 1.00 | 74,210 |
| 42 Nuclear Science | 1.00 | 150,004 |
| 43 Dental Science | 0.68 | 113,819 |
| 44 Col of Business Faculty | 1.50 | 71,126 |
| 45 Instructional Technology Center | 0.77 | 65,399 |
| 46 Program Enhancement - Boise | 4.50 | 241,868 |
| 47 General Instruction | | 1,211,113 |
| 48 Physical Plant Maintenance | 1.00 | 49,677 |
| 49 Internet II Membership | | 113,400 |
| 50 Credit Card Fees | | 80,000 |
| 51 Athletic Gender Equity | 0.66 | 143,500 |
| 52 | | |
| 53 Total EWA/Addl Fee Rev | 15.11 | \$2,743,574 |
| 54 | | |
| 55 Total Enhancements Funded | 15.11 | \$2,743,574 |
| 56 | | |
| 57 Total Additional Funds | 15.11 | \$4,620,100 |
| 58 | | |
| 59 Reallocation of Funds: | | |
| 60 Misc. Department Reallocation | 7.06 | \$0 |
| 61 | | |
| 62 Net Funds Reallocated | 7.06 | \$0 |
| 63 | | |
| 64 FY2004 Ongoing Operating Budget | 1,013.39 | \$87,828,900 |

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BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003

UNIVERSITY OF IDAHO
FY2004 BUDGET OVERVIEW
GENERAL EDUCATION

Development of this operating budget was complicated by the financial impact of University Place in Boise. The University and the UI Foundation worked closely to identify the financial issues that emerged when the UI Foundation did not recover any predevelopment expense on the Idaho Water Center. These impacts overwhelmed the multi-year budget plan that had been developed to address the significant budget challenge posed by the large budget reductions in the FY03 operating and capital budgets and the corresponding need to cover unavoidable increases in fixed costs with internal reallocations.

The university administration again activated the fiscal emergency committee and worked collaboratively with this committee to review alternatives. These deliberations were expanded to address issues of deficit management in all funds and internal reallocations within appropriated funds. These discussions also included a review of the actions that the administration will take to strengthen management controls over our financial operations. The decision to revert an additional three percent of the state general account appropriation late in fiscal 2003 also exacerbated the fiscal challenges facing the university. There were extensive efforts to make budget information available to the university community and many of these actions can be reviewed at the following URL: <http://www.uidaho.edu/budget>.

Balancing the 2004 operating budget was facilitated by the following factors:

1. The existing resource generation and reallocation targets that were established in the multi-year plan were finalized in the fall of 2002. These targets provide the university with a predictable \$2.5M in internal resource generation or reallocation in each of the next four fiscal years, beginning in 2004. These reallocations were used to balance the 2004 budget.
2. The Board's approval of the 10% fee increase that was included in our initial development of the multi-year budget plan. The university allocated all of the increase to the matriculation fee increase, which is consistent with our initial multi-year budget plan.
3. The Governor's strong support for higher education and the passage of a modest budget increase for 2004. However, reductions in the land-grant endowment payout created a situation in which the net budget increase was insufficient to cover the financial impacts of legislative intent language directing the allocation of new general account appropriations.

Insufficient resources were available to initiate the consolidation of all of the university's Boise-based programs into the Idaho Water Center. While delay of this initiative was necessary to balance the 2004 operating budget, the delay will also increase the cost of tenant improvements when finances permit the university to initiate this consolidation. The university will also reconsider and revise the implementation plans for initiatives

**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**UNIVERSITY OF IDAHO (cont.)
FY2004 BUDGET OVERVIEW
GENERAL EDUCATION**

such as the core curriculum reform and enhancements to outreach activities in Northern Idaho to achieve additional economies and efficiencies. Even with sharpened priorities, to balance this budget it was necessary to cover on-going expenses in FY2004 with excess revenues in our bond reserves that will not be available in FY2005. Within the context of the multi-year planning effort, the university will allocate generated revenues and reallocations in FY2005 to firm up these ongoing budget commitments.

In addition to the resource allocations shown on the accompanying schedules, the university is funding an additional \$1 million in student financial aid. To address accreditation issues, the university will reallocate \$270 thousand to cover the increased costs of library acquisitions of journals. These funds will be split between the university library (60%) and the law library (40%).

The 2004 budget does not adequately fund the maintenance and repair of the university's physical plant or the depreciation of the physical components of the university's communications infrastructure. These deferred maintenance and depreciation expenses will exacerbate the deferred maintenance issues at the university. Adequate funding of maintenance and depreciation of the communications continues to be a concern that will need to be addressed in the operating and capital budgets in future years.

UNIVERSITY OF IDAHO
AVAILABILITY AND ALLOCATION OF FUNDS FOR FY2004
GENERAL EDUCATION OPERATING BUDGET

| FUNDS AVAILABLE | AMOUNT |
|--|-----------------------|
| FY2004 Operating Budget Base | \$ 111,946,700 |
| Funding Changes for FY2004 | |
| Endowment Funds Loss | \$ (635,600) |
| Remove 1-time Facility Funds | (171,700) |
| Changes in Student Fee and Tuition Revenue | 5,278,600 |
| Enrollment Workload Adjustment | 436,100 |
| General Allocation: Fringe Benefits | 1,169,100 |
| New Facility Occupancy Costs | 103,200 |
| Risk Management/State Controller's Funds | 331,100 |
| One-time Facility Support | 107,800 |
| Total Funding Changes | \$ 6,618,600 |
| Total Funds Available for FY2004 | \$ 118,565,300 |

| ALLOCATION OF FUNDS | FTE | AMOUNT |
|---|-----------------|-----------------------|
| FY2004 Operating Budget Base | 1,226.30 | \$ 111,946,700 |
| Reductions/Reallocations/Restructuring | (4.92) | (171,700) |
| Increases to Budget Base | | |
| Salary Adjustments (includes fringe benefits) | | |
| Faculty Promotions | | \$ 185,200 |
| Teaching Assistant Stipends | | 92,100 |
| Personnel Benefit Rate Increases | | 1,169,100 |
| Changes to Existing Positions | - | \$ 1,446,400 |
| Other Inflationary Increases/Allocations | | |
| Risk Management/St Controller/Treasurer Funds | | \$ 331,100 |
| One-time Facility Support (utilities) | | 107,800 |
| Subtotal Inflationary Increases | - | \$ 438,900 |
| Instruction/Research/Academic Support | | |
| Faculty and Staff Positions | 3.30 | \$ 280,900 |
| Instruction - Enrollment Workload Support | | 649,300 |
| Instruction - Music Accreditation; Student Teacher Sppt | | 200,000 |
| Professional Fees: Law and Architecture Programs | | 215,700 |
| Dedicated Income: Outreach/Off-Campus Programs | | 934,900 |
| Dedicated Income: Summer Session | | 88,100 |
| Subtotal Instruction/Research/Academic Support | 3.30 | \$ 2,368,900 |
| Other Institutional Support | | |
| New Facility Occupancy Costs | 0.80 | \$ 103,200 |
| Campus Security - Police Contract | | 145,700 |
| Contingency Reserve | | 1,156,300 |
| Utilities | | 900,000 |
| Information Technology Support | | 160,000 |
| Intercollegiate Athletics - Gender Equity Scholarships | | 70,900 |
| Subtotal Other Institutional Support | 0.80 | \$ 2,536,100 |
| Subtotal Enhancements and Reallocations | (0.82) | \$ 6,618,600 |
| FY2004 Operating Budget | 1,225.48 | \$ 118,565,300 |

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**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**LEWIS-CLARK STATE COLLEGE
FY2004 BUDGET OVERVIEW
GENERAL EDUCATION**

INTRODUCTION

LCSC's budget for 2004 will enable the institution to sustain excellence in its primary mission areas. The college's integrated strategic planning, programming, and budgeting system (initiated to meet the major budget challenges of FY 2003) was again put to the test in developing a lean budget for FY2004 that would adequately support our interlinked academic, professional-technical, and community programs. The unpredictability and late timing of the state appropriation process for FY2004 (and last-minute reversion of FY2003 funds) posed planning and execution challenges, even for LCSC's systematic and conservative strategic planning/budgeting process. State-imposed cuts through FY2003 (including the end-of-year 3% reversion) will have been fully absorbed by the end of FY2003—we have not deferred the "pain" into FY04 and beyond. The FY04 budget represents a solid baseline upon which we can build additional capacity to meet increased demand for programs in our primary mission areas.

GENERAL INFORMATION

The FY 2004 Appropriated General Education budget reflects an increase of \$748,600, or 4.5% and an increase in FTE positions of 4.28. This increase was made possible mainly through a student fee increase of 9.6% for full-time fees. The nominal increase in appropriated funds was offset by increased obligations for personnel, health insurance, utilities, and other "must pay" costs. Student enrollment at LCSC continues to grow at a higher rate than state appropriations. While some additional efficiency measures have been made (to an already lean organization), the austere funding environment has necessitated reductions and reallocation of resources among LCSC programs.

PROGRAM CHANGES AND REALLOCATIONS

LCSC's year-long strategic planning, programming, and budgeting process is a useful tool (in "lean" years, such as FY2004, and in years when state appropriations more closely match demand) for allocating cuts and enhancements among programs in a manner that maximizes the effectiveness/efficiency of the college in meeting its highest priority missions. Although all LCSC students, faculty, staff, and community customers were impacted to some degree by the austerity of the FY2004 budget, the programs listed below experienced marked changes due to budget reallocations of General Education funds.

The college scaled back course offerings and personnel expenditures for theater and music. Some funding and services at Coeur d'Alene and at the Elk City and Riggins outreach centers were cut. Other personnel savings were realized in the library

**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**LEWIS-CLARK STATE COLLEGE (cont.)
FY2004 BUDGET OVERVIEW
GENERAL EDUCATION**

and general education (adjunct faculty) areas. Additional funds were shifted to support critically-needed positions in student advising, Social Work, Justice Studies, and Nursing (a modest allocation was made to lay the groundwork for the high-demand Limited Practical Nurse program).

EMPLOYEE COMPENSATION INCREASES

The State of Idaho has provided no funding for salary increases for FY2004, resulting in two consecutive years without raises for faculty and staff members. This has further widened the gap between LCSC salaries and median compensation rates at regional and national peer institutions. In order to fund salaries for the small number of individuals who are projected to earn promotions in FY2004, funds have been reallocated from internal sources.

MCO AND OTHER MANDATED INCREASES

Cost increases associated with health benefits were not fully paid for by the state legislature. The institution covered the shortfall. The college received funds to address rate increases in State Controller, Risk Management, and State Treasurer costs. The college also identified funds internally to pay for utility costs and audit costs that have not been fully funded by the state in FY2004.

Lewis-Clark State College

AVAILABILITY AND ALLOCATION OF FUNDS FOR FY2004

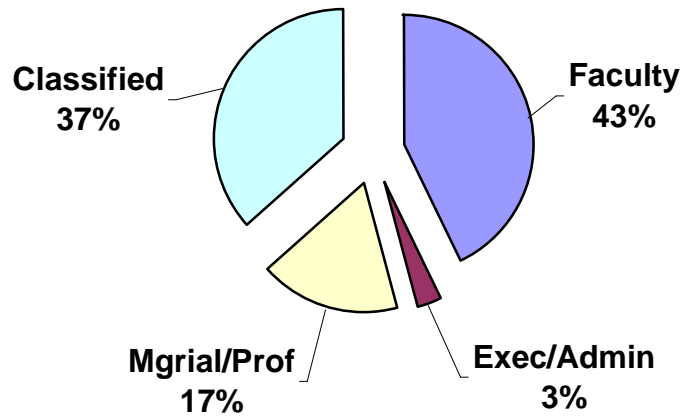
GENERAL EDUCATION

APPROPRIATED FUNDS ONLY

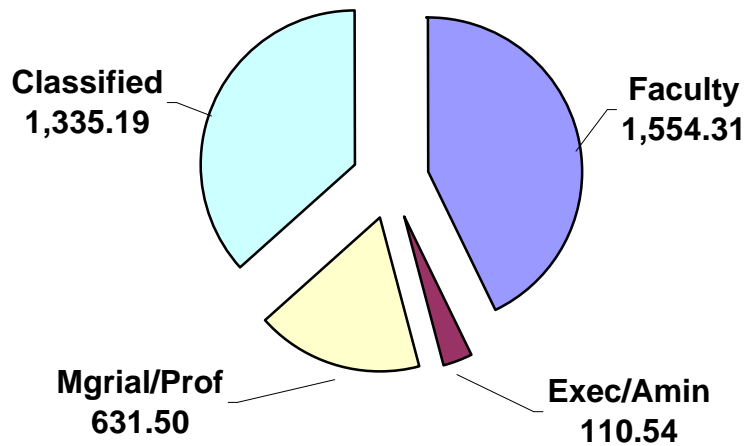
| | FTE | AMOUNT |
|--|---------------|----------------------------|
| 1 FUNDS AVAILABLE: | | |
| 2 FY03 On-going Operating Budget | | \$16,799,300 |
| 3 Adjustments: | | |
| 4 One-time Funding | | (24,500) |
| 5 Base Reduction | | (90,800) |
| 6 FY04 Operating Budget Base | | <u>\$16,684,000</u> |
| 7 | | |
| 8 Additional Funding for FY04: | | |
| 9 MCO Increases | | 205,700 |
| 10 Nonstandard Adjustments | | 87,000 |
| 11 Changes in Student Fee Revenue | | 605,500 |
| 12 Total Additional Funding Above Base | | <u>\$898,200</u> |
| 13 | | |
| 14 Total Funds Available for FY04 | | <u><u>\$17,582,200</u></u> |
| 15 | | |
| 16 ALLOCATION OF FUNDS: | | |
| 17 FY03 Original Operating Budget | 241.06 | \$16,799,300 |
| 18 Adjustments: | | |
| 19 One-time Funding | | (24,500) |
| 20 Net Base Reduction/Reallocation/Student Fee Rev | | (90,800) |
| 21 FY04 Operating Budget Base | <u>241.06</u> | <u>\$16,684,000</u> |
| 22 MCO Increases: | | |
| 23 MCO Increases to Budget Base (Excl Nonstd Adj): | | |
| 24 Salary Adjustments-Promotions | | |
| 25 Faculty | | 11,000 |
| 26 Executive/Administrative | | 0 |
| 27 Managerial/Professional | | 0 |
| 28 Classified | | 0 |
| 29 Irregular Help | | 0 |
| 30 Graduate Assistants | | 0 |
| 31 Total Changes to Existing Positions | <u>0.00</u> | <u>\$11,000</u> |
| 32 | | |
| 33 Inflationary Increases: | | |
| 34 OE and CO | | \$0 |
| 35 Fringe Benefits | | 281,200 |
| 36 Library Acquisitions | | 0 |
| 37 Intercollegiate Athletics | | 0 |
| 38 Total Inflationary Increases | <u>0.00</u> | <u>\$281,200</u> |
| 39 Total MCO Increases | <u>0.00</u> | <u>\$292,200</u> |
| 40 | | |
| 41 Other Adjustments: | | |
| 42 Nonstandard Adjustments | | |
| 43 Risk Mgmt/Controller/Treasurer | | 34,100 |
| 44 New Occupancy Costs | | 41,000 |
| 45 Mandated Costs (Utilities, Audit, etc.) | | 157,100 |
| 46 Accreditation Compliance (Advising) | | 43,000 |
| 47 Instructional Enhancements Priorities | | 187,000 |
| 48 Non-Instructional Enhancements | | 143,800 |
| 49 Total Other Adjustments | <u>0.00</u> | <u>\$606,000</u> |
| 50 | | |
| 51 FY04 Original Operating Budget | <u>241.06</u> | <u>\$17,582,200</u> |

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**College & Universities
FY04 Budgeted Positions by Type - % of Total**



**College & Universities
FY04 Budgeted Positions by Type - FTP**



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COLLEGE & UNIVERSITIES
Operating Budget Personnel Costs Summary
July 1, 2003 - June 30, 2004

| Classification | FY2003 Operating Budget | | | | FY2004 Operating Budget | | | |
|------------------------------|-------------------------|---------------|--------------|---------------|-------------------------|---------------|--------------|---------------|
| | FTE | Salaries | Benefits | Total | FTE | Salaries | Benefits | Total |
| BOISE STATE UNIVERSITY | | | | | | | | |
| Faculty | 481.14 | \$30,520,818 | \$8,851,037 | \$39,371,855 | 495.53 | \$32,394,875 | \$10,650,928 | \$43,045,803 |
| Executive/Administrative | 29.56 | 2,914,119 | 874,236 | 3,788,355 | 29.26 | 2,881,923 | 951,035 | 3,832,958 |
| Managerial/Professional | 246.97 | 11,778,338 | 3,533,501 | 15,311,839 | 248.92 | 11,660,750 | 3,848,048 | 15,508,798 |
| Classified | 374.28 | 9,386,223 | 3,848,351 | 13,234,574 | 373.62 | 9,291,509 | 4,181,179 | 13,472,688 |
| Irregular Help | | 1,338,007 | 206,954 | 1,544,961 | | 1,513,782 | 438,061 | 1,951,843 |
| Graduate Assistants | | 1,788,782 | 71,551 | 1,860,333 | | 1,845,085 | 73,803 | 1,918,888 |
| TOTAL | 1,131.95 | \$57,726,287 | \$17,385,631 | \$75,111,918 | 1,147.33 | \$59,587,924 | \$20,143,053 | \$79,730,977 |
| Number of New Positions | | | | | 15.38 | | | |
| IDAHO STATE UNIVERSITY | | | | | | | | |
| Faculty | 423.69 | \$29,431,730 | \$8,246,263 | \$37,677,993 | 435.34 | \$31,045,203 | \$9,034,675 | \$40,079,878 |
| Executive/Administrative | 28.55 | 2,837,744 | 727,009 | 3,564,753 | 28.01 | 2,824,472 | 747,122 | 3,571,594 |
| Managerial/Professional | 156.90 | 7,069,903 | 2,258,268 | 9,328,171 | 164.05 | 7,364,445 | 2,502,884 | 9,867,329 |
| Classified | 382.08 | 9,474,921 | 3,975,909 | 13,450,830 | 385.99 | 9,602,878 | 4,344,060 | 13,946,938 |
| Irregular Help | | 1,909,185 | 319,186 | 2,228,371 | | 1,975,822 | 343,641 | 2,319,463 |
| Graduate Assistants | | 1,402,092 | 8,553 | 1,410,645 | | 1,402,092 | 9,114 | 1,411,206 |
| TOTAL | 991.22 | \$52,125,575 | \$15,535,188 | \$67,660,763 | 1,013.39 | \$54,214,911 | \$16,981,496 | \$71,196,407 |
| Number of New Positions | | | | | 22.17 | | | |
| UNIVERSITY OF IDAHO | | | | | | | | |
| Faculty | 514.10 | \$34,046,966 | \$10,076,422 | \$44,123,388 | 514.80 | \$34,213,574 | \$10,647,883 | \$44,861,457 |
| Executive/Administrative | 38.64 | 4,248,994 | 1,126,188 | 5,375,182 | 38.37 | 4,238,222 | 1,163,091 | 5,401,313 |
| Managerial/Professional | 168.85 | 8,858,098 | 2,802,102 | 11,660,200 | 171.26 | 9,423,896 | 3,101,931 | 12,525,827 |
| Classified | 504.71 | 14,852,413 | 5,838,421 | 20,690,834 | 501.05 | 14,885,157 | 6,283,024 | 21,168,181 |
| Irregular Help | 0.00 | 1,470,792 | 191,203 | 1,661,995 | 0.00 | 1,451,752 | 188,728 | 1,640,480 |
| Graduate Assistants | 0.00 | 2,612,377 | 26,124 | 2,638,501 | 0.00 | 2,701,131 | 27,011 | 2,728,142 |
| TOTAL | 1,226.30 | \$66,089,640 | \$20,060,460 | \$86,150,100 | 1,225.48 | \$66,913,732 | \$21,411,668 | \$88,325,400 |
| Number of New Positions | | | | | (0.82) | | | |
| LEWIS CLARK STATE COLLEGE | | | | | | | | |
| Faculty | 106.29 | \$5,161,051 | \$1,565,303 | \$6,726,354 | 108.64 | \$5,273,425 | \$1,695,786 | \$6,969,211 |
| Executive/Administrative | 14.90 | 1,093,787 | 302,562 | 1,396,349 | 14.90 | 1,092,818 | 315,872 | 1,408,690 |
| Managerial/Professional | 45.94 | 1,879,996 | 620,494 | 2,500,490 | 47.27 | 1,933,760 | 672,391 | 2,606,151 |
| Classified | 73.93 | 1,809,482 | 742,270 | 2,551,752 | 74.53 | 1,840,967 | 825,313 | 2,666,280 |
| Irregular Help | | 250,138 | 22,538 | 272,676 | | 275,900 | 24,968 | 300,868 |
| Graduate Assistants | | | | 0 | | | | 0 |
| TOTAL | 241.06 | \$10,194,454 | \$3,253,167 | \$13,447,621 | 245.34 | \$10,416,870 | \$3,534,330 | \$13,951,200 |
| Number of New Positions | | | | | 4.28 | | | |
| TOTAL COLLEGE & UNIVERSITIES | | | | | | | | |
| Faculty | 1,525.22 | \$99,160,565 | \$28,739,025 | \$127,899,590 | 1,554.31 | \$102,927,077 | \$32,029,272 | \$134,956,349 |
| Exec/Admin | 111.65 | 11,094,644 | 3,029,995 | 14,124,639 | 110.54 | 11,037,435 | 3,177,120 | 14,214,555 |
| Mgrial/Prof | 618.66 | 29,586,335 | 9,214,365 | 38,800,700 | 631.50 | 30,382,851 | 10,125,254 | 40,508,104 |
| Classified | 1,335.00 | 35,523,039 | 14,404,951 | 49,927,990 | 1,335.19 | 35,620,511 | 15,633,576 | 51,254,087 |
| Irregular Help | 0.00 | 4,968,122 | 739,881 | 5,708,003 | 0.00 | 5,217,256 | 995,398 | 6,212,653 |
| Graduate Assistants | 0.00 | 5,803,251 | 106,228 | 5,909,479 | 0.00 | 5,948,308 | 109,928 | 6,058,236 |
| TOTAL | 3,590.53 | \$186,135,956 | \$56,234,446 | \$242,370,402 | 3,631.54 | \$191,133,437 | \$62,070,547 | \$253,203,984 |
| Number of New Positions | | | | | 41.01 | | | |

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Operating Budget Personnel Costs Summary

July 1, 2003 - June 30, 2004

| | | FUNDING SOURCE | | | | |
|-----------------------------------|--|----------------|-------------|------------|-----------|-------------------|
| Department | Description | FTE | Amount | MCO | Above MCO | Base Reallocation |
| Faculty | | | | | | |
| 1 Theatre Arts | Adjunct Faculty moved to permanent PCN | 1.00 | 25,293 | 0 | 0 | 25,293 |
| 2 Political Science | Reallocations | 1.00 | 41,371 | 0 | 0 | 41,371 |
| 3 Accountancy | Reorganized PCNs due to vacancies | 1.00 | 40,000 | 0 | 0 | 40,000 |
| 4 Nursing | Phased-In Integrated Nursing Program | 4.50 | 243,526 | 243,526 | 0 | 0 |
| 5 Nursing | Various reorganized PCN's | 1.20 | 48,369 | 0 | 0 | 48,369 |
| 6 Misc FTE Adjustments | | 5.69 | 349,774 | 0 | 0 | 349,774 |
| Subtotal Faculty | | 14.39 | 748,333 | 243,526 | 0 | 504,807 |
| Executive/Administrative | | | | | | |
| 1 Graduate College/ACAD | Reallocation | 0.18 | 18,216 | 0 | 0 | 18,216 |
| 2 SSPA | PCN 2465 reused in FY04 | (0.51) | (39,652) | 0 | 0 | (39,652) |
| 3 Misc FTE Adjustments | | 0.03 | (26,578) | 0 | 0 | (26,578) |
| Subtotal Executive/Administrative | | (0.30) | (48,014.00) | 0.00 | 0.00 | (48,014.00) |
| Managerial /Professional | | | | | | |
| 1 Networking (COBE) | Reorganized PCNs due to vacancies | 1.00 | 40,000 | 0 | 0 | 40,000 |
| 2 Extended Studies | Fund Shift From Local Funds | 0.73 | 25,168 | 25,168 | 0 | 0 |
| 3 Library | Reallocation | (1.00) | (37,502) | 0 | 0 | (37,502) |
| 4 Registrar | Reallocations | 2.00 | 58,427 | 0 | 0 | 58,427 |
| 5 Budget | Reorganized PCNs | 0.75 | (13,359) | 0 | 0 | (13,359) |
| 6 Engineering Admin | Fund Shift to grants | (1.25) | (28,675) | 0 | 0 | (28,675) |
| 7 Misc FTE Adjustments | | (0.28) | (178,199) | 0 | 0 | (178,199) |
| Subtotal Managerial/Professional | | 1.95 | (134,140) | 25,168 | 0 | (159,308) |
| Total Exempt | | 16.04 | 566,179 | 268,694 | 0 | 297,485 |
| Classified | | | | | | |
| 1 Extended Studies | Shifted from Local Funds | 4.25 | 101,047 | 101,047 | 0 | 0 |
| 2 OIT | Reallocation | (1.00) | (51,272) | 0 | 0 | (51,272) |
| 3 Financial Aid | Reallocations | (2.00) | (59,197) | 0 | 0 | (59,197) |
| 4 Graduate College Admin | Fund shift relating to grants | (0.63) | (12,059) | 0 | 0 | (12,059) |
| 5 BSU Security | Reallocations | (1.75) | (36,604) | 0 | 0 | (36,604) |
| 6 Misc FTE Adjustments | | 0.47 | (12,621) | 0 | 0 | (12,621) |
| Subtotal Classified | | (0.66) | (70,706) | 0 | 0 | (171,753) |
| Total Increases/(Decreases) | | 15.38 | 495,473 | 101,047.00 | 0.00 | 125,732.00 |
| SUMMARY: | | | | | | |
| Faculty | | 14.39 | 748,333 | 243,526 | 0 | 504,807 |
| Executive/Administrative | | (0.30) | (48,014) | 0 | 0 | (48,014) |
| Managerial/Professional | | 1.95 | (134,140) | 25,168 | 0 | (159,308) |
| Classified | | (0.66) | (70,706) | 101,047 | 0 | (171,753) |
| Total | | 15.38 | 495,473 | 369,741 | 0 | 125,732 |

IDAHO STATE UNIVERSITY

Operating Budget Personnel Costs Summary

July 1, 2003 - June 30, 2004

| College/ Department Faculty | | Description | FTE | Amount | Funding Source | | |
|-----------------------------------|-----------------------------------|------------------------------------|-------|-------------|----------------|-----------|-------------------|
| | | | | | MCO | Above MCO | Base Reallocation |
| 1. | | | | | | | |
| 2. | College of Arts & Sciences: | | | | | | |
| 3. | Communication & Theatre | Asst Professor | 1.00 | 39,000 | 39,000 | | |
| 4. | Geosciences | Asst Professor | 1.00 | 43,992 | 43,992 | | |
| 5. | Anthropology | Professor/Curator | 0.90 | 58,920 | 58,920 | | |
| 6. | College of Business | Instructor | 0.50 | 20,010 | 20,010 | | |
| 7. | Col of Engineering | Sr. Lecturer | 1.00 | 81,994 | 81,994 | | |
| 8. | CSDDED | Clinical Asst Prof | 0.50 | 20,009 | 20,009 | | |
| 9. | CSDDED | Clinical Instructor | 2.00 | 56,035 | | | 56,035 |
| 10. | CSDDED | Clinical Asst Prof | -1.00 | -60,000 | | | -60,000 |
| 11. | Dept of Counseling | Asst Professor | 1.00 | 42,016 | 42,016 | | |
| 12. | Nuclear Sci/Engr | Associate Professor | 1.00 | 119,122 | 119,122 | | |
| 13. | Cntr for Teaching/Lrng | Instructor | -0.51 | -23,666 | | | -23,666 |
| 14. | Paramedic | Instructor | 2.00 | 81,516 | 81,516 | | |
| 15. | Nursing-Assoc of Sci | Instructor | 1.00 | 50,003 | 50,003 | | |
| 16. | Idaho Accelerator Cnt | Research Asst Prof | 1.00 | 57,013 | | | 57,013 |
| 17. | | | | | | | |
| 18. | Misc: | | 0.26 | | | | |
| | Subtotal Faculty | | 11.65 | \$585,964 | \$556,582 | \$0 | \$29,382 |
| | | | | | | | |
| | <u>Executive/Administrative</u> | | | | | | |
| 1. | Miscellaneous | | -0.54 | | | | |
| | Subtotal Executive/Administrative | | -0.54 | \$0 | \$0 | \$0 | \$0 |
| | | | | | | | |
| | <u>Managerial/Professional</u> | | | | | | |
| 1. | Biological Science | Clinical Technician/Instr Designer | 1.00 | 40,019 | | | 40,019 |
| 2. | Mathematics | Computer Syst Admin | 1.00 | 32,824 | | | 32,824 |
| 3. | Management | Asst Dean/Grad Program | 1.00 | 45,011 | 45,011 | | |
| 4. | Dental Education | Asst Dir | 0.43 | 85,553 | 85,553 | | |
| 5. | Instructional Techn | Visual/Imaging Developer | 0.77 | 50,000 | 50,000 | | |
| 6. | Library | Ref/Catalog Librarian | 1.00 | 32,001 | | | 32,001 |
| 7. | Student Financial Aid | Counselor | 1.00 | 31,824 | | | 31,824 |
| 8. | Physical Plant | Grants Application Mgr | 1.00 | 37,315 | 37,315 | | |
| 9. | Purchasing | Purchasing Agent | -1.00 | -44,179 | | | -44,179 |
| 10. | Alumni Relations | Director | -0.91 | 0 | | | |
| 11. | Instructional Media | Web Media Developer | 1.00 | 32,011 | | | 32,011 |
| 12. | Athletics | Strength Coach | 0.42 | 13,464 | 13,464 | | |
| 13. | Athletics | Asst Soccer Coach | 0.24 | 0 | | | |
| 14. | | | | | | | |
| 15. | Misc: | | 0.20 | | | | |
| | Subtotal Managerial/Professional | | 7.15 | \$355,843 | \$231,343 | \$0 | \$124,500 |
| | | | | | | | |
| | <u>Classified</u> | | | | | | |
| 1. | Communication & Theatre | Box Office Manager | 0.20 | 4,843 | | | 4,843 |
| 2. | Col of Education | Office Spec I | 0.42 | 6,521 | | | 6,521 |
| 3. | Col of Education | Office Spec II | 1.00 | 19,074 | | | 19,074 |
| 4. | Kasiska Health Prof | Office Spec II | -0.50 | -12,074 | | | -12,074 |
| 5. | Dental Education | Admin Asst | 0.25 | 6,594 | 6,594 | | |
| 6. | Instructional Distance Lrn | Video Inst Mgr | 1.00 | 29,328 | 29,328 | | |
| 7. | TV/Boise Oversight | Office Spec II | 1.00 | 19,074 | | | 19,074 |
| 8. | Library | Library Asst I | 0.25 | 5,382 | | | 5,382 |
| 9. | Student Financial Aid | Techn Record Spec I | -1.00 | -22,984 | | | -22,984 |
| 10. | Physical Plant | Grounds Maint Worker | -0.25 | -4,082 | | | -4,082 |
| 11. | Financial Services | Office Spec II | 0.40 | 7,629 | | | 7,629 |
| 12. | Purchasing | Buyer | 1.00 | 33,010 | | | 33,010 |
| 13. | Computer Center | IT Systems Analyst | 1.00 | 47,382 | | | 47,382 |
| 14. | Instructional Media | Web Media Developer | -1.00 | -26,957 | | | -26,957 |
| 15. | | | | | | | |
| 16. | Misc: | | 0.14 | | | | |
| | Subtotal Classified | | 3.91 | \$112,740 | \$35,922 | \$0 | \$76,818 |
| | | | | | | | |
| | Total Increases | | 22.17 | 1,054,547 | 823,847 | 0 | 230,700 |
| | | | | | | | |
| | SUMMARY: | | | | | | |
| | Faculty | | 11.65 | 585,964 | | | |
| | Executive/Administrative | | -0.54 | 0 | | | |
| | Managerial/Professional | | 7.15 | 355,843 | | | |
| | Classified | | 3.91 | 112,740 | | | |
| | Total | | 22.17 | \$1,054,547 | | | |

University of Idaho
Operating Budget Personnel Cost Summary
July 1, 2003 through June 30, 2004

| College/ Department | Description | FTE | Amount | Funding Source | | |
|--------------------------|------------------------|--------|-----------|----------------|----------------------|-----------------|
| | | | | MCO | Other Allocations | Base Realloc |
| <u>Faculty</u> | | | | | | |
| 1 CLASS | Academic Faculty | 1.00 | 29,153 | | | 29,153 |
| 2 CLASS | Dept Chairs | (1.50) | (113,569) | | | (113,569) |
| 3 CLASS | Academic Faculty | 0.28 | 16,505 | | | 16,505 |
| 4 CLASS | Academic Faculty | 0.25 | 9,547 | | | 9,547 |
| 5 Agriculture | Academic Faculty | 1.00 | 68,000 | | | 68,000 |
| 6 Business & Econ | Academic Faculty | 0.64 | 45,018 | | 45,018 | |
| 7 Business & Econ | Academic Faculty | 0.64 | 45,018 | | 45,018 | |
| 8 Business & Econ | Academic Faculty | 0.64 | 45,018 | | 45,018 | |
| 9 Business & Econ | Academic Faculty | 0.60 | 23,971 | | 23,971 | |
| 10 Business & Econ | Academic Faculty | 0.14 | 9,998 | | 9,998 | |
| 11 Business & Econ | Academic Faculty | 0.14 | 9,998 | | 9,998 | |
| 12 Education | Sr Instructor | 0.51 | 18,081 | | | 18,081 |
| 13 Education | Academic Faculty | (0.50) | 0 | | | 0 |
| 14 Engineering | Academic Faculty | (1.00) | (47,653) | | | (47,653) |
| 15 University Research | Research Faculty | (0.83) | (38,614) | | | (38,614) |
| 16 Library | Catalog Librarian | (0.50) | (17,513) | | | (17,513) |
| 17 Student Affairs | Licensed Psychol | (0.73) | (41,452) | | | (41,452) |
| 18 Fac Management | Arboretum Dir | (1.00) | (65,686) | | | (65,686) |
| 19 Miscellaneous Changes | | 0.92 | | | | 0 |
| 20 | Sub-Total Academic Fac | 0.70 | (4,180) | 0 | 179,021 | (183,201) |

| | | | | | | |
|---------------------------------|----------------------------|--------|-----------|---|---|-----------|
| <u>Executive/Administrative</u> | | | | | | |
| 1 Enrollment Mgmt | AVP Enrollment Mgt/Dir IPO | 0.95 | 85,691 | | | 85,691 |
| 2 Student Affairs | Vice Pres/V Prov | (1.00) | (112,986) | | | (112,986) |
| 3 University Advance | Dir Alumni Relations | (0.17) | (13,660) | | | (13,660) |
| 4 Capital Planning | AVP DFA | 0.76 | 93,448 | | | 93,448 |
| 5 IPB | Dir Institutional Res | 1.00 | 80,995 | | | 80,995 |
| 6 Athletics | Dir Athletics | (1.00) | (145,018) | | | (145,018) |
| 7 Miscellaneous Changes | | (0.81) | 0 | | | 0 |
| 8 | Sub-Total Exec/ Admin | (0.27) | (11,530) | 0 | 0 | (11,530) |

| | | | | | | |
|--------------------------------|-----------------------|--------|----------|--|--|----------|
| <u>Managerial/Professional</u> | | | | | | |
| 1 CLASS | Piano Tech | 0.52 | 20,019 | | | 20,019 |
| 2 Education | Athl Trainer/Sr Instr | (0.51) | (18,076) | | | (18,076) |
| 3 Law | Dir Admissions | 1.00 | 38,002 | | | 38,002 |
| 4 Science | Supervisor,Geolog | (0.45) | (19,750) | | | (19,750) |
| 5 Science | Supervisor,Geolog | 1.00 | 43,888 | | | 43,888 |
| 6 Technology | Syst Analyst | (0.20) | (8,620) | | | (8,620) |
| 7 Technology | Assoc Dir | (1.00) | (50,709) | | | (50,709) |
| 8 Outreach | MGR, IT Boise | 1.00 | 69,514 | | | 69,514 |

University of Idaho
Operating Budget Personnel Cost Summary
July 1, 2003 through June 30, 2004

| <u>College/ Department</u> | <u>Description</u> | <u>FTE</u> | <u>Amount</u> | <u>Funding Source</u> | | |
|--------------------------------|-----------------------|------------------------|---------------|-----------------------|------------------------------|-------------------------|
| | | | | <u>MCO</u> | <u>Other Allocations</u> | <u>Base Realloc</u> |
| 9 | Enrollment Mgmt | Assoc Dir NSS | 1.00 | 44,990 | | 44,990 |
| 10 | Enrollment Mgmt | Asst Dir, NSS | 1.00 | 22,271 | | 22,271 |
| 11 | Enrollment Mgmt | IT Database Analyst | 1.00 | 39,645 | | 39,645 |
| 12 | Enrollment Mgmt | Coord Acad Advising | 0.38 | 12,234 | | 12,234 |
| 13 | Enrollment Mgmt | Dir IPO | (0.92) | (82,612) | | (82,612) |
| 14 | Student Affairs | Misc Groups | 1.00 | 97,191 | | 97,191 |
| 15 | University Advance | Spec Dev Coord | (1.00) | (90,002) | | (90,002) |
| 16 | University Advance | Assoc Dir Alumni | 1.00 | 44,200 | | 44,200 |
| 17 | University Advance | Assoc Dir Alumni | 1.00 | 37,482 | | 37,482 |
| 18 | Fac Management | Energy Syst Eng | (0.50) | (14,685) | | (14,685) |
| 19 | Human Resources | Emp Rltns Consultant | (1.00) | (57,158) | | (57,158) |
| 20 | Capital Planning | Dir Cap Planning | (1.00) | (78,520) | | (78,520) |
| 21 | IPB | Dir Institutiional Res | (1.00) | (80,995) | | (80,995) |
| 22 | IPB | Asst Dir Pgrm Rev | 1.00 | 50,814 | | 50,814 |
| 23 | Miscellaneous Changes | | (0.91) | | | 0 |
| 24 | Sub-total NFE | | 2.41 | 19,123 | 0 | 0 |

| | | | | | | |
|-------------------|---------------------|----------------------|--------|----------|--------|----------|
| <u>Classified</u> | | | | | | |
| 1 | | | | | | |
| 2 | Classified | Administrative Asst | 0.38 | 8,993 | | 8,993 |
| 3 | Agriculture | Computer Supt Assoc | 0.50 | 15,132 | | 15,132 |
| 4 | Agriculture | Office Splst 2 | (0.72) | (17,370) | | (17,370) |
| 5 | Business & Econ | AA1 | (0.41) | (14,312) | | (14,312) |
| 6 | Engineering | Tech Engr | 1.00 | 32,011 | | 32,011 |
| 7 | Engineering | AA2 | 1.00 | 23,982 | | 23,982 |
| 8 | Engineering | Mgmt Assistant | (0.25) | (6,126) | | (6,126) |
| 9 | Law | Mgmt Asst | (1.00) | (31,658) | | (31,658) |
| 10 | Grad Studies | Admin Asst | 0.50 | 12,501 | | 12,501 |
| 11 | University Research | Custodian LD | 0.77 | 13,923 | 13,923 | |
| 12 | Technology | Web Dvlpr, ITS | (0.42) | (15,434) | | (15,434) |
| 13 | Technology | Web Application Dv | (0.32) | (7,063) | | (7,063) |
| 14 | Technology | Computer Supt | (0.25) | (10,359) | | (10,359) |
| 15 | Technology | Electron Digital | (1.00) | (32,178) | | (32,178) |
| 16 | Other Academic | Admin Asst | 0.31 | 11,560 | | 11,560 |
| 17 | Outreach | PC System Super | (1.00) | (42,515) | | (42,515) |
| 18 | Enrollment Mgmt | Coord, Office/Visita | (1.00) | (27,622) | | (27,622) |
| 19 | Enrollment Mgmt | Tech Transfer Splst | (1.00) | (35,194) | | (35,194) |
| 20 | Enrollment Mgmt | TRS2 | 0.21 | 5,583 | | 5,583 |
| 21 | Student Affairs | Bldg Super | (0.46) | (15,143) | | (15,143) |
| 22 | Student Affairs | Admin Asst Sr | (0.91) | (39,644) | | (39,644) |
| 23 | University Advance | Foundation Spclst | (0.36) | (11,480) | | (11,480) |
| 24 | University Advance | Mgr, IT | 0.52 | 27,750 | | 27,750 |

University of Idaho
Operating Budget Personnel Cost Summary
July 1, 2003 through June 30, 2004

| <u>College/ Department</u> | <u>Description</u> | <u>FTE</u> | <u>Amount</u> | <u>Funding Source</u> | | |
|--------------------------------|--|------------|---------------|-----------------------|------------------------------|-------------------------|
| | | | | <u>MCO</u> | <u>Other Allocations</u> | <u>Base Realloc</u> |
| 25 | University Advance Database Analyst | 1.00 | 35,901 | | | 35,901 |
| 26 | University Advance TRS2 | 1.00 | 22,131 | | | 22,131 |
| 27 | University Advance Admin Asst | 1.00 | 30,285 | | | 30,285 |
| 28 | University Advance Admin Asst | 1.00 | 25,168 | | | 25,168 |
| 29 | University Advance Database Analyst | 1.00 | 37,731 | | | 37,731 |
| 30 | University Advance Mgmt Assistant | (1.00) | (37,586) | | | (37,586) |
| 31 | University Advance Mgmt Analyst | (1.00) | (39,936) | | | (39,936) |
| 32 | University Advance Admin Asst | (0.37) | (8,967) | | | (8,967) |
| 33 | University Advance Mgmt Assistant | 0.75 | 30,856 | | | 30,856 |
| 34 | University Advance Mgr Alumni Prodcnts | (1.00) | (37,482) | | | (37,482) |
| 35 | University Advance Mgr Alumni WB/Off | (1.00) | (37,482) | | | (37,482) |
| 36 | Fac Management Locksmith, Senior | 1.00 | 32,635 | | | 32,635 |
| 37 | Fac Management Shipping/Receiving | (1.00) | (23,462) | | | (23,462) |
| 38 | Fac Management Mail Clerk | (1.00) | (19,074) | | | (19,074) |
| 39 | Fac Management HVAC Tech 2 | 1.00 | 36,566 | | | 36,566 |
| 40 | Fac Management Team Cleaning | 0.24 | 4,135 | | | 4,135 |
| 41 | Fac Management Team Cleaning | 0.24 | 7,816 | | | 7,816 |
| 42 | Fac Management Power Plt Oper | 0.50 | 13,291 | | | 13,291 |
| 43 | BAAS TRS2 | 0.34 | 8,075 | | | 8,075 |
| 44 | Human Resources HR Develop Spec | 1.00 | 37,502 | | | 37,502 |
| 45 | Admin Affairs Security | (1.00) | (21,798) | | | (21,798) |
| 46 | Admin Affairs Security | (1.00) | (32,261) | | | (32,261) |
| 47 | IPB Sprvsr, Research Analyst | (1.00) | (48,381) | | | (48,381) |
| 48 | Miscellaneous Changes | (0.45) | 0 | | | 0 |
| 49 | Sub-Total Classified | (3.66) | (139,000) | 13,923 | 15,132 | (168,055) |

Summary

| | | |
|--------------------------|---------------|------------------|
| Faculty | 0.70 | (4,180) |
| Executive/Administrative | (0.27) | (11,530) |
| Managerial/ Professional | 2.41 | 19,123 |
| Classified | (3.66) | (139,000) |
| | <u>(0.82)</u> | <u>(135,587)</u> |

Lewis-Clark State College
Detail of Personnel Changes
July 1, 2003 - June 30, 2004

| Class/College/Department | Description | FTE | Amount | Funding Source | | |
|-------------------------------------|-----------------------|-------|---------|----------------|-----------|--------------|
| | | | | MCO | Above MCO | Base Realloc |
| Faculty | | | | | | |
| Natural Sciences | New position | 1.00 | 42,100 | | | 42,100 |
| Humanities | New position | 1.00 | 42,100 | | | 42,100 |
| Humanities | Eliminate position | -1.00 | -49,815 | | | -49,815 |
| Social Science | New position | 1.00 | 42,100 | | | 42,100 |
| Education | Increase GE funding | 1.35 | 44,520 | | | 44,520 |
| Nursing | New position | 1.00 | 61,600 | | | 61,600 |
| Prof.-Tech. Gen. Ed. | Eliminate position | -1.00 | -49,140 | | | -49,140 |
| Total Faculty | | 3.35 | 133,465 | 0 | 0 | 133,465 |
| Executive/Administrative | | | | | | |
| Total Exec/Admin | | 0.00 | 0 | 0 | 0 | 0 |
| Managerial/Professional | | | | | | |
| Administrative | Reporting Corrections | 0.08 | 13,500 | | | 13,500 |
| Library | Eliminate position | -1.00 | -65,610 | | | -65,610 |
| Information Technology | Reallocation (net) | 0.25 | 12,690 | | | 12,690 |
| Alumni Relations | Increase to full time | 0.50 | 24,030 | | | 24,030 |
| Community Programs | New position | 0.50 | 24,300 | | | 24,300 |
| Total Mgrl/Prof | | 0.33 | 8,910 | 0 | 0 | 8,910 |
| Classified | | | | | | |
| Instruction | Position increases | 0.43 | 16,380 | | | 16,380 |
| Student Affairs | Position increases | 0.92 | 30,940 | | | 30,940 |
| Community Programs | Eliminate position | -1.00 | -35,980 | | | -35,980 |
| Athletics | New position | 0.25 | 7,651 | | | 7,651 |
| Total Classified | | 0.60 | 18,991 | 0 | 0 | 18,991 |
| Total Personnel Cost Changes | | 4.28 | 161,366 | 0 | 0 | 161,366 |

SUMMARY

| | | |
|--------------------------|------|---------|
| Faculty | 3.35 | 133,465 |
| Executive/Administrative | 0.00 | 0 |
| Managerial/Professional | 0.33 | 8,910 |
| Classified | 0.60 | 18,991 |
| Total | 4.28 | 161,366 |

**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**POSTSECONDARY PROFESSIONAL-TECHNICAL EDUCATION SYSTEM
FISCAL YEAR 2004 BUDGET OVERVIEW**

The allocation and reallocation of funds for the FY 2004 Postsecondary Professional-Technical Education System is based on the Strategic Plan for Professional-Technical Education in Idaho – FY 2002-2006, as well as Board and Legislative intent.

The FY 2004 budget reflects an overall increase of \$748,400 or 2.39% in the state general fund allocation. In addition, the Legislature appropriated an increase of \$58,000 in student fees at EITC. The overall increase in the state general fund allocation includes: (1) personnel cost rollups in the amount of \$362,500; (2) employee benefit costs in the amount of \$61,200; (3) replacement operating expenses in the amount of 60,500; (4) an increase in the Risk Management, State Controller's and State Treasurer's fees at EITC in the amount of \$14,700; (5) replacement capital outlay in the amount of \$39,500; and (6) capacity building funds in the amount of \$210,000.

Reallocation

Personnel costs and operating expense funds were reallocated to create 1.32 new FTP and to increase the capital outlay budget.

Capacity Building/Workload Adjustment

These funds were used to establish 4.39 new FTP to expand the technical colleges= programs and enrollment capacities.

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**AVAILABILITY AND ALLOCATION OF FUNDS FOR FY 2004
POSTSECONDARY PROFESSIONAL-TECHNICAL SYSTEM SUMMARY
APPROPRIATED FUNDS ONLY**

| FUNDS AVAILABLE | FTP | Amount |
|--|---------------|-------------------|
| FY 2003 Operating Budget | 483.69 | 31,575,200 |
| Base Adjustments | | |
| Increase in EITC Student Fees | | 58,000 |
| Total Base Adjustments | | 58,000 |
| Adjusted FY 2003 Operating Budget Base | | 31,633,200 |
| Additional Funding for FY 2004 | | |
| Capacity Building | | 210,000 |
| MCO Funding | | 538,400 |
| Total Additional Funding Above Base | | 748,400 |
| Total Funds Available for FY 2004 | | 32,381,600 |
| ALLOCATION OF FUNDS | FTP | Amount |
| FY 2003 Adjusted Operating Budget Base | 483.69 | 31,633,200 |
| Increases to Budget Base | | |
| MCO Increases | | |
| Changes to Ongoing Positions | | |
| Salary Adjustments - - CEC, Prom, Equity, Etc. | | |
| Faculty | | 25,521 |
| Executive/Administrative | | (431) |
| Managerial/Professional | | (10,349) |
| Classified | | (15,472) |
| Irregular Help | | 0 |
| Total Changes to Ongoing Positions | 0.00 | (731) |
| Standard Adjustments | | |
| Personnel Cost Rollups | | 362,500 |
| Employee Benefit Costs | | 61,200 |
| Operating Expenses | | 75,200 |
| Capital Outlay | | 39,500 |
| Total Standard Adjustments | 0.00 | 538,400 |
| Capacity Building/Workload Adjustment | | |
| Personnel Costs | 4.89 | 189,104 |
| Operating Expenses | | 20,896 |
| Total Capacity Building/Workload Adjustment | 4.89 | 210,000 |
| Reallocation of Funds | | |
| Reallocation of Funds | 1.32 | 731 |
| FY 2004 TOTAL BUDGET | 489.90 | 32,381,600 |

Postsecondary Professional-Technical Education System

Operating Budget Distribution by Activity and Expense Standard Class

July 1, 2003 - June 30, 2004

| | Original FY 2003 | Percent of Total | Original FY 2004 | Percent of Total | Change from Prior Year | Percent Change |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|------------------------------|-------------------|
| By Activity: | | | | | | |
| Instruction | 30,255,778 | 95.82% | 30,983,482 | 95.68% | 727,704 | 2.41% |
| Plant Maint & Operations | 1,319,422 | 4.18% | 1,398,118 | 4.32% | 78,696 | 5.96% |
| Total Operating Budget | 31,575,200 | 100.00% | 32,381,600 | 100.00% | 806,400 | 2.55% |
| TOTAL BUDGET | <u>31,575,200</u> | <u>100.00%</u> | <u>32,381,600</u> | <u>100.00%</u> | <u>806,400</u> | <u>2.55%</u> |
| By Expense Standard Class: | | | | | | |
| Personnel Costs- | | | | | | |
| Faculty | 12,992,457 | 41.15% | 13,181,172 | 40.71% | 188,715 | 1.45% |
| Executive/Administrative | 694,074 | 2.20% | 693,643 | 2.14% | (431) | -0.06% |
| Managerial/Professional | 2,930,366 | 9.28% | 2,919,012 | 9.01% | (11,354) | -0.39% |
| Classified | 2,681,446 | 8.49% | 2,660,300 | 8.22% | (21,146) | -0.79% |
| Irregular Help | 1,102,074 | 3.49% | 1,071,929 | 3.31% | (30,145) | -2.74% |
| Total Salaries | 20,400,417 | 64.61% | 20,526,056 | 63.39% | 125,639 | 0.62% |
| Personnel Benefits | 6,382,887 | 20.21% | 6,925,513 | 21.39% | 542,626 | 8.50% |
| Total Personnel Costs | 26,783,304 | 84.82% | 27,451,569 | 84.78% | 668,265 | 2.50% |
| Operating Expenses- | 4,100,461 | 12.99% | 4,028,298 | 12.44% | (72,163) | -1.76% |
| Capital Outlay- | 691,435 | 2.19% | 901,733 | 2.78% | 210,298 | 30.41% |
| Total Operating Budget | 31,575,200 | 100.00% | 32,381,600 | 100.00% | 806,400 | 2.55% |
| TOTAL BUDGET | <u>31,575,200</u> | <u>100.00%</u> | <u>32,381,600</u> | <u>100.00%</u> | <u>806,400</u> | <u>2.55%</u> |
| Total Full Time Positions | <u>483.69</u> | | <u>489.90</u> | | <u>6.21</u> | <u>1.28%</u> |

**Postsecondary Professional-Technical Education System
Operating Budget Personnel Costs
Summary
July 1, 2003 - June 30, 2004**

| | FY 2003 Operating Budget | | | | FY 2004 Operating Budget | | | |
|------------------------------|---------------------------------|------------------------|------------------------|---------------------|---------------------------------|------------------------|------------------------|---------------------|
| <u>Classification</u> | <u>FTP</u> | <u>Salaries</u> | <u>Benefits</u> | <u>Total</u> | <u>FTP</u> | <u>Salaries</u> | <u>Benefits</u> | <u>Total</u> |
| Faculty | 310.44 | 12,992,457 | 4,111,900 | 17,104,357 | 316.25 | 13,181,172 | 4,516,791 | 17,697,963 |
| Exec/Admin | 8.72 | 694,074 | 185,916 | 879,990 | 8.72 | 693,643 | 185,483 | 879,126 |
| Manag/Prof | 59.34 | 2,930,366 | 895,976 | 3,826,342 | 59.47 | 2,919,012 | 949,792 | 3,868,804 |
| Classified | 105.19 | 2,681,446 | 1,059,731 | 3,741,177 | 105.46 | 2,660,300 | 1,145,171 | 3,805,471 |
| Irreg Help | 0.00 | 1,102,074 | 129,364 | 1,231,438 | 0.00 | 1,071,929 | 128,276 | 1,200,205 |
| TOTAL | 483.69 | 20,400,417 | 6,382,887 | 26,783,304 | 489.90 | 20,526,056 | 6,925,513 | 27,451,569 |

Position Changes FY 2004 (See Detail)

(Included Above)

| | <u>FTP</u> | <u>Salaries</u> | <u>Benefits</u> | <u>Total</u> |
|--------------------------|-------------------|------------------------|------------------------|---------------------|
| Faculty | 5.81 | 163,194 | 51,612 | 214,806 |
| Executive/Administrative | 0.00 | 0 | 0 | 0 |
| Managerial/Professional | 0.13 | (1,005) | 4,333 | 3,328 |
| Classified | 0.27 | (5,674) | 1,459 | (4,215) |
| TOTAL | 6.21 | 156,515 | 57,404 | 213,919 |

Postsecondary Professional-Technical Education System

Operating Budget Personnel Costs

Position Change Schedule

July 1, 2003 - June 30, 2004

| Program | Position Description | FTP | Salary Amount | Funding Source | | |
|---------------------------------|----------------------|--------|---------------|----------------|-----------|-------------------|
| | | | | MCO | Above MCO | Base Reallocation |
| Faculty | | | | | | |
| Boise State University | | | | | | |
| Applied Academics | Instructor | 1.00 | 36,005 | 0 | 0 | 36,005 |
| Applied Academics | Instructor | (0.60) | (21,600) | 0 | 0 | (21,600) |
| Practical Nursing | Instructor | 0.25 | 11,169 | 0 | 0 | 11,169 |
| Practical Nursing | Instructor | (0.50) | (22,338) | 0 | 0 | (22,338) |
| Practical Nursing | Instructor | 0.25 | 13,005 | 0 | 0 | 13,005 |
| Practical Nursing | Instructor | (0.50) | (26,259) | 0 | 0 | (26,259) |
| Child Care & Develop | Instructor | 0.67 | 24,000 | 0 | 0 | 24,000 |
| Horticulture | Instructor | 1.00 | 35,000 | 35,000 | 0 | 0 |
| Surgical Technology | Instructor | (0.70) | (26,950) | 0 | 0 | (26,950) |
| Broadcast Technology | Instructor | 0.13 | 9,850 | 0 | 0 | 9,850 |
| Broadcast Technology | Instructor | (0.12) | (9,455) | 0 | 0 | (9,455) |
| Drafting Technology | Instructor | (1.00) | (46,155) | 0 | 0 | (46,155) |
| Office Occupations | Instructor | (0.50) | (18,728) | 0 | 0 | (18,728) |
| Office Occupations | Instructor | 0.75 | 28,086 | 0 | 0 | 28,086 |
| Office Occupations | Instructor | (0.50) | (17,690) | 0 | 0 | (17,690) |
| Office Occupations | Instructor | 0.75 | 26,540 | 0 | 0 | 26,540 |
| BSU Total | | 0.38 | (5,520) | 35,000 | 0 | (40,520) |
| College of Southern Idaho | | | | | | |
| Agriculture | Instructor | 0.50 | 20,667 | 0 | 0 | 20,667 |
| Allied Health | Instructor | 0.50 | 18,000 | 18,000 | 0 | 0 |
| Allied Health | Instructor | 0.50 | 17,500 | 17,500 | 0 | 0 |
| Cabinetmaking | Instructor | (0.33) | (12,000) | 0 | 0 | (12,000) |
| Culinary & Pastry Arts | Instructor | 1.00 | 25,000 | 0 | 0 | 25,000 |
| Drafting Technology | Instructor | (0.33) | (12,000) | 0 | 0 | (12,000) |
| Information Technology | Instructor | 1.00 | 33,000 | 0 | 0 | 33,000 |
| Radiological Technician | Assoc Professor | 1.00 | 54,000 | 0 | 0 | 54,000 |
| Welding Technology | Instructor | 1.00 | 38,536 | 0 | 0 | 38,536 |
| CSI Total | | 4.84 | 182,703 | 35,500 | 0 | 147,203 |
| Eastern Idaho Technical College | | | | | | |
| Legal Tech | Instructor | (1.00) | (40,893) | 0 | 0 | (40,893) |
| Farm Business | Instructor | (1.00) | (38,584) | 0 | 0 | (38,584) |
| Practical Nursing | Instructor | 1.00 | 38,685 | 38,685 | 0 | 0 |
| Adult Learning | Instructor | (0.50) | (20,010) | 0 | 0 | (20,010) |
| Adult Learning | Instructor | 0.25 | 10,446 | 0 | 0 | 10,446 |
| Adult Learning | Instructor | 0.25 | 10,405 | 0 | 0 | 10,405 |
| EITC Total | | (1.00) | (39,951) | 38,685 | 0 | (78,636) |
| Idaho State University | | | | | | |
| Physical Therapy Asst | Instructor | (0.51) | (22,324) | 0 | 0 | (22,324) |
| Physical Therapy Asst | Instructor | 1.00 | 41,018 | 16,294 | 0 | 24,724 |
| ISU Total | | 0.49 | 18,694 | 16,294 | 0 | 2,400 |
| Lewis-Clark State College | | | | | | |
| Workforce Training | Instructor | 0.05 | 1,960 | 0 | 0 | 1,960 |
| LCSC Total | | 0.05 | 1,960 | 0 | 0 | 1,960 |

Postsecondary Professional-Technical Education System

Operating Budget Personnel Costs

Position Change Schedule

July 1, 2003 - June 30,2004

| Program | Position Description | FTP | Salary Amount | Funding Source | | |
|-------------------------------|----------------------|--------|---------------|----------------|-----------|-------------------|
| | | | | MCO | Above MCO | Base Reallocation |
| North Idaho College | | | | | | |
| Physical Therapy Assistant | Instructor | (0.65) | (29,563) | 0 | 0 | (29,563) |
| Welding | Instructor | (1.00) | (41,911) | 0 | 0 | (41,911) |
| Culinary Arts | Instructor | 0.20 | 5,942 | 0 | 0 | 5,942 |
| HVAC | Instructor | 1.00 | 18,340 | 16,542 | 0 | 1,798 |
| Trades & Industry | Instructor | 1.00 | 37,500 | 0 | 0 | 37,500 |
| Practical Nursing | Instructor | 0.50 | 15,000 | 15,000 | 0 | 0 |
| NIC Total | | 1.05 | 5,308 | 31,542 | 0 | (26,234) |
| Total Faculty | | 5.81 | 163,194 | 157,021 | 0 | 6,173 |
| Managerial/Professional | | | | | | |
| Boise State University | | | | | | |
| Applied Academics | Center Mgr | 0.50 | 24,454 | 0 | 0 | 24,454 |
| Applied Academics | Center Mgr | (1.00) | (48,908) | 0 | 0 | (48,908) |
| BSU Total | | (0.50) | (24,454) | 0 | 0 | (24,454) |
| College of Southern Idaho | | | | | | |
| Agriculture | Div Director | (0.40) | (26,645) | 0 | 0 | (26,645) |
| CSI Total | | (0.40) | (26,645) | 0 | 0 | (26,645) |
| North Idaho College | | | | | | |
| Business/Industry | Coordinator | 1.00 | 49,000 | 0 | 0 | 49,000 |
| PTE Student Support | Coordinator | 0.03 | 1,094 | 0 | 0 | 1,094 |
| NIC Total | | 1.03 | 50,094 | 0 | 0 | 50,094 |
| Total Managerial/Professional | | 0.13 | (1,005) | 0 | 0 | (1,005) |
| Classified | | | | | | |
| Boise State University | | | | | | |
| Administration | Office Spec II | 0.75 | 15,116 | 0 | 0 | 15,116 |
| Administration | Office Spec II | (1.00) | (19,718) | 0 | 0 | (19,718) |
| Student Services | Tech Rec Spec | 1.00 | 22,756 | 0 | 0 | 22,756 |
| Student Services | Tech Rec Spec | (0.50) | (11,378) | 0 | 0 | (11,378) |
| Student Services | Adm Assistant | (0.50) | (12,334) | 0 | 0 | (12,334) |
| BSU Total | | (0.25) | (5,558) | 0 | 0 | (5,558) |
| North Idaho College | | | | | | |
| PTE Student Support | Admin Asst | (0.63) | (14,790) | 0 | 0 | (14,790) |
| Allied Health | Admin Asst | 0.15 | (6,429) | 0 | 0 | (6,429) |
| Business/Industry | Admin Asst | 1.00 | 21,103 | 0 | 0 | 21,103 |
| NIC Total | | 0.52 | (116) | 0 | 0 | (116) |
| Total Classified | | 0.27 | (5,674) | 0 | 0 | (5,674) |
| TOTAL | | 6.21 | 156,515 | 157,021 | 0 | (506) |

| | <u>Salary</u> | |
|--------------------------|---------------|----------------|
| | <u>FTP</u> | <u>Amount</u> |
| SUMMARY: | | |
| Faculty | 5.81 | 163,194 |
| Executive/Administrative | 0.00 | 0 |
| Managerial/Professional | 0.13 | (1,005) |
| Classified | 0.27 | (5,674) |
| Total | 6.21 | 156,515 |

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**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**AGRICULTURAL RESEARCH & EXTENSION
FY2004 BUDGET OVERVIEW**

The Agricultural Research and Extension Appropriation (ARES) received a base budget increase of 1.8%. The majority of this increase, \$340,200, will cover increases in employee health insurance. ARES also received an additional \$160,000 that will be used to partially offset the permanent \$503,000 capital outlay reduction from FY03 and to fund increases in utility costs at our off-campus locations.

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UNIVERSITY OF IDAHO
AVAILABILITY AND ALLOCATION OF FUNDS FOR FY2004
AGRICULTURAL RESEARCH AND EXTENSION SYSTEM

| FUNDS AVAILABLE | FTE | AMOUNT |
|----------------------------------|------------|---------------|
| FY2004 Operating Budget Base | 369.55 | \$ 28,233,900 |
| Adjustments: | 3.56 | \$ - |
| FY2004 Adjusted Budget Base | 373.11 | \$ 28,233,900 |
| Additional Funding for FY2004 | | |
| Fringe Benefit Rate Changes | | 294,200 |
| Employee Benefit Costs | | 46,000 |
| External Nonstandard Adjustment | | 160,000 |
| Total Additional Funding | - | \$ 500,200 |
| Total Funds Available for FY2004 | 373.11 | \$ 28,734,100 |

ALLOCATION OF FUNDS

| | | |
|------------------------------|--------|---------------|
| FY2004 Adjusted Budget Base | 373.11 | \$ 28,233,900 |
| MCO Increases to Budget Base | | |
| Fringe Benefit Rate Changes | | 294,200 |
| Employee Benefit Costs | | 46,000 |
| Program Operating Support | | 160,000 |
| Total MCO Increases | - | \$ 500,200 |
| Enhancements to Budget Base | | |
| Total Enhancements | - | \$ - |
| Total Increases | - | \$ 500,200 |
| FY2004 Operating Budget | 373.11 | \$ 28,734,100 |

AGRICULTURAL RESEARCH & EXTENSION SERVICE

Operating Budget Personnel Costs Summary

July 1, 2003 - June 30, 2004

| Classification | FY2003 Operating Budget | | | | FY2004 Operating Budget | | | |
|--------------------------|-------------------------|---------------------|--------------------|---------------------|-------------------------|---------------------|--------------------|---------------------|
| | FTE | Salaries | Benefits | Total | FTE | Salaries | Benefits | Total |
| Faculty | 176.64 | \$10,568,152 | \$3,489,655 | \$14,057,807 | 183.18 | \$11,059,796 | \$3,668,520 | \$14,728,316 |
| Executive/Administrative | 3.45 | 387,217 | 127,782 | 514,999 | 3.97 | 479,736 | 135,267 | 615,003 |
| Managerial/Professional | 38.56 | 1,676,837 | 553,356 | 2,230,193 | 37.49 | 1,569,722 | 589,624 | 2,159,346 |
| Classified | 150.90 | 4,376,778 | 1,488,105 | 5,864,883 | 148.47 | 4,500,431 | 1,936,419 | 6,436,850 |
| Irregular Help | | 338,061 | 28,127 | 366,188 | | 332,131 | 28,231 | 360,362 |
| Graduate Assistants | | 492,411 | 18,219 | 510,630 | | 492,411 | 2,462 | 494,873 |
| TOTAL | 369.55 | \$17,839,456 | \$5,705,244 | \$23,544,700 | 373.11 | \$18,434,227 | \$6,360,523 | \$24,794,750 |

**Agricultural Research and Extension Service
Operating Budget Personnel Cost Summary
July 1, 2003 through June 30, 2004**

| College/ Department | Description | FTE | Amount | Funding Source | | |
|----------------------------------|--------------|--------|----------|----------------|-----------|----------------------|
| | | | | MCO | Above MCO | Base Reallocation |
| Faculty: | | | | | | |
| Ag Admin | Reallocation | (1.00) | (85,682) | | | (85,682) |
| Ag Admin | Reallocation | 0.80 | 80,154 | | | 80,154 |
| Ag Communications | Reallocation | 0.25 | 14,503 | | | 14,503 |
| Ag Communications | Reallocation | 0.10 | 8,657 | | | 8,657 |
| Biological & Ag Eng | Reallocation | 0.70 | 42,006 | | | 42,006 |
| Biological & Ag Eng | Reallocation | 0.30 | 31,169 | | | 31,169 |
| Animal & Vet Sci | Reallocation | 0.12 | 10,017 | | | 10,017 |
| Animal & Vet Sci | Reallocation | (0.43) | (29,220) | | | (29,220) |
| Animal & Vet Sci | Reallocation | (0.37) | (19,551) | | | (19,551) |
| Animal & Vet Sci | Reallocation | 1.00 | 58,510 | | | 58,510 |
| MMBB | Reallocation | 0.07 | 4,701 | | | 4,701 |
| PSES | Reallocation | 1.00 | 55,758 | | | 55,758 |
| PSES | Reallocation | (0.67) | (57,540) | | | (57,540) |
| PSES | Reallocation | (1.00) | (86,715) | | | (86,715) |
| PSES | Reallocation | (1.00) | (81,619) | | | (81,619) |
| FCS | Reallocation | (0.12) | (7,114) | | | (7,114) |
| Branch Station | Reallocation | 1.00 | 73,008 | | | 73,008 |
| Dist I | Reallocation | 0.48 | 18,430 | | | 18,430 |
| Dist II | Reallocation | 0.96 | 35,294 | | | 35,294 |
| Dist II | Reallocation | 1.00 | 57,325 | | | 57,325 |
| Dist II | Reallocation | 0.96 | 35,324 | | | 35,324 |
| Dist II | Reallocation | (1.00) | (40,373) | | | (40,373) |
| Dist III | Reallocation | 1.00 | 31,574 | | | 31,574 |
| Dist III | Reallocation | 0.96 | 36,795 | | | 36,795 |
| District IV | Reallocation | 0.96 | 35,323 | | | 35,323 |
| District IV | Reallocation | 0.27 | 9,721 | | | 9,721 |
| Net Various | Reallocation | 0.20 | | | | |
| Total Exempt/Faculty | | 6.54 | 230,455 | 0 | 0 | 230,455 |
| Managerial/ Professional: | | | | | | |
| Ag Admin | Reallocation | (0.28) | (24,474) | | | (24,474) |
| PSES | Reallocation | (1.00) | (57,325) | | | (57,325) |
| Branch Station | Reallocation | 1.00 | 32,864 | | | 32,864 |
| Branch Station | Reallocation | (1.00) | (49,816) | | | (49,816) |
| Net Various | Reallocation | 0.21 | | | | |
| Total Managerial/Professional | | (1.07) | (98,751) | 0 | 0 | (98,751) |

**Agricultural Research and Extension Service
Operating Budget Personnel Cost Summary
July 1, 2003 through June 30, 2004**

| College/ Department | Description | FTE | Amount | Funding Source | | |
|-------------------------|--------------|--------|----------|----------------|-----------|----------------------|
| | | | | MCO | Above MCO | Base Reallocation |
| Executive/Admin: | | | | | | |
| Ag Admin | Reallocation | 0.50 | 55,744 | | | 55,744 |
| Net Various | Reallocation | 0.02 | | | | |
| Total Exec/Admin | | 0.52 | 55,744 | 0 | 0 | 55,744 |
| Classified: | | | | | | |
| Ag Admin | Reallocation | 1.00 | 30,014 | | | 30,014 |
| Ag Admin | Reallocation | 1.00 | 32,781 | | | 32,781 |
| Ag Admin | Reallocation | 1.00 | 26,957 | | | 26,957 |
| Ag Admin | Reallocation | 0.75 | 33,446 | | | 33,446 |
| Ag Admin | Reallocation | 1.00 | 25,210 | | | 25,210 |
| Ag Admin | Reallocation | 0.39 | 22,048 | | | 22,048 |
| Ag Admin | Reallocation | 0.33 | 9,850 | | | 9,850 |
| Ag Admin | Reallocation | 0.72 | 18,453 | | | 18,453 |
| Ag Admin | Reallocation | 0.56 | 15,096 | | | 15,096 |
| Ag Admin | Reallocation | 0.56 | 15,096 | | | 15,096 |
| Ag Admin | Reallocation | 0.56 | 15,096 | | | 15,096 |
| Ag Admin | Reallocation | 0.61 | 13,520 | | | 13,520 |
| Ag Admin | Reallocation | 0.50 | 12,917 | | | 12,917 |
| Ag Admin | Reallocation | 0.53 | 11,694 | | | 11,694 |
| Ag Communications | Reallocation | (0.50) | (26,000) | | | (26,000) |
| Animal & Vet Sci | Reallocation | (0.69) | (5,274) | | | (5,274) |
| Animal & Vet Sci | Reallocation | (1.00) | (30,742) | | | (30,742) |
| Animal & Vet Sci | Reallocation | (1.00) | (30,451) | | | (30,451) |
| Animal & Vet Sci | Reallocation | (0.33) | (9,850) | | | (9,850) |
| Animal & Vet Sci | Reallocation | (0.44) | (10,056) | | | (10,056) |
| Animal & Vet Sci | Reallocation | (0.72) | (18,452) | | | (18,452) |
| MMBB | Reallocation | (0.28) | (6,612) | | | (6,612) |
| MMBB | Reallocation | (1.00) | (30,014) | | | (30,014) |
| MMBB | Reallocation | (0.94) | (30,644) | | | (30,644) |
| PSES | Reallocation | (0.85) | (27,430) | | | (27,430) |
| PSES | Reallocation | (1.00) | (32,864) | | | (32,864) |
| PSES | Reallocation | 0.37 | 14,963 | | | 14,963 |
| PSES | Reallocation | (0.50) | (12,917) | | | (12,917) |
| FST | Reallocation | 1.00 | 26,957 | | | 26,957 |
| FST | Reallocation | (0.75) | (33,446) | | | (33,446) |
| Ext Forestry | Reallocation | (0.53) | (11,695) | | | (11,695) |
| Branch Stations | Reallocation | (1.00) | (27,040) | | | (27,040) |
| Branch Stations | Reallocation | (1.00) | (25,210) | | | (25,210) |
| 4-H | Reallocation | (1.00) | (31,574) | | | (31,574) |
| District III | Reallocation | 0.40 | 9,426 | | | 9,426 |
| Net Various | Reallocation | (0.18) | | | | |
| Total Classified | | (2.43) | (66,747) | 0 | 0 | (66,747) |
| Total Increases | | 3.56 | 120,701 | 0 | 0 | 120,701 |

Health Programs
FY 2004 Operating Budget

| | FY 2003 BUDGET | FY 2004 BUDGET | PERCENT OF CHANGE |
|---------------------------------------|---------------------------|---------------------------|------------------------------|
| By Program: | | | |
| WOI Veterinary Education | 1,501,500 | 1,536,800 | 2.35% |
| WWAMI Medical Education | 3,178,100 | 3,322,300 | 4.54% |
| IDEP Dental Education | 869,300 | 938,600 | 7.97% |
| University of Utah Medical Education | 736,400 | 812,700 | 10.36% |
| Family Practice Residency Programs | 1,012,900 | 1,016,000 | 0.31% |
| WICHE | 185,400 | 190,600 | 2.80% |
| Total Programs | 7,483,600 | 7,817,000 | 4.46% |
| By Fund Source: | | | |
| General Fund | 7,223,400 | 7,525,700 | 4.19% |
| Student Fee Revenue | 260,200 | 291,300 | 11.95% |
| Total Funds | 7,483,600 | 7,817,000 | 4.46% |
| By Expenditure Classification: | | | |
| Personnel Costs | 1,848,700 | 1,873,100 | 1.32% |
| Operating Expenditures | 1,230,800 | 1,295,300 | 5.24% |
| Capital Outlay | 0 | 0 | |
| | 4,404,100 | 4,648,600 | 5.55% |
| Total Expenditures | 7,483,600 | 7,817,000 | 4.46% |
| FTP | 20.39 | 20.39 | 0.00% |

Budget Overview

The medical education programs provide opportunities for Idaho residents to obtain medical education. The State of Idaho contracts with other states or institutions to provide seats for Idaho students. During the 2001 legislative session, the number of medical seats were increased by four (4) and the dental seats by one (1). As these additional seats ripple through through the four year programs, additional funding is required. For FY04, the additional seats were funded.

Special Programs
FY 2004 Operating Budget

| | FY 2003 BUDGET | FY 2004 BUDGET | PERCENT OF CHANGE |
|--|---------------------------|---------------------------|------------------------------|
| By Program: | | | |
| Forest Utilization Research | 567,300 | 566,500 | -0.14% |
| Geological Survey | 769,000 | 769,500 | 0.07% |
| Scholarships and Grants: | | | |
| Idaho Promise Scholarship - A | 341,400 | 327,000 | -4.22% |
| Idaho Promise Scholarship - B | 4,358,800 | 4,400,000 | 0.95% |
| Atwell Parry Work Study Prog | 1,317,800 | 1,280,400 | -2.84% |
| Minority/"At Risk" Scholarship | 110,000 | 105,000 | -4.55% |
| Teachers/Nurses Loan Forgiveness | 71,000 | 125,000 | 76.06% |
| Peace Officer/Firefighter Scholarship | 51,300 | 12,100 | -76.41% |
| Grow Your Own Teacher Scholarship | 413,800 | 348,800 | -15.71% |
| Leveraging Educ Assistance Program | 926,400 | 932,700 | 0.68% |
| Paul Douglas Teacher Scholarship | 15,000 | 15,000 | 0.00% |
| Total Scholarships and Grants | <u>7,605,500</u> | <u>7,546,000</u> | -0.78% |
| Museum of Natural History | 485,100 | 487,000 | 0.39% |
| Small Business Development Centers | 280,000 | 281,400 | 0.50% |
| Idaho Council for Economic Development | 51,800 | 52,200 | 0.77% |
| Technical Help | 160,600 | 161,700 | 0.68% |
| Total Programs | <u>9,919,300</u> | <u>9,864,300</u> | -0.55% |
| By Fund Source: | | | |
| General Fund | 9,683,300 | 9,628,300 | -0.57% |
| Federal Funds | 236,000 | 236,000 | 0.00% |
| Total Funds | <u>9,919,300</u> | <u>9,864,300</u> | -0.55% |
| By Expenditure Classification: | | | |
| Personnel Costs | 1,687,400 | 1,690,400 | 0.18% |
| Operating Expenditures | 134,000 | 132,600 | -1.04% |
| Capital Outlay | 0 | 0 | |
| Trustee/Benefit Payments | 8,097,900 | 8,041,300 | -0.70% |
| Total Expenditures | <u>9,919,300</u> | <u>9,864,300</u> | -0.55% |
| FTP | 24.99 | 24.8 | -0.76% |

Budget Overview

All of the Special Programs had a permanent base reduction of 1.1% with additional funding provided only for additional personnel benefit costs and the cost reimbursement scholarship programs (Teachers/Nurses Loan Forgiveness and Peace Officer/Firefighter). The Robert R. Lee Promise Scholarship - B was not reduced to maintain the \$500 per year award. Funds carried over from the previous year will be used in the Grow Your Own Teacher Scholarship Program in order to maintain the FY03 funding level for FY04.

State Board Of Education
FY04 ALTERATION AND REPAIR PROJECTS
Permanent Building Fund Projects

| Agency/Institution/Project | Amount |
|---|-------------------|
| BOISE STATE UNIVERSITY | |
| Distribution Feeder #2, Campus Electrical Loop | 590,000 |
| Fourth Flr. Remodel, Science/Nursing Building | 795,000 |
| Chemistry Laboratory Remodel, Science/Nursing Building | 100,000 |
| BSU: STORM WATER DRAINAGE SYST., PH III | 313,000 |
| BSU MORRISON CTR FLY LOFT-BRICK | 142,600 |
| BSU: REPL. FIRE ALARM SYST., BUS. BLDG. | 95,000 |
| BSU: FIRE ALARM SYSTEM UPGRADE | 75,000 |
| BSU: UPGRADE HVAC, RAPTOR RESEARCH | 52,500 |
| BSU: OIT COOLING UNIT REPL., PH I, BUS. | 49,500 |
| BSU: HVAC UPGRADE PH1, SCI/NUR | 322,000 |
| Extension to Campus Electrical Loop, Boise | 250,000 |
| Roof Replacement, Mathematics/Geosciences Building | 63,000 |
| Roof Replacement, Kinesiology Annex, Phase 1 | 191,000 |
| Roof Replacement, Morrison Center, Phase 1 | 338,000 |
| SUBTOTAL | 3,376,600 |
| IDAHO STATE UNIVERSITY | |
| ISU: Remove PCB Contamination from Reed Gym | 250,000 |
| ISU, CLASSROOM/MULTI-USE COMPLEX | 327,500 |
| ISU: ASB ABATE- EAST HALL BLDG | 43,300 |
| ISU: INCREASE STEAM CAPACITY, PLANT | 998,000 |
| ISU: LIFE SAFETY, REN/REPL FIRE ALARMS | 188,000 |
| ISU: RENOVATE 10 RESTROOMS, ADA | 59,500 |
| ISU: CAMPUS WIDE SIDEWALK/STEP REPAIRS | 157,400 |
| ISU: RENOVATE 7TH FLOOR, GARRISON HALL | 398,000 |
| ISU: RENOVATE HVAC, LIBERAL ARTS | 174,500 |
| Roof Replacement, Machine Technology Program, RFC Building | 45,500 |
| Life Safety, Handrails and Entry Stairs, Various Buildings | 230,000 |
| Replace Chiller, Life Science | 236,000 |
| Renovate, Garrison Hall, 6th Floor | 398,000 |
| Install Two Water Conditioners, Central Heat Plant | 40,300 |
| SUBTOTAL | 3,546,000 |
| UNIVERSITY OF IDAHO | |
| UOI: ASB SURVEY | 175,000 |
| UOI: ASB ABATE, AG/SCI COMPLEX | 131,580 |
| UOI: RENFREW HALL HVAC REPAIR | 455,800 |
| UOI: ADA, ELEVATOR-FOOD RESEARCH CTR(Add to 2003254) | 250,000 |
| UOI: REPL AIR HANDLER #4, ANIMAL LAB | 274,000 |
| UOI: POWER PLANT MAINTENANCE | 665,458 |
| UOI/ISU: MECH. SYST. UPGR, UNIVERS PLAC | 77,000 |
| UOI: POWER PLANT BOILER 01 CONTROLS | 238,000 |
| UOI: Replace Roof Buchanan Eng. Lab. | 200,000 |
| UOI: WATER SEPARATION, LSS, GIBB HALL | 40,000 |
| UOI: ADA, NEW ELEV, PHYS ED BLDG | 267,516 |
| UOI: ASB ABATE, P E BUILDING | 38,362 |
| UOI: REROOF ADMINISTRATION BLDG. | 767,500 |
| UOI: ELEVATOR, CONTINUING ED, ADA | 385,960 |
| UOI: RECLAIMED WATER SYSTEM | 377,000 |
| UOI: Replace Roof Education Bldg. | 220,000 |
| SUBTOTAL | 4,563,176 |
| LEWIS-CLARK STATE COLLEGE | |
| LCSC: ELEVATOR/RRM UPGRADE OLD SCIENCE BLDG | 609,632 |
| Storm Drainage System | 262,500 |
| SUBTOTAL | 872,132 |
| EASTERN IDAHO TECHNICAL COLLEGE | |
| REROOF TECHNICAL BUILDING | 286,750 |
| Chiller Replacement, Christofferson Building | 87,000 |
| Door and Window Replacement, Sessions Building | 166,000 |
| SUBTOTAL | 539,750 |
| IDAHO SCHOOL FOR THE DEAF AND BLIND | |
| D&BS: FIRE SPRINKLER UPGRADE/SYSTEM IMPR | 300,000 |
| Repair/Renovate Old Admin. Building (Round Building, Bldg. #16) | 110,000 |
| Remodel/Renovate, Superintendent's Residence | 45,000 |
| SUBTOTAL | 455,000 |
| HISTORICAL SOCIETY, ID STATE | |
| ISHS: RENOVATE ELECTRICAL WIRING, ADMIN. | 35,000 |
| Stability Study, Northwest Prison Wall | 35,000 |
| Roof Repair and Stone Stabilization, False Front Buildings | 30,000 |
| SUBTOTAL | 100,000 |
| UNIVERSITY PLACE | |
| Storm Water Retention Basin | 162,500 |
| Concrete Work, Center for Higher Education Building | 61,260 |
| SUBTOTAL | 223,760 |
| STATE BOARD OF EDUCATION TOTAL | 13,676,418 |

BOISE STATE UNIVERSITY
CAPITAL IMPROVEMENT BUDGET SUMMARY
FY 2003-2004

| Project Title | Source of Funds | | | | | | Total |
|---|-----------------|----------------------|-------------------|--------------------|------------------|-------|-------------|
| | Federal Funds | Permanent Bldg. Fund | Other State Funds | Univ. Fac. Reserve | Bond/R & R Funds | Other | |
| REPAIR AND RENEWAL PROJECTS | | | | | | | |
| 1 Distribution Feeder #2, Campus Electrical Loop | | \$590,000 | | | | | \$590,000 |
| 2 Fourth Floor Remodel, Science/Nursing Building | | 795,000 | | | | | 795,000 |
| 3 Chemistry Laboratory Remodel, Science/Nursing Bldg. | | 100,000 | | | | | 100,000 |
| 4 Storm Water Drainage System, Phase 3 | | 313,000 | | | | | 313,000 |
| 5 Fly Loft Brick Repairs, Morrison Center | | 142,600 | | | | | 142,600 |
| 6 Fire Alarm System Repl., Business Building | | 95,000 | | | | | 95,000 |
| 7 Fire Alarm System Upgrade, Selected Bldgs. | | 75,000 | | | | | 75,000 |
| 8 HVAC Upgrade, Raptor Research Center | | 52,500 | | | | | 52,500 |
| 9 OIT Cooling Unit Repl., Business Building | | 49,500 | | | | | 49,500 |
| 10 HVAC Upgrade, Phase 1, Science/Nursing Bldg. | | 322,000 | | | | | 322,000 |
| 11 Extension to Campus Electric Loop, Boise Campus | | 250,000 | | | | | 250,000 |
| 12 Roof Replacement, Mathematics/Geosciences Bldg. | | 63,000 | | | | | 63,000 |
| 13 Roof Replacement, Kinesiology Annex | | 191,000 | | | | | 191,000 |
| 14 Roof Replacement, Morrison Center | | 338,000 | | | | | 338,000 |
| 15 Student Union Meeting and Room Upgrades | | | | | 300,000 | | 300,000 |
| 16 Residential Dining Remodel | | | | | 300,000 | | 300,000 |
| 17 Student Organization Complex Remodel | | | | | 100,000 | | 100,000 |
| 18 Roof Replacement - 915 Island Street | | | | | 50,000 | | 50,000 |
| 19 Furniture & Fixtures for New Residence Hall and Apartments | | | | | 2,000,000 | | 2,000,000 |
| 20 Window Replacement - Barnes Towers Hall | | | | | 150,000 | | 150,000 |
| 21 Stadium Health & Safety Projects | | | | | 2,000,000 | | 2,000,000 |
| CAPITAL IMPROVEMENT BUDGET TOTAL | \$0 | \$3,376,600 | \$0 | \$0 | \$4,900,000 | \$0 | \$8,276,600 |

University of Idaho
FY2004 All Projects List

| | | <u>General Education</u> | | <u>Bond</u> | <u>Dept/Other</u> | <u>Private</u> | | |
|---|-----------------|--------------------------|------------------|------------------|-------------------|----------------|-------------------|-------------------|
| <u>Project Title/Description</u> | <u>Priority</u> | <u>Capital</u> | <u>Repr/Repl</u> | <u>R & R</u> | <u>Funds</u> | <u>Funds</u> | <u>PBF/State</u> | <u>Total</u> |
| <u>MAJOR NEW FACILITIES</u> | | | | | | | | |
| | | | | | | | | |
| Major New Facilities Total | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | |
| <u>OTHER NEW FACILITIES</u> | | | | | | | | |
| | | | | | | | | |
| Other New Facilities Total | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | |
| <u>MAJOR RENOVATION/REMODELING</u> | | | | | | | | |
| Teaching and Learning Center (Renovation of UCC) DPW 02-261 * | | | | | | | 12,529,800 | 12,529,800 |
| Wallace Complex Center Building Administrative Renovations | | | | | 120,000 | | | 120,000 |
| Asbestos Survey DPW 098-921(supports TLC/UCC) * | | | | | | | 175,000 | 175,000 |
| Major Renovations/Remodeling Total | | 0 | 0 | 0 | 120,000 | 0 | 12,704,800 | 12,824,800 |
| | | | | | | | | |
| <u>OTHER RENOVATION/REMODELING</u> | | | | | | | | |
| IWC Tenant Improvement Design/Pkg 3 | | | | | 300,000 | | | 300,000 |
| Idaho Commons Renovate Room 406 F | | | | | 10,000 | | | 10,000 |
| Golf Course Clubhouse Roof | | | | | 30,000 | | | 30,000 |
| Three Family Housing Apartments Re-Roof | | | | | 33,000 | | | 33,000 |
| SUB ITS Video Production Acoustic Isolation | | 40,000 | | | | | | 40,000 |
| Engineering/Physics NIATT Traffic Control Lab | | | | | 30,000 | | | 30,000 |
| Other Renovation/Remodeling Total | | 40,000 | 0 | 0 | 403,000 | 0 | 0 | 443,000 |
| | | | | | | | | |
| | | | | | | | | |

University of Idaho
FY2004 All Projects List

| | | General Education | | Bond | Dept/Other | Private | | |
|---|----------|-------------------|----------------|----------|----------------|----------|------------------|------------------|
| Project Title/Description | Priority | Capital | Repr/Repl | R & R | Funds | Funds | PBF/State | Total |
| <u>MAJOR BLDG. SYSTEMS REPAIR & REPLACEMENT</u> | | | | | | | | |
| Renfrew Hall HVAC & Controls Renovation/Repair DPW 03-254 * | | | | | | | 732,380 | 732,380 |
| LSS/Gibb Replace Air Handler #4 (LARF) DPW 03-252 * | | | | | | | 274,000 | 274,000 |
| Power Plant Critical Maintenance Upgrades DPW 02-257 * | | | | | | | 665,458 | 665,458 |
| Administration Building Replace Roof DPW 03-250 * | | | | | | | 767,500 | 767,500 |
| Power Plant Renovate Boiler 01 Controls DPW 02-256 * | | | | | | | 238,000 | 238,000 |
| Swim Center Locker Room and Pool Renovations | | | | | 750,000 | | | 750,000 |
| Theophilus Tower Exterior Masonry Repair (Design & Engineering Phase) | | | | | 100,000 | | | 100,000 |
| Steele House Life Safety Renovations | | | | | 100,000 | | | 100,000 |
| Major Bldg. Systems Repair and Replacement Total | | 0 | 0 | 0 | 950,000 | 0 | 2,677,338 | 3,627,338 |
| | | | | | | | | |
| <u>OTHER BLDG. SYSTEMS REPAIR & REPLACEMENT</u> | | | | | | | | |
| LSS Exterior Masonry Repair | | | 20,000 | | | | | 20,000 |
| CNR Lab Renovations, Rooms 216F & 217 | | | | | 63,000 | | | 63,000 |
| BEL Replace Roof DPW 04-XXX | | | | | | | 200,000 | 200,000 |
| Education Replace Roof DPW 04-XXX | | | | | | | 220,000 | 220,000 |
| Theophilus Tower Replace Roof | | | | | 105,000 | | | 105,000 |
| Memorial Gymnasium Renovate Gargoyles | | | 50,000 | | | | | 50,000 |
| LHSOM Repair Failed Steam Heat Pipes in Conc. Slab | | | 115,000 | | | | | 115,000 |
| LHSOM Replace Failed Chiller | | | 170,000 | | | | | 170,000 |
| Ag Science Replace West Wing DI System | | | 100,000 | | | | | 100,000 |
| ISUUI University Place Mechanical Systems Upgrades DPW 02-253 * | | | | | | | 77,000 | 77,000 |
| Other Bldg. Systems Repair and Replacement Total | | 0 | 455,000 | 0 | 168,000 | 0 | 497,000 | 1,120,000 |
| | | | | | | | | |
| | | | | | | | | |

University of Idaho
FY2004 All Projects List

| | | General | Education | Bond | Dept/Other | Private | | |
|---|----------|----------------|----------------|----------|----------------|---------------|----------------|------------------|
| Project Title/Description | Priority | Capital | Repr/Repl | R & R | Funds | Funds | PBF/State | Total |
| <u>EXTERIOR CAMPUS AND SITE DEVELOPMENT</u> | | | | | | | | |
| Wicks Field Soccer Pitch Fence | | | | | | 35,000 | | 35,000 |
| Golf Course Driving Range Upgrade | | | | | 50,000 | | | 50,000 |
| Recreation Intramural Athletic Fields Renovation (Design & Testing Phase) | | | | | 150,000 | | | 150,000 |
| Paradise Creek CLOMER to LOMER | | 20,000 | | | | | | 20,000 |
| FY 04 Street Patching and Repair | | | 70,000 | | | | | 70,000 |
| Bench Repair/Renovations | | | 30,000 | | | | | 30,000 |
| Campus Construct Information Kiosks | | 30,000 | | | | | | 30,000 |
| Exterior Campus and Site Development Total | | 50,000 | 100,000 | 0 | 200,000 | 35,000 | 0 | 385,000 |
| | | | | | | | | |
| <u>SAFETY, SECURITY, ADA</u> | | | | | | | | |
| Power Plant Double Wall Diesel Tank for Gen Fuel | | | 10,000 | | | | | 10,000 |
| PEB New Elevator DPW 01-256 * | | | | | | | 305,878 | 305,878 |
| CEB New Elevator DPW 02-262 * | | | | | | | 415,960 | 415,960 |
| LSS/Gibb Water System Separation DPW 01-253 * | | | | | | | 40,000 | 40,000 |
| Ag Science Abate Asbestos DPW 98-910 * | | | | | | | 75,000 | 75,000 |
| LLC Buildings 1,2,3 Exterior Entrance Security Cameras | | | | | 29,000 | | | 29,000 |
| Power Plant Security Cameras | | | 30,000 | | | | | 30,000 |
| Repair Wood Storage Pile Fence Addition | | | 20,000 | | | | | 20,000 |
| FY 04 Misc Outdoor Lighting Budget (On-Going Program) | | 15,000 | | | | | | 15,000 |
| FY 04 ASUI Safety Budget (On-Going Program) | | 10,000 | | | | | | 10,000 |
| FY 04 ADA/Universal Access Budget (On-Going Program) | | 15,000 | | | | | | 15,000 |
| FY 04 Misc Security Budget (On-Going Program) | | 25,000 | | | | | | 25,000 |
| FY 04 Misc Safety Budget (On-Going Program) | | 25,000 | | | | | | 25,000 |
| 6th Street Outdoor Lighting - Stadium to Perimeter | | 50,000 | | | | | | 50,000 |
| Safety, Security, ADA Total | | 140,000 | 60,000 | 0 | 29,000 | 0 | 836,838 | 1,065,838 |
| | | | | | | | | |
| | | | | | | | | |

University of Idaho
FY2004 All Projects List

| | | General Education | | Bond | Dept/Other | Private | | |
|--|----------|-------------------|----------------|----------|------------------|---------------|-------------------|-------------------|
| Project Title/Description | Priority | Capital | Repr/Repl | R & R | Funds | Funds | PBF/State | Total |
| <u>CAMPUS UTILITY SYS. REPAIR, REPLACEMENT</u> | | | | | | | | |
| Reclaimed Water System DPW 02-258 * | | | | | | | 377,000 | 377,000 |
| District Chilled Water System Connect BEL | | | 142,000 | | | | | 142,000 |
| Wallace Water System Backflow | | | | | 30,000 | | | 30,000 |
| District Chilled Water System Connect ED | | | 150,000 | | | | | 150,000 |
| Campus Utility Systems Repair and Replacement Total | | 0 | 292,000 | 0 | 30,000 | 0 | 377,000 | 699,000 |
| | | | | | | | | |
| | | | | | | | | |
| <u>FEASIBILITY AND/OR PLANNING STUDIES & EVALS</u> | | | | | | | | |
| Utilities Infrastructure Study | | 50,000 | | | 165,000 | | | 215,000 |
| North Campus District Master Plan (Offload SRC Project) | | 75,000 | | | | | | 75,000 |
| SRC Phase II Studies (NAC) | | 15,000 | | | | | | 15,000 |
| Feasibility and/or Planning Studies and Evals Total | | 140,000 | 0 | 0 | 165,000 | 0 | 0 | 305,000 |
| | | | | | | | | |
| | | | | | | | | |
| <u>TECHNICAL INFRASTRUCTURE</u> | | | | | | | | |
| | | | | | | | | |
| Technological Infrastructure Total | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | |
| | | | | | | | | |
| <u>OTHER</u> | | | | | | | | |
| Banner Training Room Renovations | | 15,000 | | | | | | 15,000 |
| Swing Space Moves (Photo Services to GAS House) | | 20,000 | | | | | | 20,000 |
| Other Total | | 35,000 | 0 | 0 | 0 | 0 | 0 | 35,000 |
| | | | | | | | | |
| GRAND TOTAL | | 405,000 | 907,000 | 0 | 2,065,000 | 35,000 | 17,092,976 | 20,504,976 |
| * Prior year DPW projects which were put on hold and for which funding has now been released | | | | | | | | |

**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**University of Idaho
PROJECT SUMMARY OF CAPITAL IMPROVEMENT BUDGET DETAIL
for Projects over \$500,000
July 1, 2003 – June 30, 2004**

The University of Idaho's FY2004 Capital Improvement Plan represents the institution's continued commitment in implementing the UI Strategic Plan, Long Range Campus Development Plan (LRCDP), and Ten-Year Capital Improvement Plan. The Plan allocates resources to infrastructure projects that are vital to maintaining quality facilities and to preparing for future development. It invests in the safety and security of the campus environment and funds projects that enhance the experiences of students, faculty, staff, and visitors. Finally, it lays the groundwork for future facility developments that support and further the academic, research, and outreach goals of the University.

Major Building Renovations/Remodeling

| | |
|-------------------------------------|--------------|
| <u>Teaching and Learning Center</u> | \$12,529,800 |
|-------------------------------------|--------------|

This project was previously funded and then put on hold due to the state funding holdback; funding has now been restored via bond financing by ISBA and the project will proceed in FY2004. This project, critical to the university's strategic vision and success, entails a wholesale renovation and conversion of the existing University Classroom Center (UCC) to a new Teaching and Learning Center. The TLC is a central and vital component of a series of facility initiatives supporting the University's residential campus living and learning environment. It is linked physically and conceptually to the Idaho Commons, completed in Spring 2000.

The existing UCC hosts approximately 40 percent of UI's general use classroom space together with areas devoted to student services and technology use and support. It requires a full range of building renewal and renovations to bring it to safe, accessible, maintainable, and modern functional standards. This renovation project will create flexible and "smart" classrooms capable of meeting the needs of students and faculty and of adapting well to future instructional innovations. Full renovation of this facility will enhance UI's ability to continue to recruit and retain students and faculty in today's competitive higher education environment.

This project is consistent with the priorities and needs identified in the Long-Range Campus Development Plan (LRCDP). Approval of this project includes approval to execute contracts for architectural/engineering services and construction contracts to accomplish the project. The source of funding for this project is the Permanent Building Fund.

**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**University of Idaho
PROJECT SUMMARY OF CAPITAL IMPROVEMENT BUDGET DETAIL
for Projects over \$500,000 (cont.)
July 1, 2003 – June 30, 2004**

Major Building Systems Repair and Replacement

Renfrew HVAC and Controls \$732,380

This project was previously funded and then put on hold due to the state funding holdback; funding has now been released and the project will proceed in FY2004. This project will address concerns expressed by the Chemistry department regarding various air balancing problems in the building resulting from numerous phases of renovation in the last ten years. Due to the nature of the chemistry field, the control of airflow is a vital component of the safety features required when working in this hazardous laboratory environment. This project includes a full analysis of HVAC and control systems to identify all issues necessary to bring the first five phases of renovation together in a fully operational system. The anticipated Scope of Work includes repair of systems not limited to: collapsed ductwork, pneumatic Terminal Equipment Controllers (TEC's) for fume hoods, variable frequency drives to replace pneumatic inlet vanes and added general exhaust where necessary.

This project is consistent with the priorities and needs identified in the Long-Range Campus Development Plan (LRCDP). Approval of this project includes approval to execute necessary contracts for architectural/engineering services and construction contracts to accomplish the project. The source of funding for this project is the Permanent Building Fund.

Power Plant Critical Maintenance Upgrades \$665,458

This project was previously funded and then put on hold due to the state funding holdback; funding has now been released and the project will proceed in FY2004. This project provides for critically needed maintenance and repair projects within and directly related to power plant operations. These upgrades are needed to provide operational reliability for steam and chilled water production. In addition, improvements will be made to enable plant personnel to more safely perform maintenance and repairs without shutting down the entire plant.

The project makes improvements to the ash handling systems, steam and condensate systems, and feed-water systems. Ash handling systems will be upgraded to ensure the plant complies with EPA and IDEQ regulations. Valves will be replaced in the steam, feed-water, condensate, and make-up water systems. Some of the current valves are over 50 years old. A second steam header will be added to allow critical

**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**University of Idaho
PROJECT SUMMARY OF CAPITAL IMPROVEMENT BUDGET DETAIL
for Projects over \$500,000 (cont.)
July 1, 2003 – June 30, 2004**

plant maintenance with only partial plant shutdowns. This is a key safety issue in ongoing plant maintenance.

This project is consistent with the priorities and needs identified in the Long-Range Campus Development Plan (LRCDP) and will help ensure adequate service for planned new construction and major facilities upgrades. Approval of this project includes approval to execute necessary contracts for architectural/engineering services and construction contracts to accomplish the project. The source of funding for this project is the Permanent Building Fund.

Administration Building Roof Replacement

\$767,500

This project was previously funded and then put on hold due to the state funding holdback; funding has now been released and the project will proceed in FY2004. This project continues the successful program of systematic replacement according to a comprehensive UI-Division of Public Works (DPW) assessment of all campus roofs. Priorities are based on roof type, condition, and life cycle characteristics. The Division of Public Works participated in development or confirmation of cost estimates for projects following on-site inspections.

The Administration Building dates back to 1906, is on the National Register of Historic Structures and serves as an icon for the university. The intent of this project is to retain the historic character and nature of the Administration Building while replacing and renewing failing roofing systems. In accordance with the Administration Building Master Preservation Plan, this project replaces the gabled, metal portions of the roof; restores the original tile roofing system on the gabled portions of the roof; repairs and replaces roofing and insulation systems as needed on the flat portions of the roof; repairs and replaces flashings, counter-flashings reglets and gutters as needed; repairs masonry as needed to accept flashings and counter-flashings; restores and repairs cast masonry copings and parapet caps; and restores and renews cast masonry historic elements associated with roof and parapet systems.

This project is consistent with the priorities and needs identified in the Long-Range Campus Development Plan (LRCDP). Approval of this project includes approval to execute necessary contracts for architectural/engineering services and construction contracts to accomplish the project. The source of funding is the Permanent Building Fund.

**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

**University of Idaho
PROJECT SUMMARY OF CAPITAL IMPROVEMENT BUDGET DETAIL
for Projects over \$500,000 (cont.)
July 1, 2003 – June 30, 2004**

| | |
|---|-----------|
| <u>Swim Center Locker Room and Pool Renovations</u> | \$750,000 |
|---|-----------|

This project corrects identified deficiencies, safety, and critical repair and replacement needs in the university swimming center. The project stems from a recently completed facility evaluation by Northwest Architectural Company that identifies and provides estimates each of the elements of the project.

The facility was designed in 1968. Building codes and regulations have significantly changed, particularly in respect to accessibility requirements, since that time. The study identifies improvements that could be made to more closely align with current accessibility requirements.

With any facility over 30 years old, there are maintenance and repair needs that develop despite regular ongoing maintenance efforts. A swimming facility, with its unique environment, is subject to more intense degradation than many other types of facilities. Some parts of the facility simply wear out sooner as a result of being subjected to a chlorinated environment over long periods of time. This evaluation suggests repairs and remedial actions that could be undertaken to significantly extend the life span of the building components and systems well into the future.

This project is consistent with the priorities and needs identified in the Long-Range Campus Development Plan (LRCDP). Approval of this project includes approval to execute necessary contracts for architectural/engineering services and construction contracts to accomplish the project. The source of funding is Auxiliary Service repair and replacement funds.

BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003

SUBJECT

FY2004 Intercollegiate Athletics Operating Budget Report

BACKGROUND

Board policy (III.T.4.) requires “the institutions to submit a budget plan for the upcoming fiscal year beginning July 1 in a format prescribed by the Board office.” A common reporting format has been established for reporting intercollegiate athletic revenues and expenditures. The following pie chart displays the FY04 athletic revenue by source of funds. The following worksheets, reports the FY2003 Operating Budget, an FY2003 Estimated Budget, the FY2004 Operating Budget, and a variance column comparing the FY2003 and FY2004 original budgets. The first page reports revenue by source and expenditures by classification. The second and third pages detail the revenue and expenditures by general administration and by sport.

DISCUSSION

Board policy establishes limits on the amount of funds the institutions can allocate to athletics from general account funds and from institutional funds. The institutions are within the established limits.

IMPACT

Provides a revised financial report for the current fiscal year and provides the operating budget for FY2004.

STAFF COMMENTS

Review and accept the reports.

BOARD ACTION

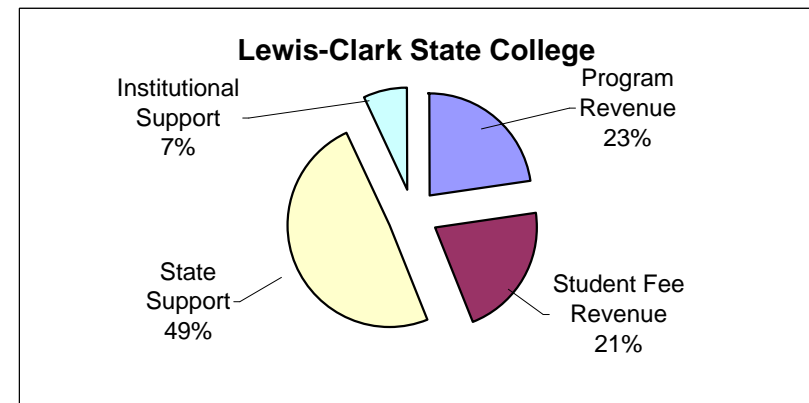
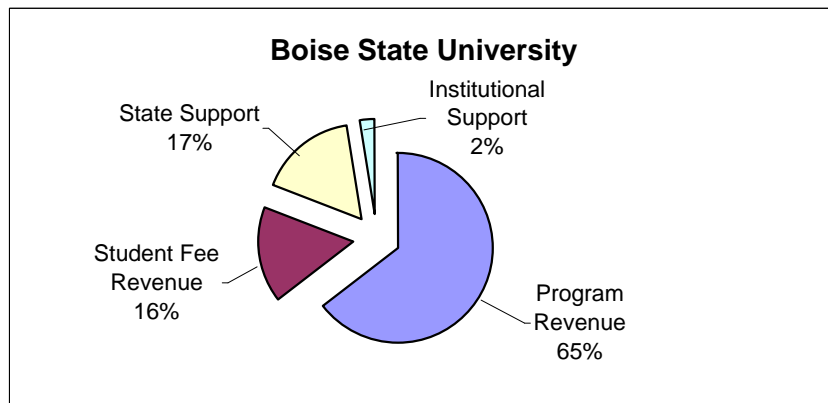
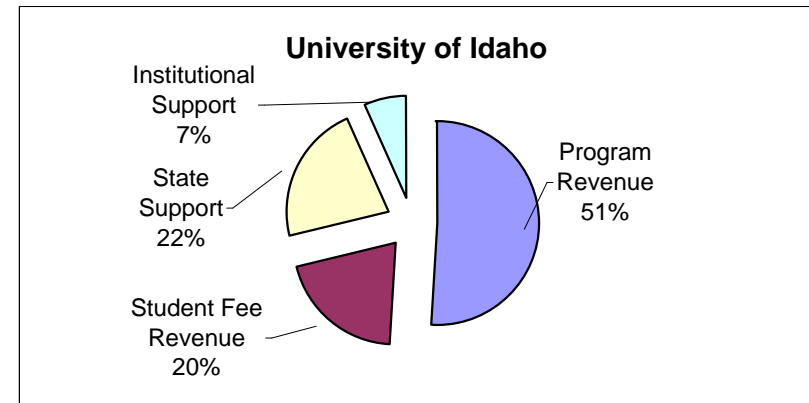
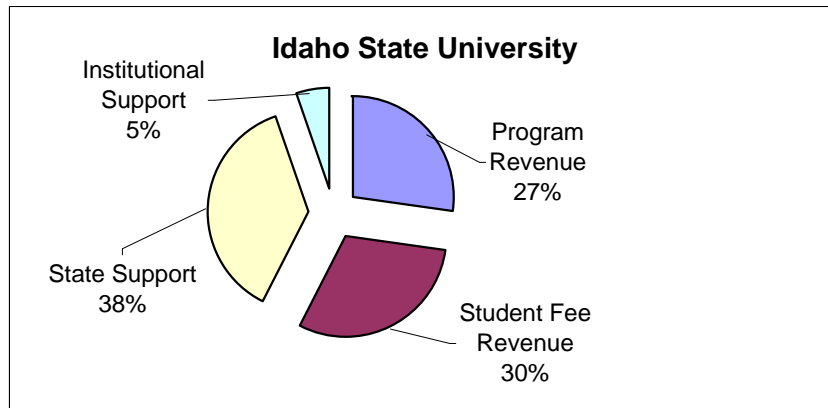
A motion to accept the Intercollegiate Athletics Report as presented in Tab 6.

Moved by_____ Seconded by_____ Carried Yes_____ No_____

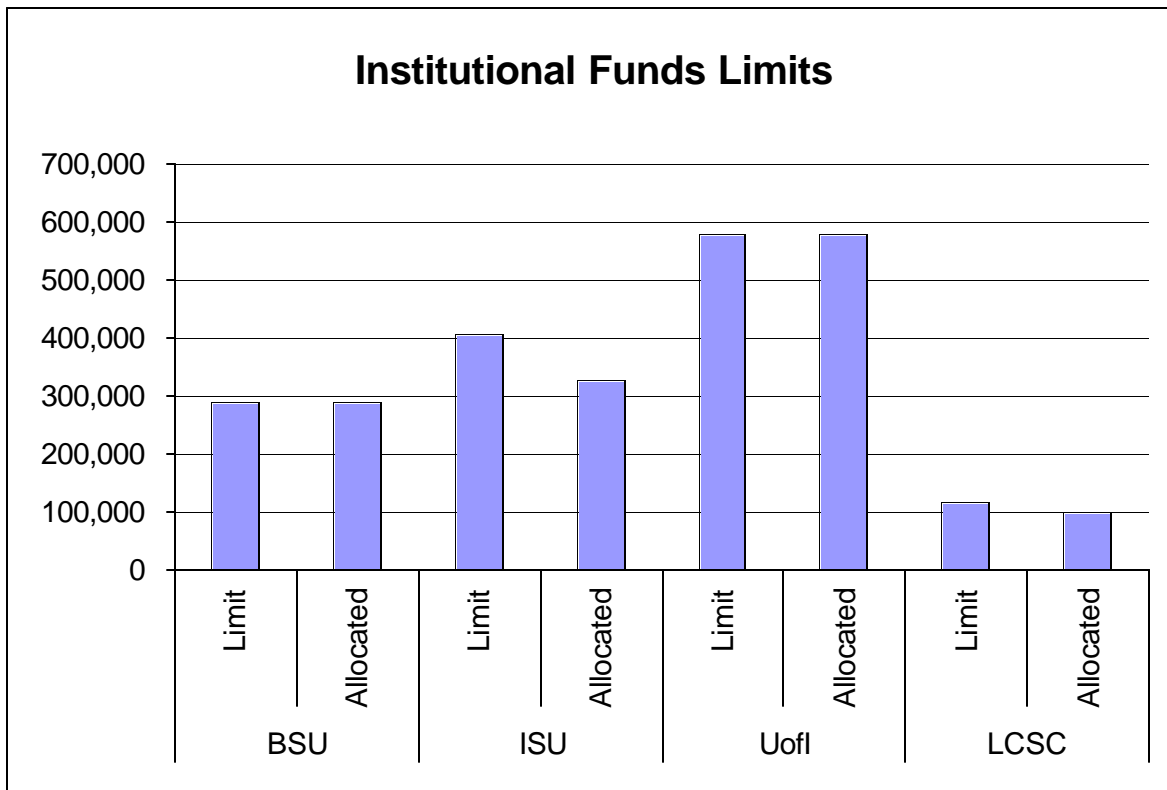
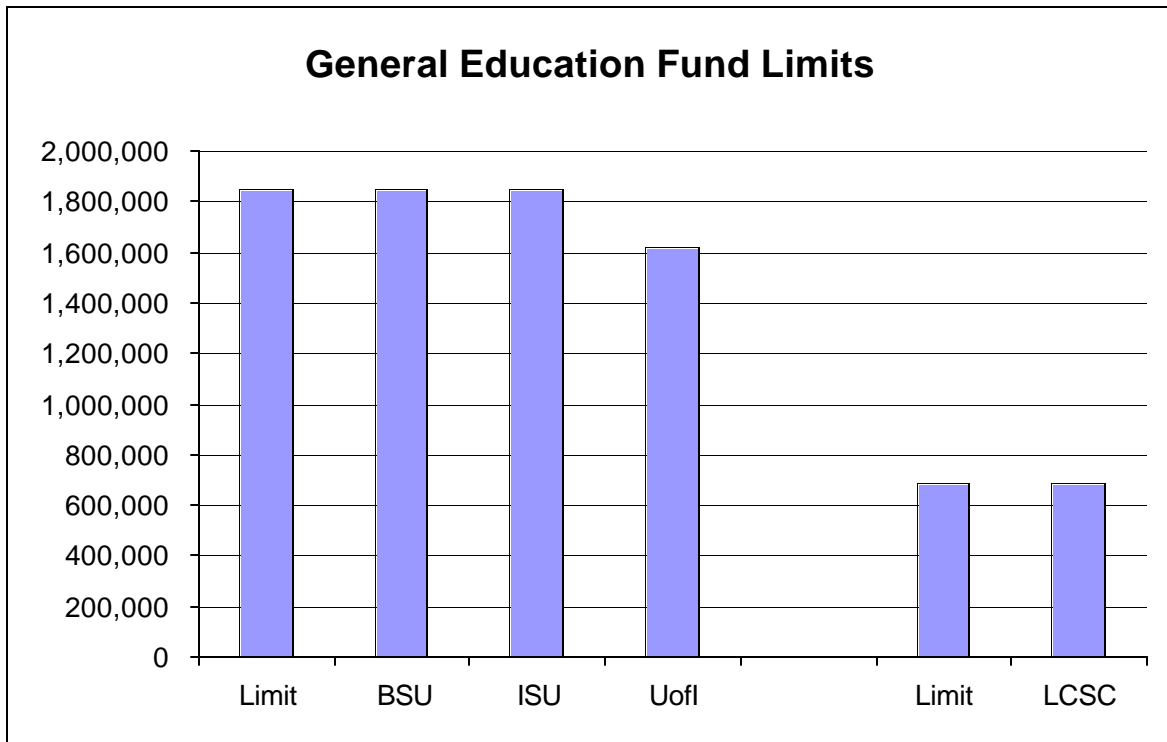
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Intercollegiate Athletics

FY04 Revenue by Source by Institution



FY04 Board Limits on Allocation of Funds



College & Universities
Intercollegiate Athletics Report
Revised Estimates for FY03 and Original Operating Budget for FY04

| | Boise State University | | | | Idaho State University | | | | University of Idaho | | | | Lewis Clark State Coll. | | | |
|---|------------------------|------------|------------|-----------|------------------------|------------|-----------|----------|---------------------|------------|-----------|-----------|-------------------------|------------|-----------|----------|
| | FY03 Orig | FY03 Est | FY04 Orig | Variance | FY03 Orig | FY03 Est | FY04 Orig | Variance | FY03 Orig | FY03 Est | FY04 Orig | Variance | FY03 Orig | FY03 Est | FY04 Orig | Variance |
| | Oper Bdg | as of 6/03 | Oper Bdg | Bdg/Bdg | Oper Bdg | as of 6/03 | Oper Bdg | Bdg/Bdg | Oper Bdg | as of 6/03 | Oper Bdg | Bdg/Bdg | Oper Bdg | as of 6/03 | Oper Bdg | Bdg/Bdg |
| 1 Revenue (Detail): | | | | | | | | | | | | | | | | |
| 2 Program Revenue: | | | | | | | | | | | | | | | | |
| 3 Ticket Sales/Event Revenue | 2,245,515 | 2,338,428 | 2,058,385 | (187,130) | 365,500 | 441,862 | 482,000 | 116,500 | 379,000 | 268,588 | 314,000 | (65,000) | 23,500 | 22,700 | 23,500 | 0 |
| 4 Tournament/Bowl/Conf Receipts | 410,345 | 1,056,557 | 1,005,257 | 594,912 | 265,000 | 311,703 | 290,090 | 25,090 | 293,000 | 291,656 | 297,958 | 4,958 | | | | 0 |
| 5 Media/Broadcast Receipts | 200,000 | 94,750 | 5,000 | (195,000) | 32,000 | 32,000 | 32,000 | 0 | 200,000 | 123,369 | 120,000 | (80,000) | 3,600 | 4,800 | 4,800 | 1,200 |
| 6 Concessions/Prog/Parking/Advert | 1,342,681 | 1,300,945 | 1,370,525 | 27,844 | 233,000 | 258,630 | 263,500 | 30,500 | 479,000 | 481,910 | 482,500 | 3,500 | | | | 0 |
| 7 Game Guarantees | 575,000 | 575,000 | 325,000 | (250,000) | 179,000 | 192,500 | 199,000 | 20,000 | 1,160,000 | 1,155,700 | 1,046,500 | (113,500) | | | | 0 |
| 8 Foundation/Booster/Priv Donations | 1,587,134 | 1,349,500 | 2,735,689 | 1,148,555 | 373,258 | 341,025 | 385,000 | 11,742 | 1,417,110 | 1,711,837 | 1,978,537 | 561,427 | 281,000 | 275,000 | 286,400 | 5,400 |
| 9 Other | 317,685 | 408,477 | 354,841 | 37,156 | 44,334 | 12,753 | 25,000 | (19,334) | 190,500 | 251,377 | 240,975 | 50,475 | 12,000 | 12,000 | 12,000 | 0 |
| 10 Total Program Revenue | 6,678,360 | 7,123,657 | 7,854,697 | 1,176,337 | 1,492,092 | 1,590,473 | 1,676,590 | 184,498 | 4,118,610 | 4,284,437 | 4,480,470 | 361,860 | 320,100 | 314,500 | 326,700 | 6,600 |
| 11 Non-Program Revenue: | | | | | | | | | | | | | | | | |
| 12 Special Events Revenue: | | | | | | | | | | | | | | | | |
| 13 NCAA/Bowl/World Series | 0 | 495,058 | 20,185 | 20,185 | | | | 0 | 0 | 0 | 0 | 0 | 350,000 | 360,000 | 355,000 | 5,000 |
| 14 Student Fee Revenue: | | | | | | | | | | | | | | | | |
| 15 Student Fees | 1,763,536 | 1,807,942 | 1,985,000 | 221,464 | 1,796,158 | 1,837,754 | 1,865,738 | 69,580 | 1,682,560 | 1,732,757 | 1,769,930 | 87,370 | 262,000 | 255,200 | 307,300 | 45,300 |
| 16 State Support: | | | | | | | | | | | | | | | | |
| 17 Approp Funds - Limit | 1,745,300 | 1,745,300 | 1,851,700 | 106,400 | 1,745,300 | 1,745,300 | 1,851,700 | 106,400 | 1,587,400 | 1,587,400 | 1,624,000 | 36,600 | 628,000 | 648,800 | 688,400 | 60,400 |
| 18 Approp Funds - Gender Equity | 94,000 | 94,000 | 200,000 | 106,000 | 300,000 | 300,000 | 443,500 | 143,500 | 275,760 | 275,760 | 346,660 | 70,900 | 19,700 | 19,700 | 19,700 | 0 |
| 19 Total State Support | 1,839,300 | 1,839,300 | 2,051,700 | 212,400 | 2,045,300 | 2,045,300 | 2,295,200 | 249,900 | 1,863,160 | 1,863,160 | 1,970,660 | 107,500 | 647,700 | 668,500 | 708,100 | 60,400 |
| 20 Institutional Support: | | | | | | | | | | | | | | | | |
| 21 Auxiliary Enterprises | | | | 0 | 46,000 | 46,000 | 46,000 | 0 | 50,000 | 50,000 | 50,000 | 0 | | | | 0 |
| 22 Institutional | 273,100 | 273,100 | 289,800 | 16,700 | 227,640 | 227,640 | 281,100 | 53,460 | 496,200 | 496,200 | 529,500 | 33,300 | 100,000 | 87,000 | 100,000 | 0 |
| 23 Total Instit Support | 273,100 | 273,100 | 289,800 | 16,700 | 227,640 | 227,640 | 327,100 | 53,460 | 546,200 | 546,200 | 579,500 | 33,300 | 100,000 | 87,000 | 100,000 | 0 |
| 24 Total Non-Program Revenue | 3,875,936 | 4,415,400 | 4,346,685 | 470,749 | 4,115,098 | 4,156,694 | 4,488,038 | 372,940 | 4,091,920 | 4,142,117 | 4,320,090 | 228,170 | 1,359,700 | 1,370,700 | 1,470,400 | 110,700 |
| 25 Total Revenue: | 10,554,296 | 11,539,057 | 12,201,382 | 1,647,086 | 5,607,190 | 5,747,167 | 6,164,628 | 557,438 | 8,210,530 | 8,426,554 | 8,800,560 | 590,030 | 1,679,800 | 1,685,200 | 1,797,100 | 117,300 |
| 26 | | | | | | | | | | | | | | | | |
| 27 Expenditures: | | | | | | | | | | | | | | | | |
| 28 Coaches Salaries & Bonuses | 1,925,812 | 1,913,443 | 2,088,464 | 162,652 | 1,016,576 | 1,122,503 | 1,089,570 | 72,994 | 1,500,946 | 1,565,980 | 1,551,491 | 50,545 | 246,800 | 246,800 | 248,800 | 2,000 |
| 29 Other Salaries and Wages | 1,644,462 | 1,698,205 | 1,768,696 | 124,234 | 850,642 | 769,862 | 905,444 | 54,802 | 1,171,877 | 1,169,788 | 1,135,742 | (36,135) | 141,500 | 150,000 | 181,500 | 40,000 |
| 30 Fringe Benefits | 1,092,155 | 1,082,357 | 1,332,259 | 240,104 | 620,213 | 644,772 | 671,731 | 51,518 | 773,597 | 729,325 | 806,496 | 32,899 | 126,900 | 120,000 | 138,600 | 11,700 |
| 31 Athletic Scholarship/Grants in Aid | 1,842,163 | 1,955,413 | 2,150,788 | 308,625 | 1,322,376 | 1,338,503 | 1,445,628 | 123,252 | 1,527,648 | 1,455,148 | 1,762,424 | 234,776 | 214,700 | 252,000 | 282,700 | 68,000 |
| 32 Game Guarantees | 268,800 | 277,600 | 307,600 | 38,800 | 49,500 | 45,000 | 95,000 | 45,500 | 398,600 | 399,100 | 280,340 | (118,260) | | | | 0 |
| 33 Medical Insurance/Medical Fees | 30,700 | 30,700 | 33,600 | 2,900 | 201,878 | 197,380 | 143,296 | (58,582) | 145,500 | 169,500 | 182,500 | 37,000 | 20,000 | 20,000 | 34,000 | 14,000 |
| 34 Travel: | | | | | | | | | | | | | | | | |
| 35 Team and Coaches | 958,373 | 976,869 | 1,163,384 | 205,011 | 447,666 | 543,044 | 575,000 | 127,334 | 816,798 | 893,100 | 1,013,357 | 196,559 | 132,500 | 137,000 | 156,500 | 24,000 |
| 36 Recruiting and Other | 250,238 | 253,415 | 302,776 | 52,538 | 190,125 | 173,926 | 180,500 | (9,625) | 224,221 | 251,668 | 267,568 | 43,347 | 17,500 | 11,000 | 14,300 | (3,200) |
| 37 Supplies, Equip, Serv & Op Exp | 1,465,365 | 1,700,563 | 1,827,051 | 361,686 | 823,214 | 719,010 | 973,459 | 150,245 | 1,573,183 | 1,630,641 | 1,576,949 | 3,766 | 372,000 | 340,000 | 332,400 | (39,600) |
| 38 Facility Use Charges | 334,464 | 399,714 | 316,447 | (18,017) | 85,000 | 85,000 | 85,000 | 0 | 60,000 | 75,000 | 75,000 | 15,000 | 30,000 | 30,000 | 30,000 | 0 |
| 39 Debt Service on Athletic Facilities | 710,762 | 839,591 | 860,480 | 149,718 | | | | 0 | 0 | 0 | 0 | 0 | | | | 0 |
| 40 Special Events | 10,000 | 383,280 | 11,926 | 1,926 | | | | 0 | 0 | 0 | 0 | 0 | 325,000 | 325,000 | 325,000 | 0 |
| 41 Capital Improvements | 19,400 | 26,532 | 37,000 | 17,600 | | 96,120 | | 0 | 15,000 | 87,175 | 46,677 | 31,677 | | | | 0 |
| 42 Total Expenditures: | 10,552,694 | 11,537,682 | 12,200,471 | 1,647,777 | 5,607,190 | 5,735,120 | 6,164,628 | 557,438 | 8,207,370 | 8,426,425 | 8,698,544 | 491,174 | 1,626,900 | 1,631,800 | 1,743,800 | 116,900 |
| 43 | | | | | | | | | | | | | | | | |
| 44 Excess (Deficiency) of Revenues | | | | | | | | | | | | | | | | |
| 45 Over Expenditures | 1,602 | 1,375 | 911 | | 0 | 12,047 | 0 | | 3,160 | 129 | 102,016 | | 52,900 | 53,400 | 53,300 | |
| 46 | | | | | | | | | | | | | | | | |
| 47 Ending Fund Balance 6/30 | 17,438 | 17,211 | 18,122 | | 583,572 | 595,619 | 595,619 | | 92,809 | 89,778 | 191,794 | | (53,769) | (53,269) | 31 | |
| 48 | | | | | | | | | | | | | | | | |
| 49 Nonresident Fee Waivers | 1,060,000 | 1,118,263 | 1,060,000 | 0 | 829,920 | 804,960 | 924,000 | 94,080 | 1,100,000 | 1,080,000 | 1,080,000 | (20,000) | 325,000 | 325,000 | 325,000 | 0 |
| 50 | | | | | | | | | | | | | | | | |
| 51 Athletic Camp Activity: | | | | | | | | | | | | | | | | |
| 52 Camp Revenue | 350,000 | 350,000 | 350,000 | 0 | 120,000 | 120,000 | 120,000 | 0 | 260,326 | 260,326 | 260,326 | 0 | 30,000 | 30,000 | 30,000 | 0 |
| 53 Camp Expenditures | 350,000 | 350,000 | 350,000 | 0 | 120,000 | 120,000 | 120,000 | 0 | 260,326 | 260,326 | 260,326 | 0 | 20,000 | 20,000 | 20,000 | 0 |
| 54 Camp Surplus/(Deficit) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10,000 | 10,000 | 10,000 | 0 |

College & Universities
Intercollegiate Athletics Report
Revised Estimates for FY03 and Original Operating Budget for FY04

| | | Boise State University | | | | Idaho State University | | | | University of Idaho | | | | Lewis Clark State Coll. | | | |
|----------------------------|-----------------------------------|------------------------|------------|------------|-----------|------------------------|------------|-----------|-----------|---------------------|------------|-----------|-----------|-------------------------|------------|-----------|-----------|
| | | FY03 Orig | FY03 Est | FY04 Orig | Variance | FY03 Orig | FY03 Est | FY04 Orig | Variance | FY03 Orig | FY03 Est | FY04 Orig | Variance | FY03 Orig | FY03 Est | FY04 Orig | Variance |
| | | Oper Bdgt | as of 6/03 | Oper Bdgt | Bdgt/Bdgt | Oper Bdgt | as of 6/03 | Oper Bdgt | Bdgt/Bdgt | Oper Bdgt | as of 6/03 | Oper Bdgt | Bdgt/Bdgt | Oper Bdgt | as of 6/03 | Oper Bdgt | Bdgt/Bdgt |
| Revenue by Program: | | | | | | | | | | | | | | | | | |
| 55 | General Revenue: | | | | | | | | | | | | | | | | |
| 56 | Foundation/Booster/Priv Donations | 1,587,134 | 1,349,500 | 2,695,689 | 1,108,555 | 373,258 | 341,025 | 385,000 | 11,742 | 1,417,110 | 1,711,837 | 1,978,537 | 561,427 | 281,000 | 275,000 | 286,400 | 5,400 |
| 57 | Student Fees | 1,763,536 | 1,807,942 | 1,985,000 | 221,464 | 1,796,158 | 1,837,754 | 1,865,738 | 69,580 | 1,682,560 | 1,732,757 | 1,769,930 | 87,370 | 262,000 | 255,200 | 307,300 | 45,300 |
| 58 | Appropriated Funds | 1,839,300 | 1,839,300 | 2,051,700 | 212,400 | 2,045,300 | 2,045,300 | 2,295,200 | 249,900 | 1,863,160 | 1,863,160 | 1,970,660 | 107,500 | 647,700 | 668,500 | 708,100 | 60,400 |
| 59 | Institutional Support | 273,100 | 273,100 | 289,800 | 16,700 | 273,640 | 273,640 | 327,100 | 53,460 | 546,200 | 546,200 | 579,500 | 33,300 | 100,000 | 87,000 | 100,000 | 0 |
| 60 | Special Events | 0 | 495,058 | 20,185 | 20,185 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 350,000 | 360,000 | 355,000 | 5,000 |
| 61 | Other | 1,498,584 | 1,534,077 | 1,608,145 | 109,561 | 536,334 | 570,788 | 580,590 | 44,256 | 910,600 | 989,577 | 960,533 | 49,933 | 12,000 | 12,000 | 12,000 | 0 |
| 62 | Total General Revenue | 6,961,654 | 7,298,977 | 8,650,519 | 1,688,865 | 5,024,690 | 5,068,507 | 5,453,628 | 428,938 | 6,419,630 | 6,843,531 | 7,259,160 | 839,530 | 1,652,700 | 1,657,700 | 1,768,800 | 116,100 |
| 63 | Revenue By Sport: | | | | | | | | | | | | | | | | |
| 64 | Men's Programs: | | | | | | | | | | | | | | | | |
| 65 | Football | | | | | | | | | | | | | | | | |
| 66 | Ticket Sales | 1,682,844 | 1,781,060 | 1,429,665 | (253,179) | 200,000 | 255,068 | 270,000 | 70,000 | 330,000 | 223,402 | 260,000 | (70,000) | | | | 0 |
| 67 | Game Guarantees | 575,000 | 575,000 | 325,000 | (250,000) | 80,000 | 80,000 | 100,000 | 20,000 | 1,090,000 | 1,090,000 | 1,010,000 | (80,000) | | | | 0 |
| 68 | Media/Broadcast Receipts | 168,740 | 75,800 | 4,000 | (164,740) | 8,500 | 8,500 | 8,500 | 0 | 0 | 24,000 | 0 | 0 | | | | 0 |
| 69 | Other (Tourn/Bowl/Conf) | 301,472 | 628,061 | 590,138 | 288,666 | 0 | 0 | 0 | 0 | 34,000 | 17,446 | 17,500 | (16,500) | | | | 0 |
| 70 | Basketball | | | | | | | | | | | | | | | | |
| 71 | Ticket Sales | 541,201 | 533,320 | 603,871 | 62,670 | 155,000 | 166,203 | 190,000 | 35,000 | 40,000 | 36,081 | 45,000 | 5,000 | 3,400 | 4,700 | 3,400 | 0 |
| 72 | Game Guarantees | 0 | 0 | 0 | 0 | 95,000 | 105,000 | 95,000 | 0 | 65,000 | 65,000 | 30,000 | (35,000) | | | | 0 |
| 73 | Media/Broadcast Receipts | 54,260 | 18,950 | 1,000 | (53,260) | 8,500 | 8,500 | 8,500 | 0 | 0 | 0 | 0 | 0 | | | | 0 |
| 74 | Other (Tourn/Bowl/Conf) | 91,302 | 207,075 | 195,256 | 103,954 | 10,000 | 27,798 | 10,000 | 0 | 0 | 0 | 12,000 | 12,000 | | | | 0 |
| 75 | Track & Field/Cross Country | 21,114 | 53,569 | 51,213 | 30,099 | 750 | 476 | 500 | (250) | 4,000 | 4,010 | 4,750 | 750 | | | | 0 |
| 76 | Tennis | 8,207 | 21,131 | 20,105 | 11,898 | 0 | 0 | 0 | 0 | 0 | 700 | 0 | 0 | | | | 0 |
| 77 | Baseball Ticket Sales | | | | 0 | 0 | 0 | 0 | 0 | | | | 0 | 13,600 | 13,000 | 13,600 | 0 |
| 78 | Wrestling | 13,306 | 32,932 | 31,742 | 18,436 | 0 | 0 | 0 | 0 | | | | 0 | | | | 0 |
| 79 | Golf | 8,207 | 21,131 | 22,957 | 14,750 | 0 | 0 | 0 | 0 | 5,400 | 5,400 | 5,400 | 0 | | | | 0 |
| 80 | Media/Broadcast Receipts | | | | 0 | 0 | 0 | 0 | 0 | 200,000 | 99,369 | 120,000 | (80,000) | 3,600 | 4,800 | 4,800 | 1,200 |
| 81 | Total Men's Sport Revenue | 3,465,653 | 3,948,029 | 3,274,947 | (190,706) | 557,750 | 651,545 | 682,500 | 124,750 | 1,768,400 | 1,565,408 | 1,504,650 | (263,750) | 20,600 | 22,500 | 21,800 | 1,200 |
| 82 | Women's Programs | | | | | | | | | | | | | | | | |
| 83 | Volleyball | | | | | | | | | | | | | | | | |
| 84 | Ticket Sales | | | | 0 | 2,500 | 2,442 | 3,000 | 500 | 4,000 | 3,490 | 4,000 | 0 | 1,200 | 1,300 | 1,200 | 0 |
| 85 | Game Guarantees | | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,500 | 1,500 | | | | 0 |
| 86 | Other (Tourn/Bowl/Conf) | 18,206 | 33,921 | 30,158 | 11,952 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | 0 |
| 87 | Basketball | | | | | | | | | | | | | | | | |
| 88 | Ticket Sales | 14,834 | 15,810 | 14,287 | (547) | 8,000 | 11,571 | 12,000 | 4,000 | 5,000 | 5,615 | 5,000 | 0 | 5,300 | 3,700 | 5,300 | 0 |
| 89 | Game Guarantees | | | | 0 | 4,000 | 4,000 | 4,000 | 0 | 5,000 | 0 | 5,000 | 0 | | | | 0 |
| 90 | Media/Broadcast Receipts | | | | 0 | 3,000 | 3,000 | 3,000 | 0 | | | | 0 | | | | 0 |
| 91 | Other (Tourn/Bowl/Conf) | 15,704 | 36,077 | 34,011 | 18,307 | 3,000 | 0 | 0 | (3,000) | | | 12,000 | 12,000 | | | | 0 |
| 92 | Track & Field/Cross Country | 25,218 | 64,135 | 61,266 | 36,048 | 750 | 476 | 500 | (250) | 4,000 | 4,010 | 4,750 | 750 | | | | 0 |
| 93 | Tennis | 8,207 | 21,131 | 20,105 | 11,898 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | 0 |
| 94 | Gymnastics | 20,199 | 36,452 | 35,667 | 15,468 | 0 | 0 | 0 | 0 | | | | 0 | | | | 0 |
| 95 | Golf | 8,207 | 21,131 | 20,105 | 11,898 | 0 | 0 | 0 | 0 | 4,500 | 4,500 | 4,500 | 0 | | | | 0 |
| 96 | Soccer | 16,414 | 42,262 | 40,210 | 23,796 | 3,500 | 5,626 | 6,000 | 2,500 | | | | 0 | | | | 0 |
| 97 | Softball | | | | 0 | | | | 0 | | | | 0 | | | | 0 |
| 98 | Skiing | | 21,131 | 20,105 | 20,105 | | | | 0 | | | | 0 | | | | 0 |
| 99 | Swimming | | | | 0 | | | | 0 | | | | 0 | | | | 0 |
| 100 | Rodeo | | | | 0 | | | | 0 | | | | 0 | | | | 0 |
| 101 | Total Women's Sport Rev | 126,989 | 292,050 | 275,914 | 148,925 | 24,750 | 27,115 | 28,500 | 3,750 | 22,500 | 17,615 | 36,750 | 14,250 | 6,500 | 5,000 | 6,500 | 0 |
| 102 | Total Revenue | 10,554,296 | 11,539,056 | 12,201,380 | 1,647,084 | 5,607,190 | 5,747,167 | 6,164,628 | 557,438 | 8,210,530 | 8,426,554 | 8,800,560 | 590,030 | 1,679,800 | 1,685,200 | 1,797,100 | 117,300 |

College & Universities
Intercollegiate Athletics Report
Revised Estimates for FY03 and Original Operating Budget for FY04

| | Boise State University | | | | Idaho State University | | | | University of Idaho | | | | Lewis Clark State Coll. | | | |
|---------------------------------------|------------------------|------------------------|------------------------|-----------------------|------------------------|------------------------|------------------------|-----------------------|------------------------|------------------------|------------------------|-----------------------|-------------------------|------------------------|------------------------|-----------------------|
| | FY03 Orig Oper Bdgt | FY03 Est as of 6/03 | FY04 Orig Oper Bdgt | Variance Bdgt/Bdgt | FY03 Orig Oper Bdgt | FY03 Est as of 6/03 | FY04 Orig Oper Bdgt | Variance Bdgt/Bdgt | FY03 Orig Oper Bdgt | FY03 Est as of 6/03 | FY04 Orig Oper Bdgt | Variance Bdgt/Bdgt | FY03 Orig Oper Bdgt | FY03 Est as of 6/03 | FY04 Orig Oper Bdgt | Variance Bdgt/Bdgt |
| Expenditures by Admin/Sport | | | | | | | | | | | | | | | | |
| 103 Administrative and General | | | | | | | | | | | | | | | | |
| 104 Athletic Director Office | 850,740 | 742,314 | 1,014,227 | 163,487 | 828,632 | 875,000 | 894,290 | 65,658 | 631,421 | 703,026 | 654,834 | 23,413 | 313,900 | 305,000 | 351,400 | 37,500 |
| 105 Fund Raising Office | 1,038,070 | 581,926 | 1,003,194 | (34,876) | 171,209 | 185,000 | 243,701 | 72,492 | 306,066 | 347,116 | 280,214 | (25,852) | 50,600 | 50,200 | 52,000 | 1,400 |
| 106 Sports Information | 236,270 | 236,270 | 273,055 | 36,785 | 114,136 | 115,000 | 138,567 | 24,431 | 155,195 | 156,248 | 154,327 | (868) | | | | 0 |
| 107 Trainer/Equipment Manager | 231,713 | 231,713 | 332,988 | 101,275 | 181,628 | 155,000 | 206,392 | 24,764 | 311,508 | 375,966 | 348,655 | 37,147 | 37,000 | 40,000 | 45,000 | 8,000 |
| 108 Equipment Manager | 77,225 | 88,000 | 80,991 | 3,766 | 49,812 | 55,000 | 53,789 | 3,977 | 0 | 0 | 0 | 0 | | | | 0 |
| 109 Ticket Office | 184,661 | 184,661 | 190,387 | 5,726 | | | | 0 | 17,952 | 23,800 | 17,699 | (253) | | | | 0 |
| 110 Medical/Insurance | 30,700 | 30,700 | 30,000 | (700) | 97,803 | 90,000 | 90,998 | (6,805) | 343,726 | 318,465 | 348,713 | 4,987 | 20,000 | 20,000 | 34,000 | 14,000 |
| 111 Special Events | 10,000 | 383,280 | 11,926 | 1,926 | | | | 0 | 0 | 0 | 0 | 0 | 325,000 | 325,000 | 325,000 | 0 |
| 112 Other Miscellaneous | 788,017 | 892,991 | 981,507 | 193,490 | 146,216 | 155,000 | 233,338 | 87,122 | 566,503 | 532,384 | 578,871 | 12,368 | | | | 0 |
| 113 Facilities Maint. & Debt Service | 1,110,433 | 1,574,198 | 1,087,010 | (23,423) | | | | 0 | 0 | 0 | 0 | 0 | | | | 0 |
| 114 Capital Improvements | 19,400 | 8,532 | 17,000 | (2,400) | | 96,120 | | 0 | 15,000 | 74,175 | 32,677 | 17,677 | | | | 0 |
| 115 Total Admin & General | <u>4,577,229</u> | <u>4,954,585</u> | <u>5,022,285</u> | <u>445,056</u> | <u>1,589,436</u> | <u>1,726,120</u> | <u>1,861,075</u> | <u>271,639</u> | <u>2,347,371</u> | <u>2,531,180</u> | <u>2,415,990</u> | <u>68,619</u> | <u>746,500</u> | <u>740,200</u> | <u>807,400</u> | <u>60,900</u> |
| 116 | | | | | | | | | | | | | | | | |
| 117 Men's Programs: | | | | | | | | | | | | | | | | |
| 118 Football | 2,631,600 | 2,738,511 | 2,915,036 | 283,436 | 1,434,899 | 1,475,000 | 1,494,873 | 59,974 | 2,878,421 | 2,795,502 | 2,953,785 | 75,364 | | | | 0 |
| 119 Basketball | 621,222 | 725,936 | 787,621 | 166,399 | 541,478 | 550,000 | 554,934 | 13,456 | 839,975 | 918,223 | 907,721 | 67,746 | 168,600 | 166,200 | 171,600 | 3,000 |
| 120 Track & Field/Cross Country | 244,096 | 251,675 | 268,652 | 24,556 | 221,575 | 225,000 | 233,056 | 11,481 | 227,417 | 234,435 | 247,035 | 19,618 | 29,200 | 27,800 | 30,700 | 1,500 |
| 121 Tennis | 147,445 | 227,322 | 233,977 | 86,532 | 83,392 | 90,000 | 93,133 | 9,741 | 58,061 | 70,278 | 82,521 | 24,460 | 22,600 | 22,600 | 25,600 | 3,000 |
| 122 Baseball | | | | 0 | | | | 0 | 0 | 0 | 0 | 0 | 321,000 | 320,000 | 325,500 | 4,500 |
| 123 Wrestling | 242,035 | 200,811 | 213,766 | (28,269) | | | | 0 | 0 | 0 | 0 | 0 | | | | 0 |
| 124 Golf | 54,172 | 126,350 | 143,027 | 88,855 | 55,561 | 55,000 | 56,615 | 1,054 | 96,147 | 95,312 | 107,592 | 11,445 | 2,000 | 14,000 | 15,000 | 13,000 |
| 125 Volleyball | | | | 0 | | | | 0 | | 0 | | 0 | | | | 0 |
| 126 Rodeo | | | | 0 | | | | 0 | | 0 | | 0 | | | | 0 |
| 127 Total Men's Programs | <u>3,940,570</u> | <u>4,270,605</u> | <u>4,562,079</u> | <u>621,509</u> | <u>2,336,905</u> | <u>2,395,000</u> | <u>2,432,611</u> | <u>95,706</u> | <u>4,100,021</u> | <u>4,113,750</u> | <u>4,298,654</u> | <u>198,633</u> | <u>543,400</u> | <u>550,600</u> | <u>568,400</u> | <u>25,000</u> |
| 128 | | | | | | | | | | | | | | | | |
| 129 Women's Programs | | | | | | | | | | | | | | | | |
| 130 Volleyball | 339,585 | 390,521 | 445,140 | 105,555 | 287,898 | 305,000 | 310,196 | 22,298 | 397,318 | 391,251 | 417,463 | 20,145 | 128,000 | 120,000 | 135,500 | 7,500 |
| 131 Basketball | 488,451 | 591,955 | 600,556 | 112,105 | 479,962 | 481,000 | 487,765 | 7,803 | 521,494 | 551,621 | 537,883 | 16,389 | 162,700 | 162,700 | 166,700 | 4,000 |
| 132 Track & Field/Cross Country | 285,825 | 296,391 | 316,000 | 30,175 | 308,273 | 305,000 | 317,572 | 9,299 | 290,616 | 304,884 | 352,963 | 62,347 | 17,000 | 17,000 | 18,500 | 1,500 |
| 133 Tennis | 161,543 | 213,572 | 228,476 | 66,934 | 125,569 | 120,000 | 127,950 | 2,381 | 136,286 | 136,752 | 145,896 | 9,610 | 22,600 | 23,000 | 28,600 | 6,000 |
| 134 Gymnastics | 282,445 | 289,670 | 314,571 | 32,126 | | | | 0 | 0 | 0 | 0 | 0 | | | | 0 |
| 135 Golf | 117,624 | 161,461 | 172,399 | 54,776 | 85,834 | 85,000 | 87,050 | 1,216 | 125,362 | 124,277 | 139,124 | 13,762 | 1,000 | 14,300 | 15,000 | 14,000 |
| 136 Soccer | 265,033 | 316,273 | 347,615 | 82,582 | 299,363 | 318,000 | 320,572 | 21,209 | 288,902 | 272,710 | 358,710 | 69,808 | | | | 0 |
| 137 Softball | | | | 0 | 93,950 | 0 | 219,837 | 125,887 | | | | 0 | | | | 0 |
| 138 Skiing | 94,390 | 52,650 | 191,349 | 96,959 | | | | 0 | | | | 0 | | | | 0 |
| 138 Swimming | | | | 0 | | | | 0 | | 0 | 31,861 | 31,861 | | | | 0 |
| 137 Rodeo/New Sport | | | | 0 | | | | 0 | | | | 0 | 5,700 | 4,000 | 3,700 | (2,000) |
| 138 Total Women's Programs | <u>2,034,895</u> | <u>2,312,493</u> | <u>2,616,106</u> | <u>581,211</u> | <u>1,680,849</u> | <u>1,614,000</u> | <u>1,870,942</u> | <u>190,093</u> | <u>1,759,978</u> | <u>1,781,495</u> | <u>1,983,900</u> | <u>223,922</u> | <u>337,000</u> | <u>341,000</u> | <u>368,000</u> | <u>31,000</u> |
| 139 | | | | | | | | | | | | | | | | |
| 140 Total Expenditures | <u>10,552,694</u> | <u>11,537,683</u> | <u>12,200,470</u> | <u>1,647,776</u> | <u>5,607,190</u> | <u>5,735,120</u> | <u>6,164,628</u> | <u>557,438</u> | <u>8,207,370</u> | <u>8,426,425</u> | <u>8,698,544</u> | <u>491,174</u> | <u>1,626,900</u> | <u>1,631,800</u> | <u>1,743,800</u> | <u>116,900</u> |

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BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003

SUBJECT

Overview of Capital Projects Bonded through the Idaho State Building Authority

BACKGROUND

For the FY02 capital request, the Board prioritized ten projects to the Permanent Building Fund Advisory Council. Because of the strong economic conditions at that time, the legislature transfer \$65.3M from the general account to the permanent building fund so nine of the projects were funded totaling \$63.6M. Unfortunately, the economic conditions changed and the un-obligated funds associated with these projects were diverted back to the general account to deal with operating budget shortfalls. During the recent legislative session, House Concurrent Resolution No. 30 was passed authorizing bond financing by the Idaho State Building Authority (ISBA) for eight building projects throughout the State. Of these projects, seven are higher education projects.

DISCUSSION

ISBA is authorized by Idaho Code Section 67-6401 et seq. to issue bonds to finance, build and own buildings for units of State government, including the institutions. Using ISBA to finance the projects requires four agreements for each institution to be approved by the Board before the bonds can be issued. Lewis-Clark State College and the universities seek approval of the agreements at this time. Eastern Idaho Technical College's project is not included in the current bond issuance since the site location has not been determined. The local boards for the community colleges will approve the agreements for College of Southern Idaho and North Idaho College. They will provide a progress report on the status of these agreements. The four common agreements are:

The **Site Lease** (between the Institution, Division of Public Works (DPW) and ISBA) is the first stage of the development. The Institution leases the ground where the facility is to be built to the ISBA on a 35-year ground lease (the bonds will be paid in 20 years, but the lease is longer to provide adequate coverage for the bondholders). The lease gives the ISBA the right to construct the Facility on that parcel and provides the appropriate easements and right of ways for utilities necessary to ensure proper access for construction and use of the Facility. The Lease is terminable as soon as the Bonds are paid in full. Once the Lease so terminates, the land and the new Facility revert to the full ownership of the Institution.

The **Development Agreement** (between the Institution, DPW and ISBA) sets forth the overall nature of the transaction. In this agreement, the Institution and DPW agree to provide final plans for a Facility and the ISBA agrees to provide a set level of financing to construct the Facility. The agreement sets forth the construction and payment processes and the responsibilities of the parties for the same.

BUSINESS AFFAIRS AND HUMAN RESOURCES
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The **Facilities Lease** (between the Institution, DPW and ISBA) is to lease the Facility, once constructed, to the Institution and Department of Administration (DPW). DPW and the Institution lease the Facility from the ISBA technically on an annual basis since the ISBA owns the Facility until it reverts. The rent paid by DPW will be the amount necessary to make Bond coverage requirements and to cover the ISBA's expenses. All operation and maintenance of the Facility, insurance requirements, liability, furnishings and similar "ownership" obligations are the duty of the Institution. If DPW fails to pay the rent, ISBA has the right to retake possession and lease the Facility to another party. Once the Bonds are paid, the Facility becomes the property of the Institution.

The **Operating Agreement** (only between the Institution and DPW) provides that once the Facility is built, DPW's only responsibility is to make the annual rent payment. All other duties and obligations of the "State" with regard to the transaction must be carried out by the Institution. Further, the agreement provides that any money left over in the construction budget will be used to make a Bond payment and will not be returned to the Institution since the Institution's money contributed will be used first, before the Bond Proceeds are used.

A common template was used to develop these agreements, which was modified for unique circumstances. In Tabs 8 through 11, Boise State University, Idaho State University, University of Idaho and Lewis-Clark State College will identify unique issues related to their specific project, provide a motion to authorize approval and show the four agreements.

IMPACT

Typically, the State funds capital projects from the permanent building fund, which generates approximately \$10M - \$12M a year for all State capital needs. If education receives it's normal share of 70% of the projects, it could take 10 years before all these projects would be funded. By taking advantage of the current low interest rates and the competitive construction business, it has been estimated that the cost of bonding would be \$107M over the 20 years whereas if you pay-as-you-go, with a 3% inflationary rate, the costs would be \$112M. In addition, the institutions would have access to the facilities in the near future and Idaho's economy could benefit from the increased construction activity. The projects budgets are present on pages 113 and 114.

The bond payments will come from the permanent building fund. The source of revenue and budget is presented on page 115.

PROJECT BUDGETS

07/01/03

University of Idaho

Teaching & Learning Center

Sources of Construction Funds

| | |
|-------------------------------------|--|
| ISBA Bond Proceeds | |
| State Deposits to ISBA Constr. Acct | |
| Total Funds Available | |

| Budget | Paid To Date | Balance |
|---------------------|------------------|---------------------|
| \$11,729,000 | \$0 | \$11,729,000 |
| 800,800 | 517,215 | 283,585 |
| \$12,529,800 | \$517,215 | \$12,012,585 |

Uses of Construction Funds

| | |
|---------------------------|--|
| Design Fees and Costs | |
| Construction Management | |
| Construction Contracts | |
| Construction Testing | |
| Consultant Services | |
| Special Equipment | |
| Plan Check/Advertising | |
| Site Survey/Investigation | |
| Contingency Allowance | |
| Total Use of Funds | |

| Budget | Paid To Date | Balance |
|---------------------|--------------------|---------------------|
| \$859,516 | (\$516,275) | \$343,241 |
| 1,140,780 | | 1,140,780 |
| 9,120,000 | | 9,120,000 |
| 20,000 | | 20,000 |
| 50,000 | | 50,000 |
| 380,000 | | 380,000 |
| 14,150 | (548) | 13,602 |
| | | 0 |
| 945,354 | (392) | 944,962 |
| \$12,529,800 | (\$517,215) | \$12,012,585 |

Lewis-Clark State College

Campus Activities Center

Sources of Construction Funds

| | |
|-------------------------------------|--|
| ISBA Bond Proceeds | |
| State Deposits to ISBA Constr. Acct | |
| Total Funds Available | |

| Budget | Paid To Date | Balance |
|---------------------|------------------|---------------------|
| \$10,018,000 | \$0 | \$10,018,000 |
| 3,470,731 | 862,612 | 2,608,119 |
| \$13,488,731 | \$862,612 | \$12,626,119 |

Uses of Construction Funds

| | |
|---------------------------|--|
| Design Fees and Costs | |
| Construction Contracts | |
| Construction Testing | |
| Consultant Services | |
| Special Equipment | |
| Plan Check/Advertising | |
| Site Survey/Investigation | |
| Contingency Allowance | |
| Total Use of Funds | |

| Budget | Paid To Date | Balance |
|---------------------|--------------------|---------------------|
| \$1,198,800 | (\$814,522) | \$384,278 |
| 11,166,172 | | 11,166,172 |
| 70,000 | (3,812) | 66,188 |
| 14,870 | (14,870) | 0 |
| | | 0 |
| 16,260 | (633) | 15,627 |
| 39,675 | (28,775) | 10,900 |
| 982,954 | 0 | 982,954 |
| \$13,488,731 | (\$862,612) | \$12,626,119 |

Boise State University

West Campus Academic Building

Sources of Construction Funds

| | |
|-------------------------------------|--|
| ISBA Bond Proceeds | |
| State Deposits to ISBA Constr. Acct | |
| Total Funds Available | |

| Budget | Paid To Date | Balance |
|--------------------|------------------|--------------------|
| \$8,655,000 | \$0 | \$8,655,000 |
| 1,145,000 | 589,687 | 555,313 |
| \$9,800,000 | \$589,687 | \$9,210,313 |

Uses of Construction Funds

| | |
|---------------------------|--|
| Design Fees and Costs | |
| Construction Management | |
| Construction Contracts | |
| Construction Testing | |
| Consultant Services | |
| Special Equipment | |
| Plan Check/Advertising | |
| Site Survey/Investigation | |
| Contingency Allowance | |
| Total Use of Funds | |

| Budget | Paid To Date | Balance |
|--------------------|--------------------|--------------------|
| \$780,000 | (\$569,074) | \$210,926 |
| 722,789 | | 722,789 |
| 7,744,761 | 0 | 7,744,761 |
| 40,000 | 0 | 40,000 |
| 65,250 | (10,125) | 55,125 |
| 0 | | 0 |
| 13,400 | (155) | 13,245 |
| 10,800 | (10,333) | 467 |
| 423,000 | 0 | 423,000 |
| \$9,800,000 | (\$589,687) | \$9,210,313 |

PROJECT BUDGETS

07/01/03

Idaho State University

Rendezvous Multi-Use Project

Sources of Construction Funds

| | |
|-------------------------------------|--|
| ISBA Bond Proceeds | |
| State Deposits to ISBA Constr. Acct | |
| ISU Bond Proceeds | |
| Total Funds Available | |

| Budget | Paid To Date | Balance |
|---------------------|--------------------|---------------------|
| \$12,177,000 | \$0 | \$12,177,000 |
| 3,323,000 | 719,856 | 2,603,144 |
| 23,309,000 | 994,086 | 22,314,914 |
| \$38,809,000 | \$1,713,942 | \$37,095,058 |

Uses of Construction Funds

| | |
|---------------------------|--|
| Design Fees and Costs | |
| Construction Management | |
| Construction Contracts | |
| Construction Testing | |
| Consultant Services | |
| Special Equipment | |
| Plan Check/Advertising | |
| Site Survey/Investigation | |
| Contingency Allowance | |
| Total Use of Funds | |

| Budget | Paid To Date | Balance |
|---------------------|----------------------|---------------------|
| \$2,452,750 | (\$1,556,799) | \$895,951 |
| 2,861,689 | (121,029) | 2,740,660 |
| 30,638,311 | | 30,638,311 |
| 100,000 | | 100,000 |
| | | 0 |
| 950,000 | | 950,000 |
| 45,581 | (426) | 45,155 |
| 60,300 | (35,688) | 24,612 |
| 1,700,369 | | 1,700,369 |
| \$38,809,000 | (\$1,713,942) | \$37,095,058 |

College of Southern Idaho

Fine Arts Addition

Sources of Construction Funds

| | |
|-------------------------------------|--|
| ISBA Bond Proceeds | |
| State Deposits to ISBA Constr. Acct | |
| Total Funds Available | |

| Budget | Paid To Date | Balance |
|--------------------|------------------|--------------------|
| \$5,402,000 | \$0 | \$5,402,000 |
| 1,857,000 | 458,450 | 1,398,550 |
| \$7,259,000 | \$458,450 | \$6,800,550 |

Uses of Construction Funds

| | |
|---------------------------|--|
| Design Fees and Costs | |
| Construction Management | |
| Construction Contracts | |
| Construction Testing | |
| Consultant Services | |
| Special Equipment | |
| Plan Check/Advertising | |
| Site Survey/Investigation | |
| Contingency Allowance | |
| Total Use of Funds | |

| Budget | Paid To Date | Balance |
|--------------------|--------------------|--------------------|
| \$520,969 | (\$395,655) | \$125,314 |
| 329,406 | (41,922) | 287,484 |
| 6,000,000 | 0 | 6,000,000 |
| 12,000 | 0 | 12,000 |
| | | 0 |
| | | 0 |
| 9,155 | (165) | 8,990 |
| 20,750 | (20,708) | 42 |
| 366,720 | 0 | 366,720 |
| \$7,259,000 | (\$458,450) | \$6,800,550 |

North Idaho College

Nursing/Life Science/Allied Health Building

Sources of Construction Funds

| | |
|-------------------------------------|--|
| ISBA Bond Proceeds | |
| State Deposits to ISBA Constr. Acct | |
| Total Funds Available | |

| Budget | Paid To Date | Balance |
|---------------------|------------------|---------------------|
| \$10,994,000 | \$0 | \$10,994,000 |
| 906,000 | 406,476 | 499,524 |
| \$11,900,000 | \$406,476 | \$11,493,524 |

Uses of Construction Funds

| | |
|---------------------------|--|
| Design Fees and Costs | |
| Construction Management | |
| Construction Contracts | |
| Construction Testing | |
| Consultant Services | |
| Special Equipment | |
| Plan Check/Advertising | |
| Site Survey/Investigation | |
| Contingency Allowance | |
| Total Use of Funds | |

| Budget | Paid To Date | Balance |
|---------------------|--------------------|---------------------|
| \$900,000 | (\$392,785) | \$507,215 |
| | | \$0 |
| 9,633,900 | 0 | 9,633,900 |
| 10,000 | 0 | 10,000 |
| 43,000 | | 43,000 |
| | | 0 |
| 14,250 | (103) | 14,147 |
| 13,590 | (13,588) | 2 |
| 1,285,260 | 0 | 1,285,260 |
| \$11,900,000 | (\$406,476) | \$11,493,524 |

Permanent Building Fund

History of Appropriations

| Source and Use of Funds | | FY01 | FY02 | FY03 | FY04 |
|-------------------------|---|-------------|-------------|-------------|-------------|
| | | Orig Approp | Orig Approp | Orig Approp | Orig Approp |
| 1 | Source of Funds: | | | | |
| 2 | Ongoing Sources: | | | | |
| 3 | Income Tax Filing Fee | 5,558,500 | 5,527,900 | 6,650,000 | 6,086,000 |
| 4 | Cigarette Tax | 6,332,000 | 6,104,300 | 6,043,000 | 6,918,000 |
| 5 | Beer Tax | 1,207,700 | 1,256,800 | 1,313,000 | 1,404,000 |
| 6 | Sales Tax | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| 7 | Lottery Proceeds | 10,000,000 | 9,000,000 | 7,750,000 | 9,250,000 |
| 8 | Interest Income (Bdgt Stabl Acct) | 5,902,800 | 9,589,400 | 4,230,000 | 2,266,000 |
| 9 | Parking Mall Receipts | 108,100 | 108,100 | 108,100 | 108,000 |
| 10 | Total Ongoing Revenue | 34,109,100 | 36,586,500 | 31,094,100 | 31,032,000 |
| 11 | Onetime Funding: | | | | |
| 12 | Prior Year Funds | 3,711,800 | 5,168,400 | (9,764,200) | 3,995,200 |
| 13 | Agency Funds/Reappropriations | 2,902,800 | 3,500,000 | 3,300,000 | 0 |
| 14 | Transfer-General Acct | 0 | 65,300,000 | 0 | 0 |
| 15 | Total Funds Available | 40,723,700 | 110,554,900 | 24,629,900 | 35,027,200 |
| 16 | | | | | |
| 17 | Use of Funds: | | | | |
| 18 | Public Works Budget | 1,690,300 | 2,522,700 | 1,966,000 | 2,033,800 |
| 19 | Bond Payments | 5,174,000 | 5,000,000 | 5,000,000 | 4,000,000 |
| 20 | Alteration/Repair & Maintenance | 11,000,000 | 14,500,000 | 12,744,800 | 26,282,400 |
| 21 | Asbestos Abatement Projects | 550,000 | 500,000 | 500,000 | 0 |
| 22 | Underground Storage Tanks | 150,000 | 150,000 | | |
| 23 | EPA Green Light Program | | | | |
| 24 | ADA Compliance | 1,000,000 | 1,000,000 | 1,000,000 | 0 |
| 25 | Contingency/Other | 208,000 | 408,000 | 408,000 | 0 |
| 26 | Capital Projects | 17,645,000 | 86,472,000 | 3,011,000 | 2,711,000 |
| 27 | Total Funds Used | 37,417,300 | 110,552,700 | 24,629,800 | 35,027,200 |
| 28 | | | | | |
| 29 | Total Funds Available less Funds Used | 3,306,400 | 2,200 | 100 | 0 |
| 30 | | | | | |
| 31 | | | | | |
| 32 | Normal Revenue Flow & On-going Budget: | | | | |
| 33 | Revenue - Ongoing Only (Line 10) | 34,109,100 | 36,586,500 | 31,094,100 | 31,032,000 |
| 34 | Expend less Capital Projects (Ln27-26) | 19,772,300 | 24,080,700 | 21,618,800 | 32,316,200 |
| 35 | Funds Available for Capital Projects | 14,336,800 | 12,505,800 | 9,475,300 | (1,284,200) |

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BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003

SUBJECT

Boise State University Idaho State Building Authority Bonded Projects

UNIQUE ISSUES

Project Background

Boise State University's project funded by the ISBA bonds is the West Campus Academic Building. It will be the first classroom building for the Boise State University's West Campus, located in Nampa, Idaho. The facility will include a lecture hall, 14 standard classrooms, 2 distance learning classrooms, 3 teaching laboratories, a general computer lab, a branch library, 15 faculty offices, administrative offices, conference rooms, 5 student services offices, a branch bookstore, and study lounges. The building will be three stories in height and will be located at the eastern end of the main quadrangle of the new campus. The building will have 65,600 gross square feet and 42,640 net assignable square feet of area. The building will primarily be used to offer core curriculum classes and will be occupied by students, faculty, limited administrative staff, student services staff, and bookstore staff. The construction manager for the project is the CM Company. The academic building and related improvements will be constructed on approximately 8.58 acres situated in the heart of the academic quadrangle on the West Campus. Located on the portion of land immediately to the north of the building parcel, a fully improved and landscaped parking area will be in place to service the academic building. The proposed land use and improvements on the parcel are fully compliant with the City of Nampa's land use standards.

Project Budget

Boise State was informed by the construction manager (CM Company) that the construction costs could increase by approximately \$250,000 now, as opposed to two years ago when first approved. This reflects the amount needed to keep the project at its current level with no increase in project scope. Boise State has made a commitment to provide additional funds to DPW, if necessary, which will come from construction bond reserves to keep the project at its current level.

Additionally, due to the particular nature of the ISBA financing, any funds added by Boise State will be expended first and the ISBA bond funds will be used last with any left over funds making a bond payment rather than being returned to the University. Because of this, Boise State seeks Board approval to create a contingency fund within the University, not in the ISBA/DPW construction fund, to fund change orders, cost overruns or other contingencies. This contingency budget will be held by the University and funds will only be released when the University and DPW determine that a demonstrated need and use exists so that the funds will not be used to fund a bond payment at the end of construction. Board Policy V.K.3 allows such a fund to be created at \$250,000 by the University, up to \$500,000 with the Executive Director's approval, and over \$500,000 by the Board. Boise State is seeking Board approval to create a Project Contingency fund of \$1,000,000 for this project. The Project Contingency

**BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003**

Fund will be funded from bond reserves and will be used to fund change orders or other contingencies that alter the project budget. Our plan is to ensure that the contingency is a proper expenditure and will be in the best interests of the University and once so determined, the contingency will be funded with only enough funds released to cover the contingency. Then, the Office of the State Board of Education will be updated monthly on any draws on the Project Contingency Fund with details as to the justification for the use of the fund.

This process is consistent with the standard process of updating a project budget. In this case, Boise State is asking the Board's permission to create a Project Contingency Fund to ensure the project is not improperly downsized due to an unforeseen contingency not part of the current budget.

BOARD ACTION

A motion to authorize the CEO or his designee to finalize and execute the Site Lease, the Facilities Lease, the Development Agreement and the Operating Agreement for the West Campus Academic Building at Boise State University in substantially the same form as the draft agreements presented to the Board with the agenda materials.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

SITE LEASE

(Boise State University West Campus Academic Building)

THIS SITE LEASE is entered into as of the ____ day of _____, 2003, by and between the STATE OF IDAHO acting by and through BOISE STATE UNIVERSITY, (hereinafter "State") and the IDAHO STATE BUILDING AUTHORITY, (hereinafter "Authority"). This agreement is hereinafter referred to as the "Site Lease".

RECITALS

A. The State Board of Education is vested with the general supervision, governance and control of all state institutions of higher education by Article 9, Section 2 of the Idaho Constitution and Idaho Code §33-101, and serves as the Board of Trustees for Boise State University pursuant to Idaho Code §33-4002, and Boise State University is a body politic and corporate of the State of Idaho, and references to "BSU" herein shall mean "Boise State University" and, the State Board of Education in its capacity as the Board of Trustees.

B. The State is the owner of certain real property described in Exhibits A-1 and A-2 hereto and desires to lease such property to Authority for the purpose of financing and developing an academic building and related improvements to be constructed thereon (the "Facilities") to be leased back to the State and the State of Idaho, acting through the Department of Administration ("IDOA") and BSU under an annually renewable lease (the "Facilities Lease"), entered into coincidentally herewith; and

C. In accordance with the provisions of Idaho Code, Section 67-6410(a), the Idaho Legislature, House Concurrent Resolution No. 30, First Regular Session of the Fifty-seventh Legislature, has authorized the State to enter into agreements as may be reasonable and necessary with the Authority for the purpose of providing financing to develop and construct facilities for use by the State; and

D. Authority intends to finance and develop the Facilities on the Premises and to lease the Facilities and Premises back to State and IDOA in accordance with the Facilities Lease, entered into coincidentally herewith; and

E. State and Authority acknowledge that there shall be no merger of the State's leasehold interest under the Facilities Lease and the State's ownership interest in the Premises, which merger would cause the cancellation or termination of this Site Lease; and

F. State represents that neither the execution and delivery of this Site Lease, the consummation of the transactions contemplated by this Site Lease, nor the fulfillment of or compliance with the terms and conditions of this Site Lease conflict with or results in a breach of any terms, conditions or provisions of any restriction, agreement, or instrument to which the State is now a party or to which State is bound.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. **Recitals:** The parties acknowledge the foregoing Recitals are true and are incorporated into this Site Lease as if set forth in full.

2. **Premises:** State hereby leases to Authority, subject to the conditions expressed herein, certain real property located in Canyon County, Idaho, specifically described in Exhibit A-1 attached hereto and incorporated herein and a non-exclusive right for vehicular and pedestrian ingress and egress and vehicular parking over and across all roads, walkways, and parking lots within the BSU Campus as they may exist from time to time sufficient to provide reasonable access to and from the parking for the Facilities, together with all easements and rights appurtenant hereto all existing improvements thereon (the "Premises").

As used herein the term "Premises" refers solely to the real property and existing improvements and not to any improvements to be constructed thereon from time to time during the term of this lease.

Upon written request for the State, the Authority agrees to consider a release of a portion of the Premises not essential for the use and operation of the Facilities. Such release shall require the approval of the Board of Commissioners of the Authority (the "Board") based upon a finding in the sole discretion of the Board, that the release shall not adversely affect the Facilities. In making such finding, the Board may consider such reasonable factors as: (i) the affect of the release on the use of the Facilities; (ii) the affect of the release on the access to utilities serving and parking for the Facilities; and (iii) the affect of the release on the ability of the Authority to lease the Facilities.

3. **Term:** The Term of this Site Lease shall be a period commencing on the date hereof and expiring June 30, 2038, unless earlier terminated pursuant to paragraph 9 hereof.

4. **Rent:** The Premises are leased to Authority without consideration as authorized pursuant to Idaho Code, Section 67-6421.

5. **Development:** Authority shall have the right to raze existing improvements, and develop, acquire and construct Facilities on the Premises in accordance with the Facilities Lease. In the event the Facilities Lease expires or is terminated for any reason except by the State as provided in paragraph 9 below, Authority may use the Premises for any lawful purpose.

6. **Permanent Easements:** At Authority's request or as may be reasonably required, State shall grant to public entities, public service corporations, or to Authority such rights-of-way, utility, or other permanent easements on, over or through the Premises and adjacent property owned by State for telephone, electricity, water, sanitary or storm sewers or both, site drainage and for other utilities and municipal or special district services necessary or appropriate to serve improvements constructed thereon by Authority.

7. **Utility Services to Premises in Event of Expiration or Termination of the Facilities**

Lease: Facilities to be constructed on the Premises by Authority are or may be designed and constructed to use water, sewer and other utility services furnished by or through facilities owned or operated by State, in which event the Facilities will not be connected directly to public utility services or lines. In the event State fails to renew the Facilities Lease or State's rights to use of the Facilities under the Facilities Lease otherwise terminate, except termination by the State pursuant to paragraph 9 hereof, the State shall continue to provide all such utility services and all other public utility services to the Facilities and pay all costs and charges thereof. Authority may, but shall not be required to, connect the Facilities directly to public utility services and provide such connections thereto. If such service crosses land owned by State or third parties, State will furnish permanent easements across such land for domestic water and sanitary sewer lines. The State shall permit, without charge therefor, continued use by the Authority of all utility services provided through the State from adjacent property until the Facilities are fully connected and serviced directly by public utilities.

8. **Right to Assign:** Subject to the rights of State under the Facilities Lease and subject to State's consent, which shall not be unreasonably withheld, Authority shall have the right to assign this Site Lease. State hereby consents to any assignment by Authority to secure any Mortgage described in paragraph 10 hereof. In the event of such an assignment, except assignments to secure such Mortgages, Authority shall be released from any and all liabilities arising or accruing under this Site Lease after the date of such assignment.

9. **Optional Termination:** At such time as all sums owing for any bonds or notes issued by Authority to finance Facilities and all other obligations of the Authority relating to the Facilities or the Premises have been paid in full or provisions for such full payment have been made to the satisfaction of Authority, the State shall have the right, at its option, to terminate this Site Lease by written notice to Authority and all alterations, improvements, replacements and appurtenances on or to the Premises, including the Facilities, shall be deemed to be part of the Premises and shall revert to State and shall become the sole and absolute property of State.

10. **Mortgages:** Authority shall have the right at any time and from time to time to pledge, lien or otherwise encumber its leasehold interest herein granted and its interest in any or all improvements thereon and appurtenances thereto by one or more mortgages, deeds of trust, assignment, or other encumbrances (herein referred to as "Mortgages"), as security for a loan or loans or other obligation of Authority, provided that:

(a) The Mortgages and all rights acquired thereunder shall be subject to each and all of the covenants, conditions, and restrictions set forth in this Site Lease and shall be subject to all rights and interests of State as provided in this Site Lease and shall not encumber State's fee title to the Premises.

(b) Authority shall give State prior notice of any such Mortgages, and shall accompany the notice with a true copy of such Mortgages and any indebtedness secured thereby.

11. **Indemnification:** Authority shall indemnify and hold the State, its agents, representatives, employees and assigns, harmless from and/or against any and all claims, damages, costs, liabilities, and expenses (including reasonable attorneys' fees and defense costs) arising out of or relating to Authority's possession, operations or performance under this Site Lease.

This indemnification does not apply to claims, damages, costs, liabilities, and expenses (including reasonable attorneys' fees and defense costs) which are or are alleged to be caused, in whole or in part by any act or omission for which Authority is indemnified under the Facilities Lease, or by negligent or otherwise wrongful acts, errors, omissions or fault on the part of the State, or its employees, agents, representatives, or assigns, or is a result of the State's breach of this Site Lease.

12. **Hazardous/Materials:** In the event any hazardous materials are found to exist in or under the Premises prior to the date of this Site Lease, State, at State's cost and expense, shall cause such hazardous materials to be moved, remediated or abated in compliance with all Environmental Laws. State hereby agrees to indemnify, defend, and hold Authority harmless from and against any and all claims, damages, liabilities, costs, expenses (including reasonable attorneys' fees), causes of action and judgments arising out of or related to hazardous materials existing in, or under the premises prior to the date of this Site Lease. As used herein, the term "environmental laws" shall mean the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended (CERCLA) the Resource Conservation Recovery Act, as amended (RCRA), the Federal Water Pollution Control Act, the Clean Air Act and any similar local, state or federal law, rule, ordinance or regulation. As used herein, the term "hazardous materials" shall mean any hazardous substance, pollutants, contaminants, or other hazardous waste or toxic substances defined in any environmental laws including, without limitation, petroleum and petroleum products, asbestos and asbestos containing materials, PCBs and urea-formaldehyde.

Authority shall not, nor shall it allow others to, accumulate, use, or store on the Premises materials classified as hazardous, biomedical or toxic waste except in compliance with all state, federal, or local laws, rules or regulations. Authority shall comply with any lawful order by an entity reposed with Authority to regulate the use, accumulation, storage or disposal of hazardous waste. Authority shall not be responsible for any of such materials placed on the Premises by or through State prior to or during any term of the Facilities Lease.

13. **Zoning/Building Restrictions:** This Site Lease is subject to all applicable zoning ordinances and restrictions and all limitations of record, and is subject to any and all easements for public utilities of record. State warrants that such ordinances, restrictions, limitations and easements do not prevent the use of the Premises as provided for in the Facilities Lease.

14. **Waste and Nuisance Prohibited:** Authority shall comply, during the term of this Site Lease, with all applicable laws affecting the Premises, the violation of which might result in any penalty assessed upon State or forfeiture of State's title to the Premises. Authority shall not commit, or suffer to be committed, any waste on the Premises or improvements, or any nuisance.

15. **Remedies and Forbearance/Waivers**: No delay or omission on the part of State or Authority to exercise any right or power granted herein shall impair any such right or power nor shall be construed as a waiver thereof, and every such right or power may nevertheless be exercised.

16. **Officials, Agents, and Employees Not Personally Liable**: It is agreed that in no event shall any official, officer, employee or agent of Authority, nor any official, officer, employee or agent of State be in any way personally liable or responsible for any covenant or agreement herein contained, whether expressed or implied, nor for any statement, representation or warranty made herein or in any way connected with this Site Lease.

17. **Quiet Enjoyment**: State covenants that Authority shall have the peaceful and quiet enjoyment of the Premises for the term of the Site Lease.

18. **Right of Entry**: Authority shall permit State and the agents and employees of State to enter into and upon the Premises at all reasonable times for the purpose of inspecting the same, or for the purpose of posting notices of non-responsibility for alterations, additions, or repairs, without any rebate of rent and without any liability to Authority for any loss of occupancy or quiet enjoyment of the Premises thereby occasioned; provided, however, that State shall first give twenty four (24) hours written notice of its desire to inspect the Premises and such inspection shall be accompanied by a designated representative of Authority. Such notice and inspection procedures shall not apply during any term of the Facilities Lease.

19. **Default**: In the event State shall at any time deem Authority to be in breach of this Site Lease, State shall promptly notify Authority, in writing, stating specifically the nature of any such alleged breach. Authority shall not be deemed to be in default hereunder unless Authority fails to commence to cure any such default within ninety (90) calendar days after its receipt of such written notice and to diligently proceed to cure such default within a reasonable time. In the event of default State shall have all rights and remedies provided by law.

20. **Attorney Fees and Costs**: In the event that either party to this Site Lease shall enforce any of the provisions hereof in any action at law or in equity the prevailing party to such litigation shall be entitled to recover from the other party or parties all costs and expenses, including reasonable attorney fees, incurred therein.

21. **Integration**: This Site Lease embodies the entire agreement and understanding of the parties relating to the subject matter herein and supersedes all prior understandings relating thereto. This Site Lease shall not be modified except in writing signed by all parties to be bound.

22. **Execution of Documents**: The parties agree that they shall sign or cause to be signed all documents necessary to the effectuation of this Site Lease or any of the provisions herein.

23. **Warranty of Title**: State warrants to Authority that it has the power and authority to enter into this Site Lease and that the execution, delivery of this Site Lease and the performance of the contractual obligations set forth herein are not in violation of any federal, state, or local statute, ordinance, rule or

regulation and that no consents not already obtained are required. State further warrants that State has good and marketable title to Premises, free and clear of all claims, liens and encumbrances.

24. **Notices**: All notices under this Site Lease shall be in writing and shall be deemed to have been duly given on the date of service if served personally on the party to whom notice is to be given, or on the date of mailing if mailed to the party to whom notice is to be given by registered or certified United States mail, postage prepaid, and properly addressed as follows:

If to State: Boise State University
 Attn: Vice President of Finance & Administration
 1910 University Drive
 Boise, Idaho 83725-1200

with copy to: Department of Administration
 Attn: Director
 Statehouse Mail
 Boise, Idaho 73720

If to Authority: Idaho State Building Authority
 Attn: Executive Director
 Post Office Box 2802
 Boise, Idaho 83701

The addresses provided above may be changed and additional addresses or notices may be specified from time to time by notice given in writing in accordance with this Section.

25. **Binding Effect**: This Site Lease shall be binding upon and shall inure to the benefit of the heirs, personal representatives, successors and assigns of the parties.

26. **Severability**: If any term or provision of this Site Lease or the application of it to any person or entity or circumstances shall to any extent be invalid or unenforceable, the remainder of this Site Lease or the application of such term or provision to persons, entities or circumstances, other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Site Lease shall be valid and shall be enforced to the extent permitted by law.

27. **Headings**: Section headings contained herein are for convenience and reference and are not intended to define or limit the scope of any provisions of this Site Lease.

28. **Counterparts** This Site Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

29. **Time of the Essence:** Time is of the essence of this Site Lease, and of each and every covenant, term, condition, and provisions thereof.

30. **Recording Copy:** Either party may, at its option and expense, record this Site Lease.

IN WITNESS WHEREOF, the parties have caused this Site Lease to be executed effective as of the day and year first above written.

STATE:

AUTHORITY:

STATE OF IDAHO acting by and through
BOISE STATE UNIVERSITY

IDAHO STATE BUILDING AUTHORITY

By _____
Harry E. Neel Jr. Its Vice President
For Finance & Administration

By _____
V. L. "Bud" Tracy, Its Chairman

Attest _____
Wayne V Meuleman, Its Secretary

STATE OF IDAHO)
) ss.
County of _____)

On this ____ day of _____, 2003, before me, the undersigned, a Notary Public in and for said state of Idaho personally appeared Harry E. Neel Jr., known or identified to me to be the Vice President for Finance & Administration who acknowledged to me that he executed the within Site Lease on behalf of Boise State University in his representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this first above written.

Notary Public for Idaho
Residing at _____
Commission Expires:

STATE OF IDAHO)
) ss.
County of Ada)

On this ____ day of _____, 2003, before me, the undersigned, a Notary Public in and for the state of Idaho, personally appeared V.L. Bud Tracy and Wayne V Meuleman, known or identified to me to be respectively the Chairman and Secretary of Idaho State Building Authority, each of whom acknowledged to me that they executed the within Site Lease on behalf of the Idaho State Building Authority in their representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this first above written.

Notary Public for Idaho
Residing at Boise, Idaho
Commission Expires:

EXHIBIT A-1

REAL PROPERTY DESCRIPTION

[legal description based upon survey]

DRAFT

6/18/2003

5:27 PM

EXHIBIT A-2

PARKING DESCRIPTION

EXHIBIT B

DESCRIPTION OF IMPROVEMENTS COMPRISING THE FACILITIES

This new, three-story building will house a lecture hall, classrooms of various configurations, science laboratories, computer lab, library, offices, bookstore, and multi-use dining spaces. Immediate site work includes sidewalks, landscaping, and other site elements surrounding the building.

Total Square Footage: 65,600

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DEVELOPMENT AGREEMENT

(Boise State University West Campus Academic Building)

THIS DEVELOPMENT AGREEMENT ("Agreement") is made and entered into as of the _____ day of _____, 2003, by and between the IDAHO STATE BUILDING AUTHORITY (the "Authority") and the STATE OF IDAHO (the "State"), acting by and through its Department of Administration ("IDOA") through its Division of Public Works ("DPW") and BOISE STATE UNIVERSITY ("BSU").

RECITALS

A. The Authority intends to acquire certain educational and academic facilities (the "Facilities") to be constructed on the West Campus of Boise State University located at Nampa, Idaho.

B. Real property located within BSU has been leased to the Authority under a Site Lease dated as of _____, 2003, upon which the State shall cause the Facilities to be constructed for the Authority.

C. The Authority intends to issue its revenue bonds to provide funds which, together with other funds that may be provided by the State, shall be applied to payment of costs of planning, designing and constructing the Facilities.

D. The State has entered into a construction management contract dated October 22, 2000, (the "CM Agreement") with a qualified and licensed construction manager, CM Company, Inc. (the "CM") for professional services in the management of contracts for the construction of the Facilities and has entered into a professional services agreement dated November 20, 2000 (the "Architect Agreement") with a qualified and licensed architect, Hummel Architects P.A. (the "Architect") to prepare plans and specifications (the "Plans") for the Facilities. Additionally, the State intends to enter into additional contracts as may be necessary and appropriate to cause the Facilities to be completed in accordance herewith. Herein, all such contracts are collectively referred to as the "State Contracts".

E. The State, acting through IDOA and BSU has agreed to lease the Facilities from the Authority pursuant to a lease agreement (the "Facilities Lease") dated as of _____, 2003.

F. The Authority and State desire to set forth in this Agreement their respective responsibilities and agreements with respect to the Facilities and the planning, design and construction

thereof.

NOW, THEREFORE, IT IS AGREED:

1. **Recitals**: The parties acknowledge the foregoing Recitals are true and are incorporated into this Development Agreement as if set forth in full.
2. **Authority of DPW to Act for State**: DPW is authorized and empowered to act on behalf of the State in all respects pertaining to the planning, design and construction of the Facilities and as to all of the obligations of the State under this Agreement. IDOA and BSU hereby authorize DPW to act as their representative and agent and agree to be fully bound by all acts, authorizations, representations and decisions of DPW, except as otherwise expressly provided in this Agreement.
3. **Final Design and Approvals**: The State shall secure the completion of the final Plans for the Facilities, which shall include detailed plans and specifications suitable for bidding and award of construction contracts, and shall secure the written approval thereof, in a form acceptable to the Authority, by the Vice President of Finance and Administration of BSU, by the Permanent Building Fund Advisory Council, and by the Administrator of DPW. A complete set of the approved Plans shall be provided to the Authority.
4. **Design and Construction of Facilities**: The State agrees that it shall cause the design and construction of the Facilities to be substantially completed in every material respect as follows:
 - (a) The final Plans for the Facilities shall be subject to the written approval of BSU and shall not be materially changed without the written approval of BSU and the prior written consent of the Authority, which consent shall not be unreasonably withheld.
 - (b) The Facilities and every part thereof shall be constructed in a sound and workmanlike manner and shall be free from all material design or construction defects.
 - (c) The Facilities and every part thereof shall be constructed in accordance with the approved Plans, applicable building codes and all other applicable governmental regulations and requirements.
 - (d) The State shall have full responsibility to cause the design and construction of the Facilities to be properly completed in all substantial respects in accordance with the objectives, requirements and needs of BSU for use of the Facilities as educational and academic facilities.
 - (e) DPW shall, at its expense, provide qualified personnel to perform

necessary services in the administration of the State Contracts and in the inspection of work and services through the design and construction of the Facilities.

5. **Costs:**

(a) **Budget:** The State has approved a budget that they reasonably expect to include all costs and expenses for the construction of the Facilities, including a reasonable amount for contingencies, a copy of which is attached hereto as Exhibit A ("Budget"). The State hereby represents and warrants to the Authority that the Facilities, as designed, can be completed for the amount set for the in the Budget on or before the completion date set forth in Article 8 hereof.

(b) **Expenditures to Date:** As of the date of this Agreement, the State hereby represents, warrants and agrees that it has expended the following amounts for the planning, design and construction of the Facilities which amounts were included in the Budget.

(c) The sum of \$_____ for surveys, engineering studies, project planning and programming and design services and related costs.

(d) The sum of \$ _____ payable under the CM Agreement.

(e) **[other]**

6. **Additional Available Funds:** The State represents and warrants to the Authority that additional funds totaling Two Hundred Fifty Thousand Dollars (\$250,000) are currently available to the Authority from the State to pay costs of the Facilities ("Additional Funds"). Prior to issuance of bonds by the Authority, the Additional Funds shall be transferred to the Authority and deposited into a construction fund maintained and controlled by the Authority from which costs for planning, design and construction of the Facilities shall be paid in accordance with this Agreement ("Construction Fund"). The Additional Funds shall be held and applied by the Authority, together with funds provided by issuance of Authority bonds, to costs of the Facilities in accordance with the provisions of the bond resolution adopted by the Authority for the bonds.

7. **Financing by Authority:** The Authority agrees to issue revenue bonds or notes from which a total of Eight Million Six Hundred Thousand Fifty-Five Dollars (\$8,655,000) shall be deposited into the Construction Fund to be applied, with Additional Funds to pay Costs of Acquisition and Construction as defined in the Facilities Lease. The Authority shall pay from its Construction Fund costs of the Facilities, not to exceed the total available funds in the Construction Fund, as follows:

(a) All costs incurred directly by the Authority in connection with the Cost

of Acquisition and Construction as defined in the Facilities Lease.

(b) All reasonable costs incurred by the State pertaining to the planning, design and construction of the Facilities, as follows:

(i) the actual amounts owing by the State under the State Contracts, as and when due, less amounts previously paid thereunder by the State; and

(ii) the actual amounts owing by the State for any other purpose pertaining to the Facilities approved in advance by the Authority and not to exceed the amount approved in advance by the Authority.

The Authority agrees to provide to the State, upon request, periodic statements detailing expenditures from the Construction Fund.

8. **Guaranty of Completion and Cost:** The State has undertaken or will undertake the planning, management, control and direction of the design and construction of the Facilities and does hereby guaranty to the Authority that the Facilities shall be completed as required in this Agreement. State agrees to be responsible for all risks relating to the planning, design and construction of the Facilities, including but not limited to:

(a) The faults, failure or defaults of any employee, agent, representative, or contractor engaged by the State to perform any service or work pertaining to the Facilities;

(b) Cost overruns for any reason including, without limitation, any foreseen or unforeseen, anticipated or unanticipated conditions, delays, material shortages; actions of any persons or entity (other than the Authority); any State actions to control the progress of the work; any legal restrictions upon the States' ability to enter into or perform the State contracts or other events which may entitle any contractor or other person or entity to additional funds; and

(c) Failure to substantially complete the construction of the Facilities to be available for occupancy not later than September 30, 2005, subject to reasonable extensions approved by the Authority, which approval shall not be unreasonably withheld.

9. **Payment Procedure:** The State shall submit to the Authority not more frequently than monthly a written application for payment based upon the work completed during the immediately preceding month. On or before the requested payment becomes payable by the State, but not less than 15 calendar days after receipt of the application, the Authority shall make payment on behalf of the State, the sum representing work completed, equipment and materials stored at the site or other approved locations, or other appropriate work or services completed for the benefit of the

Facilities. The amount payable by the Authority shall not exceed the sum actually owing by the State for which such application is made. The State shall monthly provide to the Authority an estimate of cash flow requirements for the succeeding three (3) months and the Authority agrees to arrange the availability of funds to be paid hereunder accordingly, if possible, or to notify the State of its inability to do so.

10. **Construction Progress Certifications**: At any time upon request and regularly with any application for payment of sums owing under the State Contracts, the State shall furnish to the Authority certifications, in a form acceptable to the Authority, signed by the Architect, the CM and DPW. Such certifications be in accordance with the certificates required by and pursuant to the State Contracts, and subject to the rights and obligations of the Architect, the CM and DPW thereunder, shall state that the amount applied for fairly represents the value of work then performed and shall further state that:

(a) The work represented thereby has reached the stated percentage or degree of completion;

(b) That, to the best of the certifiers knowledge, information and belief, all work performed substantially complies with the applicable State Contract, the Plans and this Agreement, or that, if any work does not so substantially comply, the certification shall include a report specifying in reasonable detail all areas and aspects in which the work does not comply and such progress payment shall not be made for such non-conforming work, and

(c) That the unpaid balance of monies thereafter payable under the applicable State Contracts, together with unexpended funds available for change orders as provided herein, is sufficient to complete the Facilities.

11. **Conditional Assignment of Contract Rights**: The State hereby assigns to the Authority all of its rights and interest in and to the State Contracts. This assignment is to secure the State's strict performance of the terms of this Agreement and shall be fully effective only upon the default of the State hereunder. The State, and not the Authority, shall remain solely responsible for performance of the State Contracts notwithstanding such assignment. Nothing hereunder shall obligate the Authority either now or in the future to assume or perform the State's obligations under the State Contracts.

12. **Conveyance of Facilities**: The State hereby sells, assigns, grants and conveys to the Authority all of the following:

(a) The interest of the State in and to the Plans and all drawings and design documents and materials of every kind or nature relating to the design of the Facilities; however, the

State retains the right to use of the Plans, drawings, design documents and other materials to expand, alter, modify, repair or improve the Facilities during the term of the Facilities Lease;

(b) All work in progress, materials, equipment, supplies, and other personal property of every kind or nature, whether or not stored on the site of the Facilities, furnished under the State Contracts, or paid for with funds furnished by the State, or paid for with funds furnished by or through the Authority; and

(c) The Facilities and all rights and interests of the State thereto subject to the provisions of the Site Lease.

13. **Notice Upon Default by Contractors:** In the event of a material default by any contractor under the State Contracts and prior to the State taking action to (i) terminate such contract or suspend performance of the work, (ii) employ a separate contractor to perform portions of the work, or (iii) otherwise take action with respect to such defaulting contractor, the State shall provide the Authority written notice of its proposed or intended actions at least five (5) days prior to taking any such action and shall secure the Authority's written consent to such action, which consent shall not be unreasonably withheld by the Authority.

14. **Authority Consent for Changes Required:** Consent by the Authority shall be required for (a) any single change affecting the cost of the Facilities by more than Fifty Thousand Dollars (\$50,000), or cumulative changes having an aggregate cost of more than Two Hundred Thousand Dollars (\$200,000) and (b) to any single change delaying substantial completion of the Facilities by more than thirty (30) days or cumulative changes delaying substantial completion in the aggregate by more than sixty (60) days. The consent of the Authority may be withheld until, or conditioned upon, receipt by the Authority of necessary funds to complete the items in the change order. The State shall not approve or initiate changes so affecting costs or delays without the prior written consent of the Authority, which consent shall not be unreasonably withheld. The Authority agrees to provide its consent hereunder within a reasonable time as determined by the circumstances giving rise to such changes and within sufficient time to permit the State to take appropriate action regarding such changes. In any instance in which changes occur which affect costs in excess of such amounts, the express written concurrence of BSU shall be obtained prior to requesting the Authority's consent to such changes. The Authority's consent to any such changes or delays shall not modify the obligation of the State to pay rent commencing July 1, 2004 as provided in the Facilities Lease.

15. **Access to Facilities and Information:** The Authority, its agents, employees and representatives, shall have reasonable access to the construction site of the Facilities, to all materials, equipment and/or supplies relating thereto, to all materials, documents and information held by the State or any project representative or any third party employed by, representing, or acting in any way as the agent of the State, and to all documents, materials, plans and other information held by the

contractor or its agents, subcontractors, or suppliers that is legally or in fact available to the State.

Upon completion of the Facilities, the DPW shall maintain for the benefit of the Authority (i) one complete set of “as-built” Plans (drawings and specifications) of the Facilities, (ii) one complete set of operating manuals, and (iii) copies of all written warranties.

16. **Insurance:** In addition to the insurance required under the Facilities Lease, the State shall procure and maintain builder’s all risk insurance insuring the Facilities against loss or damage from insurable perils, including flood and earthquake if available on reasonable terms. Such insurance shall be in the amount of the full replacement cost of the Facilities and shall include loss of use or loss of rents and soft costs with limits acceptable to the Authority. All such insurance shall include the Authority as an additional named insured and shall contain a loss payable clause covering the interest of any trustee appointed by the Authority in connection with the issuance of bonds. Prior to commencing construction of the Facilities, the State shall provide to the Authority and its trustee a certificate of insurance, in a form acceptable to the Authority, evidencing such insurance.

17. **Indemnification:** The State shall indemnify, defend and hold the Authority harmless from any claim, liability, loss, or expenses of any nature relating to or arising out of this Agreement, the Facilities, or any work performed in connection therewith, the State Contracts or arising out of or relating to any act or omission of any employee, agent, representative, consultant or other person acting on behalf of the State. This indemnification shall run to the Authority, its officers, directors, employees, and representatives. This indemnification shall include all reasonable attorney’s fees and other reasonable defense costs. In the event the State fails or refuses to indemnify or defend the Authority without reservation or condition as to any such claim against the Authority, the Authority may, if it so elects, defend itself with counsel it selects without limiting in any way the obligations of the State hereunder, and all costs incurred by the Authority in such instance, and any judgment or other claim rendered against the Authority or determined by the Authority to be due, shall be immediately due and payable from the State.

Nothing in this paragraph 16 shall be construed as the agreement of the State to indemnify the Authority from liability for damages arising out of director’s and officer’s liability, personal injury or damage to property caused exclusively by the malfeasance or negligence of the Authority.

18. **Non-Assignment by State:** The State shall not assign this Agreement. In the event the State delegates any of its obligations under this Agreement to any independent third party engaged by or employed by the State in connection with the Facilities, no such delegation shall reduce or in any way limit the State’s obligations hereunder.

19. **Assumption of Rights of Authority:** The rights of the Authority hereunder run to the Authority, and its successors and assigns, and all rights of the Authority hereunder shall be assignable to and enforceable by any bondholder of the Authority, or any trustee representing the same

to the same effect and in the same manner as enforceable by the Authority itself.

20. **Notice of Default:** In the event either party contends that a default or claimed default has occurred hereunder, such party shall prior to taking any legal action to enforce its rights hereunder, give written notice of such default or claimed default to the other, specifying with reasonable detail the nature of such defaults. The party allegedly in default shall have fifteen (15) days from the date such notice is given to cure such default. Provided, however, such notice shall not be required if the default itself or any delay in taking legal action for the period required for notice has the effect of limiting or terminating the rights of party not in default or if such default is such that it cannot be cured by the defaulting party, and in such instance, the non-defaulting party shall use reasonable efforts to give notice to the other as may be reasonable and practical in the circumstances, but may take immediate action itself to correct or cure the default and exercise all other rights hereunder.

21. **Remedies on Default of State:** In the event of any default hereunder, the Authority shall have any or all of the following remedies:

- (a) All remedies provided under the Facilities Lease;
- (b) The right to recover all of its damages, including but not limited to compensation for loss of use of the Facilities and/or loss of rental income;
- (c) Upon written notice pursuant to paragraph 20 to the State of its default, the Authority shall succeed to all rights and remedies of the State under the State Contracts assigned hereunder to the Authority, but shall not thereby itself become liable under any of such contracts;
- (d) If the State's default may be cured or mitigated by the payment of money or by completion of the work, the Authority may in its sole discretion, but shall not be obligated to, pay such sums as the Authority deems appropriate, or complete the work or such portion thereof as the Authority deems appropriate, and all sums incurred or paid by the Authority shall be immediately due and payable to the Authority by the State;
- (e) Injunction, specific performance, equitable relief, and
- (f) No remedy hereunder shall be exclusive, nor shall the Authority's decision to pursue one remedy constitute an election of remedies.

22. **Notice:** In the event notice is required hereunder, such notice shall be deemed given upon depositing the same in the United States mail by certified mail, return receipt requested, to the following persons at the following addresses:

Idaho State Building Authority
Post Office Box 2802

Boise, Idaho 83701
Attention: Executive Director

Idaho Department of Administration
Statehouse Mail
Boise, Idaho 83720
Attention: Director

23. **Authorized Representative**: The Executive Director of the Authority is authorized to act for the Authority regarding all matters contained in this Agreement. The Administrator for Division of Public Works shall represent the State of Idaho as to all matters contained in this Agreement.

24. **Attorney Fees**: In the event either party to this Agreement is required to initiate or defend litigation with respect to the terms hereof or to enforce any of its rights hereunder, the prevailing party in such litigation shall be entitled to reasonable attorney's fees incurred in such litigation, including all discovery costs and costs of expert witnesses, together with all reasonable litigation expenses.

EXECUTED on the dates set forth below.

IDAHO STATE BUILDING AUTHORITY

By: _____
Chairman
Date: _____

STATE OF IDAHO
DEPARTMENT OF ADMINISTRATION

By: _____
Its Director
Date: _____

STATE OF IDAHO, DEPARTMENT OF
ADMINISTRATION, DIVISION OF
PUBLIC WORKS

By: _____
Its Administrator
Date: _____

BOISE STATE UNIVERSITY

By: _____
Its Vice President of Finance and Administration
Date: _____

EXHIBIT A**BUDGET****07/01/03****Boise State University
West Campus Academic Building****Sources of Construction Funds**

| | |
|------------------------------|------------------------|
| ISBA Bond Proceeds | 8,655,000.00 |
| State Deposits | <u>1,145,000.00</u> |
| Total Funds Available | \$ 9,800,000.00 |

| Uses of Construction Funds | Budget | Paid To Date | Balance |
|-----------------------------------|---------------------|------------------------|------------------------|
| Design Fees and Costs | 780,000.00 | (569,074.00) | 210,926.00 |
| Construction Management | 722,789.00 | | 722,789.00 |
| Construction Contracts | 7,744,761.00 | - | 7,744,761.00 |
| Construction Testing | 40,000.00 | - | 40,000.00 |
| Consultant Services | 65,250.00 | (10,125.00) | 55,125.00 |
| Special Equipment | - | | - |
| Plan Check/Advertising | 13,400.00 | (155.00) | 13,245.00 |
| Site Survey/Investigation | 10,800.00 | (10,333.00) | 467.00 |
| Contingency Allowance | <u>423,000.00</u> | <u>-</u> | <u>423,000.00</u> |
| Total \$ | 9,800,000.00 | \$ (589,687.00) | \$ 9,210,313.00 |

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FACILITIES LEASE

(Boise State University Campus Academic Building)

THIS FACILITIES LEASE, made as of the ____ day of _____, 2003, between the IDAHO STATE BUILDING AUTHORITY (the "Authority"), as lessor, and the STATE OF IDAHO (the "State"), acting through the IDAHO DEPARTMENT OF ADMINISTRATION ("IDOA") and BOISE STATE UNIVERSITY ("BSU"), with the consent and approval of the IDAHO STATE BOARD OF EDUCATION, as lessee.

RECITALS

A. The Authority was created by the Idaho State Building Authority Act, Title 67, Chapter 64, Idaho Code (the "Act"), to finance, construct, and operate facilities for the purposes set forth in the Act; and

B. The Authority is empowered by the Act, among other powers, to acquire property; to enter into agreements with the State of Idaho or any agency, board, department or commission thereof for the financing of facilities; to provide for the acquisition, development, construction, reconstruction, improvement, alteration, maintenance, operation, or repair of facilities or parts thereof; and to lease such facilities as provided by the Act; and

C. In accordance with the provisions of Idaho Code, Section 67-6410(a), the Idaho Legislature, pursuant to House Concurrent Resolution No. 30, First Regular Session of the Fifty-seventh Legislature, has authorized the IDOA and BSU to enter into agreements with the Authority as may be reasonable and necessary for the purpose of providing financing and development of educational facilities (defined herein as the "Facilities"), for use by BSU; and

D. Concurrently herewith, the Authority has leased the real property described in Exhibits A-1 and A-2 pursuant to the Site Lease, as defined hereinafter, to finance and acquire the Facilities, and to lease the Facilities back to the State pursuant to this Facilities Lease; and

E. The Authority intends to finance the cost of acquisition of the Facilities and related costs by the issuance of bonds, notes or other evidences of indebtedness as authorized by the Act; and

F. The State and the Authority acknowledge that there shall be no merger of the State's leasehold interest in the Facilities and its ownership interest in the real property described in Exhibits A-1 and A-2; and

G. The State will be responsible for the design and construction of the Facilities pursuant to the terms of the Development Agreement, as hereinafter defined, and will lease the Facilities from the Authority upon the terms and conditions set forth in this Facilities Lease.

NOW, THEREFORE, in consideration of the mutual promises, conditions, and covenants set forth herein, the parties agree:

ARTICLE 1

FINDINGS AND DECLARATION

Section 1.1 Findings: The Authority has found and declared, in accordance with Section 67-6410(c), Idaho Code, that the Facilities will be of public use and will provide a public benefit to the people of the State of Idaho.

Section 1.2 Declaration: The parties agree and acknowledge that the Recitals contained in this Facilities Lease are true and are incorporated into this Facilities Lease as if set forth in full. This Facilities Lease shall constitute the agreement of the Authority to provide the Facilities as required by Section 67-6410(b), Idaho Code.

ARTICLE 2

DEFINITIONS

The terms used herein shall have the following meanings:

Section 2.1 "Act" shall mean Chapter 64, Title 67, Idaho Code, as it now exists and as it may hereafter be amended and supplemented.

Section 2.2 "Annual Rent" shall mean, with respect to the initial term of this Facilities Lease and each renewal term thereof, the Basic Rent and Additional Rent determined in accordance with Article 6 hereof due and payable by the State to the Authority with respect to the Facilities for such lease term.

Section 2.3 "Authority" shall mean the Idaho State Building Authority, an independent public body corporate and politic of the State of Idaho, created by and existing under the Act.

Section 2.4 "Bonds" shall mean the portion of any bond or bonds, note or notes, or other evidences of indebtedness issued by the Authority for the purpose of financing the Cost of Acquisition and Construction and bonds or notes issued to refinance all or any part thereof and any bonds or notes issued to finance any additions, modifications or replacements of the Facilities from time to time hereafter.

Section 2.5 "Bond Resolution" shall mean the resolution or resolutions of the Authority, as amended and supplemented, authorizing the issuance of Bonds.

Section 2.6 "Code" means the Internal Revenue Code of 1986, as amended, regulations thereunder and rulings and judicial decisions interpreting or construing the Code.

Section 2.7 "Cost of Acquisition and Construction" shall mean any proper and reasonable cost, whether or not specifically mentioned herein, of the lease, development and design and construction of the Facilities and furniture, fixtures, machinery, apparatus and equipment therefore; of engineering and

architectural services, designs, plans, specifications and surveys; of planning, analysis, project management, administration, inspection and similar services in connection with the Facilities; of acquisition or lease of any land or interest therein for use in connection therewith; of preparation of the sites thereof and of any land to be used in connection therewith; of any indemnity and surety bonds and insurance premiums; of allocable administrative and general expenses of the Authority; of allocable portions of legal fees, audits, fees and expenses of any trustees, depositories and paying agents, financial advisors, underwriters and others for the Bonds; of issuance of the Bonds and interest thereon and other financing charges, and of fees and expenses of other advisors and consultants necessary or appropriate in connection therewith; of the payment of any Bonds of the Authority (including any interest and redemption premiums) issued to temporarily finance the payment of any item or items of cost of the Facilities; of expenses necessary or incidental to determining the feasibility or practicability of the Facilities; and of all other reasonable expenses not specified herein as may be necessary or incidental to the development, design, construction and acquisition of the Facilities, the financing thereof, and the placing of the same in use and operation.

Section 2.8 "Development Agreement" shall mean an agreement entered into between the Authority and the State whereby the State agrees to complete the design and construction of the Facilities satisfactory to the Authority and to convey ownership of the Facilities to the Authority as the design and construction progresses.

Section 2.9 "Facilities" shall mean the Authority's interest in the real property described in Exhibits A-1 and A-2 attached hereto created by the Site Lease together with all easements and rights appurtenant thereto and together with all improvements located thereon and improvements to be constructed thereon described in Exhibit B, together with all equipment, furniture, fixtures, improvements, and appurtenances designed, constructed or installed thereon by or for the Authority.

Section 2.10 "Facilities Lease" shall mean this Facilities Lease, including any amendments or supplements thereto.

Section 2.11 "Fiscal Year" shall mean the twelve-month period of each year beginning July 1 and ending on the following June 30.

Section 2.12 "Site Lease" shall mean the Site Lease, as amended, entered into between the Authority and the State of Idaho acting by and through BSU **[need to verify]** coincidentally herewith, containing the terms and conditions of the lease of real property and easements, described in Exhibits A-1 and A-2, to the Authority.

Section 2.13 "Operating Costs" shall mean the Authority's expenses (including reasonable reserves for such expenses) for real property assessments, allocable administration and general expenses of the Authority, expenses for maintenance and repairs, insurance premiums, utility charges, legal, financial, architectural and engineering expenses, fees and expenses of fiduciaries under the Bond Resolution, bond insurance, guaranty and/or letter of credit fees, interest and finance charges, and any other expenses or contingencies to be paid or provided for by the Authority, all to the extent properly attributable to the Facilities and payable by the Authority. Operating Costs shall not include any Cost of Acquisition and

Construction or any provision for depreciation, amortization or similar charges or any expenses for maintenance and repairs, utility services or insurance paid for or provided by the State pursuant to this Facilities Lease.

ARTICLE 3

LEASE OF PROJECT; TERM OF LEASE

Section 3.1 Lease of Facilities: The Authority hereby leases the Facilities to the State for use in furtherance of the public benefit, and the State hereby leases the Facilities from the Authority on the terms and conditions set forth herein.

As affects this Facilities Lease, BSU shall have the primary responsibility to act on behalf of the State in all respects pertaining to the obligations of the State under this Facilities Lease. The State of Idaho hereby authorizes BSU to act as its representative and agent in all respects pertaining to this Facilities Lease, and the State of Idaho shall be fully bound by all acts, authorizations, representations and decisions of BSU, except as otherwise expressly provided in this Facilities Lease.

Section 3.2 Term of Lease: This Facilities Lease shall be in full force and effect from the effective date hereof. The initial term of this Facilities Lease shall extend from the effective date hereof through June 30, 2004. The State shall have the option to renew this Facilities Lease in accordance with the provisions hereof for successive terms concurrent with and equal to succeeding Fiscal Years thereafter and each such renewal of this Facilities Lease shall be deemed to be exercised, automatically and without further action by the State, unless the State shall notify the Authority in writing of its intent not to renew this Facilities Lease not later than ten (10) months prior to the expiration of any lease term; provided, however, no term of this Facilities Lease shall extend beyond the term of the Site Lease.

ARTICLE 4

ACQUISITION, DEVELOPMENT AND FINANCING

Section 4.1 Acquisition and Development of Facilities: The Authority agrees to acquire real property and parking for use as the site of the Facilities by the Site Lease entered into coincidentally herewith. Pursuant to the terms of the Site Lease, the Authority will own fee title to the improvements constructed thereon as provided in the Development Agreement entered into coincidentally herewith. This Facilities Lease and the rights, title and interest of the State in this Facilities Lease and the Facilities shall be subject to the interests of the Authority in the real property and parking acquired therefor.

Section 4.2 Financing of Facilities by the Authority: The Authority agrees to finance the Cost of Acquisition and Construction of the Facilities by issuance of Bonds as authorized by the Act. The Authority may from time to time refinance or refund such Bonds as the Authority may deem appropriate; provided the Authority shall not refinance or refund such Bonds without the written consent of the State if to do so would increase the Basic Rent due hereunder. The Authority shall give written notice to the State of its intent to refinance or refund such Bonds.

Section 4.3 Bond Anticipation Notes: The Authority may issue bond anticipation notes payable from proceeds of Bonds.

ARTICLE 5

USE OF FACILITIES

Section 5.1 Use of Facilities: The State agrees that the Facilities shall be used by BSU and such other institutions, departments and agencies of the State as deemed necessary or appropriate by the State. With the written consent of the Authority, which shall not be unreasonably withheld, the State may enter into agreements with other entities ("Non-State Entities") for the operation and/or maintenance of the Facilities or for the use or occupancy of portions of the Facilities by Non-State Entities upon the following conditions:

- (a) the nature and extent of the proposed agreements with Non-State Entities will not adversely affect the tax-exempt status of the Bonds; and
- (b) such proposed users or uses shall be compatible with and complimentary to the interests in and uses of the Facilities by the State; and
- (c) the nature and extent of the proposed uses of the Facilities conforms to policies relating to permitted uses of the Facilities adopted by the Board of Commissioners of the Authority.

ARTICLE 6

RENT

Section 6.1 Payment of Annual Rent: In consideration of the lease of the Facilities, the State shall pay to the Authority, in advance and without any set off or deduction whatsoever, the following Annual Rent:

- (1) For the period of the initial term of this Facilities Lease in the Fiscal Year ending June 30, 2004, the State shall pay no Annual Rent.
- (2) For the renewal term of this Facilities Lease commencing July 1, 2004 and for each annual renewal term thereafter, the State shall, within 30 calendar days following the commencement of such renewal terms, pay in advance:
 - (a) As and for Basic Rent, an amount for such term which shall equal the principal installments, including sinking fund deposits, and interest payable in the corresponding Fiscal Year in accordance with the Bond Resolution with respect to the Bonds; and
 - (b) As and for Additional Rent as follows:

(i) the amount estimated by the Authority to be sufficient to provide the Authority with adequate monies to pay all Operating Costs attributable to the Facilities for the applicable term of this Facilities Lease, plus

(ii) the amount, if any, of deposits to any debt service reserve account, any operating fund, and any other reserve or expense accounts required to meet all terms and conditions of the Bond Resolution. The Authority will provide to the State an estimate of Operating Costs which shall accompany its statement for Additional Rent.

(3) Annual Rent payable for any renewal term shall not be deferred or abated because of delays in completion of the construction of the Facilities or delays in completion of any repair or replacement of damage to the Facilities.

(4) Any installment of Annual Rent which is not paid by the State on or before the due date thereof shall, from and after said due date, bear interest until paid at the highest rate per annum borne by any of the Bonds then outstanding; time being of the absolute essence of this obligation.

(5) The Authority and the State hereby agree that the Basic Rent in any lease term shall be reduced by any amounts on deposit with the Authority legally available for and allocated by the Authority to the payment of principal and interest on the Bonds, including without limitation capitalized interest deposited from the proceeds of the Bonds and funds on deposit in the debt service account established under the Bond Resolution. Basic Rent shall be increased or decreased as appropriate to reflect the issuance by the Authority of Bonds bearing interest at variable rate and issuance of any additional Bonds issued to refinance the Facilities, in whole or in part, or any additional Bonds issued for the purposes set forth in Section 9.1 hereof or issued to finance additions, modification or replacement of the Facilities or any part thereof.

(6) Annual Rents shall be payable in lawful money of the United States of America, which shall be legal tender for public and private debts under the laws of the United States at the time of payment, provided that, upon prior written approval of the Authority, the State may transfer funds through electronic funds transfer. Payment shall be made at the office of the Authority or such other place or places as may be designated in writing by the Authority.

(7) The State and the Authority have agreed and determined that such Annual Rent represents the fair market rental value of the Facilities. In making such determination, consideration has been given to the Cost of Acquisition and Construction, and the costs of financing of the Facilities and the Operating Costs thereof, and the uses and purposes of the Facilities which will accrue to the State and the Authority and the general public by reason of the use and occupancy thereof by the State and ownership by the Authority.

(8) The parties agree that the Annual Rent hereunder constitutes ordinary operating expense of the State within the provisions of Article VIII Section 1 of the Idaho Constitution.

Section 6.2 Application of Rent: The Authority covenants to use and apply Annual Rent to payment of debt service of the Bonds, Operating Costs, deposits to required reserve accounts and other appropriate purposes pertaining to the Facilities and/or the Bonds.

ARTICLE 7

OPERATION AND MAINTENANCE OF THE FACILITIES

Section 7.1 Operation, Repairs, and Maintenance: The State shall, throughout the term of this Facilities Lease and each renewal term thereof, at the State's cost and expense, keep and maintain or cause to be kept and maintained, the Facilities and all equipment, fixtures, additions and improvements thereof, in good order and condition, and shall, at the State's cost and expense, make or cause to be made all necessary repairs, renewals, and replacements with respect to the Facilities. To the extent repairs or replacements are insured under policies maintained by the Authority and insurance proceeds are paid to the Authority, the State shall be entitled to such insurance proceeds to the extent of the actual costs incurred by the State and except to the extent the insurance proceeds are required to be otherwise applied in accordance with the terms of the Bonds. Subject to Section 10.1, in the event the Facilities or any part thereof are damaged or destroyed by uninsured or partially uninsured casualty of any kind, the State shall either replace or rebuild the Facilities in equal value, or pay such sums to the Authority as may be required to fully pay and discharge the Bonds.

Section 7.2 Utilities: The State shall pay or cause to be paid all costs, expenses and charges for water, electricity, lights, heat, power, sewage, telephone, and other utility services, rendered or supplied upon or in connection with the Facilities during the term of this Facilities Lease and each renewal term.

Section 7.3 Insurance:

(1) The State shall maintain or cause to be maintained with responsible insurers or under an established program of self-insurance (as considered to be adequate by an Insurance Consultant as may be engaged by the Authority) the following kinds and amounts of insurance acceptable to the Authority with respect to all existing buildings, improvements, equipment and other property comprising any part of the Facilities and/or the use of the Facilities at all times throughout the initial term and each renewal term of this Facilities Lease:

(a) Commercial general liability insurance (CGL) and, if necessary, commercial umbrella insurance and property damage liability, and errors and omissions liability as shall afford protection to the Authority in an amount of not less than \$1,000,000 for each occurrence. The commercial general liability insurance shall cover liability arising from premises, operations, independent contractors, product-completed operations, personal injury and advertising injury, and liability assumed under an insured contract. Such insurance shall protect the Authority to the same extent as the State is protected from claims, demands, causes of actions, penalties, including costs and attorney fees, arising out of the use or occupancy of the Facilities. Upon written request of the Authority, the State will increase the amount of the CGL insurance to an amount determined by the Authority if, in the opinion of the Authority and based on local standards, the amount of the CGL insurance is not adequate.

(b) Commercial property insurance and, as applicable, course of construction insurance, in the amount of the full replacement value of the Facilities or any portion thereof, including fixtures, equipment, lessee improvements and betterments. Commercial property insurance shall, at a minimum, cover the perils insured under the ISO special causes of loss form CP 1030 and, if reasonably available, earthquake and flood insurance, debris removal, operation of building laws, extra expense, consequential loss, loss of rents and/or business interruption. Such loss of rents or business interruption insurance shall be in an amount equal to Annual Rent payable to the Authority by the State with respect to the Facilities during such time or times as the use of the Facilities may be totally or partially interrupted or the construction thereof delayed as a result of damage or destruction resulting from perils insured against pursuant to this subsection (1)(b).

(c) Worker's Compensation Insurance in the amount and in the form which the State is required by law to maintain.

(d) Any other insurance agreed to in writing by the State and the Authority.

(e) Any other insurance required by the terms and conditions of the Bonds.

(2) All insurance procured and any self-insurance plan maintained by the State shall comply with the following requirements:

(a) Each policy or policies of insurance shall be written by insurance companies authorized to do business in the state of Idaho and furnished through an insurance carrier or carriers satisfactory to the Authority or through a self-insurance plan satisfactory to the Authority and an Insurance Consultant pursuant to the Bond Resolution.

(b) True, correct and complete copies of all insurance policies or self-insurance plan and all endorsements, changes, amendments and supplemental provisions thereto shall be continually maintained by the State and shall be available for inspection and copying by the Authority at all times during the State's regular office hours.

(c) All such insurance shall provide that coverage shall not be canceled or amended except upon sixty (60) calendar days prior written notice to the Authority. The Authority shall be furnished current certificates upon the commencement of the initial term and each renewal term of this Facilities Lease showing that all such insurance fully complies with the terms of this Facilities Lease, and current certificates shall be furnished at any other time or times as may be reasonably requested.

(d) All policies of insurance obtained by and any self-insurance plan maintained by the State shall include provisions that coverage shall not be affected, reduced or waived by any inaccurate or misleading statement or information furnished by the State in obtaining such insurance nor shall insurance under such policies furnished to the Authority be reduced by any actual or alleged breach of warranties made by the State in obtaining such insurance. All liability insurance furnished by the State shall include insurance covering the obligations of the State under Article 8 of this Facilities Lease.

(3) The Authority and the State hereby release each other from any and all liability or responsibility to the other as to any person claiming through or under either by way of subrogation or otherwise for any loss or damage to property caused by any casualty insured by the above-described coverages, even if the loss is caused by the fault or negligence of the other party or by any party for whom the other party is responsible.

(4) All insurance provided to the Authority by the State pursuant to this Facilities Lease shall name the Authority as additional named insured and contain a loss payable clause providing for payment of proceeds to the Authority and the trustee of the Bonds to the extent of their interest therein, and the Annual Rent otherwise payable by the State with respect to the Facilities shall be reduced by the amount of business interruption or loss of rents insurance payments, if any, made to the Authority and/or the trustee of the Bonds.

(5) In the event the Authority is able to procure any or all of the insurance coverages herein required at a cost less than the cost incurred by the State thereof, the Authority agrees to do so and the cost thereof shall be included as Operating Costs of the Authority. In such event the obligation of the State to provide any such insurance shall continue until the insurance coverage procured by the Authority is actually in effect. Upon the expiration or termination of any insurance procured by the Authority hereunder, the State shall immediately, without any interruption in insurance coverage, procure and maintain such coverage.

ARTICLE 8

INDEMNITY

Section 8.1 State's Indemnification: The State hereby agrees to defend, protect, hold harmless and indemnify the Authority and its agents, employees, representatives, successors, and assigns, against all demands, claims, liabilities, causes of action or judgments, and all loss, expense and damage of any and every sort and kind, including, but not limited to, costs of investigations and attorneys' fees and other costs of defense, for:

(1) injury to person or property occurring in, upon or about the Facilities or any adjacent or related real property or improvements owned, occupied or controlled by the State or any of its agencies, departments, bureaus or subgovernmental entities;

(2) injury to person or property arising out of the use or occupancy of the Facilities or relating in any manner to operations conducted thereon;

(3) any other premises liability relating to the Facilities;

(4) any loss to person or property to the extent of its self-insurance, if any; and

(5) all liability whatsoever arising out of any public or governmental activities of the State of any kind or nature whatsoever.

Nothing in this Article 8 shall be construed as the agreement of the State to indemnify the Authority from liability for damages arising out of personal injury or damage to property caused solely and exclusively by the negligence or malfeasance of the Authority.

The obligations under this Section are deemed to be ordinary operating expenses of the State within the provisions of Article VIII Section 1 of the Idaho Constitution.

Section 8.2 Authority's Indemnification: The Authority hereby agrees to defend, indemnify and save the State harmless from and against any and all liability, loss, damage, cost and expense, including court costs and attorney fees of whatever nature or type, whether or not litigation is commenced, that the State may incur, by reason of any act or omission of the Authority, its employees or agents or any breach or default of the Authority in the performance of its obligations under this Facilities Lease. The foregoing indemnity shall not apply to any injury, damage or other claim resulting solely from the act or omission of the State.

ARTICLE 9

ALTERATIONS, ADDITIONS, AND IMPROVEMENTS

Section 9.1 Alterations, Additions, and Improvements: The State shall have the right, at any time and from time to time during the term of this Facilities Lease, at the State's costs and expense, to make such, alterations, additions, expansions and improvements, to the Facilities, as the State shall deem necessary or desirable in connection with its use of the Facilities. Notwithstanding the foregoing, the State shall not make any alterations, additions, expansions or improvements which are structural or which will lessen the market value of the Facilities without the prior written consent of the Authority which shall not be unreasonably withheld. Once commenced, all alterations, additions, expansions and improvements shall be diligently pursued to completion. All such alterations, additions and improvements shall be of such character as to not reduce or otherwise adversely affect the value of the Facilities or the rental value thereof and all the costs thereof shall be promptly paid or discharged so that the Facilities shall at all times be free of liens or claims for labor and materials supplied thereto. All, alterations, additions, fixtures and permanent improvements to the Facilities shall be and become a part of the Facilities and shall become the property of the Authority.

Section 9.2 Furniture, Fixtures, and Equipment: The State shall maintain an inventory of all furniture, fixtures, and equipment and other tangible personal property financed or provided by the Authority as part of the Facilities and shall have the right to replace, at its expense, such tangible personal property as the State shall deem necessary or desirable in connection with its use of the Facilities. The State shall, upon request but in no event more than once per year, provide to the Authority an inventory of furniture, fixtures, and equipment in use at the Facilities provided by the Authority with the Facilities.

ARTICLE 10

DAMAGE, DESTRUCTION, AND CONDEMNATION

Section 10.1 Damage, Destruction, and Condemnation: In the event of damage, destruction, or condemnation of the Facilities, or any part thereof, the net proceeds of any insurance or condemnation awards with respect to the Facilities and, to the extent necessary, the proceeds of any additional Bonds which may be issued by the Authority for such purpose pursuant to the terms and conditions of the Bonds, shall be used and applied by the Authority in accordance with the terms of the Bonds to repair, restore, rebuild, or replace the Facilities; provided, however, that, in the event of total or substantial destruction or condemnation of the Facilities or in the event that the aforesaid insurance proceeds, condemnation awards, and proceeds of Bonds are not sufficient to repair, restore, rebuild, or replace the Facilities, the Authority may elect not to repair, restore, rebuild, or replace the Facilities, in which case the net proceeds of all insurance and condemnation awards, together with all other available funds, shall be applied in accordance with the terms of the Bonds. Any such repair, restoration, rebuilding, or replacement of the Facilities may be in accordance with such different design, plans, and specifications approved by the State as will or may provide facilities of the same or different nature or use, so long as any such change therein or thereof shall not reduce or otherwise adversely affect the value of the Facilities or the rental value thereof. In consideration of the Authority proceeding with the repair, restoration, rebuilding, or replacement of the Facilities as above provided, the State shall continue to pay the Annual Rent due under this Facilities Lease, except to the extent the Authority actually receives proceeds of business interruption or loss of rents insurance described in Section 7.3 hereof.

ARTICLE 11

PARTICULAR COVENANTS

Section 11.1 Compliance with Laws and Regulations: The State shall, at its own cost and expense, promptly comply with, or cause to be complied with, all applicable laws and ordinances, rules, regulations and other governmental requirements, whether or not the same require structural repairs or alterations, which may be applicable to the State, the Facilities or the use or manner of use of the Facilities. The State shall also observe and comply with the requirements of all policies and arrangements of insurance at any time in force with respect to the Facilities.

Section 11.2 Covenant Against Waste: The State covenants not to do or suffer or permit to exist any hazardous materials, contamination, waste, damage, disfigurement or injury to, or public or private nuisance, in or upon the Facilities in violation of any state of Idaho or federal laws or regulations and agrees to pay all costs, changes, penalties or any other expense reasonably incurred or to be incurred to remove, restore or reclaim the Facilities or premises thereof.

Section 11.3 Right of Inspection: The State covenants and agrees to permit the Authority and the authorized agents and representatives of the Authority to enter the Facilities at reasonable times during usual business hours for the purpose of inspecting the same, subject to reasonable security requirements and procedures of the State.

Section 11.4 Condition of Facilities: The Authority makes no representation regarding the condition of the Facilities or real property underlying or adjacent thereto and the Authority shall not be liable for any latent or patent defects therein.

Section 11.5 Assignment and Subletting: The State shall not assign or mortgage this Facilities Lease or any right hereunder or interest herein and shall not sublease the Facilities or any portion thereof, without prior written consent of the Authority (which consent may be granted or withheld by the executive director of the Authority); provided, that in no event shall the State assign this Facilities Lease or any right hereunder or interest herein or sublease the Facilities or any portion thereof unless the State shall continue to remain liable for the performance of all the terms, covenants, and conditions contained in this Facilities Lease and unless the proposed assignee or sublessee shall agree, in writing, to be bound by all of the terms, covenants, and agreements contained in this Facilities Lease and all other agreements related thereto. The Authority agrees that it will not unreasonably withhold its consent to any such assignment or subleasing.

Section 11.6 Covenant of Quiet Enjoyment: The Authority covenants that it has full right and lawful authority to enter into this Facilities Lease and that, so long as the State shall pay the Annual Rent and shall duly observe all of its covenants and agreements in this Facilities Lease, the State shall have, hold, and enjoy, during the initial term of this Facilities Lease and each renewal term thereof, peaceful, quiet, and undisputed possession of the Facilities. No defect, encumbrance, cloud, lease, restriction or other matter affecting title to the land on which the Facilities shall be developed existing at the time the land is acquired or leased to the Authority or to which this Facilities Lease is subrogated to shall constitute a breach of this Facilities Lease by the Authority.

Section 11.7 Tax Covenant: The State covenants for the benefit of the holders of the Bonds and the Authority that during the term of this Facilities Lease, that no action shall be taken or omitted with respect to the Bonds, the proceeds thereof, any other funds of the State or any Facilities financed or refinanced with the proceeds of the Bonds if such action or omission (i) would cause the interest on the Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Code, (ii) would cause the Bonds to become “specified private activity bonds” with the meaning of Section 57(a)(5)(C) of the Code, or (iii) would cause interest of the Bonds to lose its exclusion from Idaho taxable income under present Idaho law. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Bonds until the date on which all obligations of the Authority in fulfilling the above covenant under the Code have been met.

ARTICLE 12

DEFAULT

Section 12.1 Events of Default: The following shall be events of default under this Facilities Lease:

- (1) Failure by the State to pay the Annual Rent as the same shall become due, or

(2) Failure by the State or anyone contracting with the State to observe and perform any other covenant, condition, or agreement to be observed or performed under this Facilities Lease for a period of 90 calendar days after written notice, specifying such failure and requesting that it be remedied, given to the State by the Authority or trustee of the Bonds, unless the Authority or trustee shall agree in writing to an extension of such time prior to its expiration.

Section 12.2 Remedies: Whenever any event of default referred to in Section 12.1 hereof shall occur, the Authority may take any one or more of the following remedial steps:

(1) Declare all Annual Rent payable for the applicable lease term then in effect to be immediately due and payable, together with applicable interest thereon.

(2) Re-enter and take possession of the Facilities, exclude the State from possession thereof, and terminate this Facilities Lease.

(3) Take such action at law or in equity as may appear necessary or desirable to collect all sums due and thereafter to become due, or to enforce performance and observation of any obligation, agreement, or covenant of the State under this Facilities Lease.

Section 12.3 Remedies Not Exclusive: No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Facilities Lease, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In the exercise of any remedy reserved to the Authority in this Article 12, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

ARTICLE 13

SURRENDER OF FACILITIES

Section 13.1 Surrender of Facilities: In the event that the State elects not to renew or extend the term of this Facilities Lease or this Facilities Lease is otherwise terminated, the State shall immediately quit and surrender the Facilities to the Authority in the same condition in which it existed at the date the construction of all Facilities was completed by the Authority, subject to any alterations, additions, expansions or improvements made in accordance with Section 9.1 hereof, ordinary wear and tear excepted.

ARTICLE 14

LIMITATION ON OBLIGATIONS

Section 14.1 Obligations of Authority and State: Notwithstanding any other provisions of this Facilities Lease, no obligation assumed by or imposed upon the Authority by this Facilities Lease shall require the performance of any act by the Authority except to the extent, if any, that the cost and expense of such performance may be paid from the proceeds of the Bonds issued by the Authority or from other funds

legally available to the Authority to meet the cost and expense of such performance, and no obligation assumed by or imposed upon the State by this Facilities Lease shall require the performance of any act by the State, including, but not limited to, the payment of Annual Rent, except to the extent that funds may be available for such performance or payment from State general appropriations or other funds legally available therefor. This Facilities Lease shall not be construed as obligating the Legislature of the State of Idaho to make future appropriations for the payment of Annual Rent or the performance of any other obligations under this Facilities Lease beyond the initial rental term or for any renewal term hereof. In the event that appropriated funds are not legally available for payment of Annual Rent or other obligations hereunder for any term, then this Facilities Lease shall be terminated. The liability of the State for payment of Annual Rent as it becomes due shall be in consideration of the right of the State, whether or not exercised, to occupy and/or use the Facilities for the then-current lease term.

ARTICLE 15

MISCELLANEOUS

Section 15.1 Pledge of Rent, Proceeds, and Lease: It is expressly understood and agreed by the parties hereto that the Authority has the right to pledge and assign the Annual Rent, all proceeds receivable by the Authority from any sale of the Facilities, and its rights and interest under this Facilities Lease to secure: (i) the payment of the principal of and the interest on and redemption premium, if any, on the Bonds; and (ii) other obligations of the Authority under the terms and conditions of the Bonds.

Section 15.2 Notices: All notices or other communications hereunder shall be sufficiently given and shall be deemed given on the second business day following the day on which the same are mailed by certified mail, postage prepaid, addressed as follows:

- (1) If to the State:

Idaho Department of Administration
Attn: Director
Statehouse Mail
Boise, Idaho 83720

AND

Boise State University
Attn: Vice President for Finance and Administration
1910 University Drive
Boise, Idaho 83725-1200

- (2) If to the Authority:

Idaho State Building Authority
Attn: Executive Director

Post Office Box 2802
Boise, Idaho 83701

The State or the Authority may, by notice given hereunder, designate any further or different addresses to which subsequent notices or other communications shall be sent. Notice may be also given by personal delivery of a written notice.

Section 15.3 Severability: If any term or provision of this Facilities Lease or the application of it to any person, entity or circumstance shall to any extent be invalid or unenforceable, the remainder of this Facilities Lease or the application of such term or provision to persons, entities or circumstances, other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Facilities Lease shall be valid and shall be enforced to the extent permitted by law.

Section 15.4 Attorney Fees: In the event either party to this Agreement is required to initiate or defend litigation with respect to the terms hereof or to enforce any of its rights hereunder, the prevailing party in such litigation shall be entitled to reasonable attorney's fees incurred in such litigation, including all discovery costs and costs of expert witnesses, together with all reasonable litigation expenses.

Section 15.5 Headings: The article and section headings contained herein are for convenience and reference and are not intended to define or limit the scope of any provision of this Facilities Lease.

Section 15.6 Counterparts: This Facilities Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 15.7 Amendments: The Authority and the State shall not, without the written consent of the trustee of the Bonds or other legally-authorized representative of the interests of the owners of the Bonds, consent or agree to or permit any rescission of or amendment to or otherwise take any action under or in connection with this Facilities Lease which will reduce the payments required to be made by the State hereunder during the initial term or any renewal term hereof, or which will in any manner materially impair or adversely affect the rights of the Authority hereunder, and any action by the Authority or the State in violation of this covenant shall be null and void as to the Authority and the State. Furthermore, any voluntary amendment, modification or termination of this Facilities Lease shall require the written consent of all parties to this Facilities Lease.

Section 15.8 Effective Date: This Facilities Lease shall be effective as of the date stated above upon its execution.

IN WITNESS WHEREOF, the parties hereunto have caused this Facilities Lease to be executed as of the day and year first hereinabove set forth.

AUTHORITY:

IDAHO STATE BUILDING AUTHORITY

By: _____
V. L. Bud Tracy, Chairman

Dated: _____, 2003

ATTEST:

By _____
Wayne V Meuleman, Secretary

STATE:

STATE OF IDAHO, by and through

IDAHO DEPARTMENT OF ADMINISTRATION

By: _____
Pamela I. Ahrens, Director

Dated: _____, 2003

BSU:

BOISE STATE UNIVERSITY

By: _____
_____, Vice President for
Finance and Administration

APPROVAL AND CONSENT:

STATE BOARD OF EDUCATION

By: _____
Blake G. Hall, President

Dated: _____, 2003

STATE OF IDAHO)
) ss.
County of Ada)

On this ____ day of _____, 2003, before me, the undersigned, a Notary Public in and for said State, personally appeared V.L. Bud Tracy and Wayne V Meuleman, known or identified to me to be respectively the Chairman and Secretary, respectively, of the IDAHO STATE BUILDING AUTHORITY, each of whom acknowledged to me that they executed the within Facilities Lease on behalf of the Idaho State Building Authority in their representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Notary Public for the State of Idaho
Residing at _____
My commission expires _____

STATE OF IDAHO)
) ss.
County of Ada)

On this ____ day of _____, 2003, before me, the undersigned, a Notary Public in and for said State, personally appeared Pamela I. Ahrens, known or identified to me to be the Director of the IDAHO DEPARTMENT OF ADMINISTRATION of the STATE OF IDAHO, who acknowledged to me that she executed the within Facilities Lease on behalf of the State in his representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Notary Public for the State of Idaho
Residing at _____
My commission expires _____

[illegible]

On this ____ day of _____, 2003, before me, the undersigned, a Notary Public in and for said State, personally appeared Blake G. Hall, known or identified to me to be the President of IDAHO STATE BOARD OF EDUCATION (the "SBOE"), who acknowledged to me that he executed the within Facilities Lease on behalf of the SBOE in his representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Notary Public for the State of Idaho
Residing at _____
My commission expires _____

[illegible]

On this ____ day of _____, 2003, before me, the undersigned, a Notary Public in and for said State, personally appeared _____, known or identified to me to be the Vice President of Finance and Administration of BOISE STATE UNIVERSITY, who acknowledged to me that he executed the within Facilities Lease in his representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Notary Public for the State of Idaho
Residing at _____
My commission expires _____

List of Exhibits:

| | |
|-------------|---|
| Exhibit A-1 | Description of Real Property |
| Exhibit A-2 | Description of Parking |
| Exhibit B | Description of Improvements Comprising the Facilities |

OPERATING AGREEMENT

THIS OPERATING AGREEMENT is made this ____ day of _____, 2003, by and between the Department of Administration (the “Department”) and Boise State University (“University”).

RECITALS

WHEREAS, the Idaho Legislature, House Concurrent Resolution No. 30 (“HCR 30”), First Regular Session of the Fifty-seventh Legislature, has authorized the Idaho State Building Authority (the “ISBA”) to provide financing to develop and construct an academic building and related improvements for use by University (the “Facilities”);

WHEREAS, pursuant to HCR 30, the ISBA and University have entered into, or will enter into simultaneously with the execution of this Operating Agreement, a Ground Lease involving the real property on which the Facilities will be constructed;

WHEREAS, pursuant to HCR 30, the Department and University have entered into, or will enter into simultaneously with the execution of this Operating Agreement, a Facilities Lease (the “Facilities Lease”) and a Development Agreement (the “Development Agreement”), both with the Authority, and involving and for said Facilities;

WHEREAS, the Department and University desire to address between themselves certain issues related to the Facilities Lease and Development Agreement, upon the terms and conditions set forth below.

AGREEMENT

NOW THEREFORE, in consideration of the above recitals, which are incorporated herein as if set forth in full, and the mutual promises and agreements hereinafter set forth, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Other Documents. This Operating Agreement is intended to co-exist with the Facilities Lease and the Development Agreement; provided however, in the case of any conflict between the terms of this Operating Agreement, as may be amended from time to time, and the Development Agreement and the Facilities Lease, as may be amended from time to time, the terms of this Operating Agreement shall control as between the Department and University.

2. Term. The term of this Operating Agreement shall begin on its effective date and continue until the expiration or termination of the Facilities Lease, including renewals, or the Development Agreement, whichever occurs later.

3. Allocation of Responsibility. Anything contained in the Facilities Lease and the Development Agreement notwithstanding, the parties agree as follows:

a. Upon and after occupancy by University, University shall make all decisions regarding the use and routine operation, repair and maintenance of the Facilities. University shall, at its cost and expense, comply with all applicable federal, state and municipal laws, ordinances, regulations and orders and any contractual obligations relative to such use, operation, repair and maintenance of the Facilities. University shall consult with the Department on any issues concerning the use, operations and maintenance of the Facilities that could impact the Department or the Facilities Lease or the Development Agreement.

b. University shall not do or suffer or permit to exist any hazardous materials, contamination, waste, damage, disfigurement or injury to, or public or private nuisance, in or upon the Facilities in violation of any state of Idaho or federal law or regulation and shall pay all costs, charges, penalties or any other expense reasonably incurred or to be incurred to remove, restore or reclaim the Facilities or premises.

c. University shall be responsible for the cost and expense of all insurance required under the Facilities Lease and the Development Agreement, provided, however, that University may arrange for such insurance through the Department's Office of Insurance Management.

d. University shall, at its cost and expense, keep and maintain or cause to be kept and maintained, the Facilities and all equipment, fixtures, additions and improvements thereof, in good order and condition, and shall, at its cost and expense, make or cause to be made all necessary repairs, renewals, and replacements with respect to the Facilities. Subject to the Facilities Lease, in the event the Facilities or any part thereof are damaged or destroyed by uninsured or partially uninsured casualty of any kind, University shall either replace or rebuild the Facilities in equal value, or pay such sums to the Authority as may be required to fully pay and discharge the Bonds (as defined in the Facilities Lease).

e. University shall pay or cause to be paid all costs, expenses and charges for water, electricity, lights, heat, power, sewage, telephone, and other utility services, rendered or supplied upon or in connection with the Facilities.

f. University shall maintain an inventory of all furniture, fixtures and equipment and other tangible personal property financed or provided by the ISBA as part of the Facilities and provide such inventory to the ISBA in accordance with Section 9.2 of the Facilities Lease. University shall have the right, at its expense, to replace such tangible personal property as it deems necessary in connection with its use of the Facilities, in accordance with Section 9.2 of the Facilities Lease.

g. University shall be responsible to pay for all cost overruns incurred in the planning, design and construction of the Facilities, including without limitation all cost overruns specified in Section 7 of the Development Agreement, provided, however, that cost overruns shall first be paid out of the DPW project contingency funds and the University shall not pay for cost overruns unless and until the DPW contingency fund is depleted, and that the University has approved any change order that results in a cost overrun. The University shall not be responsible for any cost overrun that is the result of the negligence or malfeasance of the Department.

h. Upon and subject to a specific and sufficient annual appropriation by the state of Idaho Legislature to the Department of funds from the Permanent Building Fund, or other sources as determined by the Legislature, the Department shall remit to the ISBA the payment of Annual Rent (as defined in the Facilities Lease) in accordance with the Facilities Lease.

4. Notice of Non-Appropriation Non-Renewal; Other Notices. In the event that the Department fails to receive an appropriation of moneys necessary for any payment of any rent under the Facilities Lease, it shall immediately notify University. The Department also agrees to give notice to University if it does not include in its budget request a request for moneys related to the Facilities Lease. In the event that either party receives any notice related to the Ground Lease, the Facilities Lease or the Development Agreement that could impact the other, the receiving party shall immediately notify the other party of the receipt and substance of such notice.

5. Intentionally Blank.

6. Order of Use of Funds; Funds Remaining. University specifically acknowledges and agrees that any Additional Funds that it transfers to the Authority for the project, and which are deposited by the Authority into the Construction Fund (as defined in the Development Agreement), shall be deemed to be used first, before any bond proceeds or other funds, for any cost or expense of planning, design or development or construction. University further specifically acknowledges that any funds remaining in the Construction Fund (as defined in the Development Agreement) upon final acceptance of the Facilities shall be used to defease the Bonds (as defined in the Facilities Lease) or otherwise decrease the amount of Annual Rent (as defined in the Facilities Lease) due under the Facilities Lease.

7. Indemnification. University shall defend and save harmless the Department, its officers, agents and employees from and against any liability, claim, damages, losses, costs, expenses or actions to which the Department is or could be subject to, arising from, or related to its obligations under this Operating Agreement or its use, operation or maintenance of the Facilities. This indemnification does not apply when such claims, damages, and liabilities are the result of negligent acts, errors, omissions or fault or malfeasance on the part of the Department, its officers, agents and employees. The Department shall defend and save harmless the University, its officers, agents and employees from and against any liability, claim, damages, losses, costs, expenses or actions to which the Department is or could be subject to, arising from, or related to its obligations under this Operating Agreement or its use, operation or maintenance of the Facilities. This indemnification does not apply when such claims, damages, and liabilities are the result of negligent acts, errors, omissions or fault or malfeasance on the part of the University, its officers, agents and employees.

8. Cooperation Between the Parties. Should any claims, demands, suits or other legal proceedings be made or instituted by any person against either party which arise out of any matters relating to the Facilities, the other party shall give all pertinent information and reasonable assistance in the defense or other disposition thereof.

9. Notices. All notices, demands, consents and reports provided for in this Operating Agreement shall be in writing and shall be given to the Department or University at the address set forth below or at such other address as they individually may specify thereafter in writing:

Department of Administration: Larry V. Osgood
Administrator
Division of Public Works
P.O. Box 83720
Boise, Idaho 83720-0072
Ph: 208-332-1911
Fax: 208-334-4031

With a Copy to: Department of Administration
Attention: Deputy Attorney General
650 West State Street
P.O. Box 83720
Boise, Idaho 83720-0003

Boise State University Harry E. Neel, Jr.
Vice President of Finance and Administration
1910 University Drive
Boise, Idaho 83725-1200

Such notices or other communications may be mailed by United States registered or certified mail, return receipt requested postage prepaid or delivered by a recognized courier delivery service (e.g. Federal Express, Airborne etc.). Such notices, demands, consents and reports may also be delivered by hand. For purposes of this Operating Agreement, notices will be deemed to have been "given" upon personal delivery thereof or 72 hours after having been deposited in the United States mail at a United States Post Office or a depository for the receipt of mail regularly maintained by the post office or deposited with a recognized courier delivery service.

10. Survival. Any termination, cancellation or expiration of this Operating Agreement notwithstanding, provisions that are intended to survive and continue shall so survive and continue, including, but not limited to, the provisions of section 7.

11. No Third Party Rights. Nothing in this Operating Agreement shall be construed as creating or giving rise to any rights in any third parties or any persons other than the parties hereto.

12. Governing Law. The Contract shall be governed by and construed under the laws of the State of Idaho.

13. Officials Not Personally Liable. In no event shall any official, officer, employee or agent of the Department or University be liable or responsible for any representation, statement, covenant, warranty or obligation contained in, or made in connection with, this Operating Agreement, express or implied.

14. Complete Statement of Terms. This Operating Agreement constitutes the entire agreement between the parties hereto as regards its subject matter and shall supersede all previous proposals, oral or written, negotiations, representations, commitments, and all other communications between the parties.

15. Written Modification. This Operating Agreement may be modified or amended only by an agreement in writing signed by a duly authorized representative of the Department and University.

16. Counterparts. This Operating Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have entered this Operating Agreement as of the date first set forth herein.

Boise State University

By: _____
Harry E. Neel, Jr.
Its: Vice President for Finance and
Administration

**IDAHO DEPARTMENT OF ADMINISTRATION
DIVISION OF PUBLIC WORKS**

By: _____
Larry V. Osgood
Its: Administrator

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BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003

SUBJECT

Idaho State University Idaho State Building Authority Bonded Projects

UNIQUE ISSUES

The Rendezvous Project Is Multi-Part Facility

ISU's Rendezvous Project contains the classroom facility being financed by ISBA and also includes housing and student services facilities being financed by ISU. As described in Agenda Tab 3, ISU will be issuing its revenue bonds to provide the funds for the housing and student services portions of Rendezvous.

ISU and ISBA have made several modifications to the basic form of the ISBA transaction documents to address the issues raised by (i) the multiple sources of funds, (ii) ISBA's need for a separately identified facility that can be operated independently in the event the State does not provide funds for the ISBA bonds, and (iii) coordination of construction disbursements.

1. Dividing Line. ISU and ISBA have agreed upon a dividing line between the housing and student services portion of the Rendezvous and the classroom portion. The classroom portion has been separately surveyed and is the legal description of land that will be conveyed to ISBA under the **Groundlease**.

This agreement avoids the expense of a condominium declaration, as ISU maintains title to the land for the housing and student services facilities.

2. Disbursement of Funds. ISU is meeting ISBA's requirement, which is applicable to all institutions, to transfer all funds ISU has available for construction to the ISBA for deposit into the construction fund maintained by the bond trustee for the ISBA bonds. In ISU's case, this consists of proceeds of its revenue bonds. The rating and marketability of ISU's revenue bonds was not affected by this requirement.

The **Development Agreement** for ISU, and the **Operating Agreement** for ISU, provide that ISU's bond funds will be invested in a separate subaccount of the construction fund and expenditures for the housing and student services portions of the facilities will be separately tracked. Any funds remaining in this account in the event of construction savings will be returned to ISU to be used to pay debt service on ISU's revenue bonds.

3. Cross-Easement. The dividing line referred to above makes the classroom a separately identifiable facility. However, in the event of nonappropriation of funds for the ISBA bonds, ISBA may require certain utility services from ISU's system or the housing and student services facilities and vice-versa. Accordingly, the **Ground Lease** provides for cross-easements for such services.

BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003

BOARD ACTION

A motion to authorize the CEO or his designee to finalize and execute the Site Lease, the Facilities Lease, the Development Agreement and the Operating Agreement for the Classroom Building/Rendezvous Center at Idaho State University in substantially the same form as the draft agreements presented to the Board with the agenda materials.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

SITE LEASE

(Idaho State University Classroom and Portion of Residence Building)

THIS SITE LEASE is entered into as of the ____ day of _____, 2003, by and between the STATE OF IDAHO acting by and through IDAHO STATE UNIVERSITY, as successor to _____ **if record title is vested in a predecessor**], (hereinafter "State") [and the IDAHO STATE BUILDING AUTHORITY, (hereinafter "Authority"). This agreement is hereinafter referred to as the "Site Lease".

RECITALS

A. The State Board of Education is vested with the general supervision, governance and control of all state institutions of higher education by Article 9, Section 2 of the Idaho Constitution and Idaho Code §33-101, and serves as the Board of Trustees for Idaho State University pursuant to Idaho Code §33-3003, and Idaho State University is a body politic and corporate of the State of Idaho, and references to "ISU" herein shall mean Idaho State University and, the State Board of Education in its capacity as the Board of Trustees;

B. The State is the owner of certain real property described in Exhibits A-1 and A-2 hereto and desires to lease such property to Authority for the purpose of financing and developing an academic building and related improvements to be constructed thereon (the "Facilities") to be leased back to the State and the State of Idaho, acting through the Department of Administration ("IDOA") and ISU under an annually renewable lease (the "Facilities Lease"), entered into coincidentally herewith; and

C. The real property described in Recital B above, is part of a larger tract of land, owned by State, depicted on the campus map attached hereto as Exhibit A-2, and commonly known as the Idaho State University Campus, which together with any additional adjacent land hereafter acquired by the State shall be referred to herein as the "ISU Campus".

D. In accordance with the provisions of Idaho Code, Section 67-6410(a), the Idaho Legislature, House Concurrent Resolution No. 30, First Regular Session of the Fifty-seventh Legislature, has authorized the State to enter into agreements as may be reasonable and necessary with the Authority for the purpose of providing financing to develop and construct facilities for use by the State; and

E. Authority intends to finance and develop the Facilities on the Premises and to lease the Facilities and Premises back to State and IDOA in accordance with the Facilities Lease, entered into coincidentally herewith; and

F. State and Authority acknowledge that there shall be no merger of the State's leasehold interest under the Facilities Lease and the State's ownership interest in the Premises, which merger would cause the cancellation or termination of this Site Lease; and

G. State represents that neither the execution and delivery of this Site Lease, the consummation of the transactions contemplated by this Site Lease, nor the fulfillment of or compliance with the terms and conditions of this Site Lease conflict with or results in a breach of any terms, conditions or provisions of any restriction, agreement, or instrument to which the State is now a party or to which State is bound.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. **Recitals**: The parties acknowledge the foregoing Recitals are true and are incorporated into this Site Lease as if set forth in full.

2. **Premises**: State hereby leases to Authority, subject to the conditions expressed herein, certain real property located in Bannock County, Idaho, specifically described in Exhibit A-1 attached hereto and incorporated herein together with a non-exclusive right for vehicular and pedestrian ingress and egress and vehicular parking over and across all roads and parking lots within the ISU Campus, as they may exist from time to time sufficient to provide reasonable access to and from and parking for the Facilities, together with all easements and rights appurtenant hereto all existing improvements thereon (the "Premises").

As used herein the term "Premises" refers solely to the real property and existing improvements and not to any improvements to be constructed thereon from time to time during the term of this lease.

3. **Term**: The Term of this Site Lease shall be a period commencing on the date hereof and expiring June 30, 2038, unless earlier terminated pursuant to paragraph 9 hereof.

4. **Rent**: The Premises are leased to Authority without consideration as authorized pursuant to Idaho Code, Section 67-6421.

5. **Development**: Authority shall have the right to raze existing improvements, and develop, acquire and construct Facilities on the Premises in accordance with the Facilities Lease. In the event the Facilities Lease expires or is terminated for any reason except by the State as provided in paragraph 9 below, Authority may use the Premises for any lawful purpose.

6. **Permanent Easements**: At Authority's request or as may be reasonably required, State shall grant to public entities, public service corporations, or to Authority such rights-of-way, utility, or other permanent easements on, over or through the Premises and adjacent property owned by State for telephone, electricity, water, sanitary or storm sewers or both, site drainage and for other utilities and municipal or special district services necessary or appropriate to serve improvements constructed thereon by Authority.

7. **Easements in Event of Expiration or Termination of Facilities Lease**: The Facilities are or may be designed and constructed adjacent to improvements constructed on that certain real property located in Bannock County, Idaho, specifically described in Exhibit B attached hereto and incorporated herein (collectively the "Adjacent Improvements Building"). The Facilities and Adjacent Improvements Building are or may be mutually dependent upon the other with regard to utilities, equipment, ingress and egress. In the event the State fails to renew

the Facilities Lease or the State's rights to use the Facilities under the Facilities Lease otherwise terminate, except termination by the State pursuant to paragraph 9 hereof, State and Authority, during the term of this Site Lease, agree as follows:

(a) The State and Authority each hereby grant to the other, their respective tenants, contractors, employees, agents, licensees and invitees, and the subtenants, contractors, employees, agents, licensees and invitees of such tenants, for the benefit of the Facilities and the Adjacent Improvements Building, as grantees, a nonexclusive easement for ingress and egress for pedestrian traffic and life safety purposes, over and across those portions of the Facilities and Adjacent Improvements Building devoted to hallways, walkways, doorways, lobbies, stairways, elevators, and all other entrances and exits to and from the Facilities and Adjacent Improvements Building and as such areas shall exist from time to time (collectively the "Shared Accesses").

(b) The State and Authority each hereby grant to the other their respective tenants, contractors, employees, agents and invitees, for the benefit of the Facilities and the Adjacent Improvements Building, as grantees, a nonexclusive easement under, through and across the Facilities and Adjacent Improvements Building for the installation, operation, maintenance, repair and replacement of water drainage systems or structures, water drainage, water mains, sewers, water sprinkler system lines, telephones, communication lines and systems, wireless communications and systems, electrical conduits or systems and the light produced from the same, heating and cooling, ventilating and ducts, lines, controls and system components, and the heating and cooling produced from the same, gas mains, elevators and its component parts, controls and systems, and other public or private utilities or systems as are reasonably necessary for the planned construction and incorporated design of the Facilities and Adjacent Improvements Building and as the same shall exist from time to time (collectively the "Shared Utilities").

(c) The cost of operating, maintaining, repairing or replacing any of the systems, lines, components or equipment shared in the use and operation of the Facilities and Adjacent Improvements Building shall be shared equally between the operator or occupant of the Premises and the State.

(d) Any alteration, modification or remodel of the Adjacent Improvements Building which affects the Shared Accesses or the Shared Utilities shall be subject to the prior written consent of the Authority, which consent shall not be unreasonably withheld, conditioned or delayed. Any alteration, modification or remodel of the Facilities which affects the Shared Accesses or the Shared Utilities shall be subject to the prior written consent of the State, which consent shall not be unreasonably withheld, conditioned or delayed.

(e) In the event of damage, destruction or condemnation of the Adjacent Improvements Building, State shall repair, restore, rebuild or replace the Adjacent Improvements Building to its condition prior to the damage, destruction or condemnation or as otherwise approved by the Authority, which approval shall not be unreasonably withheld, conditioned or delayed; provided that the cost of such obligation shall not exceed the net proceeds of any insurance or condemnation award with respect to the Adjacent Improvements Building and if the net proceeds of any insurance or condemnation award are insufficient to repair, restore, rebuild or replace the Adjacent Improvements Building to its prior condition, the State shall nonetheless restore or replace the Adjacent Improvements Building to the extent necessary to permit the

Premises and Facilities to function as a separate complex. In the event of damage, destruction or condemnation of the Facilities, the owner or operator of the same shall repair, restore, rebuild or replace the Facilities to its condition prior to the damage, destruction or condemnation or as otherwise approved by the State, which approval shall not be unreasonably withheld, conditioned or delayed; provided that the cost of such obligation shall not exceed the net proceeds of any insurance or condemnation award with respect to the Facilities and if the net proceeds of any insurance or condemnation award are insufficient to repair, restore, rebuild or replace the Facilities to its prior condition, the owner or operator of the Facilities shall nonetheless restore or replace the Premises and Facilities to the extent necessary to permit Adjacent Improvements Building to function as a separate complex.

8. **Right to Assign:** Subject to the rights of State under the Facilities Lease and subject to State's consent, which shall not be unreasonably withheld, Authority shall have the right to assign this Site Lease. State hereby consents to any assignment by Authority to secure any Mortgage described in paragraph 10 hereof. In the event of such an assignment, except assignments to secure such Mortgages, Authority shall be released from any and all liabilities arising or accruing under this Site Lease after the date of such assignment.

9. **Optional Termination:** At such time as all sums owing for any bonds or notes issued by Authority to finance Facilities and all other obligations of the Authority relating to the Facilities or the Premises have been paid in full or provisions for such full payment have been made to the satisfaction of Authority, the State shall have the right, at its option, to terminate this Site Lease by written notice to Authority and all alterations, improvements, replacements and appurtenances on or to the Premises, including the Facilities, shall be deemed to be part of the Premises and shall revert to State and shall become the sole and absolute property of State.

10. **Mortgages:** Authority shall have the right at any time and from time to time to pledge, lien or otherwise encumber its leasehold interest herein granted and its interest in any or all improvements thereon and appurtenances thereto by one or more mortgages, deeds of trust, assignment, or other encumbrances (herein referred to as "Mortgages"), as security for a loan or loans or other obligation of Authority, provided that:

(a) The Mortgages and all rights acquired thereunder shall be subject to each and all of the covenants, conditions, and restrictions set forth in this Site Lease and shall be subject to all rights and interests of State as provided in this Site Lease and shall not encumber State's fee title to the Premises.

(b) Authority shall give State prior notice of any such Mortgages, and shall accompany the notice with a true copy of such Mortgages and any indebtedness secured thereby.

11. **Indemnification:** Authority shall indemnify and hold the State, its agents, representatives, employees and assigns, harmless from and/or against any and all claims, damages, costs, liabilities, and expenses (including reasonable attorneys' fees and defense costs) arising out of or relating to Authority's possession, operations or performance under this Site Lease.

This indemnification does not apply to claims, damages, costs, liabilities, and expenses (including reasonable attorneys' fees and defense costs) which are or are alleged to be caused, in whole or in part by any act or omission for which Authority is indemnified under the Facilities Lease, or by negligent or otherwise wrongful acts, errors, omissions or fault on the part of the State, or its employees, agents, representatives, or assigns, or is a result of the State's breach of this Site Lease.

12. **Hazardous/Materials:** In the event any hazardous materials are found to exist in or under the Premises prior to the date of this Site Lease, State, at State's cost and expense, shall cause such hazardous materials to be moved, remediated or abated in compliance with all Environmental Laws. State hereby agrees to indemnify, defend, and hold Authority harmless from and against any and all claims, damages, liabilities, costs, expenses (including reasonable attorneys' fees), causes of action and judgments arising out of or related to hazardous materials existing in, or under the premises prior to the date of this Site Lease. As used herein, the term "environmental laws" shall mean the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended (CERCLA) the Resource Conservation Recovery Act, as amended (RCRA), the Federal Water Pollution Control Act, the Clean Air Act and any similar local, state or federal law, rule, ordinance or regulation. As used herein, the term "hazardous materials" shall mean any hazardous substance, pollutants, contaminants, or other hazardous waste or toxic substances defined in any environmental laws including, without limitation, petroleum and petroleum products, asbestos and asbestos containing materials, PCBs and urea-formaldehyde.

Authority shall not, nor shall it allow others to, accumulate, use, or store on the Premises materials classified as hazardous, biomedical or toxic waste except in compliance with all state, federal, or local laws, rules or regulations. Authority shall comply with any lawful order by an entity reposed with Authority to regulate the use, accumulation, storage or disposal of hazardous waste. Authority shall not be responsible for any of such materials placed on the Premises by or through State prior to or during any term of the Facilities Lease.

13. **Zoning/Building Restrictions:** This Site Lease is subject to all applicable zoning ordinances and restrictions and all limitations of record, and is subject to any and all easements for public utilities of record. State warrants that such ordinances, restrictions, limitations and easements do not prevent the use of the Premises as provided for in the Facilities Lease.

14. **Waste and Nuisance Prohibited:** Authority shall comply, during the term of this Site Lease, with all applicable laws affecting the Premises, the violation of which might result in any penalty assessed upon State or forfeiture of State's title to the Premises. Authority shall not commit, or suffer to be committed, any waste on the Premises or improvements, or any nuisance.

15. **Remedies and Forbearance/Waivers:** No delay or omission on the part of State or Authority to exercise any right or power granted herein shall impair any such right or power nor shall be construed as a waiver thereof, and every such right or power may nevertheless be exercised.

16. **Officials, Agents, and Employees Not Personally Liable:** It is agreed that in no event shall any official, officer, employee or agent of Authority, nor any official, officer,

employee or agent of State be in any way personally liable or responsible for any covenant or agreement herein contained, whether expressed or implied, nor for any statement, representation or warranty made herein or in any way connected with this Site Lease.

17. **Quiet Enjoyment**: State covenants that Authority shall have the peaceful and quiet enjoyment of the Premises for the term of the Site Lease.

18. **Right of Entry**: Authority shall permit State and the agents and employees of State to enter into and upon the Premises at all reasonable times for the purpose of inspecting the same, or for the purpose of posting notices of non-responsibility for alterations, additions, or repairs, without any rebate of rent and without any liability to Authority for any loss of occupancy or quiet enjoyment of the Premises thereby occasioned; provided, however, that State shall first give twenty four (24) hours written notice of its desire to inspect the Premises and such inspection shall be accompanied by a designated representative of Authority. Such notice and inspection procedures shall not apply during any term of the Facilities Lease.

19. **Default**: In the event State shall at any time deem Authority to be in breach of this Site Lease, State shall promptly notify Authority, in writing, stating specifically the nature of any such alleged breach. Authority shall not be deemed to be in default hereunder unless Authority fails to commence to cure any such default within ninety (90) calendar days after its receipt of such written notice and to diligently proceed to cure such default within a reasonable time. In the event of default State shall have all rights and remedies provided by law.

20. **Attorney Fees and Costs**: In the event that either party to this Site Lease shall enforce any of the provisions hereof in any action at law or in equity the prevailing party to such litigation shall be entitled to recover from the other party or parties all costs and expenses, including reasonable attorney fees, incurred therein.

21. **Integration**: This Site Lease embodies the entire agreement and understanding of the parties relating to the subject matter herein and supersedes all prior understandings relating thereto. This Site Lease shall not be modified except in writing signed by all parties to be bound.

22. **Execution of Documents**: The parties agree that they shall sign or cause to be signed all documents necessary to the effectuation of this Site Lease or any of the provisions herein.

23. **Warranty of Title**: State warrants to Authority that it has the power and authority to enter into this Site Lease and that the execution, delivery of this Site Lease and the performance of the contractual obligations set forth herein are not in violation of any federal, state, or local statute, ordinance, rule or regulation and that no consents not already obtained are required. State further warrants that State has good and marketable title to Premises, free and clear of all claims, liens and encumbrances.

24. **Notices**: All notices under this Site Lease shall be in writing and shall be deemed to have been duly given on the date of service if served personally on the party to whom notice is to be given, or on the date of mailing if mailed to the party to whom notice is to be given by registered or certified United States mail, postage prepaid, and properly addressed as follows:

If to State: Idaho State University

with copy to: Department of Administration
Attn: Director
Statehouse Mail
Boise, Idaho 73720

If to Authority: Idaho State Building Authority
Attn: Executive Director
Post Office Box 2802
Boise, Idaho 83701

The addresses provided above may be changed and additional addresses or notices may be specified from time to time by notice given in writing in accordance with this Section.

25. **Binding Effect**: This Site Lease shall be binding upon and shall inure to the benefit of the heirs, personal representatives, successors and assigns of the parties.

26. **Severability**: If any term or provision of this Site Lease or the application of it to any person or entity or circumstances shall to any extent be invalid or the remainder of this Site Lease or the application of such term or provision to persons, entities or circumstances, other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Site Lease shall be valid and shall be enforced to the extent permitted by law.

27. **Headings**: Section headings contained herein are for convenience and reference and are not intended to define or limit the scope of any provisions of this Site Lease.

28. **Counterparts**: This Site Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

29. **Time of the Essence**: Time is of the essence of this Site Lease, and of each and every covenant, term, condition, and provisions thereof.

30. **Recording Copy**: Either party may, at its option and expense, record this Site Lease.

IN WITNESS WHEREOF, the parties have caused this Site Lease to be executed effective as of the day and year first above written.

STATE:

AUTHORITY:

STATE OF IDAHO acting by and through
IDAHO STATE UNIVERSITY

IDAHO STATE BUILDING AUTHORITY

By _____
Its

By _____
V. L. "Bud" Tracy, Its Chairman

Attest _____
Wayne V Meuleman, Its Secretary

STATE OF IDAHO)
) ss.
County of _____)

On this _____ day of _____, 2003, before me, the undersigned, a Notary Public in and for said state of Idaho personally appeared _____ known or identified to me to be the _____ who acknowledged to me that he executed the within Site Lease on behalf of Idaho State University in his representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this first above written.

Notary Public for Idaho
Residing at _____
Commission Expires:

STATE OF IDAHO)
) ss.
County of Ada)

On this _____ day of _____, 2003, before me, the undersigned, a Notary Public in and for the state of Idaho, personally appeared V.L. Bud Tracy and Wayne V Meuleman, known or identified to me to be respectively the Chairman and Secretary of Idaho State Building Authority, each of whom acknowledged to me that they executed the within Site Lease on behalf of the Idaho State Building Authority in their representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this first above written.

Notary Public for Idaho
Residing at Boise, Idaho
Commission Expires:

EXHIBIT A-1

REAL PROPERTY DESCRIPTION

[legal description based upon survey]

EXHIBIT A-2

PARKING DESCRIPTION

EXHIBIT B

DESCRIPTION OF IMPROVEMENTS COMPRISING THE FACILITIES

Components of the complex will include a 75,000 square-foot Multi-Use Classroom Building, a 25,000 square-foot Student Union Annex, and housing for 300 students.

The classroom building will contain classrooms of various sizes, seminar rooms, and lecture halls. Specialty areas will include computer labs and one large lecture classroom that is also being designed as a planetarium. No department offices will be located within the building. The Student Union Annex will be ISU's main foodservice venue and will include a "cyber-café" and a 24-hour computer lab. Wireless technology will allow laptop use throughout the building. The residential/housing area will provide two, three, or four bedroom suites. Each suite will contain a laundry area and kitchen.

Total Square Footage: 94,500

DEVELOPMENT AGREEMENT

(Idaho State University Classroom and Portion of Residence Building)

THIS DEVELOPMENT AGREEMENT ("Agreement") is made and entered into as of the _____ day of _____, 2003, by and between the IDAHO STATE BUILDING AUTHORITY (the "Authority") and the STATE OF IDAHO (the "State"), acting by and through its Department of Administration ("IDOA") through its Division of Public Works ("DPW") and IDAHO STATE UNIVERSITY ("ISU").

RECITALS

A. The Authority intends to acquire certain educational and academic facilities (the "Facilities") to be constructed on the Idaho State University Campus located at Pocatello, Idaho.

B. Real property located within the ISU Campus shown as "Facilities" on the site map attached hereto as Exhibit A has been leased to the Authority under a Site Lease dated as of _____, 2003, upon which the State shall cause the Facilities to be constructed for the Authority.

C. Concurrently with the construction of the Facilities, the State shall cause to be constructed certain student residence improvements ("Adjacent Improvements") adjacent to the Facilities on that real property shown on Exhibit A as "Adjacent Improvements". The Facilities and Adjacent Improvements shall be constructed as a single project under CM Agreement, as defined below, and shall be collectively referred to herein as the "Project."

D. The Authority intends to issue its revenue bonds to provide funds which, together with other funds that may be provided by the State, shall be applied to payment of costs of planning, designing and constructing the Facilities.

E. The Adjacent Improvements will be constructed with funds other than the revenue bonds issued by the Authority.

F. The Authority and the State desire that the Authority control the funds for the construction of the Adjacent Improvements and to keep such funds separate from the funds for the construction of the Facilities.

G. The State has entered into a construction management contract dated November 8, 2001 (the "CM Agreement") with a qualified and licensed construction manager, Brennan

Construction Company, Inc. (the "CM") for professional services in the management of contracts for the construction of the Project and has entered into a professional services agreement dated December 20, 2000 (the "Architect Agreement") with a qualified and licensed architect, MHTN Architects, Inc. (the "Architect") to prepare plans and specifications (the "Plans") for the Project. Additionally, the State intends to enter into additional contracts as may be necessary and appropriate to cause the Project to be completed in accordance herewith. Herein, all such contracts are collectively referred to as the "State Contracts".

H. The State, acting through IDOA and ISU has agreed to lease the Facilities from the Authority pursuant to a lease agreement (the "Facilities Lease") dated as of _____, 2003.

I. The Authority and State desire to set forth in this Agreement their respective responsibilities and agreements with respect to the Project and the planning, design and construction thereof.

NOW, THEREFORE, IT IS AGREED:

1. **Recitals**: The parties acknowledge the foregoing Recitals are true and are incorporated into this Development Agreement as if set forth in full.

2. **Authority of DPW to Act for State**: DPW is authorized and empowered to act on behalf of the State in all respects pertaining to the planning, design and construction of the Project and as to all of the obligations of the State under this Agreement. IDOA and ISU hereby authorize DPW to act as their representative and agent and agree to be fully bound by all acts, authorizations, representations and decisions of DPW, except as otherwise expressly provided in this Agreement.

3. **Final Design and Approvals**: The State shall secure the completion of the final Plans for the Project, which shall include detailed plans and specifications suitable for bidding and award of construction contracts, and shall secure the written approval thereof, in a form acceptable to the Authority, by the _____ of ISU, by the Permanent Building Fund Advisory Council, and by the Administrator of DPW. A complete set of the approved Plans shall be provided to the Authority.

4. **Design and Construction of Project**: The State agrees that it shall cause the design and construction of the Project to be substantially completed in every material respect as follows:

(a) The final Plans for the Project shall be subject to the written approval of ISU and shall not be materially changed without the written approval of ISU and the prior written consent of the Authority, which consent shall not be unreasonably withheld.

(b) The Project and every part thereof shall be constructed in a sound and

workmanlike manner and shall be free from all material design or construction defects.

(c) The Project and every part thereof shall be constructed in accordance with the approved Plans, applicable building codes and all other applicable governmental regulations and requirements.

(d) The State shall have full responsibility to cause the design and construction of the Project to be properly completed in all substantial respects in accordance with the objectives, requirements and needs of ISU for use of the Facilities as educational and academic facilities.

(e) DPW shall, at its expense, provide qualified personnel to perform necessary services in the administration of the State Contracts and in the inspection of work and services through the design and construction of the Facilities.

5. **Costs:**

(a) **Budget:** The State has approved a budget that they reasonably expect to include all costs and expenses for the construction of the Project, including a reasonable amount for contingencies, a copy of which is attached hereto as Exhibit A ("Budget"). The State hereby represents and warrants to the Authority that the Project, as designed, can be completed for the amount set for the in the Budget on or before the completion date set forth in Article 8 hereof.

(b) **Expenditures to Date:** As of the date of this Agreement, the State hereby represents, warrants and agrees that it has expended the following amounts for the planning, design and construction of the Project which amounts were included in the Budget.

(c) The sum of \$_____ for surveys, engineering studies, project planning and programming and design services and related costs (\$_____ for the Facilities and \$_____ for the Adjacent Improvements).

(d) The sum of \$_____ payable under the CM Agreement (\$_____ for the Facilities and \$_____ for the Adjacent Improvements).

(e) **[other]**

6. **Additional Available Funds:**

(a) The State represents and warrants to the Authority that additional funds totaling Three Million Three Hundred Twenty Three Thousand Dollars (\$3,323,000) are currently

available to the Authority from the State to pay costs of the Facilities (the “State’s Additional Funds”). Prior to issuance of the Bonds, the State will transfer the State’s Additional Funds to the Authority, and the Authority will deposit such funds into the Construction Fund created under the bond resolution for the Bonds (the “Construction Fund”).

(b) ISU represents and warrants to the Authority that additional funds totaling Twenty Three Million Three Hundred Nine Thousand Dollars (\$23,309,000) are currently available to the Authority from ISU to pay costs of the Adjacent Facilities (the “ISU’s Additional Funds”). Prior to issuance of the Bonds, the ISU will transfer ISU’s Additional Funds to the Authority, and the Authority will deposit such funds into the Construction Fund created under the bond resolution for the Bonds the Construction Fund.

(c) The State’s Additional Funds and ISU’s Additional Funds shall be held and applied by the Authority, together with funds providing by the issuance of the Bonds, for application to pay the costs of the Project in accordance with this Agreement and in accordance with the bond resolution for the Bonds.

7. **Financing by Authority:** The Authority agrees to issue revenue bonds or notes from which a total of Twelve Million One Hundred Seventy-Seven Thousand Dollars (\$12,177,000) shall be deposited into the Construction Fund to be applied, with the State’s Additional Funds and ISU’s Additional Funds to pay Costs of Acquisition and Construction as defined in the Facilities Lease and to pay the costs of construction of the Additional Improvements. The Construction Funds shall be separated into two (2) separate accounts on two separate ledgers within the Construction Fund; one account shall include the bond funds and the Additional Funds allocated to the Facilities (but not the Adjacent Improvements) (“Facilities Fund”), and one account shall include ISU’s Additional Funds allocated for the costs of the Adjacent Improvements (“Adjacent Fund”). The Authority shall pay from its Construction Fund costs of the Project, not to exceed the total available funds in the Construction Fund, as follows:

(a) All costs incurred directly by the Authority in connection with the Cost of Acquisition and Construction as defined in the Facilities Lease shall be paid from Facilities Fund.

(b) All reasonable costs incurred by the State pertaining to the planning, design and construction of the Project, (allocated between the Facilities Fund and the Adjacent fund as provided in paragraph 9 below) as follows:

(i) the actual amounts owing by the State under the State Contracts, as and when due, less amounts previously paid thereunder by the State; and

(ii) the actual amounts owing by the State for any other purpose pertaining to the Facilities approved in advance by the Authority and not to exceed the amount

ISU DEVELOPMENT AGREEMENT - Page 4

approved in advance by the Authority.

The Authority agrees to provide to the State, upon request, periodic statements detailing expenditures from the Construction Fund.

8. **Guaranty of Completion and Cost:** The State has undertaken or will undertake the planning, management, control and direction of the design and construction of the Project and does hereby guaranty to the Authority that the Project shall be completed as required in this Agreement. State agrees to be responsible for all risks relating to the planning, design and construction of the Project, including but not limited to:

(a) The faults, failure or defaults of any employee, agent, representative, or contractor engaged by the State to perform any service or work pertaining to the Project;

(b) Cost overruns for any reason including, without limitation, any foreseen or unforeseen, anticipated or unanticipated conditions, delays, material shortages; actions of any persons or entity (other than the Authority); any State actions to control the progress of the work; any legal restrictions upon the States' ability to enter into or perform the State contracts or other events which may entitle any contractor or other person or entity to additional funds; and

(c) Failure to substantially complete the construction of the Project to be available for occupancy not later than September 30, 2005, subject to reasonable extensions approved by the Authority, which approval shall not be unreasonably withheld.

9. **Payment Procedure:** The State shall submit to the Authority not more frequently than monthly a written application for payment based upon the work completed during the immediately preceding month. Each application for payment shall designate with particularity the work completed, equipment and materials stored at the site for other approved location and other appropriate work or services completed (the "Work") for each the Facilities and the Adjacent Improvements and the amount of the application to be disbursed from the Facilities Fund and the amount of the application to be disbursed from the Adjacent Fund. On or before the requested payment becomes payable by the State, but not less than 15 calendar days after receipt of the application, the Authority shall make payment on behalf of the State, the sum representing Work for the benefit of the Facilities and the sum representing the Work for the benefit of Adjacent Improvements. The amount payable by the Authority shall not exceed the sum actually owing by the State for which such application is made. The State shall monthly provide to the Authority an estimate of cash flow requirements allocated from the Facilities Fund and from the Adjacent Fund for the succeeding three (3) months and the Authority agrees to arrange the availability of funds to be paid hereunder accordingly, if possible, or to notify the State of its inability to do so.

Investment earnings received from investment of monies in the Adjacent Fund shall be deposited into the Adjacent Fund. Upon completion of the Adjacent Improvements, and the payment in full of all amounts due under the State Contracts relating to the Adjacent Improvements, the Authority shall, or shall cause the trustee for the Bonds to, transfer to ISU any remaining funds in the Adjacent Fund.

10. **Construction Progress Certifications**: At any time upon request and regularly with any application for payment of sums owing under the State Contracts, the State shall furnish to the Authority certifications, in a form acceptable to the Authority, signed by the Architect, the CM and DPW. Such certifications be in accordance with the certificates required by and pursuant to the State Contracts, and subject to the rights and obligations of the Architect, the CM and DPW thereunder, shall state that the amount applied for fairly represents the value of work then performed and shall further state that:

(a) The work represented thereby has reached the stated percentage or degree of completion;

(b) That, to the best of the certifiers knowledge, information and belief, all work performed substantially complies with the applicable State Contract, the Plans and this Agreement, or that, if any work does not so substantially comply, the certification shall include a report specifying in reasonable detail all areas and aspects in which the work does not comply and such progress payment shall not be made for such non-conforming work, and

(c) That the unpaid balance of monies thereafter payable under the applicable State Contracts, together with unexpended funds available for change orders as provided herein, is sufficient to complete the Project.

11. **Conditional Assignment of Contract Rights**: The State hereby assigns to the Authority all of its rights and interest in and to the State Contracts. This assignment is to secure the State's strict performance of the terms of this Agreement and shall be fully effective only upon the default of the State hereunder. The State, and not the Authority, shall remain solely responsible for performance of the State Contracts notwithstanding such assignment. Nothing hereunder shall obligate the Authority either now or in the future to assume or perform the State's obligations under the State Contracts.

12. **Conveyance of Facilities**: The State hereby sells, assigns, grants and conveys to the Authority all of the following:

(a) The interest of the State in and to the Plans and all drawings and design

documents and materials of every kind or nature relating to the design of the Project; however, the State retains the right to use of the Plans, drawings, design documents and other materials to expand, alter, modify, repair or improve the Facilities during the term of the Facilities Lease;

(b) All work in progress, materials, equipment, supplies, and other personal property of every kind or nature, whether or not stored on the site of the Project, furnished under the State Contracts, or paid for with funds furnished by the State, or paid for with funds furnished by or through the Authority; and

(c) The Facilities and all rights and interests of the State thereto subject to the provisions of the Site Lease.

13. **Notice Upon Default by Contractors:** In the event of a material default by any contractor under the State Contracts and prior to the State taking action to (i) terminate such contract or suspend performance of the work, (ii) employ a separate contractor to perform portions of the work, or (iii) otherwise take action with respect to such defaulting contractor, the State shall provide the Authority written notice of its proposed or intended actions at least five (5) days prior to taking any such action and shall secure the Authority's written consent to such action, which consent shall not be unreasonably withheld by the Authority.

14. **Authority Consent for Changes Required:** Consent by the Authority shall be required for (a) any single change affecting the cost of the Project by more than Fifty Thousand Dollars (\$50,000), or cumulative changes having an aggregate cost of more than Two Hundred Thousand Dollars (\$200,000) and (b) to any single change delaying substantial completion of the Facilities by more than thirty (30) days or cumulative changes delaying substantial completion in the aggregate by more than sixty (60) days. The consent of the Authority may be withheld until, or conditioned upon, receipt by the Authority of necessary funds to complete the items in the change order.. The State shall not approve or initiate changes so affecting costs or delays without the prior written consent of the Authority, which consent shall not be unreasonably withheld. The Authority agrees to provide its consent hereunder within a reasonable time as determined by the circumstances giving rise to such changes and within sufficient time to permit the State to take appropriate action regarding such changes. In any instance in which changes occur which affect costs in excess of such amounts, the express written concurrence of ISU shall be obtained prior to requesting the Authority's consent to such changes. The Authority's consent to any such changes or delays shall not modify the obligation of the State to pay rent commencing July 1, 2004 as provided in the Facilities Lease.

15. **Access to Facilities and Information:** The Authority, its agents, employees and representatives, shall have reasonable access to the construction site of the Project, to all materials, equipment and/or supplies relating thereto, to all materials, documents and information held by the State or any project representative or any third party employed by, representing, or acting in any way as the

agent of the State, and to all documents, materials, plans and other information held by the contractor or its agents, subcontractors, or suppliers that is legally or in fact available to the State.

Upon completion of the Project, the DPW shall maintain for the benefit of the Authority (i) one complete set of "as-built" Plans (drawings and specifications) of the Project, (ii) one complete set of operating manuals, and (iii) copies of all written warranties.

16. **Insurance:** In addition to the insurance required under the Facilities Lease, the State shall procure and maintain builder's all risk insurance insuring the Facilities against loss or damage from insurable perils, including flood and earthquake if available on reasonable terms. Such insurance shall be in the amount of the full replacement cost of the Facilities and shall include loss of use or loss of rents and soft costs with limits acceptable to the Authority. All such insurance shall include the Authority as an additional named insured and shall contain a loss payable clause covering the interest of any trustee appointed by the Authority in connection with the issuance of bonds. Prior to commencing construction of the Facilities, the State shall provide to the Authority and its trustee a certificate of insurance, in a form acceptable to the Authority, evidencing such insurance.

17. **Indemnification:** The State shall indemnify, defend and hold the Authority harmless from any claim, liability, loss, or expenses of any nature relating to or arising out of this Agreement, the Facilities, or any work performed in connection therewith, the State Contracts or arising out of or relating to any act or omission of any employee, agent, representative, consultant or other person acting on behalf of the State. This indemnification shall run to the Authority, its officers, directors, employees, and representatives. This indemnification shall include all reasonable attorney's fees and other reasonable defense costs. In the event the State fails or refuses to indemnify or defend the Authority without reservation or condition as to any such claim against the Authority, the Authority may, if it so elects, defend itself with counsel it selects without limiting in any way the obligations of the State hereunder, and all costs incurred by the Authority in such instance, and any judgment or other claim rendered against the Authority or determined by the Authority to be due, shall be immediately due and payable from the State.

Nothing in this paragraph 16 shall be construed as the agreement of the State to indemnify the Authority from liability for damages arising out of director's and officer's liability, personal injury or damage to property caused exclusively by the malfeasance or negligence of the Authority.

18. **Non-Assignment by State:** The State shall not assign this Agreement. In the event the State delegates any of its obligations under this Agreement to any independent third party engaged by or employed by the State in connection with the Facilities, no such delegation shall reduce or in any way limit the State's obligations hereunder.

19. **Assumption of Rights of Authority:** The rights of the Authority hereunder

run to the Authority, and its successors and assigns, and all rights of the Authority hereunder shall be assignable to and enforceable by any bondholder of the Authority, or any trustee representing the same to the same effect and in the same manner as enforceable by the Authority itself.

20. **Notice of Default:** In the event either party contends that a default or claimed default has occurred hereunder, such party shall prior to taking any legal action to enforce its rights hereunder, give written notice of such default or claimed default to the other, specifying with reasonable detail the nature of such defaults. The party allegedly in default shall have fifteen (15) days from the date such notice is given to cure such default. Provided, however, such notice shall not be required if the default itself or any delay in taking legal action for the period required for notice has the effect of limiting or terminating the rights of party not in default or if such default is such that it cannot be cured by the defaulting party, and in such instance, the non-defaulting party shall use reasonable efforts to give notice to the other as may be reasonable and practical in the circumstances, but may take immediate action itself to correct or cure the default and exercise all other rights hereunder.

21. **Remedies on Default of State:** In the event of any default hereunder, the Authority shall have any or all of the following remedies:

- (a) All remedies provided under the Facilities Lease;
- (b) The right to recover all of its damages, including but not limited to compensation for loss of use of the Facilities and/or loss of rental income;
- (c) Upon written notice pursuant to paragraph 20 to the State of its default, the Authority shall succeed to all rights and remedies of the State under the State Contracts assigned hereunder to the Authority, but shall not thereby itself become liable under any of such contracts;
- (d) If the State's default may be cured or mitigated by the payment of money or by completion of the work, the Authority may in its sole discretion, but shall not be obligated to, pay such sums as the Authority deems appropriate, or complete the work or such portion thereof as the Authority deems appropriate, and all sums incurred or paid by the Authority shall be immediately due and payable to the Authority by the State;
- (e) Injunction, specific performance, equitable relief, and
- (f) No remedy hereunder shall be exclusive, nor shall the Authority's decision to pursue one remedy constitute an election of remedies.

22. **Notice:** In the event notice is required hereunder, such notice shall be deemed given upon depositing the same in the United States mail by certified mail, return receipt requested, to the following persons at the following addresses:

Idaho State Building Authority
Post Office Box 2802
Boise, Idaho 83701
Attention: Executive Director

Idaho Department of Administration
Statehouse Mail
Boise, Idaho 83720
Attention: Director

23. **Authorized Representative**: The Executive Director of the Authority is authorized to act for the Authority regarding all matters contained in this Agreement. The Administrator for Division of Public Works shall represent the State of Idaho as to all matters contained in this Agreement.

24. **Attorney Fees**: In the event either party to this Agreement is required to initiate or defend litigation with respect to the terms hereof or to enforce any of its rights hereunder, the prevailing party in such litigation shall be entitled to reasonable attorney's fees incurred in such litigation, including all discovery costs and costs of expert witnesses, together with all reasonable litigation expenses.

EXECUTED on the dates set forth below.

IDAHO STATE BUILDING AUTHORITY

By: _____

Chairman

Date: _____

STATE OF IDAHO, DEPARTMENT OF
ADMINISTRATION, DIVISION OF
PUBLIC WORKS

By: _____

Its Administrator

Date: _____

IDAHO STATE UNIVERSITY

By:_____

Its _____

Date:_____

EXHIBIT A**BUDGET****07/01/03****Idaho State University
Rendezvous Multi-Use Project****Sources of Construction Funds**

| | | |
|------------------------------|------------------------|--------------|
| ISBA Bond Proceeds | 12,177,000.00 | 3,323,000.00 |
| State Deposits | 3,323,000.00 | |
| ISU Bond Proceeds | <u>23,309,000.00</u> | |
| Total Funds Available | \$38,809,000.00 | |

\$ -

| Uses of Construction Funds | Budget | Paid To Date | Balance | |
|-----------------------------------|----------------------|-------------------------|------------------------|---------------|
| Design Fees and Costs | 2,452,750.00 | (1,556,799.00) | 895,951.00 | |
| Construction Management | 2,861,689.00 | (121,029.00) | 2,740,660.00 | 994086 |
| Construction Contracts | 30,638,311.00 | | 30,638,311.00 | \$ 994,086.00 |
| Construction Testing | 100,000.00 | | 100,000.00 | |
| Consultant Services | | | - | |
| Special Equipment | 950,000.00 | | 950,000.00 | |
| Plan Check/Advertising | 45,581.00 | | 45,581.00 | |
| Site Survey/Investigation | 60,300.00 | (35,688.00) | 24,612.00 | |
| Contingency Allowance | <u>1,700,369.00</u> | | 1,700,369.00 | |
| Total \$ | 38,809,000.00 | \$(1,713,516.00) | \$37,095,484.00 | |

FACILITIES LEASE

(Idaho State University Classroom and Portion of Residence Building)

THIS FACILITIES LEASE, made as of the ____ day of _____, 2003, between the IDAHO STATE BUILDING AUTHORITY (the "Authority"), as lessor, and the STATE OF IDAHO (the "State"), acting through the IDAHO DEPARTMENT OF ADMINISTRATION ("IDOA") and IDAHO STATE UNIVERSITY ("ISU"), with the consent and approval of the IDAHO STATE BOARD OF EDUCATION, as lessee.

RECITALS

A. The Authority was created by the Idaho State Building Authority Act, Title 67, Chapter 64, Idaho Code (the "Act"), to finance, construct, and operate facilities for the purposes set forth in the Act; and

B. The Authority is empowered by the Act, among other powers, to acquire property; to enter into agreements with the State of Idaho or any agency, board, department or commission thereof for the financing of facilities; to provide for the acquisition, development, construction, reconstruction, improvement, alteration, maintenance, operation, or repair of facilities or parts thereof; and to lease such facilities as provided by the Act; and

C. In accordance with the provisions of Idaho Code, Section 67-6410(a), the Idaho Legislature, pursuant to House Concurrent Resolution No. 30, First Regular Session of the Fifty-seventh Legislature, has authorized the IDOA and ISU to enter into agreements with the Authority as may be reasonable and necessary for the purpose of providing financing and development of educational facilities (defined herein as the "Facilities"), for use by ISU; and

D. Concurrently herewith, the Authority has leased the real property described in Exhibit A-1 together with rights of ingress, egress and parking over the real property depicted on Exhibit A-2 pursuant to the Site Lease, as defined hereinafter, to finance and acquire the Facilities, and to lease the Facilities back to the State pursuant to this Facilities Lease; and

E. The Authority intends to finance the cost of acquisition of the Facilities and related costs by the issuance of bonds, notes or other evidences of indebtedness as authorized by the Act; and

F. The State and the Authority acknowledge that there shall be no merger of the State's leasehold interest in Facilities and its ownership interest in the real property described in Exhibits A-1 and A-2; and

G. The State will be responsible for the design and construction of the Facilities pursuant to the terms of the Development Agreement, as hereinafter defined, and will lease the Facilities from the Authority upon the terms and conditions set forth in this Facilities Lease.

NOW, THEREFORE, in consideration of the mutual promises, conditions, and covenants set forth herein, the parties agree:

ARTICLE 1

FINDINGS AND DECLARATION

Section 1.1 Findings: The Authority has found and declared, in accordance with Section 67-6410(c), Idaho Code, that the Facilities will be of public use and will provide a public benefit to the people of the State of Idaho.

Section 1.2 Declaration: The parties agree and acknowledge that the Recitals contained in this Facilities Lease are true and are incorporated into this Facilities Lease as if set forth in full. This Facilities Lease shall constitute the agreement of the Authority to provide the Facilities as required by Section 67-6410(b), Idaho Code.

ARTICLE 2

DEFINITIONS

The terms used herein shall have the following meanings:

Section 2.1 "Act" shall mean Chapter 64, Title 67, Idaho Code, as it now exists and as it may hereafter be amended and supplemented.

Section 2.2 "Adjacent Improvements" The improvements to be constructed on the property shown as "Adjacent Improvements" on the site map attached hereto as Exhibit A-3 which the State intends to construct simultaneously with the construction of the improvements on the Facilities.

Section 2.3 "Annual Rent" shall mean, with respect to the initial term of this Facilities Lease and each renewal term thereof, the Basic Rent and Additional Rent determined in accordance with Article 6 hereof due and payable by the State to the Authority with respect to the Facilities for such lease term.

Section 2.4 "Authority" shall mean the Idaho State Building Authority, an independent public body corporate and politic of the State of Idaho, created by and existing under the Act.

Section 2.5 "Bonds" shall mean the portion of any bond or bonds, note or notes, or other evidences of indebtedness issued by the Authority for the purpose of financing the Cost of Acquisition and Construction and bonds or notes issued to refinance all or any part thereof and any bonds or notes issued to finance any additions, modifications or replacements of the Facilities from time to time hereafter.

Section 2.6 "Bond Resolution" shall mean the resolution or resolutions of the Authority, as amended and supplemented, authorizing the issuance of Bonds.

Section 2.7 "Code" means the Internal Revenue Code of 1986, as amended, regulations thereunder and rulings and judicial decisions interpreting or construing the Code.

Section 2.8 "Cost of Acquisition and Construction" shall mean any proper and reasonable cost, whether or not specifically mentioned herein, of the lease, development and design and construction of the Facilities and furniture, fixtures, machinery, apparatus and equipment therefore; of engineering and architectural services, designs, plans, specifications and surveys; of planning, analysis, project management, administration, inspection and similar services in connection with the Facilities; of acquisition or lease of any land or interest therein for use in connection therewith; of preparation of the sites thereof and of any land to be used in connection therewith; of any indemnity and surety bonds and insurance premiums; of allocable administrative and general expenses of the Authority; of allocable portions of legal fees, audits, fees and expenses of any trustees, depositories and paying agents, financial advisors, underwriters and others for the Bonds; of issuance of the Bonds and interest thereon and other financing charges, and of fees and expenses of other advisors and consultants necessary or appropriate in connection therewith; of the payment of any Bonds of the Authority (including any interest and redemption premiums) issued to temporarily finance the payment of any item or items of cost of the Facilities; of expenses necessary or incidental to determining the feasibility or practicability of the Facilities; and of all other reasonable expenses not specified herein as may be necessary or incidental to the development, design, construction and acquisition of the Facilities, the financing thereof, and the placing of the same in use and operation.

Section 2.9 "Development Agreement" shall mean an agreement entered into between the Authority and the State whereby the State agrees to complete the design and construction of the Facilities satisfactory to the Authority and to convey ownership of the Facilities to the Authority as the design and construction progresses.

Section 2.10 "Facilities" shall mean the Authority's interest in the real property described in Exhibits and shown as "Facilities" on the site map attached hereto as Exhibit A-3 with all easements and rights appurtenant thereto including the non-exclusive rights for ingress, egress and parking included in the Site Lease and all improvements to be constructed thereon described in Exhibit B, together with all equipment, furniture, fixtures, improvements, and appurtenances designed, constructed or installed thereon by or for the Authority.

Section 2.11 "Facilities Lease" shall mean this Facilities Lease, including any amendments or supplements thereto.

Section 2.12 "Fiscal Year" shall mean the twelve-month period of each year beginning July 1 and ending on the following June 30.

Section 2.13 "Site Lease" shall mean the Site Lease, as amended, entered into between the Authority and the State of Idaho acting by and through ISU **[need to verify]** coincidentally herewith, containing the terms and conditions of the lease of real property and easements, described in Exhibit together with rights of ingress, egress and parking as described therein.

Section 2.14 "Operating Costs" shall mean the Authority's expenses (including reasonable reserves for such expenses) for real property assessments, allocable administration and general expenses of the Authority, expenses for maintenance and repairs, insurance premiums, utility charges, legal, financial,

architectural and engineering expenses, fees and expenses of fiduciaries under the Bond Resolution, bond insurance, guaranty and/or letter of credit fees, interest and finance charges, and any other expenses or contingencies to be paid or provided for by the Authority, all to the extent properly attributable to the Facilities and payable by the Authority. Operating Costs shall not include any Cost of Acquisition and Construction or any provision for depreciation, amortization or similar charges or any expenses for maintenance and repairs, utility services or insurance paid for or provided by the State pursuant to this Facilities Lease.

ARTICLE 3

LEASE OF PROJECT; TERM OF LEASE

Section 3.1 Lease of Facilities: The Authority hereby leases the Facilities to the State for use in furtherance of the public benefit, and the State hereby leases the Facilities from the Authority on the terms and conditions set forth herein.

As affects this Facilities Lease, ISU shall have the primary responsibility to act on behalf of the State in all respects pertaining to the obligations of the State under this Facilities Lease. The State of Idaho hereby authorizes ISU to act as its representative and agent in all respects pertaining to this Facilities Lease, and the State of Idaho shall be fully bound by all acts, authorizations, representations and decisions of ISU, except as otherwise expressly provided in this Facilities Lease.

Section 3.2 Term of Lease: This Facilities Lease shall be in full force and effect from the effective date hereof. The initial term of this Facilities Lease shall extend from the effective date hereof through June 30, 2004. The State shall have the option to renew this Facilities Lease in accordance with the provisions hereof for successive terms concurrent with and equal to succeeding Fiscal Years thereafter and each such renewal of this Facilities Lease shall be deemed to be exercised, automatically and without further action by the State, unless the State shall notify the Authority in writing of its intent not to renew this Facilities Lease not later than ten (10) months prior to the expiration of any lease term; provided, however, no term of this Facilities Lease shall extend beyond the term of the Site Lease.

ARTICLE 4

ACQUISITION, DEVELOPMENT AND FINANCING

Section 4.1 Acquisition and Development of Facilities: The Authority agrees to acquire real property for use as the site of the Facilities by the Site Lease entered into coincidentally herewith. Pursuant to the terms of the Site Lease, the Authority will own fee title to the improvements constructed thereon as provided in the Development Agreement entered into coincidentally herewith. This Facilities Lease and the rights, title and interest of the State in this Facilities Lease and the Facilities shall be subject to the interests of the Authority in the real property and parking acquired therefor.

Section 4.2 Financing of Facilities by the Authority: The Authority agrees to finance the Cost of Acquisition and Construction of the Facilities by issuance of Bonds as authorized by the Act. The Authority may from time to time refinance or refund such Bonds as the Authority may deem appropriate;

provided the Authority shall not refinance or refund such Bonds without the written consent of the State if to do so would increase the Basic Rent due hereunder. The Authority shall give written notice to the State of its intent to refinance or refund such Bonds.

Section 4.3 Bond Anticipation Notes: The Authority may issue bond anticipation notes payable from proceeds of Bonds.

ARTICLE 5 USE OF FACILITIES

Section 5.1 Use of Facilities: The State agrees that the Facilities shall be used by ISU and such other institutions, departments and agencies of the State as deemed necessary or appropriate by the State. With the written consent of the Authority, which shall not be unreasonably withheld, the State may enter into agreements with other entities ("Non-State Entities") for the operation and/or maintenance of the Facilities or for the use or occupancy of portions of the Facilities by Non-State Entities upon the following conditions:

(a) the nature and extent of the proposed agreements with Non-State Entities will not adversely affect the tax-exempt status of the Bonds; and

(b) such proposed users or uses shall be compatible with and complimentary to the interests in and uses of the Facilities by the State; and

(c) the nature and extent of the proposed uses of the Facilities conforms to policies relating to permitted uses of the Facilities adopted by the Board of Commissioners of the Authority.

ARTICLE 6 RENT

Section 6.1 Payment of Annual Rent: In consideration of the lease of the Facilities, the State shall pay to the Authority, in advance and without any set off or deduction whatsoever, the following Annual Rent:

(1) For the period of the initial term of this Facilities Lease in the Fiscal Year ending June 30, 2004, the State shall pay no Annual Rent.

(2) For the renewal term of this Facilities Lease commencing July 1, 2004 and for each annual renewal term thereafter, the State shall, within 30 calendar days following the commencement of such renewal terms, pay in advance:

(a) As and for Basic Rent, an amount for such term which shall equal the principal installments, including sinking fund deposits, and interest payable in the corresponding Fiscal Year in accordance with the Bond Resolution with respect to the Bonds; and

(b) As and for Additional Rent as follows:

(i) the amount estimated by the Authority to be sufficient to provide the Authority with adequate monies to pay all Operating Costs attributable to the Facilities for the applicable term of this Facilities Lease, plus

(ii) the amount, if any, of deposits to any debt service reserve account, any operating fund, and any other reserve or expense accounts required to meet all terms and conditions of the Bond Resolution. The Authority will provide to the State an estimate of Operating Costs which shall accompany its statement for Additional Rent.

(3) Annual Rent payable for any renewal term shall not be deferred or abated because of delays in completion of the construction of the Facilities or delays in completion of any repair or replacement of damage to the Facilities.

(4) Any installment of Annual Rent which is not paid by the State on or before the due date thereof shall, from and after said due date, bear interest until paid at the highest rate per annum borne by any of the Bonds then outstanding; time being of the absolute essence of this obligation.

(5) The Authority and the State hereby agree that the Basic Rent in any lease term shall be reduced by any amounts on deposit with the Authority legally available for and allocated by the Authority to the payment of principal and interest on the Bonds, including without limitation capitalized interest deposited from the proceeds of the Bonds and funds on deposit in the debt service account established under the Bond Resolution. Basic Rent shall be increased or decreased as appropriate to reflect the issuance by the Authority of Bonds bearing interest at variable rate and issuance of any additional Bonds issued to refinance the Facilities, in whole or in part, or any additional Bonds issued for the purposes set forth in Section 9.1 hereof or issued to finance additions, modification or replacement of the Facilities or any part thereof.

(6) Annual Rents shall be payable in lawful money of the United States of America, which shall be legal tender for public and private debts under the laws of the United States at the time of payment, provided that, upon prior written approval of the Authority, the State may transfer funds through electronic funds transfer. Payment shall be made at the office of the Authority or such other place or places as may be designated in writing by the Authority.

(7) The State and the Authority have agreed and determined that such Annual Rent represents the fair market rental value of the Facilities. In making such determination, consideration has been given to the Cost of Acquisition and Construction, and the costs of financing of the Facilities and the Operating Costs thereof, and the uses and purposes of the Facilities which will accrue to the State and the

Authority and the general public by reason of the use and occupancy thereof by the State and ownership by the Authority.

(8) The parties agree that the Annual Rent hereunder constitutes ordinary operating expense of the State within the provisions of Article VIII Section 1 of the Idaho Constitution.

Section 6.2 Application of Rent: The Authority covenants to use and apply Annual Rent to payment of debt service of the Bonds, Operating Costs, deposits to required reserve accounts and other appropriate purposes pertaining to the Facilities and/or the Bonds.

ARTICLE 7

OPERATION AND MAINTENANCE OF THE FACILITIES

Section 7.1 Operation, Repairs, and Maintenance: The State shall, throughout the term of this Facilities Lease and each renewal term thereof, at the State's cost and expense, keep and maintain or cause to be kept and maintained, the Facilities and all equipment, fixtures, additions and improvements thereof, in good order and condition, and shall, at the State's cost and expense, make or cause to be made all necessary repairs, renewals, and replacements with respect to the Facilities. To the extent repairs or replacements are insured under policies maintained by the Authority and insurance proceeds are paid to the Authority, the State shall be entitled to such insurance proceeds to the extent of the actual costs incurred by the State and except to the extent the insurance proceeds are required to be otherwise applied in accordance with the terms of the Bonds. Subject to Section 10.1, in the event the Facilities or any part thereof are damaged or destroyed by uninsured or partially uninsured casualty of any kind, the State shall either replace or rebuild the Facilities in equal value, or pay such sums to the Authority as may be required to fully pay and discharge the Bonds.

Section 7.2 Utilities: The State shall pay or cause to be paid all costs, expenses and charges for water, electricity, lights, heat, power, sewage, telephone, and other utility services, rendered or supplied upon or in connection with the Facilities during the term of this Facilities Lease and each renewal term.

Section 7.3 Insurance:

(1) The State shall maintain or cause to be maintained with responsible insurers or under an established program of self-insurance (as considered to be adequate by an Insurance Consultant as may be engaged by the Authority) the following kinds and amounts of insurance acceptable to the Authority with respect to all existing buildings, improvements, equipment and other property comprising any part of the Facilities and/or the use of the Facilities at all times throughout the initial term and each renewal term of this Facilities Lease:

(a) Commercial general liability insurance (CGL) and, if necessary, commercial umbrella insurance and property damage liability, and errors and omissions liability as shall afford protection to the Authority in an amount of not less than \$1,000,000 for each occurrence. The commercial general liability insurance shall cover liability arising from premises, operations, independent contractors, product-

completed operations, personal injury and advertising injury, and liability assumed under an insured contract.

Such insurance shall protect the Authority to the same extent as the State is protected from claims, demands, causes of actions, penalties, including costs and attorney fees, arising out of the use or occupancy of the Facilities. Upon written request of the Authority, the State will increase the amount of the CGL insurance to an amount determined by the Authority if, in the opinion of the Authority and based on local standards, the amount of the CGL insurance is not adequate.

(b) Commercial property insurance and, as applicable, course of construction insurance, in the amount of the full replacement value of the Facilities or any portion thereof, including fixtures, equipment, lessee improvements and betterments. Commercial property insurance shall, at a minimum, cover the perils insured under the ISO special causes of loss form CP 1030 and, if reasonably available, earthquake and flood insurance, debris removal, operation of building laws, extra expense, consequential loss, loss of rents and/or business interruption. Such loss of rents or business interruption insurance shall be in an amount equal to Annual Rent payable to the Authority by the State with respect to the Facilities during such time or times as the use of the Facilities may be totally or partially interrupted or the construction thereof delayed as a result of damage or destruction resulting from perils insured against pursuant to this subsection (1)(b).

(c) Worker's Compensation Insurance in the amount and in the form which the State is required by law to maintain.

(d) Any other insurance agreed to in writing by the State and the Authority.

(e) Any other insurance required by the terms and conditions of the Bonds.

(2) All insurance procured and any self-insurance plan maintained by the State shall comply with the following requirements:

(a) Each policy or policies of insurance shall be written by insurance companies authorized to do business in the state of Idaho and furnished through an insurance carrier or carriers satisfactory to the Authority or through a self-insurance plan satisfactory to the Authority and an Insurance Consultant pursuant to the Bond Resolution.

(b) True, correct and complete copies of all insurance policies or self-insurance plan and all endorsements, changes, amendments and supplemental provisions thereto shall be continually maintained by the State and shall be available for inspection and copying by the Authority at all times during the State's regular office hours.

(c) All such insurance shall provide that coverage shall not be canceled or amended except upon sixty (60) calendar days prior written notice to the Authority. The Authority shall be furnished current certificates upon the commencement of the initial term and each renewal term of this Facilities Lease showing that all such insurance fully complies with the terms of this Facilities Lease, and current certificates shall be furnished at any other time or times as may be reasonably requested.

(d) All policies of insurance obtained by and any self-insurance plan maintained by the State shall include provisions that coverage shall not be affected, reduced or waived by any inaccurate or misleading statement or information furnished by the State in obtaining such insurance nor shall insurance under such policies furnished to the Authority be reduced by any actual or alleged breach of warranties made by the State in obtaining such insurance. All liability insurance furnished by the State shall include insurance covering the obligations of the State under Article 8 of this Facilities Lease.

(3) The Authority and the State hereby release each other from any and all liability or responsibility to the other as to any person claiming through or under either by way of subrogation or otherwise for any loss or damage to property caused by any casualty insured by the above-described coverages, even if the loss is caused by the fault or negligence of the other party or by any party for whom the other party is responsible.

(4) All insurance provided to the Authority by the State pursuant to this Facilities Lease shall name the Authority as additional named insured and contain a loss payable clause providing for payment of proceeds to the Authority and the trustee of the Bonds to the extent of their interest therein, and the Annual Rent otherwise payable by the State with respect to the Facilities shall be reduced by the amount of business interruption or loss of rents insurance payments, if any, made to the Authority and/or the trustee of the Bonds.

(5) In the event the Authority is able to procure any or all of the insurance coverages herein required at a cost less than the cost incurred by the State thereof, the Authority agrees to do so and the cost thereof shall be included as Operating Costs of the Authority. In such event the obligation of the State to provide any such insurance shall continue until the insurance coverage procured by the Authority is actually in effect. Upon the expiration or termination of any insurance procured by the Authority hereunder, the State shall immediately, without any interruption in insurance coverage, procure and maintain such coverage.

ARTICLE 8

INDEMNITY

Section 8.1 State's Indemnification: The State hereby agrees to defend, protect, hold harmless and indemnify the Authority and its agents, employees, representatives, successors, and assigns, against all demands, claims, liabilities, causes of action or judgments, and all loss, expense and damage of any and every sort and kind, including, but not limited to, costs of investigations and attorneys' fees and other costs of defense, for:

(1) injury to person or property occurring in, upon or about the Facilities or any adjacent or related real property or improvements owned, occupied or controlled by the State or any of its agencies, departments, bureaus or subgovernmental entities;

(2) injury to person or property arising out of the use or occupancy of the Facilities or relating in any manner to operations conducted thereon;

- (3) any other premises liability relating to the Facilities;
- (4) any loss to person or property to the extent of its self-insurance, if any; and
- (5) all liability whatsoever arising out of any public or governmental activities of the State of any kind or nature whatsoever.

Nothing in this Article 8 shall be construed as the agreement of the State to indemnify the Authority from liability for damages arising out of personal injury or damage to property caused solely and exclusively by the negligence or malfeasance of the Authority.

The obligations under this Section are deemed to be ordinary operating expenses of the State within the provisions of Article VIII Section 1 of the Idaho Constitution.

Section 8.2 Authority's Indemnification: The Authority hereby agrees to defend, indemnify and save the State harmless from and against any and all liability, loss, damage, cost and expense, including court costs and attorney fees of whatever nature or type, whether or not litigation is commenced, that the State may incur, by reason of any act or omission of the Authority, its employees or agents or any breach or default of the Authority in the performance of its obligations under this Facilities Lease. The foregoing indemnity shall not apply to any injury, damage or other claim resulting solely from the act or omission of the State.

ARTICLE 9

ALTERATIONS, ADDITIONS, AND IMPROVEMENTS

Section 9.1 Alterations, Additions, and Improvements: The State shall have the right, at any time and from time to time during the term of this Facilities Lease, at the State's costs and expense, to make such, alterations, additions, expansions and improvements, to the Facilities, as the State shall deem necessary or desirable in connection with its use of the Facilities. Notwithstanding the foregoing, the State shall not make any alterations, additions, expansions or improvements which are structural or which will lessen the market value of the Facilities without the prior written consent of the Authority which shall not be unreasonably withheld. Once commenced, all alterations, additions, expansions and improvements shall be diligently pursued to completion. All such alterations, additions and improvements shall be of such character as to not reduce or otherwise adversely affect the value of the Facilities or the rental value thereof and all the costs thereof shall be promptly paid or discharged so that the Facilities shall at all times be free of liens or claims for labor and materials supplied thereto. All, alterations, additions, fixtures and permanent improvements to the Facilities shall be and become a part of the Facilities and shall become the property of the Authority.

Section 9.2 Furniture, Fixtures, and Equipment: The State shall maintain an inventory of all furniture, fixtures, and equipment and other tangible personal property financed or provided by the Authority as part of the Facilities and shall have the right to replace, at its expense, such tangible personal property as the State shall deem necessary or desirable in connection with its use of the Facilities. The State shall, upon

request but in no event more than once per year, provide to the Authority an inventory of furniture, fixtures, and equipment in use at the Facilities provided by the Authority with the Facilities.

ARTICLE 10

DAMAGE, DESTRUCTION, AND CONDEMNATION

Section 10.1 Damage, Destruction, and Condemnation: In the event of damage, destruction, or condemnation of the Facilities, or any part thereof, the net proceeds of any insurance or condemnation awards with respect to the Facilities and, to the extent necessary, the proceeds of any additional Bonds which may be issued by the Authority for such purpose pursuant to the terms and conditions of the Bonds, shall be used and applied by the Authority in accordance with the terms of the Bonds to repair, restore, rebuild, or replace the Facilities; provided, however, that, in the event of total or substantial destruction or condemnation of the Facilities or in the event that the aforesaid insurance proceeds, condemnation awards, and proceeds of Bonds are not sufficient to repair, restore, rebuild, or replace the Facilities, the Authority with the prior written approval of the State, may elect not to repair, restore, rebuild, or replace the Facilities, in which case the net proceeds of all insurance and condemnation awards, together with all other available funds, shall be applied in accordance with the terms of the Bonds. Upon the receipt of notice from the Authority of its election not to repair, restore, rebuild or replace, the State shall approve or disapprove of such election within thirty (30) days after the date of such notice and failure of the State to disapprove such election within such thirty (30) day period, shall conclusively be deemed the State's approval thereof. In the event the State does not grant its approval as called for in the preceding sentence, the Authority shall be obligated to repair, restore, rebuild, or replace the Facilities and any costs or expenses not covered by the net proceeds of all insurance or condemnation awards or the proceeds of Bonds shall be born by the State.

Any such repair, restoration, rebuilding, or replacement of the Facilities may be in accordance with such different design, plans, and specifications approved by the State as will or may provide facilities of the same or different nature or use, so long as any such change therein or thereof shall not reduce or otherwise adversely affect the value of the Facilities or the rental value thereof. In consideration of the Authority proceeding with the repair, restoration, rebuilding, or replacement of the Facilities as above provided, the State shall continue to pay the Annual Rent due under this Facilities Lease, except to the extent the Authority actually receives proceeds of business interruption or loss of rents insurance described in Section 7.3 hereof.

In the event of damage, destruction or condemnation of the adjacent improvements owned by the State, and the Facilities are not damaged, or the Authority has elected to repair, restore or rebuild or replace the damaged Facilities, the State shall repair, restore, rebuild or replace the additional Facilities to the extent necessary to provide all necessary services to the Facilities as provided prior to the damage, destruction or condemnation.

ARTICLE 11

PARTICULAR COVENANTS

Section 11.1 Compliance with Laws and Regulations: The State shall, at its own cost and expense, promptly comply with, or cause to be complied with, all applicable laws and ordinances, rules,

regulations and other governmental requirements, whether or not the same require structural repairs or alterations, which may be applicable to the State, the Facilities or the use or manner of use of the Facilities. The State shall also observe and comply with the requirements of all policies and arrangements of insurance at any time in force with respect to the Facilities.

Section 11.2 Covenant Against Waste: The State covenants not to do or suffer or permit to exist any hazardous materials, contamination, waste, damage, disfigurement or injury to, or public or private nuisance, in or upon the Facilities in violation of any state of Idaho or federal laws or regulations and agrees to pay all costs, changes, penalties or any other expense reasonably incurred or to be incurred to remove, restore or reclaim the Facilities or premises thereof.

Section 11.3 Right of Inspection: The State covenants and agrees to permit the Authority and the authorized agents and representatives of the Authority to enter the Facilities at reasonable times during usual business hours for the purpose of inspecting the same, subject to reasonable security requirements and procedures of the State.

Section 11.4 Condition of Facilities: The Authority makes no representation regarding the condition of the Facilities or real property underlying or adjacent thereto and the Authority shall not be liable for any latent or patent defects therein.

Section 11.5 Assignment and Subletting: The State shall not assign or mortgage this Facilities Lease or any right hereunder or interest herein and shall not sublease the Facilities or any portion thereof, without prior written consent of the Authority (which consent may be granted or withheld by the executive director of the Authority); provided, that in no event shall the State assign this Facilities Lease or any right hereunder or interest herein or sublease the Facilities or any portion thereof unless the State shall continue to remain liable for the performance of all the terms, covenants, and conditions contained in this Facilities Lease and unless the proposed assignee or sublessee shall agree, in writing, to be bound by all of the terms, covenants, and agreements contained in this Facilities Lease and all other agreements related thereto. The Authority agrees that it will not unreasonably withhold its consent to any such assignment or subleasing.

Section 11.6 Covenant of Quiet Enjoyment: The Authority covenants that it has full right and lawful authority to enter into this Facilities Lease and that, so long as the State shall pay the Annual Rent and shall duly observe all of its covenants and agreements in this Facilities Lease, the State shall have, hold, and enjoy, during the initial term of this Facilities Lease and each renewal term thereof, peaceful, quiet, and undisputed possession of the Facilities. No defect, encumbrance, cloud, lease, restriction or other matter affecting title to the land on which the Facilities shall be developed existing at the time the land is acquired or leased to the Authority or to which this Facilities Lease is subrogated to shall constitute a breach of this Facilities Lease by the Authority.

Section 11.7 Tax Covenant: The State covenants for the benefit of the holders of the Bonds and the Authority that during the term of this Facilities Lease, that no action shall be taken or omitted with respect to the Bonds, the proceeds thereof, any other funds of the State or any Facilities financed or refinanced with the proceeds of the Bonds if such action or omission (i) would cause the interest on the

Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Code, (ii) would cause the Bonds to become “specified private activity bonds” with the meaning of Section 57(a)(5)(C) of the Code, or (iii) would cause interest of the Bonds to lose its exclusion from Idaho taxable income under present Idaho law. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Bonds until the date on which all obligations of the Authority in fulfilling the above covenant under the Code have been met.

ARTICLE 12

DEFAULT

Section 12.1 Events of Default: The following shall be events of default under this Facilities Lease:

- (1) Failure by the State to pay the Annual Rent as the same shall become due, or
- (2) Failure by the State or anyone contracting with the State to observe and perform any other covenant, condition, or agreement to be observed or performed under this Facilities Lease for a period of 90 calendar days after written notice, specifying such failure and requesting that it be remedied, given to the State by the Authority or trustee of the Bonds, unless the Authority or trustee shall agree in writing to an extension of such time prior to its expiration.

Section 12.2 Remedies: Whenever any event of default referred to in Section 12.1 hereof shall occur, the Authority may take any one or more of the following remedial steps:

- (1) Declare all Annual Rent payable for the applicable lease term then in effect to be immediately due and payable, together with applicable interest thereon.
- (2) Re-enter and take possession of the Facilities, exclude the State from possession thereof, and terminate this Facilities Lease.
- (3) Take such action at law or in equity as may appear necessary or desirable to collect all sums due and thereafter to become due, or to enforce performance and observation of any obligation, agreement, or covenant of the State under this Facilities Lease.

Section 12.3 Remedies Not Exclusive: No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Facilities Lease, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In the exercise of any remedy reserved to the Authority in this Article 12, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

ARTICLE 13

SURRENDER OF FACILITIES

Section 13.1 Surrender of Facilities: In the event that the State elects not to renew or extend the term of this Facilities Lease or this Facilities Lease is otherwise terminated, the State shall immediately quit and surrender the Facilities to the Authority in the same condition in which it existed at the date the construction of all Facilities was completed by the Authority, subject to any alterations, additions, expansions or improvements made in accordance with Section 9.1 hereof, ordinary wear and tear excepted.

ARTICLE 14

LIMITATION ON OBLIGATIONS

Section 14.1 Obligations of Authority and State: Notwithstanding any other provisions of this Facilities Lease, no obligation assumed by or imposed upon the Authority by this Facilities Lease shall require the performance of any act by the Authority except to the extent, if any, that the cost and expense of such performance may be paid from the proceeds of the Bonds issued by the Authority or from other funds legally available to the Authority to meet the cost and expense of such performance, and no obligation assumed by or imposed upon the State by this Facilities Lease shall require the performance of any act by the State, including, but not limited to, the payment of Annual Rent, except to the extent that funds may be available for such performance or payment from State general appropriations or other funds legally available therefor. This Facilities Lease shall not be construed as obligating the Legislature of the State of Idaho to make future appropriations for the payment of Annual Rent or the performance of any other obligations under this Facilities Lease beyond the initial rental term or for any renewal term hereof. In the event that appropriated funds are not legally available for payment of Annual Rent or other obligations hereunder for any term, then this Facilities Lease shall be terminated. The liability of the State for payment of Annual Rent as it becomes due shall be in consideration of the right of the State, whether or not exercised, to occupy and/or use the Facilities for the then-current lease term.

ARTICLE 15

MISCELLANEOUS

Section 15.1 Pledge of Rent, Proceeds, and Lease: It is expressly understood and agreed by the parties hereto that the Authority has the right to pledge and assign the Annual Rent, all proceeds receivable by the Authority from any sale of the Facilities, and its rights and interest under this Facilities Lease to secure: (i) the payment of the principal of and the interest on and redemption premium, if any, on the Bonds; and (ii) other obligations of the Authority under the terms and conditions of the Bonds.

Section 15.2 Notices: All notices or other communications hereunder shall be sufficiently given and shall be deemed given on the second business day following the day on which the same are mailed by certified mail, postage prepaid, addressed as follows:

- (1) If to the State:

Idaho Department of Administration
Attn: Director
Statehouse Mail
Boise, Idaho 83720

AND

Idaho State University

(2) If to the Authority:

Idaho State Building Authority
Attn: Executive Director
Post Office Box 2802
Boise, Idaho 83701

The State or the Authority may, by notice given hereunder, designate any further or different addresses to which subsequent notices or other communications shall be sent. Notice may be also given by personal delivery of a written notice.

Section 15.3 Severability: If any term or provision of this Facilities Lease or the application of it to any person, entity or circumstance shall to any extent be invalid or unenforceable, the remainder of this Facilities Lease or the application of such term or provision to persons, entities or circumstances, other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Facilities Lease shall be valid and shall be enforced to the extent permitted by law.

Section 15.4 Attorney Fees: In the event either party to this Agreement is required to initiate or defend litigation with respect to the terms hereof or to enforce any of its rights hereunder, the prevailing party in such litigation shall be entitled to reasonable attorney's fees incurred in such litigation, including all discovery costs and costs of expert witnesses, together with all reasonable litigation expenses.

Section 15.5 Headings: The article and section headings contained herein are for convenience and reference and are not intended to define or limit the scope of any provision of this Facilities Lease.

Section 15.6 Counterparts: This Facilities Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 15.7 Amendments: The Authority and the State shall not, without the written consent of the trustee of the Bonds or other legally-authorized representative of the interests of the owners of the

Bonds, consent or agree to or permit any rescission of or amendment to or otherwise take any action under or in connection with this Facilities Lease which will reduce the payments required to be made by the State hereunder during the initial term or any renewal term hereof, or which will in any manner materially impair or adversely affect the rights of the Authority hereunder, and any action by the Authority or the State in violation of this covenant shall be null and void as to the Authority and the State. Furthermore, any voluntary amendment, modification or termination of this Facilities Lease shall require the written consent of all parties to this Facilities Lease.

Section 15.8 Effective Date: This Facilities Lease shall be effective as of the date stated above upon its execution.

IN WITNESS WHEREOF, the parties hereunto have caused this Facilities Lease to be executed as of the day and year first hereinabove set forth.

AUTHORITY:

IDAHO STATE BUILDING AUTHORITY

By: _____
V. L. Bud Tracy, Chairman

Dated: _____, 2003

ATTEST:

By _____
Wayne V Meuleman, Secretary

STATE:

STATE OF IDAHO, by and through

IDAHO DEPARTMENT OF ADMINISTRATION

By: _____
Pamela I. Ahrens, Director

Dated: _____, 2003

ISU:

IDAHO STATE UNIVERSITY

By: _____
_____, President

APPROVAL AND CONSENT:

STATE BOARD OF EDUCATION

By: _____
Blake G. Hall, President

Dated: _____, 2003

STATE OF IDAHO)
) ss.
County of Ada)

On this ____ day of _____, 2003, before me, the undersigned, a Notary Public in and for said State, personally appeared V.L. Bud Tracy and Wayne V Meuleman, known or identified to me to be respectively the Chairman and Secretary, respectively, of the IDAHO STATE BUILDING AUTHORITY, each of whom acknowledged to me that they executed the within Facilities Lease on behalf of the Idaho State Building Authority in their representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Notary Public for the State of Idaho
Residing at _____
My commission expires _____

STATE OF IDAHO)
) ss.
County of Ada)

On this ____ day of _____, 2003, before me, the undersigned, a Notary Public in and for said State, personally appeared Pamela I. Ahrens, known or identified to me to be the Director of the IDAHO DEPARTMENT OF ADMINISTRATION of the STATE OF IDAHO, who acknowledged to me that she executed the within Facilities Lease on behalf of the State in his representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Notary Public for the State of Idaho
Residing at _____
My commission expires _____

[illegible]

On this ____ day of _____, 2003, before me, the undersigned, a Notary Public in and for said State, personally appeared Blake G. Hall, known or identified to me to be the President of IDAHO STATE BOARD OF EDUCATION (the "SBOE"), who acknowledged to me that he executed the within Facilities Lease on behalf of the SBOE in his representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Notary Public for the State of Idaho
Residing at _____
My commission expires _____

STATE OF IDAHO)
) ss.
County of Ada)

On this ____ day of _____, 2003, before me, the undersigned, a Notary Public in and for said State, personally appeared _____, known or identified to me to be the _____ of IDAHO STATE UNIVERSITY, who acknowledged to me that he executed the within Facilities Lease in his representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Notary Public for the State of Idaho
Residing at _____
My commission expires _____

List of Exhibits:

| | |
|-------------|---|
| Exhibit A-1 | Description of Real Property |
| Exhibit A-2 | Description of Parking |
| Exhibit B | Description of Improvements Comprising the Facilities |
| Exhibit A-3 | Description of Adjacent Improvements |

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**DRAFT
OPERATING AGREEMENT**

THIS OPERATING AGREEMENT is made this ____ day of ____, 2003, by and between the Department of Administration (the “Department”) and the Board of Trustees of Idaho State University (“ISU”).

RECITALS

WHEREAS, the Idaho Legislature, House Concurrent Resolution No. 30 (“HCR 30”), First Regular Session of the Fifty-seventh Legislature, has authorized the Idaho State Building Authority (the “ISBA”) to provide financing to develop and construct certain classroom facilities for use by ISU comprising a portion of ISU’s “Rendezvous Project” (the “Facilities”);

WHEREAS, pursuant to HCR 30, the ISBA and ISU have entered into, or will enter into simultaneously with the execution of this Operating Agreement, a Ground Lease involving the real property on which the Facilities will be constructed;

WHEREAS, pursuant to HCR 30, the Department and ISU have entered into, or will enter into simultaneously with the execution of this Operating Agreement, a Facilities Lease (the “Facilities Lease”) and a Development Agreement (the “Development Agreement”), both with the ISBA and involving and for the Facilities;

WHEREAS, the Department and ISU desire to address between themselves certain issues related to the Facilities Lease and Development Agreement, upon the terms and conditions set forth below.

AGREEMENT

NOW THEREFORE, in consideration of the above recitals, which are incorporated herein as if set forth in full, and the mutual promises and agreements hereinafter set forth, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Other Documents. This Operating Agreement is intended to co-exist with the Facilities Lease and the Development Agreement; provided however, in the case of any conflict between the terms of this Operating Agreement, as may be amended from time to time, and the Development Agreement and the Facilities Lease, as may be amended from time to time, the terms of this Operating Agreement shall control as between the Department and ISU.

2. Term. The term of this Operating Agreement shall begin on its effective date and continue until the expiration or termination of the Facilities Lease, including renewals, or the Development Agreement, whichever occurs later.

3. Allocation of Responsibility. Anything contained in the Facilities Lease and the Development Agreement notwithstanding, the parties agree as follows:

a. Upon and after occupancy by ISU, ISU shall make all decisions regarding the use and routine operation, repair and maintenance of the Facilities. ISU shall, at its cost and

expense, comply with all applicable federal, state and municipal laws, ordinances, regulations and orders and any contractual obligations relative to such use, operation, repair and maintenance of the Facilities. ISU shall consult with the Department on any issues concerning the use, operations and maintenance of the Facilities that could impact the Department or the Facilities Lease or the Development Agreement.

b. ISU shall not do or suffer or permit to exist any hazardous materials, contamination, waste, damage, disfigurement or injury to, or public or private nuisance, in or upon the Facilities in violation of any state of Idaho or federal law or regulation and shall pay all costs, charges, penalties or any other expense reasonably incurred or to be incurred to remove, restore or reclaim the Facilities or premises.

c. ISU shall be responsible for the cost and expense of all insurance required under the Facilities Lease and the Development Agreement, provided, however, that ISU may arrange for such insurance through the Department's Office of Insurance Management.

d. ISU shall, at its cost and expense, keep and maintain or cause to be kept and maintained, the Facilities and all equipment, fixtures, additions and improvements thereof, in good order and condition, and shall, at its cost and expense, make or cause to be made all necessary repairs, renewals, and replacements with respect to the Facilities.

e. In the event the Facilities or any part thereof are damaged or destroyed by uninsured or partially uninsured casualty of any kind, ISU shall either replace or rebuild the Facilities in equal value, or pay such sums to the Authority as may be required to fully pay and discharge the Bonds (as defined in the Facilities Lease).

f. ISU shall pay or cause to be paid all costs, expenses and charges for water, electricity, lights, heat, power, sewage, telephone, and other utility services, rendered or supplied upon or in connection with the Facilities.

g. ISU shall maintain an inventory of all furniture, fixtures and equipment and other tangible personal property financed or provided by the ISBA as part of the Facilities and provide such inventory to the ISBA in accordance with Section 9.2 of the Facilities Lease. ISU shall have the right, at its expense, to replace such tangible personal property as it deems necessary in connection with its use of the Facilities, in accordance with Section 9.2 of the Facilities Lease.

h. ISU shall be responsible to pay for all cost overruns incurred in the planning, design and construction of the Facilities, including without limitation all cost overruns specified in Section 7 of the Development Agreement, provided, however, that ISU shall not be responsible for any cost overrun that is the result of the gross negligence or malfeasance of the Department.

i. Upon and subject to a specific and sufficient annual appropriation by the state of Idaho Legislature to the Department of funds from the Permanent Building Fund or other sources determined by the Legislature, the Department shall remit to the ISBA the payment of Annual Rent (as defined in the Facilities Lease) in accordance with the Facilities Lease.

j. The right contained in Section 3.2 of the Facilities Lease to give ten months' notice of termination of the Facilities Lease may be given jointly by the Department and ISU and not separately by either the Department or ISU.

4. Notice of Non-Appropriation Non-Renewal; Other Notices. In the event that the Department fails to receive an appropriation of moneys necessary for any payment of any Annual Rent under the Facilities Lease, it shall immediately notify ISU. The Department also agrees to give notice to ISU if it does not include in its budget request a request for moneys related to the Facilities Lease. In the event that either party receives any notice related to the Ground Lease, the Facilities Lease or the Development Agreement that could impact the other, the receiving party shall immediately notify the other party of the receipt and substance of such notice.

5. Intentionally Blank.

6. Order of Use of Funds; Funds Remaining. ISU specifically acknowledges and agrees that it transfers to the Authority for the project all funds previously provided by ISU, the Department or the Permanent Building Fund (the "State Funds"), and which are deposited by the Authority into the Construction Fund (as defined in the Development Agreement), shall be deemed to be used first, before any bond proceeds or other funds, for any cost or expense of planning, design or development or construction. ISU further specifically acknowledges that any State Funds or bond proceeds remaining in the Construction Fund (as defined in the Development Agreement) upon final acceptance of the Facilities shall be used to defease the Bonds (as defined in the Facilities Lease) or otherwise decrease the amount of Annual Rent (as defined in the Facilities Lease) due under the Facilities Lease. ISU also agrees to transfer to ISBA for deposit into the Construction Fund, ISU funds obtained through the issuance by ISU of its student fee revenue bonds (the "ISU Funds"), and agrees that ISBA may disburse the ISU Funds to the Department's Division of Public Works ("DPW") for acquisition and construction of the student housing and student services components of ISU's Rendezvous Project (the "Housing and Student Services Facilities"). However, in accordance with the Development Agreement, the ISU Funds shall be deposited into a subaccount in the Construction Fund (the "ISU Subaccount") separate from the State Funds. The ISU Funds shall be disbursed to DPW in a manner that to the extent practical identifies them for payment of costs of the Housing and Student Services Facilities. The ISU Funds shall be invested separately and any excess remaining in the ISU Subaccount upon completion of the Housing and Student Services Facilities shall be returned to ISU by ISBA.

7. Indemnification. ISU shall indemnify, defend and save harmless the Department, its officers, agents and employees from and against any liability, claim, damages, losses, costs, expenses or actions to which the Department is or could be subject arising from or related to this Operating Agreement and its use, operation or maintenance of the Facilities.

8. Cooperation Between the Parties. Should any claims, demands, suits or other legal proceedings be made or instituted by any person against either party which arise out of any matters relating to the Facilities, the other party shall give all pertinent information and reasonable assistance in the defense or other disposition thereof.

9. Notices. All notices, demands, consents and reports provided for in this Operating Agreement shall be in writing and shall be given to the Department or ISU at the address set forth below or at such other address as they individually may specify thereafter in writing:

Department of Administration: Larry V. Osgood
Administrator
Division of Public Works
P.O. Box 83720
Boise, Idaho 83720-0072
Ph: 208-332-1911
Fax: 208-334-4031

With a Copy to: Department of Administration
Attention: Deputy Attorney General
650 West State Street
P.O. Box 83720
Boise, Idaho 83720-0003

Idaho State University Ken Prolo
Vice President for Financial Services
Campus Box 8219
Pocatello, ID 83209-8219
Ph: 208-282-2404
Fax: 208-282-4725

Such notices or other communications may be mailed by United States registered or certified mail, return receipt requested postage prepaid or delivered by a recognized courier delivery service (e.g. Federal Express, Airborne etc.). Such notices, demands, consents and reports may also be delivered by hand. For purposes of this Operating Agreement, notices will be deemed to have been "given" upon personal delivery thereof or 72 hours after having been deposited in the United States mail at a United States Post Office or a depository for the receipt of mail regularly maintained by the post office or deposited with a recognized courier delivery service.

10. Survival. Any termination, cancellation or expiration of this Operating Agreement notwithstanding, provisions that are intended to survive and continue shall so survive and continue, including, but not limited to, the provisions of section 7.

11. No Third Party Rights. Nothing in this Operating Agreement shall be construed as creating or giving rise to any rights in any third parties or any persons other than the parties hereto.

12. Governing Law. The Contract shall be governed by and construed under the laws of the State of Idaho.

13. Officials Not Personally Liable. In no event shall any official, officer, employee or agent of the Department or ISU be liable or responsible for any representation, statement,

covenant, warranty or obligation contained in, or made in connection with, this Operating Agreement, express or implied.

14. Complete Statement of Terms. This Operating Agreement constitutes the entire agreement between the parties hereto as regards its subject matter and shall supersede all previous proposals, oral or written, negotiations, representations, commitments, and all other communications between the parties.

15. Written Modification. This Operating Agreement may be modified or amended only by an agreement in writing signed by a duly authorized representative of the Department and ISU.

16. Counterparts. This Operating Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have entered this Operating Agreement as of the date first set forth herein.

BOARD OF TRUSTEES OF
IDAHO STATE UNIVERSITY

By: _____
Blake G. Hall
Its President

IDAHO DEPARTMENT OF ADMINISTRATION
DIVISION OF PUBLIC WORKS

By: _____
Larry V. Osgood
Its Administrator

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BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003

SUBJECT

University of Idaho Idaho State Building Authority Bonded Projects

UNIQUE ISSUES

University of Idaho Teaching and Learning Center Project

ISBA financing and construction of the University of Idaho's Teaching and Learning Center requires the Regents to enter into four separate agreements to ensure appropriate understandings and responsibility assignments for project completion. The purpose, unique issues and important variances from the standard templates for these agreements are described below.

- 1) The **Ground Lease** conveys the right to utilize property owned by the Regents to the Idaho State Building Authority (ISBA). Aside from the footprint of the project, the Regents will convey its interest in the existing improvements on the property. This will enable ISBA to partially demolish the existing University Classroom Center, and reconstruct the Teaching and Learning Center as previously authorized by the Regents. The **Ground Lease** will also provide an exchange of easements between the Regents and ISBA that will allow each party (and the adjacent buildings they own) to utilize integrated building systems and access necessary for the viability of the proposed Teaching and Learning Center and the existing Idaho Commons.
- 2) The **Facilities Lease** authorizes the "State," acting through the Regents of the University of Idaho, to utilize the Teaching and Learning Center to be constructed and owned by ISBA. The lease being forwarded for Regents approval is not substantially altered from the template provided by ISBA.
- 3) The **Development Agreement** is an assignment of responsibilities for completion of the Teaching and Learning Center between the ISBA and the "State," as represented by the Idaho Department of Administration and the Regents. The agreement being forwarded for Regents approval is not substantially altered from the template provided by ISBA. The relationship between the Department of Administration and the Regents with regard to capital projects has been largely structured through a previous memorandum of understanding between these two parties to coordinate completion of the project. The MOU designated a UI staff person to act as DPW's on-site project manager for the TLC project.
- 4) The **Operating Agreement** is an assignment of responsibilities between the Idaho Department of Administration and the Regents. This agreement defines the Regents responsibility for all maintenance and operations costs associated with the Teaching and Learning Center and identifies the Department of Administration, subject to appropriation, as being responsible for lease payments.

BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003

BOARD ACTION

A motion to authorize the CEO or his designee to finalize and execute the Site Lease, the Facilities Lease, the Development Agreement and the Operating Agreement for the Teaching and Learning Center at the University of Idaho in substantially the same form as the draft agreements presented to the Board with the agenda materials.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

SITE LEASE

(University of Idaho Teaching and Learning Center)

THIS SITE LEASE is entered into as of the ____ day of _____, 2003, by and between the STATE OF IDAHO acting by and through the BOARD OF REGENTS OF THE UNIVERSITY OF IDAHO, as successor to _____ **[if record title is vested in a predecessor]**, (hereinafter “State”) and the IDAHO STATE BUILDING AUTHORITY, (hereinafter “Authority”). This agreement is hereinafter referred to as the “Site Lease”.

RECITALS

A. The State Board of Education is vested with the general supervision, governance and control of all state institutions of higher education by Article 9, Section 2 of the Idaho Constitution and Idaho Code §33-101, and serves as the Board of Regents of the University of Idaho pursuant to Article 9, Section 10 of the Idaho Constitution and Idaho Code §33-2802, and the University of Idaho is a constitutional corporation of the State of Idaho, and references to “U of I” herein shall mean the University of Idaho and, the State Board of Education in its capacity as the Board of Regents of the University of Idaho.

B. The State is the owner of certain real property described in Exhibit A-1 hereto and the U of I Campus (as herein defined) and desires to lease such property to Authority for the purpose of financing and developing an academic building and related improvements to be constructed thereon (the “Facilities”) to be leased back to the State of Idaho, acting through the Department of Administration (“IDOA”) and the Board of Regents of the University of Idaho under an annually renewable lease (the “Facilities Lease”), entered into coincidentally herewith; and

C. The real property described in Exhibit A-1, is part of a larger tract of land, owned by State (except any portions which are public rights of way), and commonly known as the University of Idaho Campus as depicted on the campus map attached hereto as Exhibit A-2, which together with any additional adjacent land hereafter acquired by the State shall be referred to herein as the “U of I Campus”; and

D. In accordance with the provisions of Idaho Code, Section 67-6410(a), the Idaho Legislature, House Concurrent Resolution No. 30, First Regular Session of the Fifty-seventh Legislature, has authorized the State to enter into agreements as may be reasonable and necessary with the Authority for the purpose of providing financing to develop and construct facilities for use by the State; and

E. Authority intends to finance and develop the Facilities on the Premises and to lease the Facilities and Premises back to State and IDOA in accordance with the Facilities Lease, entered into coincidentally herewith; and

F. State and Authority acknowledge that there shall be no merger of the State's leasehold interest under the Facilities Lease and the State's ownership interest in the Premises, which merger would cause the cancellation or termination of this Site Lease; and

G. State represents that neither the execution and delivery of this Site Lease, the consummation of the transactions contemplated by this Site Lease, nor the fulfillment of or compliance with the terms and conditions of this Site Lease conflict with or results in a breach of any terms, conditions or provisions of any restriction, agreement, or instrument to which the State is now a party or to which State is bound.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. **Recitals:** The parties acknowledge the foregoing Recitals are true and are incorporated into this Site Lease as if set forth in full.

2. **Premises:** State hereby leases to Authority, subject to the conditions expressed herein, certain real property located in Latah County, Idaho, specifically described in Exhibit A-1 attached hereto and incorporated herein, together with the existing building and other improvements located thereon, and together with a non-exclusive right for vehicular and pedestrian and ingress and egress over and across all roads, walkways within the U of I Campus owned by the State (excluding any public rights of way), and , subject to the U of I parking policies, a non-exclusive parking right in designated vehicular parking lots within the U of I Campus, all of which as they may exist from time to time, sufficient to provide reasonable access to and from, and parking for the Facilities (the "Premises").

As used herein the term "Premises" refers solely to the real property and existing improvements and not to any improvements to be constructed thereon from time to time during the term of this lease.

3. **Term:** The Term of this Site Lease shall be a period commencing on the date hereof and expiring June 30, 2038, unless earlier terminated pursuant to paragraph 9 hereof.

4. **Rent:** The Premises are leased to Authority without consideration as authorized pursuant to Idaho Code, Section 67-6421.

5. **Development:** Authority shall have the right to raze and remodel existing improvements, and develop, acquire and construct Facilities on the Premises in accordance with the Facilities Lease. In the event the Facilities Lease expires or is terminated for any reason except by the State as provided in paragraph 9 below, Authority may use the Premises for any lawful purpose.

6. **Permanent Easements:** At Authority's request or as may be reasonably required, State shall grant to public entities, public service corporations, or to Authority such rights-of-way, utility, or other permanent easements on, over or through the Premises and adjacent property owned by State for telephone, electricity, water, sanitary or storm sewers or both, site drainage and for other utilities and municipal or special district services necessary or appropriate to serve improvements constructed thereon by Authority.

7. **Easements in Event of Expiration or Termination of Facilities Lease.** The Facilities are or may be designed and constructed adjacent to improvements constructed on that certain real property located in Latah County, Idaho, specifically described in Exhibit B attached hereto and incorporated herein (collectively the “Commons Building”). The Facilities and Commons Building are or may be mutually dependent upon the other with regard to utilities, equipment, ingress and egress. In the event the State fails to renew the Facilities Lease or the State’s rights to use the Facilities under the Facilities Lease otherwise terminate, except termination by the State pursuant to paragraph 9 hereof, State and Authority, during the term of this Site Lease, agree as follows:

(a) The State and Authority each hereby grant to the other, their respective tenants, contractors, employees, agents, licensees and invitees, and the subtenants, contractors, employees, agents, licensees and invitees of such tenants, for the benefit of the Facilities and the Commons Building, as grantees, a nonexclusive easement for ingress and egress for pedestrian traffic and life safety purposes, over and across those portions of the Facilities and Commons Building devoted to hallways, walkways, doorways, lobbies, stairways, elevators, and all other entrances and exits to and from the Facilities and Commons Buildings and as such areas shall exist from time to time (collectively the “Shared Accesses”).

(b) The State and Authority each hereby grant to the other their respective tenants, contractors, employees, agents and invitees, for the benefit of the Facilities and the Commons Building, as grantees, a nonexclusive easement under, through and across the Facilities and Commons Building for the installation, operation, maintenance, repair and replacement of water drainage systems or structures, water drainage, water mains, sewers, water sprinkler system lines, telephones, communication lines and systems, wireless communications and systems, electrical conduits or systems and the light produced from the same, heating and cooling, ventilating and ducts, lines, controls and system components, and the heating and cooling produced from the same, gas mains, elevators and its component parts, controls and systems, and other public or private utilities or systems as are reasonably necessary for the planned construction and incorporated design of the Facilities and Commons Building and as the same shall exist from time to time (collectively the “Shared Utilities”).

(c) The cost of operating, maintaining, repairing or replacing any of the systems, lines, components or equipment shared in the use and operation of the Facilities and Commons Building shall be shared equally between the operator or occupant of the Premises and the State.

(d) Any alteration, modification or remodel of the Commons Building which affects the Shared Accesses or the Shared Utilities shall be subject to the prior written consent of the Authority, which consent shall not be unreasonably withheld, conditioned or delayed. Any alteration, modification or remodel of the Facilities which affects the Shared Accesses or the Shared Utilities shall be subject to the prior written consent of the State, which consent shall not be unreasonably withheld, conditioned or delayed.

(e) In the event of damage, destruction or condemnation of the Commons Building, State shall repair, restore, rebuild or replace the Commons Building to its condition

prior to the damage, destruction or condemnation or as otherwise approved by the Authority, which approval shall not be unreasonably withheld, conditioned or delayed; provided that the cost of such obligation shall not exceed the net proceeds of any insurance or condemnation award with respect to the Commons Building and if the net proceeds of any insurance or condemnation award are insufficient to repair, restore, rebuild or replace the Commons Building to its prior condition, the State shall nonetheless restore or replace the Commons Building to the extent necessary to permit the Premises and Facilities to function as a separate complex. In the event of damage, destruction or condemnation of the Facilities, the owner or operator of the same shall repair, restore, rebuild or replace the Facilities to its condition prior to the damage, destruction or condemnation or as otherwise approved by the State, which approval shall not be unreasonably withheld, conditioned or delayed; provided that the cost of such obligation shall not exceed the net proceeds of any insurance or condemnation award with respect to the Facilities and if the net proceeds of any insurance or condemnation award are insufficient to repair, restore, rebuild or replace the Facilities to its prior condition, the owner or operator of the Facilities shall nonetheless restore or replace the Premises and Facilities to the extent necessary to permit Commons Building to function as a separate complex.

8. **Right to Assign:** Subject to the rights of State under the Facilities Lease and subject to State's consent, which shall not be unreasonably withheld, Authority shall have the right to assign this Site Lease. State hereby consents to any assignment by Authority to secure any Mortgage described in paragraph 10 hereof. In the event of such an assignment, except assignments to secure such Mortgages, Authority shall be released from any and all liabilities arising or accruing under this Site Lease after the date of such assignment.

9. **Optional Termination:** At such time as all sums owing for any bonds or notes issued by Authority to finance Facilities and all other obligations of the Authority relating to the Facilities or the Premises have been paid in full or provisions for such full payment have been made to the satisfaction of Authority, the State shall have the right, at its option, to terminate this Site Lease by written notice to Authority and all alterations, improvements, replacements and appurtenances on or to the Premises, including the Facilities, shall be deemed to be part of the Premises and shall revert to State and shall become the sole and absolute property of State.

10. **Mortgages:** Authority shall have the right at any time and from time to time to pledge, lien or otherwise encumber its leasehold interest herein granted and its interest in any or all improvements thereon and appurtenances thereto by one or more mortgages, deeds of trust, assignment, or other encumbrances (herein referred to as "Mortgages"), as security for a loan or loans or other obligation of Authority, provided that:

(a) The Mortgages and all rights acquired thereunder shall be subject to each and all of the covenants, conditions, and restrictions set forth in this Site Lease and shall be subject to all rights and interests of State as provided in this Site Lease and shall not encumber State's fee title to the Premises.

(b) Authority shall give State prior notice of any such Mortgages, and shall accompany the notice with a true copy of such Mortgages and any indebtedness secured thereby.

11. **Indemnification:** Authority shall indemnify and hold the State, its agents, representatives, employees and assigns, harmless from and/or against any and all claims, damages, costs, liabilities, and expenses (including reasonable attorneys' fees and defense costs) arising out of or relating to Authority's possession, operations or performance under this Site Lease.

This indemnification does not apply to claims, damages, costs, liabilities, and expenses (including reasonable attorneys' fees and defense costs) which are or are alleged to be caused, in whole or in part by any act or omission for which Authority is indemnified under the Facilities Lease, or by negligent or otherwise wrongful acts, errors, omissions or fault on the part of the State, or its employees, agents, representatives, or assigns, or is a result of the State's breach of this Site Lease.

12. **Hazardous/Materials:** In the event any hazardous materials are found to exist in or under the Premises prior to the date of this Site Lease in violation of any environmental laws or if any appropriate government agency or authority requires testing to determine whether any hazardous materials are in violation of any environmental laws, State, at State's cost and expense, shall cause such testing and to cause any such hazardous materials to be removed, remediated or abated in compliance with all environmental laws. State hereby agrees to indemnify, defend, and hold Authority harmless from and against any and all claims, damages, liabilities, costs, expenses (including reasonable attorneys' fees), causes of action and judgments arising out of or related to hazardous materials existing in, or under the premises prior to the date of this Site Lease. As used herein, the term "environmental laws" shall mean the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended (CERCLA) the Resource Conservation Recovery Act, as amended (RCRA), the Federal Water Pollution Control Act, the Clean Air Act and any similar local, state or federal law, rule, ordinance or regulation. As used herein, the term "hazardous materials" shall mean any hazardous substance, pollutants, contaminants, or other hazardous waste or toxic substances defined in any environmental laws including, without limitation, petroleum and petroleum products, asbestos and asbestos containing materials, PCBs and urea-formaldehyde. Without limiting the generality of the foregoing, State agrees to abate all asbestos and asbestos containing materials in the existing buildings located on the Premises prior to their demolition by a licensed asbestos abatement contractor in accordance with all applicable environmental laws and furnish the Authority an asbestos abatement certificate upon completion.

Authority shall not, nor shall it allow others to, accumulate, use, or store on the Premises materials classified as hazardous, biomedical or toxic waste except in compliance with all state, federal, or local laws, rules or regulations. Authority shall comply with any lawful order by an entity reposed with Authority to regulate the use, accumulation, storage or disposal of hazardous waste. Authority shall not be responsible for any of such materials placed on the Premises by or through State prior to or during any term of the Facilities Lease.

13. **Zoning/Building Restrictions:** This Site Lease is subject to all applicable zoning ordinances and restrictions and all limitations of record, and is subject to any and all easements for public utilities of record. State warrants that such ordinances, restrictions, limitations and easements do not prevent the use of the Premises as provided for in the Facilities Lease.

14. **Waste and Nuisance Prohibited:** Authority shall comply, during the term of this Site Lease, with all applicable laws affecting the Premises, the violation of which might result in any penalty assessed upon State or forfeiture of State's title to the Premises. Authority shall not commit, or suffer to be committed, any waste on the Premises or improvements, or any nuisance.

15. **Remedies and Forbearance/Waivers:** No delay or omission on the part of State or Authority to exercise any right or power granted herein shall impair any such right or power nor shall be construed as a waiver thereof, and every such right or power may nevertheless be exercised.

16. **Officials, Agents, and Employees Not Personally Liable:** It is agreed that in no event shall any official, officer, employee or agent of Authority, nor any official, officer, employee or agent of State be in any way personally liable or responsible for any covenant or agreement herein contained, whether expressed or implied, nor for any statement, representation or warranty made herein or in any way connected with this Site Lease.

17. **Quiet Enjoyment:** State covenants that Authority shall have the peaceful and quiet enjoyment of the Premises for the term of the Site Lease.

18. **Right of Entry:** Authority shall permit State and the agents and employees of State to enter into and upon the Premises at all reasonable times for the purpose of inspecting the same, or for the purpose of posting notices of non-responsibility for alterations, additions, or repairs, without any rebate of rent and without any liability to Authority for any loss of occupancy or quiet enjoyment of the Premises thereby occasioned; provided, however, that State shall first give twenty four (24) hours written notice of its desire to inspect the Premises and such inspection shall be accompanied by a designated representative of Authority. Such notice and inspection procedures shall not apply during any term of the Facilities Lease.

19. **Default:** In the event State shall at any time deem Authority to be in breach of this Site Lease, State shall promptly notify Authority, in writing, stating specifically the nature of any such alleged breach. Authority shall not be deemed to be in default hereunder unless Authority fails to commence to cure any such default within ninety (90) calendar days after its receipt of such written notice and to diligently proceed to cure such default within a reasonable time. In the event of default State shall have all rights and remedies provided by law.

20. **Attorney Fees and Costs:** In the event that either party to this Site Lease shall enforce any of the provisions hereof in any action at law or in equity the prevailing party to such litigation shall be entitled to recover from the other party or parties all costs and expenses, including reasonable attorney fees, incurred therein.

21. **Integration:** This Site Lease embodies the entire agreement and understanding of the parties relating to the subject matter herein and supersedes all prior understandings relating thereto. This Site Lease shall not be modified except in writing signed by all parties to be bound.

22. **Execution of Documents:** The parties agree that they shall sign or cause to be signed all documents necessary to the effectuation of this Site Lease or any of the provisions herein.

23. **Warranty of Title:** State warrants to Authority that it has the power and authority to enter into this Site Lease and that the execution, delivery of this Site Lease and the performance of the contractual obligations set forth herein are not in violation of any federal, state, or local statute, ordinance, rule or regulation and that no consents not already obtained are required. State further warrants that State has good and marketable title to Premises, free and clear of all claims, liens and encumbrances.

24. **Notices:** All notices under this Site Lease shall be in writing and shall be deemed to have been duly given on the date of service if served personally on the party to whom notice is to be given, or on the date of mailing if mailed to the party to whom notice is to be given by registered or certified United States mail, postage prepaid, and properly addressed as follows:

If to State: University of Idaho

with copy to: Department of Administration
Attn: Director
Statehouse Mail
Boise, Idaho 73720

If to Authority: Idaho State Building Authority
Attn: Executive Director
Post Office Box 2802
Boise, Idaho 83701

The addresses provided above may be changed and additional addresses or notices may be specified from time to time by notice given in writing in accordance with this Section.

25. **Binding Effect:** This Site Lease shall be binding upon and shall inure to the benefit of the heirs, personal representatives, successors and assigns of the parties.

26. **Severability:** If any term or provision of this Site Lease or the application of it to any person or entity or circumstances shall to any extent be invalid or unenforceable, the remainder of this Site Lease or the application of such term or provision to persons, entities or circumstances, other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Site Lease shall be valid and shall be enforced to the extent permitted by law.

27. **Headings:** Section headings contained herein are for convenience and reference and are not intended to define or limit the scope of any provisions of this Site Lease.

28. **Counterparts:** This Site Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

29. **Time of the Essence:** Time is of the essence of this Site Lease, and of each and every covenant, term, condition, and provisions thereof.

30. **Recording Copy:** Either party may, at its option and expense, record this Site Lease.

IN WITNESS WHEREOF, the parties have caused this Site Lease to be executed effective as of the day and year first above written.

STATE:

AUTHORITY:

STATE OF IDAHO acting by and through
THE BOARD OF REGENTS OF THE
UNIVERSITY OF IDAHO

IDAHO STATE BUILDING AUTHORITY

By _____
Laura Hubbard, Its Interim Vice
President of Finance and
Administration

By _____
V. L. "Bud" Tracy, Its Chairman

Attest _____
Wayne V Meuleman, Its Secretary

STATE OF IDAHO)
) ss.
County of _____)

On this ____ day of _____, 2003, before me, the undersigned, a Notary Public in and for said state of Idaho personally appeared Laura Hubbard known or identified to me to be the Interim Vice President of Finance and Administration who acknowledged to me that he executed the within Site Lease on behalf of the State of Idaho acting by and through the Board of Regents of the University of Idaho in her representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this first above written.

Notary Public for Idaho
Residing at _____
Commission Expires: _____

STATE OF IDAHO)
) ss.
County of Ada)

On this ____ day of _____, 2003, before me, the undersigned, a Notary Public in and for the state of Idaho, personally appeared V.L. Bud Tracy and Wayne V Meuleman, known or identified to me to be respectively the Chairman and Secretary of Idaho State Building Authority, each of whom acknowledged to me that they executed the within Site Lease on behalf of the Idaho State Building Authority in their representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this first above written.

Notary Public for Idaho
Residing at Boise, Idaho
Commission Expires: _____

EXHIBIT A-1

REAL PROPERTY DESCRIPTION

[legal description based upon survey]

EXHIBIT A-2

CAMPUS MAP

EXHIBIT B**DESCRIPTION OF IMPROVEMENTS COMPRISING THE FACILITIES**

The project is a whole-building renovation of the University Classroom Center and its conversion to a state-of-the-art, technology-enabled Teaching and Learning Center. When completed, the facility will support general education; tutoring and mentoring services; student life; support; and other functions, services and activities. The facility will also house elements of Information Technology Services, Office of the Dean of Students, offices of multi-cultural affairs/CAMP, a specialized lab for the Department of Communications, computer labs, and a small food service outlet.

Total Square Footage: 61,000

DEVELOPMENT AGREEMENT
(University of Idaho Teaching and Learning Center)

THIS DEVELOPMENT AGREEMENT ("Agreement") is made and entered into as of the _____ day of _____, 2003, by and between the IDAHO STATE BUILDING AUTHORITY (the "Authority") and the STATE OF IDAHO (the "State"), acting by and through its Department of Administration ("IDOA") through its Division of Public Works ("DPW") and UNIVERSITY OF IDAHO ("U of I").

RECITALS

A. The Authority intends to acquire certain educational and academic facilities (the "Facilities") to be constructed on the University of Idaho Campus located at Moscow, Idaho.

B. Real property located within U of I has been leased to the Authority under a Site Lease dated as of _____, 2003, upon which the State shall cause the Facilities to be constructed for the Authority.

C. The Authority intends to issue its revenue bonds to provide funds which, together with other funds that may be provided by the State, shall be applied to payment of costs of planning, designing and constructing the Facilities.

D. The State intends to enter into a construction management contract (the "CM Agreement") with a qualified and licensed construction manager, Hoffman Construction Co. (the "CM") for professional services in the management of contracts for the construction of the Facilities and has entered into a professional services agreement dated September 26, 2001 (the "Architect Agreement") with a qualified and licensed architect, Design West Architects P.A. (the "Architect") to prepare plans and specifications (the "Plans") for the Facilities. Additionally, the State intends to enter into additional contracts as may be necessary and appropriate to cause the Facilities to be completed in accordance herewith. Herein, all such contracts are collectively referred to as the "State Contracts".

E. The State, acting through IDOA and U of I has agreed to lease the Facilities from the Authority pursuant to a lease agreement (the "Facilities Lease") dated as of _____, 2003.

F. The Authority and State desire to set forth in this Agreement their respective responsibilities and agreements with respect to the Facilities and the planning, design and construction thereof.

NOW, THEREFORE, IT IS AGREED:

1. **Recitals:** The parties acknowledge the foregoing Recitals are true and are incorporated into this Development Agreement as if set forth in full.

2. **Authority of DPW to Act for State:** DPW is authorized and empowered to act on behalf of the State in all respects pertaining to the planning, design and construction of the Facilities and as to all of the obligations of the State under this Agreement. IDOA and U of I hereby authorize DPW to act as their representative and agent and agree to be fully bound by all acts, authorizations, representations and decisions of DPW, except as otherwise expressly provided in this Agreement.

3. **Final Design and Approvals:** The State shall secure the completion of the final Plans for the Facilities, which shall include detailed plans and specifications suitable for bidding and award of construction contracts, and shall secure the written approval thereof, in a form acceptable to the Authority, by the _____ of U of I, by the Permanent Building Fund Advisory Council, and by the Administrator of DPW. A complete set of the approved Plans shall be provided to the Authority.

4. **Design and Construction of Facilities:** The State agrees that it shall cause the design and construction of the Facilities to be substantially completed in every material respect as follows:

(a) The final Plans for the Facilities shall be subject to the written approval of U of I and shall not be materially changed without the written approval of U of I and the prior written consent of the Authority, which consent shall not be unreasonably withheld.

(b) The Facilities and every part thereof shall be constructed in a sound and workmanlike manner and shall be free from all material design or construction defects.

(c) The Facilities and every part thereof shall be constructed in accordance with the approved Plans, applicable building codes and all other applicable governmental regulations and requirements.

(d) The State shall have full responsibility to cause the design and construction of the Facilities to be properly completed in all substantial respects in accordance with the objectives, requirements and needs of U of I for use of the Facilities as educational and academic facilities.

(e) DPW shall, at its expense, provide qualified personnel to perform necessary services in the administration of the State Contracts and in the inspection of work and services through the design and construction of the Facilities.

5. **Costs:**

(a) **Budget:** The State has approved a budget that they reasonably

expect to include all costs and expenses for the construction of the Facilities, including a reasonable amount for contingencies, a copy of which is attached hereto as Exhibit A ("Budget"). The State hereby represents and warrants to the Authority that the Facilities, as designed, can be completed for the amount set for the in the Budget on or before the completion date set forth in Article 8 hereof.

(b) Expenditures to Date: As of the date of this Agreement, the State hereby represents, warrants and agrees that it has expended the following amounts for the planning, design and construction of the Facilities which amounts were included in the Budget.

(c) The sum of \$_____ for surveys, engineering studies, project planning and programming and design services and related costs.

(d) **[other]**

6. **Additional Available Funds**: The State and represents and warrants to the Authority that additional funds totaling _____ (\$_____) are currently available to the Authority from the State to pay costs of the Facilities ("Additional Funds"). Prior to issuance of bonds by the Authority, the Additional Funds shall be transferred to the Authority and deposited into a construction fund maintained and controlled by the Authority from which costs for planning, design and construction of the Facilities shall be paid in accordance with this Agreement ("Construction Fund"). The Additional Funds shall be held and applied by the Authority, together with funds provided by issuance of Authority bonds, to costs of the Facilities in accordance with the provisions of the bond resolution adopted by the Authority for the bonds.

7. **Financing by Authority**: The Authority agrees to issue revenue bonds or notes from which a total of Eleven Million Seven Hundred Thousand Twenty-Nine Dollars (\$11,729,000) shall be deposited into the Construction Fund to be applied, with Additional Funds to pay Costs of Acquisition and Construction as defined in the Facilities Lease. The Authority shall pay from its Construction Fund costs of the Facilities, not to exceed the total available funds in the Construction Fund, as follows:

(a) All costs incurred directly by the Authority in connection with the Cost of Acquisition and Construction as defined in the Facilities Lease.

(b) All reasonable costs incurred by the State pertaining to the planning, design and construction of the Facilities, as follows:

(i) the actual amounts owing by the State under the State Contracts, as and when due, less amounts previously paid thereunder by the State; and

(ii) the actual amounts owing by the State for any other purpose

pertaining to the Facilities approved in advance by the Authority and not to exceed the amount approved in advance by the Authority.

The Authority agrees to provide to the State, upon request, periodic statements detailing expenditures from the Construction Fund.

8. **Guaranty of Completion and Cost:** The State has undertaken or will undertake the planning, management, control and direction of the design and construction of the Facilities and does hereby guaranty to the Authority that the Facilities shall be completed as required in this Agreement. State agrees to be responsible for all risks relating to the planning, design and construction of the Facilities, including but not limited to:

(a) The faults, failure or defaults of any employee, agent, representative, or contractor engaged by the State to perform any service or work pertaining to the Facilities;

(b) Cost overruns for any reason including, without limitation, any foreseen or unforeseen, anticipated or unanticipated conditions, delays, material shortages; actions of any persons or entity (other than the Authority); any State actions to control the progress of the work; any legal restrictions upon the State's ability to enter into or perform the State Contracts or other events which may entitle any contractor or other person or entity to additional funds; and

(c) Failure to substantially complete the construction of the Facilities to be available for occupancy not later than May 1, 2005, subject to reasonable extensions approved by the Authority, which approval shall not be unreasonably withheld.

9. **Payment Procedure:** The State shall submit to the Authority not more frequently than monthly a written application for payment based upon the work completed during the immediately preceding month. On or before the date the requested payment becomes payable by the State, but not less than 15 calendar days after receipt of the application, the Authority shall make payment on behalf of the State, the sum representing work completed, equipment and materials stored at the site or other approved locations, or other appropriate work or services completed for the benefit of the Facilities. The amount payable by the Authority shall not exceed the sum actually owing by the State for which such application is made. The State shall monthly provide to the Authority an estimate of cash flow requirements for the succeeding three (3) months and the Authority agrees to arrange the availability of funds to be paid hereunder accordingly, if possible, or to notify the State of its inability to do so.

10. **Construction Progress Certifications:** At any time upon request and regularly with any application for payment of sums owing under the State Contracts, the State shall furnish to the Authority certifications, in a form acceptable to the Authority, signed by the Architect, the CM and DPW. Such certifications be in accordance with the certificates required by and pursuant to the State Contracts, and subject to the rights and obligations of the Architect,

the CM and DPW thereunder, shall state that the amount applied for fairly represents the value of work then performed and shall further state that:

(a) The work represented thereby has reached the stated percentage or degree of completion;

(b) That, to the best of the certifier's knowledge, information and belief, all work performed substantially complies with the applicable State Contract, the Plans and this Agreement, or that, if any work does not so substantially comply, the certification shall include a report specifying in reasonable detail all areas and aspects in which the work does not substantially comply and such progress payment shall not be made for such non-conforming work, and

(c) That the unpaid balance of monies thereafter payable under the applicable State Contracts, together with unexpended funds available for change orders as provided herein, is sufficient to complete the Facilities.

11. **Conditional Assignment of Contract Rights:** The State hereby assigns to the Authority all of its rights and interest in and to the State Contracts. This assignment is to secure the State's strict performance of the terms of this Agreement and shall be fully effective only upon the default of the State hereunder. The State, and not the Authority, shall remain solely responsible for performance of the State Contracts notwithstanding such assignment. Nothing hereunder shall obligate the Authority either now or in the future to assume or perform the State's obligations under the State Contracts.

12. **Conveyance of Facilities:** The State hereby sells, assigns, grants and conveys to the Authority all of the following:

(a) The interest of the State in and to the Plans and all drawings and design documents and materials of every kind or nature relating to the design of the Facilities; however, the State retains the right to use of the Plans, drawings, design documents and other materials to expand, alter, modify, repair or improve the Facilities during the term of the Facilities Lease;

(b) All work in progress, materials, equipment, supplies, and other personal property of every kind or nature, whether or not stored on the site of the Facilities, furnished under the State Contracts, or paid for with funds furnished by the State, or paid for with funds furnished by or through the Authority; and

(c) The Facilities and all rights and interests of the State thereto subject to the provisions of the Site Lease.

13. **Notice Upon Default by Contractors:** In the event of a material default

by any contractor under the State Contracts and prior to the State taking action to (i) terminate such contract or suspend performance of the work, (ii) employ a separate contractor to perform portions of the work, or (iii) otherwise take action with respect to such defaulting contractor, the State shall provide the Authority written notice of its proposed or intended actions at least five (5) days prior to taking any such action and shall secure the Authority's written consent to such action, which consent shall not be unreasonably withheld by the Authority.

14. **Authority Consent for Changes Required:** Consent by the Authority shall be required for (a) any single change affecting the cost of the Facilities by more than Fifty Thousand Dollars (\$50,000), or cumulative changes having an aggregate cost of more than Two Hundred Thousand Dollars (\$200,000) and (b) to any single change delaying substantial completion of the Facilities by more than thirty (30) days or cumulative changes delaying substantial completion in the aggregate by more than sixty (60) days. The consent of the Authority may be withheld until, or conditioned upon, receipt by the Authority of necessary funds to complete the items in the change order. The State shall not approve or initiate changes so affecting costs or delays without the prior written consent of the Authority, which consent shall not be unreasonably withheld. The Authority agrees to provide its consent hereunder within a reasonable time as determined by the circumstances giving rise to such changes and within sufficient time to permit the State to take appropriate action regarding such changes. In any instance in which changes occur which affect costs in excess of such amounts, the express written concurrence of U of I shall be obtained prior to requesting the Authority's consent to such changes. The Authority's consent to any such changes or delays shall not modify the obligation of the State to pay rent commencing July 1, 2004 as provided in the Facilities Lease.

15. **Access to Facilities and Information:** The Authority, its agents, employees and representatives, shall have reasonable access to the construction site of the Facilities, to all materials, equipment and/or supplies relating thereto, to all materials, documents and information held by the State or any project representative or any third party employed by, representing, or acting in any way as the agent of the State, and to all documents, materials, plans and other information held by the contractor or its agents, subcontractors, or suppliers that is legally or in fact available to the State.

Upon completion of the Facilities, the DPW shall maintain for the benefit of the Authority (i) one complete set of "as-built" Plans (drawings and specifications) (ii) one complete set of operating manuals, and (iii) copies of all written warranties.

16. **Insurance:** In addition to the insurance required under the Facilities Lease, the State shall procure and maintain builder's all risk insurance insuring the Facilities against loss or damage from insurable perils, including flood and earthquake if available on reasonable terms. Such insurance shall be in the amount of the full replacement cost of the Facilities and shall include loss of use or loss of rents and soft costs with limits acceptable to the Authority. All such insurance shall include the Authority as an additional named insured and shall contain a loss payable clause covering the interest of any trustee appointed by the Authority

in connection with the issuance of bonds. Prior to commencing construction of the Facilities, the State shall provide to the Authority and its trustee a certificate of insurance, in a form acceptable to the Authority, evidencing such insurance.

17. **Indemnification:** The State shall indemnify, defend and hold the Authority harmless from any claim, liability, loss, or expenses of any nature relating to or arising out of this Agreement, the Facilities, or any work performed in connection therewith, the State Contracts or arising out of or relating to any act or omission of any employee, agent, representative, consultant or other person acting on behalf of the State. This indemnification shall run to the Authority, its officers, directors, employees, and representatives. This indemnification shall include all reasonable attorney's fees and other reasonable defense costs. In the event the State fails or refuses to indemnify or defend the Authority without reservation or condition as to any such claim against the Authority, the Authority may, if it so elects, defend itself with counsel it selects without limiting in any way the obligations of the State hereunder, and all costs incurred by the Authority in such instance, and any judgment or other claim rendered against the Authority or determined by the Authority to be due, shall be immediately due and payable from the State.

Nothing in this paragraph 16 shall be construed as the agreement of the State to indemnify the Authority from liability for damages arising out of director's and officer's liability, personal injury or damage to property caused exclusively by the malfeasance or negligence of the Authority.

18. **Non-Assignment by State:** The State shall not assign this Agreement. In the event the State delegates any of its obligations under this Agreement to any independent third party engaged by or employed by the State in connection with the Facilities, no such delegation shall reduce or in any way limit the State's obligations hereunder.

19. **Assumption of Rights of Authority:** The rights of the Authority hereunder run to the Authority, and its successors and assigns, and all rights of the Authority hereunder shall be assignable to and enforceable by any bondholder of the Authority, or any trustee representing the same to the same effect and in the same manner as enforceable by the Authority itself.

20. **Notice of Default:** In the event either party contends that a default or claimed default has occurred hereunder, such party shall prior to taking any legal action to enforce its rights hereunder, give written notice of such default or claimed default to the other, specifying with reasonable detail the nature of such defaults. The party allegedly in default shall have fifteen (15) days from the date such notice is given to cure such default. Provided, however, such notice shall not be required if the default itself or any delay in taking legal action for the period required for notice has the effect of limiting or terminating the rights of party not in default or if such default is such that it cannot be cured by the defaulting party, and in such instance, the non-defaulting party shall use reasonable efforts to give notice to the other as may

be reasonable and practical in the circumstances, but may take immediate action itself to correct or cure the default and exercise all other rights hereunder.

21. **Remedies on Default of State:** In the event of any default hereunder, the Authority shall have any or all of the following remedies:

- (a) All remedies provided under the Facilities Lease;
- (b) The right to recover all of its damages, including but not limited to compensation for loss of use of the Facilities and/or loss of rental income;
- (c) Upon written notice pursuant to paragraph 20 to the State of its default, the Authority shall succeed to all rights and remedies of the State under the State Contracts assigned hereunder to the Authority, but shall not thereby itself become liable under any of such contracts;
- (d) If the State's default may be cured or mitigated by the payment of money or by completion of the work, the Authority may in its sole discretion, but shall not be obligated to, pay such sums as the Authority deems appropriate, or complete the work or such portion thereof as the Authority deems appropriate, and all sums incurred or paid by the Authority shall be immediately due and payable to the Authority by the State;
- (e) Injunction, specific performance, equitable relief, and
- (f) No remedy hereunder shall be exclusive, nor shall the Authority's decision to pursue one remedy constitute an election of remedies.

22. **Notice:** In the event notice is required hereunder, such notice shall be deemed given upon depositing the same in the United States mail by certified mail, return receipt requested, to the following persons at the following addresses:

Idaho State Building Authority
Post Office Box 2802
Boise, Idaho 83701
Attention: Executive Director

Idaho Department of Administration
Statehouse Mail
Boise, Idaho 83720
Attention: Director

23. **Authorized Representative:** The Executive Director of the Authority is authorized to act for the Authority regarding all matters contained in this Agreement. The Administrator for Division of Public Works shall represent the State of Idaho as to all matters contained in this Agreement.

24. **Attorney Fees:** In the event either party to this Agreement is required to initiate or defend litigation with respect to the terms hereof or to enforce any of its rights hereunder, the prevailing party in such litigation shall be entitled to reasonable attorney's fees incurred in such litigation, including all discovery costs and costs of expert witnesses, together with all reasonable litigation expenses.

EXECUTED on the dates set forth below.

IDAHO STATE BUILDING AUTHORITY

By: _____
Chairman
Date: _____

STATE OF IDAHO, DEPARTMENT OF
ADMINISTRATION, DIVISION OF
PUBLIC WORKS

By: _____
Its Administrator
Date: _____

UNIVERSITY OF IDAHO

By: _____
Its _____
Date: _____

EXHIBIT A

BUDGET
07/01/03
University of Idaho
Teaching & Learning Center

Sources of Construction Funds

| | |
|------------------------------|------------------------|
| ISBA Bond Proceeds | 11,729,000.00 |
| State Deposits | <u>800,800.00</u> |
| Total Funds Available | \$12,529,800.00 |

| Uses of Construction Funds | Budget | Paid To Date | Balance |
|-----------------------------------|----------------------|------------------------|------------------------|
| Design Fees and Costs | 859,516.00 | (516,275.00) | 343,241.00 |
| Construction Management | 1,140,780.00 | | 1,140,780.00 |
| Construction Contracts | 9,120,000.00 | | 9,120,000.00 |
| Construction Testing | 20,000.00 | | 20,000.00 |
| Consultant Services | 50,000.00 | | 50,000.00 |
| Special Equipment | 380,000.00 | | 380,000.00 |
| Plan Check/Advertising | 14,150.00 | (548.00) | 13,602.00 |
| Site Survey/Investigation | | | - |
| Contingency Allowance | <u>945,354.00</u> | <u>(392.00)</u> | 944,962.00 |
| Total \$ | 12,529,800.00 | \$ (517,215.00) | \$12,012,585.00 |

FACILITIES LEASE
(University of Idaho Teaching and Learning Center)

THIS FACILITIES LEASE, made as of the ____ day of _____, 2003, between the IDAHO STATE BUILDING AUTHORITY (the "Authority"), as lessor, and the STATE OF IDAHO (the "State"), acting through the IDAHO DEPARTMENT OF ADMINISTRATION ("IDOA") and BOARD OF REGENTS OF THE UNIVERSITY OF IDAHO ("U of I"), with the consent and approval of the IDAHO STATE BOARD OF EDUCATION, as lessee.

RECITALS

A. The Authority was created by the Idaho State Building Authority Act, Title 67, Chapter 64, Idaho Code (the "Act"), to finance, construct, and operate facilities for the purposes set forth in the Act; and

B. The Authority is empowered by the Act, among other powers, to acquire property; to enter into agreements with the State of Idaho or any agency, board, department or commission thereof for the financing of facilities; to provide for the acquisition, development, construction, reconstruction, improvement, alteration, maintenance, operation, or repair of facilities or parts thereof; and to lease such facilities as provided by the Act; and

C. In accordance with the provisions of Idaho Code, Section 67-6410(a), the Idaho Legislature, pursuant to House Concurrent Resolution No. 30, First Regular Session of the Fifty-seventh Legislature, has authorized the IDOA and U of I to enter into agreements with the Authority as may be reasonable and necessary for the purpose of providing financing and development of educational facilities (defined herein as the "Facilities"), for use by U of I; and

D. Concurrently herewith, the Authority has leased the real property described in Exhibit A pursuant to the Site Lease, as defined hereinafter, to finance and acquire the Facilities, and to lease the Facilities back to the State pursuant to this Facilities Lease; and

E. The Authority intends to finance the cost of acquisition of the Facilities and related costs by the issuance of bonds, notes or other evidences of indebtedness as authorized by the Act; and

F. The State and the Authority acknowledge that there shall be no merger of the State's leasehold interest in the Facilities and its ownership interest in the real property described in Exhibit A; and

G. The State will be responsible for the design and construction of the Facilities pursuant to the terms of the Development Agreement, as hereinafter defined, and will lease the Facilities from the Authority upon the terms and conditions set forth in this Facilities Lease.

NOW, THEREFORE, in consideration of the mutual promises, conditions, and covenants set forth herein, the parties agree:

ARTICLE 1

FINDINGS AND DECLARATION

Section 1.1 Findings: The Authority has found and declared, in accordance with Section 67-6410(c), Idaho Code, that the Facilities will be of public use and will provide a public benefit to the people of the State of Idaho.

Section 1.2 Declaration: The parties agree and acknowledge that the Recitals contained in this Facilities Lease are true and are incorporated into this Facilities Lease as if set forth in full. This Facilities Lease shall constitute the agreement of the Authority to provide the Facilities as required by Section 67-6410(b), Idaho Code.

ARTICLE 2

DEFINITIONS

The terms used herein shall have the following meanings:

Section 2.1 “Act” shall mean Chapter 64, Title 67, Idaho Code, as it now exists and as it may hereafter be amended and supplemented.

Section 2.2 “Annual Rent” shall mean, with respect to the initial term of this Facilities Lease and each renewal term thereof, the Basic Rent and Additional Rent determined in accordance with Article 6 hereof due and payable by the State to the Authority with respect to the Facilities for such lease term.

Section 2.3 “Authority” shall mean the Idaho State Building Authority, an independent public body corporate and politic of the State of Idaho, created by and existing under the Act.

Section 2.4 “Bonds” shall mean the portion of any bond or bonds, note or notes, or other evidences of indebtedness issued by the Authority for the purpose of financing the Cost of Acquisition and Construction and bonds or notes issued to refinance all or any part thereof and any bonds or notes issued to finance any additions, modifications or replacements of the Facilities from time to time hereafter.

Section 2.5 “Bond Resolution” shall mean the resolution or resolutions of the Authority, as amended and supplemented, authorizing the issuance of Bonds.

Section 2.6 “Code” means the Internal Revenue Code of 1986, as amended, regulations thereunder and rulings and judicial decisions interpreting or construing the Code.

Section 2.7 “Cost of Acquisition and Construction” shall mean any proper and reasonable cost, whether or not specifically mentioned herein, of the lease, development and design and construction of the Facilities and furniture, fixtures, machinery, apparatus and equipment therefore; of engineering and architectural services, designs, plans, specifications and surveys; of planning, analysis, project management, administration, inspection and similar services in connection with the Facilities; of acquisition or lease of any land or interest therein for use in connection

therewith; of preparation of the sites thereof and of any land to be used in connection therewith; of any indemnity and surety bonds and insurance premiums; of allocable administrative and general expenses of the Authority; of allocable portions of legal fees, audits, fees and expenses of any trustees, depositories and paying agents, financial advisors, underwriters and others for the Bonds; of issuance of the Bonds and interest thereon and other financing charges, and of fees and expenses of other advisors and consultants necessary or appropriate in connection therewith; of the payment of any Bonds of the Authority (including any interest and redemption premiums) issued to temporarily finance the payment of any item or items of cost of the Facilities; of expenses necessary or incidental to determining the feasibility or practicability of the Facilities; and of all other reasonable expenses not specified herein as may be necessary or incidental to the development, design, construction and acquisition of the Facilities, the financing thereof, and the placing of the same in use and operation.

Section 2.8 “Development Agreement” shall mean an agreement entered into between the Authority and the State whereby the State agrees to complete the design and construction of the Facilities satisfactory to the Authority and to convey ownership of the Facilities to the Authority as the design and construction progresses.

Section 2.9 “Facilities” shall mean the Authority’s interest in the real property described in Exhibit A-1 with all easements and rights appurtenant thereto including the non-exclusive right for ingress, egress and parking included in the Site Lease hereof and all improvements to be constructed thereon described in Exhibit B, together with all equipment, furniture, fixtures, improvements, and appurtenances designed, constructed or installed thereon by or for the Authority.

Section 2.10 “Facilities Lease” shall mean this Facilities Lease, including any amendments or supplements thereto.

Section 2.11 “Fiscal Year” shall mean the twelve-month period of each year beginning July 1 and ending on the following June 30.

Section 2.12 “Site Lease” shall mean the Site Lease, as amended, entered into between the Authority and the State of Idaho acting by and through U of I **[need to verify]** coincidentally herewith, containing the terms and conditions of the lease of real property and easements, described in Exhibits A-1 and A-2, to the Authority.

Section 2.13 “Operating Costs” shall mean the Authority’s expenses (including reasonable reserves for such expenses) for real property assessments, allocable administration and general expenses of the Authority, expenses for maintenance and repairs, insurance premiums, utility charges, legal, financial, architectural and engineering expenses, fees and expenses of fiduciaries under the Bond Resolution, bond insurance, guaranty and/or letter of credit fees, interest and finance charges, and any other expenses or contingencies to be paid or provided for by the Authority, all to the extent properly attributable to the Facilities and payable by the Authority. Operating Costs shall not include any Cost of Acquisition and Construction or any provision for depreciation, amortization or similar charges or any expenses for maintenance and repairs, utility services or insurance paid for or provided by the State pursuant to this Facilities Lease.

ARTICLE 3 LEASE OF PROJECT; TERM OF LEASE

Section 3.1 Lease of Facilities: The Authority hereby leases the Facilities to the State for use in furtherance of the public benefit, and the State hereby leases the Facilities from the Authority on the terms and conditions set forth herein.

As affects this Facilities Lease, U of I shall have the primary responsibility to act on behalf of the State in all respects pertaining to the obligations of the State under this Facilities Lease. The State of Idaho hereby authorizes U of I to act as its representative and agent in all respects pertaining to this Facilities Lease, and the State of Idaho shall be fully bound by all acts, authorizations, representations and decisions of U of I, except as otherwise expressly provided in this Facilities Lease.

Section 3.2 Term of Lease: This Facilities Lease shall be in full force and effect from the effective date hereof. The initial term of this Facilities Lease shall extend from the effective date hereof through June 30, 2004. The State shall have the option to renew this Facilities Lease in accordance with the provisions hereof for successive terms concurrent with and equal to succeeding Fiscal Years thereafter and each such renewal of this Facilities Lease shall be deemed to be exercised, automatically and without further action by the State, unless the State shall notify the Authority in writing of its intent not to renew this Facilities Lease not later than ten (10) months prior to the expiration of any lease term; provided, however, no term of this Facilities Lease shall extend beyond the term of the Site Lease.

ARTICLE 4 ACQUISITION, DEVELOPMENT AND FINANCING

Section 4.1 Acquisition and Development of Facilities: The Authority agrees to acquire real property and parking for use as the site of the Facilities by the Site Lease entered into coincidentally herewith. Pursuant to the terms of the Site Lease, the Authority will own fee title to the improvements constructed thereon as provided in the Development Agreement entered into coincidentally herewith. This Facilities Lease and the rights, title and interest of the State in this Facilities Lease and the Facilities shall be subject to the interests of the Authority in the real property and parking acquired therefor.

Section 4.2 Financing of Facilities by the Authority: The Authority agrees to finance the Cost of Acquisition and Construction of the Facilities by issuance of Bonds as authorized by the Act. The Authority may from time to time refinance or refund such Bonds as the Authority may deem appropriate; provided the Authority shall not refinance or refund such Bonds without the written consent of the State if to do so would increase the Basic Rent due hereunder. The Authority shall give written notice to the State of its intent to refinance or refund such Bonds.

Section 4.3 Bond Anticipation Notes: The Authority may issue bond anticipation notes payable from proceeds of Bonds.

ARTICLE 5

USE OF FACILITIES

Section 5.1 Use of Facilities: The State agrees that the Facilities shall be used by U of I and such other institutions, departments and agencies of the State as deemed necessary or appropriate by the State. With the written consent of the Authority, which shall not be unreasonably withheld, the State may enter into agreements with other entities ("Non-State Entities") for the operation and/or maintenance of the Facilities or for the use or occupancy of portions of the Facilities by Non-State Entities upon the following conditions:

- (a) the nature and extent of the proposed agreements with Non-State Entities will not adversely affect the tax-exempt status of the Bonds; and
- (b) such proposed users or uses shall be compatible with and complimentary to the interests in and uses of the Facilities by the State; and
- (c) the nature and extent of the proposed uses of the Facilities conforms to policies relating to permitted uses of the Facilities adopted by the Board of Commissioners of the Authority.

ARTICLE 6

RENT

Section 6.1 Payment of Annual Rent: In consideration of the lease of the Facilities, the State shall pay to the Authority, in advance and without any set off or deduction whatsoever, the following Annual Rent:

- (1) For the period of the initial term of this Facilities Lease in the Fiscal Year ending June 30, 2004, the State shall pay no Annual Rent.
- (2) For the renewal term of this Facilities Lease commencing July 1, 2004 and for each annual renewal term thereafter, the State shall, within 30 calendar days following the commencement of such renewal terms, pay in advance:
 - (a) As and for Basic Rent, an amount for such term which shall equal the principal installments, including sinking fund deposits, and interest payable in the corresponding Fiscal Year in accordance with the Bond Resolution with respect to the Bonds; and
 - (b) As and for Additional Rent as follows:
 - (i) the amount estimated by the Authority to be sufficient to provide the Authority with adequate monies to pay all Operating Costs attributable to the Facilities for the applicable term of this Facilities Lease, plus
 - (ii) the amount, if any, of deposits to any debt service reserve account, any operating fund, and any other reserve or expense accounts required to meet all terms

and conditions of the Bond Resolution. The Authority will provide to the State an estimate of Operating Costs which shall accompany its statement for Additional Rent.

(3) Annual Rent payable for any renewal term shall not be deferred or abated because of delays in completion of the construction of the Facilities or delays in completion of any repair or replacement of damage to the Facilities.

(4) Any installment of Annual Rent which is not paid by the State on or before the due date thereof shall, from and after said due date, bear interest until paid at the highest rate per annum borne by any of the Bonds then outstanding; time being of the absolute essence of this obligation.

(5) The Authority and the State hereby agree that the Basic Rent in any lease term shall be reduced by any amounts on deposit with the Authority legally available for and allocated by the Authority to the payment of principal and interest on the Bonds, including without limitation capitalized interest deposited from the proceeds of the Bonds and funds on deposit in the debt service account established under the Bond Resolution. Basic Rent shall be increased or decreased as appropriate to reflect the issuance by the Authority of Bonds bearing interest at variable rate and issuance of any additional Bonds issued to refinance the Facilities, in whole or in part, or any additional Bonds issued for the purposes set forth in Section 9.1 hereof or issued to finance additions, modification or replacement of the Facilities or any part thereof.

(6) Annual Rents shall be payable in lawful money of the United States of America, which shall be legal tender for public and private debts under the laws of the United States at the time of payment, provided that, upon prior written approval of the Authority, the State may transfer funds through electronic funds transfer. Payment shall be made at the office of the Authority or such other place or places as may be designated in writing by the Authority.

(7) The State and the Authority have agreed and determined that such Annual Rent represents the fair market rental value of the Facilities. In making such determination, consideration has been given to the Cost of Acquisition and Construction, and the costs of financing of the Facilities and the Operating Costs thereof, and the uses and purposes of the Facilities which will accrue to the State and the Authority and the general public by reason of the use and occupancy thereof by the State and ownership by the Authority.

(8) The parties agree that the Annual Rent hereunder constitutes ordinary operating expense of the State within the provisions of Article VIII Section 1 of the Idaho Constitution.

Section 6.2 Application of Rent: The Authority covenants to use and apply Annual Rent to payment of debt service of the Bonds, Operating Costs, deposits to required reserve accounts and other appropriate purposes pertaining to the Facilities and/or the Bonds.

ARTICLE 7

OPERATION AND MAINTENANCE OF THE FACILITIES

Section 7.1 Operation, Repairs, and Maintenance: The State shall, throughout the term of this Facilities Lease and each renewal term thereof, at the State's cost and expense, keep and maintain or cause to be kept and maintained, the Facilities and all equipment, fixtures, additions and improvements thereof, in good order and condition, and shall, at the State's cost and expense, make or cause to be made all necessary repairs, renewals, and replacements with respect to the Facilities. To the extent repairs or replacements are insured under policies maintained by the Authority and insurance proceeds are paid to the Authority, the State shall be entitled to such insurance proceeds to the extent of the actual costs incurred by the State and except to the extent the insurance proceeds are required to be otherwise applied in accordance with the terms of the Bonds. Subject to Section 10.1, in the event the Facilities or any part thereof are damaged or destroyed by uninsured or partially uninsured casualty of any kind, the State shall either replace or rebuild the Facilities in equal value, or pay such sums to the Authority as may be required to fully pay and discharge the Bonds.

Section 7.2 Utilities: The State shall pay or cause to be paid all costs, expenses and charges for water, electricity, lights, heat, power, sewage, telephone, and other utility services, rendered or supplied upon or in connection with the Facilities during the term of this Facilities Lease and each renewal term.

Section 7.3 Insurance:

(1) The State shall maintain or cause to be maintained with responsible insurers or under an established program of self-insurance (as considered to be adequate by an Insurance Consultant as may be engaged by the Authority) the following kinds and amounts of insurance acceptable to the Authority with respect to all existing buildings, improvements, equipment and other property comprising any part of the Facilities and/or the use of the Facilities at all times throughout the initial term and each renewal term of this Facilities Lease:

(a) Commercial general liability insurance (CGL) and, if necessary, commercial umbrella insurance and property damage liability, and errors and omissions liability as shall afford protection to the Authority in an amount of not less than \$1,000,000 for each occurrence. The commercial general liability insurance shall cover liability arising from premises, operations, independent contractors, product-completed operations, personal injury and advertising injury, and liability assumed under an insured contract. Such insurance shall protect the Authority to the same extent as the State is protected from claims, demands, causes of actions, penalties, including costs and attorney fees, arising out of the use or occupancy of the Facilities. Upon written request of the Authority, the State will increase the amount of the CGL insurance to an amount determined by the Authority if, in the opinion of the Authority and based on local standards, the amount of the CGL insurance is not adequate.

(b) Commercial property insurance and, as applicable, course of construction insurance, in the amount of the full replacement value of the Facilities or any portion thereof, including fixtures, equipment, lessee improvements and betterments. Commercial property

insurance shall, at a minimum, cover the perils insured under the ISO special causes of loss form CP 1030 and, if reasonably available, earthquake and flood insurance, debris removal, operation of building laws, extra expense, consequential loss, loss of rents and/or business interruption. Such loss of rents or business interruption insurance shall be in an amount equal to Annual Rent payable to the Authority by the State with respect to the Facilities during such time or times as the use of the Facilities may be totally or partially interrupted or the construction thereof delayed as a result of damage or destruction resulting from perils insured against pursuant to this subsection (1)(b).

(c) Worker's Compensation Insurance in the amount and in the form which the State is required by law to maintain.

(d) Any other insurance agreed to in writing by the State and the Authority.

(e) Any other insurance required by the terms and conditions of the Bonds.

(2) All insurance procured and any self-insurance plan maintained by the State shall comply with the following requirements:

(a) Each policy or policies of insurance shall be written by insurance companies authorized to do business in the state of Idaho and furnished through an insurance carrier or carriers satisfactory to the Authority or through a self-insurance plan satisfactory to the Authority and an Insurance Consultant pursuant to the Bond Resolution.

(b) True, correct and complete copies of all insurance policies or self-insurance plan and all endorsements, changes, amendments and supplemental provisions thereto shall be continually maintained by the State and shall be available for inspection and copying by the Authority at all times during the State's regular office hours.

(c) All such insurance shall provide that coverage shall not be canceled or amended except upon sixty (60) calendar days prior written notice to the Authority. The Authority shall be furnished current certificates upon the commencement of the initial term and each renewal term of this Facilities Lease showing that all such insurance fully complies with the terms of this Facilities Lease, and current certificates shall be furnished at any other time or times as may be reasonably requested.

(d) All policies of insurance obtained by and any self-insurance plan maintained by the State shall include provisions that coverage shall not be affected, reduced or waived by any inaccurate or misleading statement or information furnished by the State in obtaining such insurance nor shall insurance under such policies furnished to the Authority be reduced by any actual or alleged breach of warranties made by the State in obtaining such insurance. All liability insurance furnished by the State shall include insurance covering the obligations of the State under Article 8 of this Facilities Lease.

(3) The Authority and the State hereby release each other from any and all liability or responsibility to the other as to any person claiming through or under either by way of subrogation

or otherwise for any loss or damage to property caused by any casualty insured by the above-described coverages, even if the loss is caused by the fault or negligence of the other party or by any party for whom the other party is responsible.

(4) All insurance provided to the Authority by the State pursuant to this Facilities Lease shall name the Authority as additional named insured and contain a loss payable clause providing for payment of proceeds to the Authority and the trustee of the Bonds to the extent of their interest therein, and the Annual Rent otherwise payable by the State with respect to the Facilities shall be reduced by the amount of business interruption or loss of rents insurance payments, if any, made to the Authority and/or the trustee of the Bonds.

(5) In the event the Authority is able to procure any or all of the insurance coverages herein required at a cost less than the cost incurred by the State thereof, the Authority agrees to do so and the cost thereof shall be included as Operating Costs of the Authority. In such event the obligation of the State to provide any such insurance shall continue until the insurance coverage procured by the Authority is actually in effect. Upon the expiration or termination of any insurance procured by the Authority hereunder, the State shall immediately, without any interruption in insurance coverage, procure and maintain such coverage.

ARTICLE 8

INDEMNITY

Section 8.1 State's Indemnification: The State hereby agrees to defend, protect, hold harmless and indemnify the Authority and its agents, employees, representatives, successors, and assigns, against all demands, claims, liabilities, causes of action or judgments, and all loss, expense and damage of any and every sort and kind, including, but not limited to, costs of investigations and attorneys' fees and other costs of defense, for:

(1) injury to person or property occurring in, upon or about the Facilities or any adjacent or related real property or improvements owned, occupied or controlled by the State or any of its agencies, departments, bureaus or subgovernmental entities;

(2) injury to person or property arising out of the use or occupancy of the Facilities or relating in any manner to operations conducted thereon;

(3) any other premises liability relating to the Facilities;

(4) any loss to person or property to the extent of its self-insurance, if any; and

(5) all liability whatsoever arising out of any public or governmental activities of the State of any kind or nature whatsoever.

Nothing in this Article 8 shall be construed as the agreement of the State to indemnify the Authority from liability for damages arising out of personal injury or damage to property caused solely and exclusively by the negligence or malfeasance of the Authority.

The obligations under this Section are deemed to be ordinary operating expenses of the State within the provisions of Article VIII Section 1 of the Idaho Constitution.

Section 8.2 Authority's Indemnification: The Authority hereby agrees to defend, indemnify and save the State harmless from and against any and all liability, loss, damage, cost and expense, including court costs and attorney fees of whatever nature or type, whether or not litigation is commenced, that the State may incur, by reason of any act or omission of the Authority, its employees or agents or any breach or default of the Authority in the performance of its obligations under this Facilities Lease. The foregoing indemnity shall not apply to any injury, damage or other claim resulting solely from the act or omission of the State.

ARTICLE 9

ALTERATIONS, ADDITIONS, AND IMPROVEMENTS

Section 9.1 Alterations, Additions, and Improvements: The State shall have the right, at any time and from time to time during the term of this Facilities Lease, at the State's costs and expense, to make such, alterations, additions, expansions and improvements, to the Facilities, as the State shall deem necessary or desirable in connection with its use of the Facilities. Notwithstanding the foregoing, the State shall not make any alterations, additions, expansions or improvements which are structural or which will lessen the market value of the Facilities without the prior written consent of the Authority which shall not be unreasonably withheld. Once commenced, all alterations, additions, expansions and improvements shall be diligently pursued to completion. All such alterations, additions and improvements shall be of such character as to not reduce or otherwise adversely affect the value of the Facilities or the rental value thereof and all the costs thereof shall be promptly paid or discharged so that the Facilities shall at all times be free of liens or claims for labor and materials supplied thereto. All, alterations, additions, fixtures and permanent improvements to the Facilities shall be and become a part of the Facilities and shall become the property of the Authority.

Section 9.2 Furniture, Fixtures, and Equipment: The State shall maintain an inventory of all furniture, fixtures, and equipment and other tangible personal property financed or provided by the Authority as part of the Facilities and shall have the right to replace, at its expense, such tangible personal property as the State shall deem necessary or desirable in connection with its use of the Facilities. The State shall, upon request but in no event more than once per year, provide to the Authority an inventory of furniture, fixtures, and equipment in use at the Facilities provided by the Authority with the Facilities.

ARTICLE 10

DAMAGE, DESTRUCTION, AND CONDEMNATION

Section 10.1 Damage, Destruction, and Condemnation: In the event of damage, destruction, or condemnation of the Facilities, or any part thereof, the net proceeds of any insurance or condemnation awards with respect to the Facilities and, to the extent necessary, the proceeds of any additional Bonds which may be issued by the Authority for such purpose pursuant to the terms and conditions of the Bonds, shall be used and applied by the Authority in accordance with the terms

of the Bonds to repair, restore, rebuild, or replace the Facilities; provided, however, that, in the event of total or substantial destruction or condemnation of the Facilities or in the event that the aforesaid insurance proceeds, condemnation awards, and proceeds of Bonds are not sufficient to repair, restore, rebuild, or replace the Facilities, the Authority with the prior written approval of the State, may elect not to repair, restore, rebuild, or replace the Facilities, in which case the net proceeds of all insurance and condemnation awards, together with all other available funds, shall be applied in accordance with the terms of the Bonds. Upon the receipt of notice from the Authority of its election not to repair, restore, rebuild or replace, the State shall approve or disapprove of such election within thirty (30) days after the date of such notice and failure of the State to disapprove such election within such thirty (30) day period, shall conclusively be deemed the State's approval thereof. In the event the State does not grant its approval as called for in the preceding sentence, the Authority shall be obligated to repair, restore, rebuild, or replace the Facilities and any costs or expenses not covered by the net proceeds of all insurance or condemnation awards or the proceeds of Bonds shall be born by the State. Any such repair, restoration, rebuilding, or replacement of the Facilities may be in accordance with such different design, plans, and specifications approved by the State as will or may provide facilities of the same or different nature or use, so long as any such change therein or thereof shall not reduce or otherwise adversely affect the value of the Facilities or the rental value thereof. In consideration of the Authority proceeding with the repair, restoration, rebuilding, or replacement of the Facilities as above provided, the State shall continue to pay the Annual Rent due under this Facilities Lease, except to the extent the Authority actually receives proceeds of business interruption or loss of rents insurance described in Section 7.3 hereof.

In the event of damage, destruction or condemnation of the adjacent improvements owned by the State, and the Facilities are not damaged, or the Authority has elected to repair, restore or rebuild or replace the damaged Facilities, the State shall repair, restore, rebuild or replace the additional Facilities to the extent necessary to provide all necessary services to the Facilities as provided prior to the damage, destruction or condemnation.

ARTICLE 11

PARTICULAR COVENANTS

Section 11.1 Compliance with Laws and Regulations: The State shall, at its own cost and expense, promptly comply with, or cause to be complied with, all applicable laws and ordinances, rules, regulations and other governmental requirements, whether or not the same require structural repairs or alterations, which may be applicable to the State, the Facilities or the use or manner of use of the Facilities. The State shall also observe and comply with the requirements of all policies and arrangements of insurance at any time in force with respect to the Facilities.

Section 11.2 Covenant Against Waste: The State covenants not to do or suffer or permit to exist any hazardous materials, contamination, waste, damage, disfigurement or injury to, or public or private nuisance, in or upon the Facilities in violation of any state of Idaho or federal laws or regulations and agrees to pay all costs, changes, penalties or any other expense reasonably incurred or to be incurred to remove, restore or reclaim the Facilities or premises thereof.

Section 11.3 Right of Inspection: The State covenants and agrees to permit the Authority and the authorized agents and representatives of the Authority to enter the Facilities at reasonable times during usual business hours for the purpose of inspecting the same, subject to reasonable security requirements and procedures of the State.

Section 11.4 Condition of Facilities: The Authority makes no representation regarding the condition of the Facilities or real property underlying or adjacent thereto and the Authority shall not be liable for any latent or patent defects therein.

Section 11.5 Assignment and Subletting: The State shall not assign or mortgage this Facilities Lease or any right hereunder or interest herein and shall not sublease the Facilities or any portion thereof, without prior written consent of the Authority (which consent may be granted or withheld by the executive director of the Authority); provided, that in no event shall the State assign this Facilities Lease or any right hereunder or interest herein or sublease the Facilities or any portion thereof unless the State shall continue to remain liable for the performance of all the terms, covenants, and conditions contained in this Facilities Lease and unless the proposed assignee or sublessee shall agree, in writing, to be bound by all of the terms, covenants, and agreements contained in this Facilities Lease and all other agreements related thereto. The Authority agrees that it will not unreasonably withhold its consent to any such assignment or subleasing.

Section 11.6 Covenant of Quiet Enjoyment: The Authority covenants that it has full right and lawful authority to enter into this Facilities Lease and that, so long as the State shall pay the Annual Rent and shall duly observe all of its covenants and agreements in this Facilities Lease, the State shall have, hold, and enjoy, during the initial term of this Facilities Lease and each renewal term thereof, peaceful, quiet, and undisputed possession of the Facilities. No defect, encumbrance, cloud, lease, restriction or other matter affecting title to the land on which the Facilities shall be developed existing at the time the land is acquired or leased to the Authority or to which this Facilities Lease is subrogated to shall constitute a breach of this Facilities Lease by the Authority.

Section 11.7 Tax Covenant: The State covenants for the benefit of the holders of the Bonds and the Authority that during the term of this Facilities Lease, that no action shall be taken or omitted with respect to the Bonds, the proceeds thereof, any other funds of the State or any Facilities financed or refinanced with the proceeds of the Bonds if such action or omission (i) would cause the interest on the Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Code, (ii) would cause the Bonds to become "specified private activity bonds" with the meaning of Section 57(a)(5)(C) of the Code, or (iii) would cause interest of the Bonds to lose its exclusion from Idaho taxable income under present Idaho law. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Bonds until the date on which all obligations of the Authority in fulfilling the above covenant under the Code have been met.

ARTICLE 12 DEFAULT

Section 12.1 Events of Default: The following shall be events of default under this Facilities Lease:

- (1) Failure by the State to pay the Annual Rent as the same shall become due, or
- (2) Failure by the State or anyone contracting with the State to observe and perform any other covenant, condition, or agreement to be observed or performed under this Facilities Lease for a period of 90 calendar days after written notice, specifying such failure and requesting that it be remedied, given to the State by the Authority or trustee of the Bonds, unless the Authority or trustee shall agree in writing to an extension of such time prior to its expiration.

Section 12.2 Remedies: Whenever any event of default referred to in Section 12.1 hereof shall occur, the Authority may take any one or more of the following remedial steps:

- (1) Declare all Annual Rent payable for the applicable lease term then in effect to be immediately due and payable, together with applicable interest thereon.
- (2) Re-enter and take possession of the Facilities, exclude the State from possession thereof, and terminate this Facilities Lease.
- (3) Take such action at law or in equity as may appear necessary or desirable to collect all sums due and thereafter to become due, or to enforce performance and observation of any obligation, agreement, or covenant of the State under this Facilities Lease.

Section 12.3 Remedies Not Exclusive: No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Facilities Lease, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In the exercise of any remedy reserved to the Authority in this Article 12, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

ARTICLE 13 SURRENDER OF FACILITIES

Section 13.1 Surrender of Facilities: In the event that the State elects not to renew or extend the term of this Facilities Lease or this Facilities Lease is otherwise terminated, the State shall immediately quit and surrender the Facilities to the Authority in the same condition in which it existed at the date the construction of all Facilities was completed by the Authority, subject to any alterations, additions, expansions or improvements made in accordance with Section 9.1 hereof, ordinary wear and tear excepted.

**ARTICLE 14
LIMITATION ON OBLIGATIONS**

Section 14.1 Obligations of Authority and State: Notwithstanding any other provisions of this Facilities Lease, no obligation assumed by or imposed upon the Authority by this Facilities Lease shall require the performance of any act by the Authority except to the extent, if any, that the cost and expense of such performance may be paid from the proceeds of the Bonds issued by the Authority or from other funds legally available to the Authority to meet the cost and expense of such performance, and no obligation assumed by or imposed upon the State by this Facilities Lease shall require the performance of any act by the State, including, but not limited to, the payment of Annual Rent, except to the extent that funds may be available for such performance or payment from State general appropriations or other funds legally available therefor. This Facilities Lease shall not be construed as obligating the Legislature of the State of Idaho to make future appropriations for the payment of Annual Rent or the performance of any other obligations under this Facilities Lease beyond the initial rental term or for any renewal term hereof. In the event that appropriated funds are not legally available for payment of Annual Rent or other obligations hereunder for any term, then this Facilities Lease shall be terminated. The liability of the State for payment of Annual Rent as it becomes due shall be in consideration of the right of the State, whether or not exercised, to occupy and/or use the Facilities for the then-current lease term.

**ARTICLE 15
MISCELLANEOUS**

Section 15.1 Pledge of Rent, Proceeds, and Lease: It is expressly understood and agreed by the parties hereto that the Authority has the right to pledge and assign the Annual Rent, all proceeds receivable by the Authority from any sale of the Facilities, and its rights and interest under this Facilities Lease to secure: (i) the payment of the principal of and the interest on and redemption premium, if any, on the Bonds; and (ii) other obligations of the Authority under the terms and conditions of the Bonds.

Section 15.2 Notices: All notices or other communications hereunder shall be sufficiently given and shall be deemed given on the second business day following the day on which the same are mailed by certified mail, postage prepaid, addressed as follows:

(1) If to the State:

Idaho Department of Administration
Attn: Director
Statehouse Mail
Boise, Idaho 83720

AND

University of Idaho

(2) If to the Authority:

Idaho State Building Authority
Attn: Executive Director
Post Office Box 2802
Boise, Idaho 83701

The State or the Authority may, by notice given hereunder, designate any further or different addresses to which subsequent notices or other communications shall be sent. Notice may be also given by personal delivery of a written notice.

Section 15.3 Severability: If any term or provision of this Facilities Lease or the application of it to any person, entity or circumstance shall to any extent be invalid or unenforceable, the remainder of this Facilities Lease or the application of such term or provision to persons, entities or circumstances, other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Facilities Lease shall be valid and shall be enforced to the extent permitted by law.

Section 15.4 Attorney Fees: In the event either party to this Agreement is required to initiate or defend litigation with respect to the terms hereof or to enforce any of its rights hereunder, the prevailing party in such litigation shall be entitled to reasonable attorney's fees incurred in such litigation, including all discovery costs and costs of expert witnesses, together with all reasonable litigation expenses.

Section 15.5 Headings: The article and section headings contained herein are for convenience and reference and are not intended to define or limit the scope of any provision of this Facilities Lease.

Section 15.6 Counterparts: This Facilities Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 15.7 Amendments: The Authority and the State shall not, without the written consent of the trustee of the Bonds or other legally-authorized representative of the interests of the owners of the Bonds, consent or agree to or permit any rescission of or amendment to or otherwise take any action under or in connection with this Facilities Lease which will reduce the payments required to be made by the State hereunder during the initial term or any renewal term hereof, or which will in any manner materially impair or adversely affect the rights of the Authority hereunder, and any action by the Authority or the State in violation of this covenant shall be null and void as to the Authority and the State. Furthermore, any voluntary amendment, modification or termination of this Facilities Lease shall require the written consent of all parties to this Facilities Lease.

Section 15.8 Effective Date: This Facilities Lease shall be effective as of the date stated above upon its execution.

IN WITNESS WHEREOF, the parties hereunto have caused this Facilities Lease to be executed as of the day and year first hereinabove set forth.

AUTHORITY:

IDAHO STATE BUILDING AUTHORITY

By: _____
V. L. Bud Tracy, Chairman

Dated: _____, 2003

ATTEST:

By _____
Wayne V Meuleman, Secretary

STATE:

STATE OF IDAHO, by and through

IDAHO DEPARTMENT OF ADMINISTRATION

By: _____
Pamela I. Ahrens, Director

Dated: _____, 2003

U of I:

IDAHO STATE UNIVERSITY

By: _____
_____, President

APPROVAL AND CONSENT:

STATE BOARD OF EDUCATION

By: _____
Blake G. Hall, President

Dated: _____, 2003

STATE OF IDAHO)
) ss.
County of Ada)

On this ____ day of _____, 2003, before me, the undersigned, a Notary Public in and for said State, personally appeared V.L. Bud Tracy and Wayne V Meuleman, known or identified to me to be respectively the Chairman and Secretary, respectively, of the IDAHO STATE BUILDING AUTHORITY, each of whom acknowledged to me that they executed the within Facilities Lease on behalf of the Idaho State Building Authority in their representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Notary Public for the State of Idaho
Residing at _____
My commission expires _____

STATE OF IDAHO)
) ss.
County of Ada)

On this ____ day of _____, 2003, before me, the undersigned, a Notary Public in and for said State, personally appeared Pamela I. Ahrens, known or identified to me to be the Director of the IDAHO DEPARTMENT OF ADMINISTRATION of the STATE OF IDAHO, who acknowledged to me that she executed the within Facilities Lease on behalf of the State in his representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Notary Public for the State of Idaho
Residing at _____
My commission expires _____

STATE OF IDAHO)
) ss.
County of Ada)

On this ____ day of _____, 2003, before me, the undersigned, a Notary Public in and for said State, personally appeared Blake G. Hall, known or identified to me to be the President of IDAHO STATE BOARD OF EDUCATION (the "SBOE"), who acknowledged to me that he executed the within Facilities Lease on behalf of the SBOE in his representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Notary Public for the State of Idaho
Residing at _____
My commission expires _____

STATE OF IDAHO)
) ss.
County of Ada)

On this ____ day of _____, 2003, before me, the undersigned, a Notary Public in and for said State, personally appeared _____, known or identified to me to be the _____ of IDAHO STATE UNIVERSITY, who acknowledged to me that he executed the within Facilities Lease in his representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Notary Public for the State of Idaho
Residing at _____
My commission expires _____

List of Exhibits:

- Exhibit A-1 Description of Real Property
- Exhibit A-2 Description of Parking
- Exhibit B Description of Improvements Comprising the Facilities

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**6/16/03 (U of I) DRAFT
OPERATING AGREEMENT**

THIS OPERATING AGREEMENT is made this ___ day of _____, 2003, by and between the Department of Administration (the “Department”) and the Board of Regents of the University of Idaho (“U of I”).

RECITALS

WHEREAS, the Idaho Legislature, House Concurrent Resolution No. 30 (“HCR 30”), First Regular Session of the Fifty-seventh Legislature, has authorized the Idaho State Building Authority (the “ISBA”) to provide financing to develop and construct certain educational and academic facilities for use by U of I (the “Facilities”);

WHEREAS, pursuant to HCR 30, the ISBA and U of I have entered into, or will enter into simultaneously with the execution of this Operating Agreement, a Ground Lease involving the real property on which the Facilities will be constructed;

WHEREAS, pursuant to HCR 30, the Department and U of I have entered into, or will enter into simultaneously with the execution of this Operating Agreement, a Facilities Lease (the “Facilities Lease”) and a Development Agreement (the “Development Agreement”), both with the ISBA and involving and for the Facilities;

WHEREAS, the Department and U of I desire to address between themselves certain issues related to the Facilities Lease and Development Agreement, upon the terms and conditions set forth below.

AGREEMENT

NOW THEREFORE, in consideration of the above recitals, which are incorporated herein as if set forth in full, and the mutual promises and agreements hereinafter set forth, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Other Documents. This Operating Agreement is intended to co-exist with the Facilities Lease and the Development Agreement; provided however, in the case of any conflict between the terms of this Operating Agreement, as may be amended from time to time, and the Development Agreement and the Facilities Lease, as may be amended from time to time, the terms of this Operating Agreement shall control as between the Department and U of I.

2. Term. The term of this Operating Agreement shall begin on its effective date and continue until the expiration or termination of the Facilities Lease, including renewals, or the Development Agreement, whichever occurs later.

3. Allocation of Responsibility. Anything contained in the Facilities Lease and the Development Agreement notwithstanding, the parties agree as follows:

a. Upon and after occupancy by U of I, U of I shall make all decisions regarding the use and routine operation, repair and maintenance of the Facilities. U of I shall, at its cost and expense, comply with all applicable and binding federal, state and municipal laws, ordinances, regulations and orders and any contractual obligations relative to such use, operation, repair and maintenance of the Facilities. U of I shall consult with the Department on any issues concerning the use, operations and maintenance of the Facilities that could have a material and adverse impact on the Department or the Facilities Lease or the Development Agreement.

b. U of I shall not do or suffer or permit to exist any hazardous materials, contamination, waste, damage, disfigurement or injury to, or public or private nuisance, in or upon the Facilities in violation of any state of Idaho or federal law or regulation and shall pay all costs, charges, penalties or any other expense reasonably incurred or to be incurred to remove, restore or reclaim the Facilities or premises.

c. U of I shall be responsible for the cost and expense of all insurance required under the Facilities Lease and the Development Agreement, provided, however, that U of I may arrange for such insurance through the Department's Office of Insurance Management.

d. U of I shall, at its cost and expense, comply with Sections 5, 7, 9 and 10 of the Facilities Lease, which includes but is not limited to the obligations contained in sections 3(e - h of this Agreement.

e. U of I shall keep and maintain or cause to be kept and maintained, the Facilities and all equipment, fixtures, additions and improvements thereof, in good order and condition; and make or cause to be made all necessary repairs, renewals, and replacements with respect to the Facilities. Subject to Section 10 of the Facilities Lease, in the event the Facilities or any part thereof are damaged or destroyed by uninsured or partially uninsured casualty of any kind, U of I shall either replace or rebuild the Facilities in equal value, or pay such sums to the Authority as may be required to fully pay and discharge the Bonds (as defined in the Facilities Lease).

f. U of I shall pay or cause to be paid all costs, expenses and charges for water, electricity, lights, heat, power, sewage, telephone, and other utility services, rendered or supplied upon or in connection with the Facilities.

g. U of I shall maintain an inventory of all furniture, fixtures and equipment and other tangible personal property financed or provided by the ISBA as part of the Facilities and provide such inventory to the ISBA in accordance with Section 9.2 of the Facilities Lease. U of I shall have the right, at its expense, to replace such tangible personal property as it deems necessary in connection with its use of the Facilities, in accordance with Section 9.2 of the Facilities Lease.

h. U of I shall be responsible to pay for all cost overruns incurred in the planning, design and construction of the Facilities, including without limitation all cost overruns specified in Section 7 of the Development Agreement, provided, however, that cost overruns shall first be paid out of the project contingency fund and U of I shall not pay for cost overruns unless and until the contingency fund is depleted, and that U of I has approved any change order that results in a cost overrun. U of I shall not be responsible for any cost overrun that is the result of the negligence or malfeasance of the Department.

j. Upon and subject to a specific and sufficient annual appropriation by the state of Idaho Legislature to the Department of funds from the Permanent Building Fund, or other

sources determined by the Legislature, the Department shall remit to the ISBA the payment of Annual Rent (as defined in the Facilities Lease) in accordance with the Facilities Lease.

j. Any consents or approvals required of the State under the Ground Lease or Facilities Lease shall be made by U of I.

k. The right contained in Section 3.2 of the Facilities Lease to give ten months' notice of termination of the Facilities Lease must be given jointly by the Department and U of I.

4. Notice of Non-Appropriation Non-Renewal; Other Notices. In the event that the Department fails to receive an appropriation of monies necessary for any payment of Annual Rent under the Facilities Lease, it shall immediately notify U of I. The Department also agrees to give notice to U of I if it does not include in its budget request a request for monies related to the Facilities lease. In the event that either party receives any notice related to the Ground Lease, the Facilities Lease or the Development Agreement that could impact the other, the receiving party shall immediately notify the other party of the receipt and substance of such notice.

5. Intentionally Blank.

6. Order of Use of Funds; Funds Remaining. U of I specifically acknowledges and agrees that any Additional Funds that it transfers to the Authority for the project, and which are deposited by the Authority into the Construction Fund (as defined in the Development Agreement), shall be deemed to be used first, before any bond proceeds or other funds, for any cost or expense of planning, design or development or construction. U of I further specifically acknowledges that any funds remaining in the Construction Fund (as defined in the Development Agreement) upon final acceptance of the Facilities shall be used to defease the Bonds (as defined in the Facilities Lease) or otherwise decrease the amount of Annual Rent (as defined in the Facilities Lease) due under the Facilities Lease.

7. Indemnification. U of I shall defend and save harmless the Department, its officers, agents and employees from and against any liability, claim, damages, losses, costs, expenses or actions to which the Department is or could be subject to arising from or related to its obligations under this Operating Agreement or its use, operation or maintenance of the Facilities. This indemnification does not apply when such claims, damages, and liabilities are the result of negligent acts, errors, omissions or fault or malfeasance on the part of the Department, its officers, agents and employees. The Department shall defend and save harmless the University, its officers, agents and employees from and against any liability, claim, damages, losses, costs, expenses or actions to which the Department is or could be subject arising from or related to its obligations under this Operating Agreement or its use, operation or maintenance of the Facilities. This indemnification does not apply when such claims, damages, and liabilities are the result of negligent acts, errors, omissions or fault or malfeasance on the part of the University, its officers, agents and employees.

8. Cooperation Between the Parties. Should any claims, demands, suits or other legal proceedings be made or instituted by any person against either party which arise out of any matters relating to the Facilities, the other party shall give all pertinent information and reasonable assistance in the defense or other disposition thereof.

9. Notices. All notices, demands, consents and reports provided for in this Operating Agreement shall be in writing and shall be given to the Department or U of I at the address set forth below or at such other address as they individually may specify thereafter in writing:

Department of Administration: Larry V. Osgood
Administrator
Division of Public Works
P.O. Box 83720
Boise, Idaho 83720-0072
Ph: 208-332-1911
Fax: 208-334-4031

With a Copy to: Department of Administration
Attention: Deputy Attorney General
650 West State Street
P.O. Box 83720
Boise, Idaho 83720-0003

University of Idaho:

Such notices or other communications may be mailed by United States registered or certified mail, return receipt requested postage prepaid or delivered by a recognized courier delivery service (e.g. Federal Express, Airborne etc.). Such notices, demands, consents and reports may also be delivered by hand. For purposes of this Operating Agreement, notices will be deemed to have been "given" upon personal delivery thereof or 72 hours after having been deposited in the United States mail at a United States Post Office or a depository for the receipt of mail regularly maintained by the post office or deposited with a recognized courier delivery service.

10. Survival. Any termination, cancellation or expiration of this Operating Agreement notwithstanding, provisions that are intended to survive and continue shall so survive and continue, including, but not limited to, the provisions of section 7.

11. No Third Party Rights. Nothing in this Operating Agreement shall be construed as creating or giving rise to any rights in any third parties or any persons other than the parties hereto.

12. Governing Law. The Contract shall be governed by and construed under the laws of the State of Idaho.

13. Officials Not Personally Liable. In no event shall any official, officer, employee or agent of the Department or U of I be liable or responsible for any representation, statement,

covenant, warranty or obligation contained in, or made in connection with, this Operating Agreement, express or implied.

14. Complete Statement of Terms. This Operating Agreement constitutes the entire agreement between the parties hereto as regards its subject matter and shall supersede all previous proposals, oral or written, negotiations, representations, commitments, and all other communications between the parties.

15. Written Modification. This Operating Agreement may be modified or amended only by an agreement in writing signed by a duly authorized representative of the Department and U of I.

16. Counterparts. This Operating Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have entered this Operating Agreement as of the date first set forth herein.

THE UNIVERSITY OF IDAHO

By: _____
Laura Hubbard
Its Interim Vice President for Finance and
Administration on behalf of the Board of
Regents of the University of Idaho

**IDAHO DEPARTMENT OF ADMINISTRATION
DIVISION OF PUBLIC WORKS**

By: _____
Larry V. Osgood
Its Administrator

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BUSINESS AFFAIRS AND HUMAN RESOURCES
JUNE 26-27, 2003

SUBJECT

Lewis-Clark State College Idaho State Building Authority Bonded Projects

UNIQUE ISSUES

1. The Activity Center Facility Funding LCSC's Activity Center Project (phases 2, 3, 4) is a multi-purpose facility meeting classroom, recreational/wellness and event needs of our students and college. The project will be financed through the Idaho State Building Authority, a student fee revenue note in an amount not to exceed \$2,000,000, and LCSC Foundation contributions not to exceed \$1,500,000. Phase 1, which consisted primarily of A&E fees, land acquisition and parking lots is completed and is not part of the remaining project
2. Ground Lease LCSC and ISBA will be entering into a **Ground Lease** for property belonging to the College for over 100 years. The land has been separately surveyed and is the legal description of land that will be conveyed to ISBA under the lease.
3. Disbursement of Funds LCSC is meeting ISBA's requirement, which is applicable to all institutions, to transfer all funds LCSC has available for construction to the ISBA for deposit into the construction fund maintained by the bond trustee for the ISBA bonds. In LCSC's case, this consists of proceeds of its student fee revenue note and foundation contribution.

BOARD ACTION

A motion to authorize the CEO or her designee to finalize and execute the Site Lease, the Facilities Lease, the Development Agreement and the Operating Agreement for the Classroom/Campus Activity Center at Lewis-Clark State College in substantially the same form as the draft agreements presented to the Board with the agenda materials.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

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SITE LEASE

(Lewis-Clark State College Campus Classroom and Activity Center)

THIS SITE LEASE is entered into as of the ____ day of _____, 2003, by and between the State of Idaho acting by and through LEWIS-CLARK STATE COLLEGE, as successor to _____ **[if record title is vested in a predecessor]**, with consent and approval of the State Board of Education, (hereinafter “State”) and the IDAHO STATE BUILDING AUTHORITY, (hereinafter “Authority”). This agreement is hereinafter referred to as the “Site Lease”.

RECITALS

A. The State Board of Education is vested with the general supervision, governance and control of all state institutions of higher education by Article 9, Section 2 of the Idaho Constitution and Idaho Code §33-101, and serves as the Board of Trustees for Lewis-Clark State College pursuant to Idaho Code §33-3102, and Lewis-Clark State College is a body politic and corporate of the State of Idaho, and references to “LCSC” herein shall mean Lewis-Clark State College and, the State Board of Education in its capacity as the Board of Trustees.

B. State is the owner of certain real property described in Exhibits A-1 and A-2 hereto and desires to lease such property to Authority for the purpose of financing and developing campus classroom and activity center improvements to be constructed thereon (the “Facilities”) to be leased back to the State and the State of Idaho, acting through the Department of Administration (“IDOA”) and Lewis-Clark State College under an annually renewable lease (the “Facilities Lease”), entered into coincidentally herewith; and

C. In accordance with the provisions of Idaho Code, Section 67-6410(a), the Idaho Legislature, House Concurrent Resolution No. 30, First Regular Session of the Fifty-seventh Legislature, has authorized the State to enter into agreements as may be reasonable and necessary with the Authority for the purpose of providing financing to develop and construct facilities for use by the State; and

D. Authority intends to finance and develop the Facilities on the Premises and to lease the Facilities and Premises back to State and IDOA in accordance with the Facilities Lease, entered into coincidentally herewith; and

E. State and Authority acknowledge that there shall be no merger of the State’s leasehold interest under the Facilities Lease and the State’s ownership interest in the Premises, which merger would cause the cancellation or termination of this Site Lease; and

F. State represents that neither the execution and delivery of this Site Lease, the consummation of the transactions contemplated by this Site Lease, nor the fulfillment of or compliance with the terms and conditions of this Site Lease conflict with or results in a breach of any terms, conditions or

provisions of any restriction, agreement, or instrument to which the State is now a party or to which State is bound.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. **Recitals**: The parties acknowledge the foregoing Recitals are true and are incorporated into this Site Lease as if set forth in full.

2. **Premises**: State hereby leases to Authority, subject to the conditions expressed herein, certain real property located in Nez Perce County, Idaho, specifically described in Exhibit A-1 attached hereto and incorporated herein together with a non-exclusive right for vehicular and pedestrian ingress and egress and vehicular parking over and across all roads, walkways, and parking lots within the LCSC Campus as they may exist from time to time sufficient to provide reasonable access to and from the parking for the Facilities, together with all easements and rights appurtenant hereto all existing buildings and other improvements thereon (the "Premises").

As used herein the term "Premises" refers solely to the real property and existing improvements and not to any improvements to be constructed thereon from time to time during the term of this lease.

3. **Term**: The Term of this Site Lease shall be a period commencing on the date hereof and expiring June 30, 2038, unless earlier terminated pursuant to paragraph 9 hereof.

4. **Rent**: The Premises are leased to Authority without consideration as authorized pursuant to Idaho Code, Section 67-6421.

5. **Development**: Authority shall have the right to raze existing improvements, and develop, acquire and construct Facilities on the Premises in accordance with the Facilities Lease. In the event the Facilities Lease expires or is terminated for any reason except by the State as provided in paragraph 9 below, Authority may use the Premises for any lawful purpose.

6. **Permanent Easements**: At Authority's request or as may be reasonably required, State shall grant to public entities, public service corporations, or to Authority such rights-of-way, utility, or other permanent easements on, over or through the Premises and adjacent property owned by State for telephone, electricity, water, sanitary or storm sewers or both, site drainage and for other utilities and municipal or special district services necessary or appropriate to serve improvements constructed thereon by Authority.

7. **Utility Services to Premises in Event of Expiration or Termination of the Facilities Lease**: Facilities to be constructed on the Premises by Authority are or may be designed and constructed to use water, sewer and other utility services furnished by or through facilities owned or operated by State, in which event the Facilities will not be connected directly to public utility services or lines. In the event State fails to renew the Facilities Lease or State's rights to use of the Facilities under the Facilities Lease

otherwise terminate, except termination by the State pursuant to paragraph 9 hereof, the State shall continue to provide all such utility services and all other public utility services to the Facilities and pay all costs and charges thereof. Authority may, but shall not be required to, connect the Facilities directly to public utility services and provide such connections thereto. If such service crosses land owned by State or third parties, State will furnish permanent easements across such land for domestic water and sanitary sewer lines. The State shall permit, without charge therefor, continued use by the Authority of all utility services provided through the State from adjacent property until the Facilities are fully connected and serviced directly by public utilities.

8. **Right to Assign:** Subject to the rights of State under the Facilities Lease and subject to State's consent, which shall not be unreasonably withheld, Authority shall have the right to assign this Site Lease. State hereby consents to any assignment by Authority to secure any Mortgage described in paragraph 10 hereof. In the event of such an assignment, except assignments to secure such Mortgages, Authority shall be released from any and all liabilities arising or accruing under this Site Lease after the date of such assignment.

9. **Optional Termination:** At such time as all sums owing for any bonds or notes issued by Authority to finance Facilities and all other obligations of the Authority relating to the Facilities or the Premises have been paid in full or provisions for such full payment have been made to the satisfaction of Authority, the State shall have the right, at its option, to terminate this Site Lease by written notice to Authority and all alterations, improvements, replacements and appurtenances on or to the Premises, including the Facilities, shall be deemed to be part of the Premises and shall revert to State and shall become the sole and absolute property of State.

10. **Mortgages:** Authority shall have the right at any time and from time to time to pledge, lien or otherwise encumber its leasehold interest herein granted and its interest in any or all improvements thereon and appurtenances thereto by one or more mortgages, deeds of trust, assignment, or other encumbrances (herein referred to as "Mortgages"), as security for a loan or loans or other obligation of Authority, provided that:

(a) The Mortgages and all rights acquired thereunder shall be subject to each and all of the covenants, conditions, and restrictions set forth in this Site Lease and shall be subject to all rights and interests of State as provided in this Site Lease and shall not encumber State's fee title to the Premises.

(b) Authority shall give State prior notice of any such Mortgages, and shall accompany the notice with a true copy of such Mortgages and any indebtedness secured thereby.

11. **Indemnification:** Authority shall indemnify and hold the State, its agents, representatives, employees and assigns, harmless from and/or against any and all claims, damages, costs, liabilities, and expenses (including reasonable attorneys' fees and defense costs) arising out of or relating to Authority's possession, operations or performance under this Site Lease.

This indemnification does not apply to claims, damages, costs, liabilities, and expenses (including reasonable attorneys' fees and defense costs) which are or are alleged to be caused, in whole or in part by any act or omission for which Authority is indemnified under the Facilities Lease, or by negligent or otherwise wrongful acts, errors, omissions or fault on the part of the State, or its employees, agents, representatives, or assigns, or is a result of the State's breach of this Site Lease.

12. **Hazardous/Materials:** In the event any hazardous materials are found to exist in or under the Premises prior to the date of this Site Lease, State, at State's cost and expense, shall cause such hazardous materials to be moved, remediated or abated in compliance with all Environmental Laws. State hereby agrees to indemnify, defend, and hold Authority harmless from and against any and all claims, damages, liabilities, costs, expenses (including reasonable attorneys' fees), causes of action and judgments arising out of or related to hazardous materials existing in, or under the premises prior to the date of this Site Lease. As used herein, the term "environmental laws" shall mean the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended (CERCLA) the Resource Conservation Recovery Act, as amended (RCRA), the Federal Water Pollution Control Act, the Clean Air Act and any similar local, state or federal law, rule, ordinance or regulation. As used herein, the term "hazardous materials" shall mean any hazardous substance, pollutants, contaminants, or other hazardous waste or toxic substances defined in any environmental laws including, without limitation, petroleum and petroleum products, asbestos and asbestos containing materials, PCBs and urea-formaldehyde. Without limiting the generality of the foregoing, State agrees to abate all asbestos and asbestos containing materials in the existing buildings located on the premises prior to their demolition by a licensed asbestos abatement contractor in accordance with all applicable environmental laws and furnish Authority an asbestos abatement certificate upon completion.

Authority shall not, nor shall it allow others to, accumulate, use, or store on the Premises materials classified as hazardous, biomedical or toxic waste except in compliance with all state, federal, or local laws, rules or regulations. Authority shall comply with any lawful order by an entity reposed with Authority to regulate the use, accumulation, storage or disposal of hazardous waste. Authority shall not be responsible for any of such materials placed on the Premises by or through State prior to or during any term of the Facilities Lease.

13. **Zoning/Building Restrictions:** This Site Lease is subject to all applicable zoning ordinances and restrictions and all limitations of record, and is subject to any and all easements for public utilities of record. State warrants that such ordinances, restrictions, limitations and easements do not prevent the use of the Premises as provided for in the Facilities Lease.

14. **Waste and Nuisance Prohibited:** Authority shall comply, during the term of this Site Lease, with all applicable laws affecting the Premises, the violation of which might result in any penalty assessed upon State or forfeiture of State's title to the Premises. Authority shall not commit, or suffer to be committed, any waste on the Premises or improvements, or any nuisance.

15. **Remedies and Forbearance/Waivers**: No delay or omission on the part of State or Authority to exercise any right or power granted herein shall impair any such right or power nor shall be construed as a waiver thereof, and every such right or power may nevertheless be exercised.

16. **Officials, Agents, and Employees Not Personally Liable**: It is agreed that in no event shall any official, officer, employee or agent of Authority, nor any official, officer, employee or agent of State be in any way personally liable or responsible for any covenant or agreement herein contained, whether expressed or implied, nor for any statement, representation or warranty made herein or in any way connected with this Site Lease.

17. **Quiet Enjoyment**: State covenants that Authority shall have the peaceful and quiet enjoyment of the Premises for the term of the Site Lease.

18. **Right of Entry**: Authority shall permit State and the agents and employees of State to enter into and upon the Premises at all reasonable times for the purpose of inspecting the same, or for the purpose of posting notices of non-responsibility for alterations, additions, or repairs, without any rebate of rent and without any liability to Authority for any loss of occupancy or quiet enjoyment of the Premises thereby occasioned; provided, however, that State shall first give twenty four (24) hours written notice of its desire to inspect the Premises and such inspection shall be accompanied by a designated representative of Authority. Such notice and inspection procedures shall not apply during any term of the Facilities Lease.

19. **Default**: In the event State shall at any time deem Authority to be in breach of this Site Lease, State shall promptly notify Authority, in writing, stating specifically the nature of any such alleged breach. Authority shall not be deemed to be in default hereunder unless Authority fails to commence to cure any such default within ninety (90) calendar days after its receipt of such written notice and to diligently proceed to cure such default within a reasonable time. In the event of default State shall have all rights and remedies provided by law.

20. **Attorney Fees and Costs**: In the event that either party to this Site Lease shall enforce any of the provisions hereof in any action at law or in equity the prevailing party to such litigation shall be entitled to recover from the other party or parties all costs and expenses, including reasonable attorney fees, incurred therein.

21. **Integration**: This Site Lease embodies the entire agreement and understanding of the parties relating to the subject matter herein and supersedes all prior understandings relating thereto. This Site Lease shall not be modified except in writing signed by all parties to be bound.

22. **Execution of Documents**: The parties agree that they shall sign or cause to be signed all documents necessary to the effectuation of this Site Lease or any of the provisions herein.

23. **Warranty of Title**: State warrants to Authority that it has the power and authority to enter into this Site Lease and that the execution, delivery of this Site Lease and the performance of the contractual obligations set forth herein are not in violation of any federal, state, or local statute, ordinance, rule or

regulation and that no consents not already obtained are required. State further warrants that State has good and marketable title to Premises, free and clear of all claims, liens and encumbrances.

24. **Notices**: All notices under this Site Lease shall be in writing and shall be deemed to have been duly given on the date of service if served personally on the party to whom notice is to be given, or on the date of mailing if mailed to the party to whom notice is to be given by registered or certified United States mail, postage prepaid, and properly addressed as follows:

If to STATE:

with copy to: Department of Administration
Attn: Director
Statehouse Mail
Boise, Idaho 73720

If to AUTHORITY: Idaho State Building Authority
Attn: Executive Director
Post Office Box 2802
Boise, Idaho 83701

The addresses provided above may be changed and additional addresses or notices may be specified from time to time by notice given in writing in accordance with this Section.

25. **Binding Effect**: This Site Lease shall be binding upon and shall inure to the benefit of the heirs, personal representatives, successors and assigns of the parties.

26. **Severability**: If any term or provision of this Site Lease or the application of it to any person or entity or circumstances shall to any extent be invalid or unenforceable, the remainder of this Site Lease or the application of such term or provision to persons, entities or circumstances, other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Site Lease shall be valid and shall be enforced to the extent permitted by law.

27. **Headings**: Section headings contained herein are for convenience and reference and are not intended to define or limit the scope of any provisions of this Site Lease.

28. **Counterparts** This Site Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

29. **Time of the Essence:** Time is of the essence of this Site Lease, and of each and every covenant, term, condition, and provisions thereof.

30. **Recording Copy:** Either party may, at its option and expense, record this Site Lease.

IN WITNESS WHEREOF, the parties have caused this Site Lease to be executed effective as of the day and year first above written.

State:

Authority:

LEWIS-CLARK STATE COLLEGE

IDAHO STATE BUILDING AUTHORITY

By _____
_____, Its _____

By _____
V. L. "Bud" Tracy, Its Chairman

Attest _____
Wayne V Meuleman, Its Secretary

STATE OF IDAHO)
) ss.
County of _____)

On this ____ day of _____, 2003, before me, the undersigned, a Notary Public in and for said _____, personally appeared _____ known or identified to me to be the _____, who acknowledged to me that he executed the within Site Lease on behalf of the _____ in his/her representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this first above written.

Notary Public for Idaho
Residing at _____
Commission Expires: _____

STATE OF IDAHO)
) ss.
County of Ada)

On this ____ day of _____, 2003, before me, the undersigned, a Notary Public in and for the state of Idaho, personally appeared V.L. Bud Tracy and Wayne V Meuleman, known or identified to me to be respectively the Chairman and Secretary of Idaho State Building Authority, each of whom acknowledged to me that they executed the within Site Lease on behalf of the Idaho State Building Authority in their representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this first above written.

Notary Public for Idaho
Residing at Boise, Idaho
Commission Expires: _____

EXHIBIT A-1

REAL PROPERTY DESCRIPTION

[legal description based upon survey]

DRAFT

6/19/2003

8:45 AM

EXHIBIT A-2

PARKING DESCRIPTION

EXHIBIT B

DESCRIPTION OF IMPROVEMENTS COMPRISING THE FACILITIES

The facility will consist of an events center-gym, multi-purpose room, classrooms, conditioning and work-out rooms, locker room-shower facilities, treatment and exam spaces, offices and related support spaces, concession facilities, storage areas, public lobbies and restroom facilities, and storage areas and building mechanical spaces. In addition, site work will consist of the addition of several new parking lots, new access roads and sidewalks, a new trash pick-up facility, various new utility installations, and site landscaping.

Total Square Footage: 109,180

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DEVELOPMENT AGREEMENT

(Lewis-Clark State College Campus Classroom and Activity Center)

THIS DEVELOPMENT AGREEMENT ("Agreement") is made and entered into as of the _____ day of _____, 2003, by and between the IDAHO STATE BUILDING AUTHORITY (the "Authority") and the STATE OF IDAHO (the "State"), acting by and through its Department of Administration ("IDOA") through its Division of Public Works ("DPW") and LEWIS-CLARK STATE COLLEGE ("LCSC").

RECITALS

A. The Authority intends to acquire certain educational and academic facilities (the "Facilities") to be constructed on the Campus of LCSC located at Lewiston, Idaho.

B. Real property located within LCSC has been leased to the Authority under a Site Lease dated as of _____, 2003, upon which the State shall cause the Facilities to be constructed for the Authority.

C. The Authority intends to issue its revenue bonds to provide funds which, together with other funds that may be provided by the State, shall be applied to payment of costs of planning, designing and constructing the Facilities.

D. The State has entered into a professional services agreement dated December 24, 1997, (the "Architect Agreement") with a qualified and licensed architect, CSHQA (the "Architect") to prepare plans and specifications (the "Plans") for the Facilities. Additionally, the State intends to enter into additional contracts as may be necessary and appropriate to cause the Facilities to be completed in accordance herewith. Herein, all such contracts are collectively referred to as the "State Contracts".

E. The State, acting through IDOA and LCSC has agreed to lease the Facilities from the Authority pursuant to a lease agreement (the "Facilities Lease") dated as of _____, 2003.

F. The Authority and State desire to set forth in this Agreement their respective responsibilities and agreements with respect to the Facilities and the planning, design and construction thereof.

NOW, THEREFORE, IT IS AGREED:

1. **Recitals**: The parties acknowledge the foregoing Recitals are true and are incorporated into this Development Agreement as if set forth in full.

2. **Authority of DPW to Act for State:** DPW is authorized and empowered to act on behalf of the State in all respects pertaining to the planning, design and construction of the Facilities and as to all of the obligations of the State under this Agreement. IDOA and LCSC hereby authorize DPW to act as their representative and agent and agree to be fully bound by all acts, authorizations, representations and decisions of DPW, except as otherwise expressly provided in this Agreement.

3. **Final Design and Approvals:** The State shall secure the completion of the final Plans for the Facilities, which shall include detailed plans and specifications suitable for bidding and award of construction contracts, and shall secure the written approval thereof, in a form acceptable to the Authority, by the _____ of LCSC, by the Permanent Building Fund Advisory Council, and by the Administrator of DPW. A complete set of the approved Plans shall be provided to the Authority.

4. **Design and Construction of Facilities:** The State agrees that it shall cause the design and construction of the Facilities to be substantially completed in every material respect as follows:

(a) The final Plans for the Facilities shall be subject to the written approval of LCSC and shall not be materially changed without the written approval of LCSC and the prior written consent of the Authority, which consent shall not be unreasonably withheld.

(b) The Facilities and every part thereof shall be constructed in a sound and workmanlike manner and shall be free from all material design or construction defects.

(c) The Facilities and every part thereof shall be constructed in accordance with the approved Plans, applicable building codes and all other applicable governmental regulations and requirements.

(d) The State shall have full responsibility to cause the design and construction of the Facilities to be properly completed in all substantial respects in accordance with the objectives, requirements and needs of LCSC for use of the Facilities as educational and academic facilities.

(e) DPW shall, at its expense, provide qualified personnel to perform necessary services in the administration of the State Contracts and in the inspection of work and services through the design and construction of the Facilities.

5. **Costs:**

(a) **Budget:** The State has approved a budget that they reasonably expect to include for all costs and expenses for the construction of the Facilities, including a reasonable amount for contingencies, a copy of which is attached hereto as Exhibit A ("Budget"). The State hereby represent and warrant to the Authority that the Facilities, as

designed, can be completed for the amount set for the in the Budget on or before the completion date set forth in Article 8 hereof.

(b) Expenditures to Date: As of the date of this Agreement, the State hereby represents, warrants and agrees that it has expended the following amounts for the planning, design and construction of the Facilities which amounts were included in the Budget.

(c) The sum of \$_____ for surveys, engineering studies, project planning and programming and design services and related costs.

(d) The sum of \$_____ payable under the {Management} [CM] Agreement.

(e) [other]

6. **Additional Available Funds**: The State represents and warrants to the Authority that additional funds totaling _____[spell out] (\$_____) are currently available to the Authority from the State to pay costs of the Facilities (“Additional Funds”). Prior to issuance of bonds by the Authority, the Additional Funds shall be transferred to the Authority and deposited into a construction fund maintained and controlled by the Authority from which costs for planning, design and construction of the Facilities shall be paid in accordance with this Agreement (“Construction Fund”). The Additional Funds shall be held and applied by the Authority, together with funds provided by issuance of Authority bonds, to costs of the Facilities in accordance with the provisions of the bond resolution adopted by the Authority for the bonds.

7. **Financing by Authority**: The Authority agrees to issue revenue bonds or notes from which a total of Ten Million Eight Hundred Sixty-Eight Thousand Dollars (\$10,868,000) shall be deposited into the Construction Fund to be applied, with Additional Funds to pay Costs of Acquisition and Construction as defined in the Facilities Lease. The Authority shall pay from its Construction Fund costs of the Facilities, not to exceed the total available funds in the Construction Fund, as follows:

(a) All costs incurred directly by the Authority in connection with the Cost of Acquisition and Construction as defined in the Facilities Lease.

(b) All reasonable costs incurred by the State pertaining to the planning, design and construction of the Facilities, as follows:

(i) the actual amounts owing by the State under the State Contracts, as and when due, less amounts previously paid thereunder by the State; and

(ii) the actual amounts owing by the State for any other purpose pertaining to the Facilities approved in advance by the Authority and not to exceed the

amount approved in advance by the Authority.

The Authority agrees to provide to the State, upon request, periodic statements detailing expenditures from the Construction Fund.

8. **Guaranty of Completion and Cost:** The State has undertaken or will undertake the planning, management, control and direction of the design and construction of the Facilities and does hereby guaranty to the Authority that the Facilities shall be completed as required in this Agreement. State agrees to be responsible for all risks relating to the planning, design and construction of the Facilities, including but not limited to:

(a) The faults, failure or defaults of any employee, agent, representative, or contractor engaged by the State to perform any service or work pertaining to the Facilities;

(b) Cost overruns for any reason including, without limitation, any foreseen or unforeseen, anticipated or unanticipated conditions, delays, material shortages; actions of any persons or entity (other than the Authority); any State actions to control the progress of the work; any legal restrictions upon the States' ability to enter into or perform the State contracts or other events which may entitle any contractor or other person or entity to additional funds; and

(c) Failure to substantially complete the construction of the Facilities to be available for occupancy not later than September 30, 2005, subject to reasonable extensions approved by the Authority, which approval shall not be unreasonably withheld.

9. **Payment Procedure:** The State shall submit to the Authority not more frequently than monthly a written application for payment based upon the work completed during the immediately preceding month. On or before the requested payment becomes payable by the State, but not less than 15 calendar days after receipt of the application, the Authority shall make payment on behalf of the State, the sum representing work completed, equipment and materials stored at the site or other approved locations, or other appropriate work or services completed for the benefit of the Facilities. The amount payable by the Authority shall not exceed the sum actually owing by the State for which such application is made. The State shall monthly provide to the Authority an estimate of cash flow requirements for the succeeding three (3) months and the Authority agrees to arrange the availability of funds to be paid hereunder accordingly, if possible, or to notify the State of its inability to do so.

10. **Construction Progress Certifications:** At any time upon request and regularly with any application for payment of sums owing under the State Contracts, the State shall furnish to the Authority certifications, in a form acceptable to the Authority, signed by the Architect, the CM and DPW. Such certifications be in accordance with the certificates required by and pursuant to the State Contracts, and subject to the rights and obligations of the Architect, the CM and DPW thereunder, shall state that the amount applied for fairly represents the value of work then performed and shall further state that:

(a) The work represented thereby has reached the stated percentage or degree of completion;

(b) That, to the best of the certifiers knowledge, information and belief, all work performed substantially complies with the applicable State Contract, the Plans and this Agreement, or that, if any work does not so substantially comply, the certification shall include a report specifying in reasonable detail all areas and aspects in which the work does not comply and such progress payment shall not be made for such non-conforming work; and

(c) That the unpaid balance of monies thereafter payable under the applicable State Contracts, together with unexpended funds available for change orders as provided herein, is sufficient to complete the Facilities.

11. **Conditional Assignment of Contract Rights**: The State hereby assigns to the Authority all of its rights and interest in and to the State Contracts. This assignment is to secure the State's strict performance of the terms of this Agreement and shall be fully effective only upon the default of the State hereunder. The State, and not the Authority, shall remain solely responsible for performance of the State Contracts notwithstanding such assignment. Nothing hereunder shall obligate the Authority either now or in the future to assume or perform the State's obligations under the State Contracts.

12. **Conveyance of Facilities**: The State hereby sells, assigns, grants and conveys to the Authority all of the following:

(a) The interest of the State in to the Plans and all drawings and design documents and materials of every kind or nature relating to the design of the Facilities; however, the State retains the right to use of the Plans, drawings, design documents and other materials to expand, alter, modify, repair or improve the Facilities during the term of the Facilities Lease;

(b) All work in progress, materials, equipment, supplies, and other personal property of every kind or nature, whether or not stored on the site of the Facilities, furnished under the State Contracts, or paid for with funds furnished by the State, or paid for with funds furnished by or through the Authority; and

(c) The Facilities and all rights and interests of the State thereto subject to the provisions of the Site Lease.

13. **Notice Upon Default by Contractors**: In the event of a material default by any contractor under the State Contracts and prior to the State taking action to (i) terminate such contract or suspend performance of the work, (ii) employ a separate contractor to perform portions of the work, or (iii) otherwise take action with respect to such defaulting contractor, the State shall provide the Authority written notice of its proposed or intended actions at least five (5) days prior to taking any such action and shall secure the Authority's written consent to such

action, which consent shall not be unreasonably withheld by the Authority.

14. **Authority Consent for Changes Required:** Consent by the Authority shall be required for (a) any single change affecting the cost of the Facilities by more than Fifty Thousand Dollars (\$50,000), or cumulative changes having an aggregate cost of more than Two Hundred Thousand Dollars (\$200,000) and (b) to any single change delaying substantial completion of the Facilities by more than thirty (30) days or cumulative changes delaying substantial completion in the aggregate by more than sixty (60) days. The consent of the Authority may be withheld until, or conditioned upon, receipt by the Authority of necessary funds to complete the items in the change order. The State shall not approve or initiate changes so affecting costs or delays without the prior written consent of the Authority, which consent shall not be unreasonably withheld. The Authority agrees to provide its consent hereunder within a reasonable time as determined by the circumstances giving rise to such changes and within sufficient time to permit the State to take appropriate action regarding such changes. In any instance in which changes occur which affect costs in excess of such amounts, the express written concurrence of LCSC shall be obtained prior to requesting the Authority's consent to such changes. The Authority's consent to any such changes or delays shall not modify the obligation of the State to pay rent commencing July 1, 2004 as provided in the Facilities Lease.

15. **Access to Facilities and Information:** The Authority, its agents, employees and representatives, shall have reasonable access to the construction site of the Facilities, to all materials, equipment and/or supplies relating thereto, to all materials, documents and information held by the State or any project representative or any third party employed by, representing, or acting in any way as the agent of the State, and to all documents, materials, plans and other information held by the contractor or its agents, subcontractors, or suppliers that is legally or in fact available to the State.

Upon completion of the Facilities, the DPW shall maintain for the benefit of the Authority (i) one complete set of "as-built" Plans (drawings and specifications) of the Facilities, (ii) one complete set of operating manuals, and (iii) copies of all written warranties.

16. **Insurance:** In addition to the insurance required under the Facilities Lease, the State shall procure and maintain builder's all risk insurance insuring the Facilities against loss or damage from insurable perils, including flood and earthquake if available on reasonable terms. Such insurance shall be in the amount of the full replacement cost of the Facilities and shall include loss of use or loss of rents and soft costs with limits acceptable to the Authority. All such insurance shall include the Authority as an additional named insured and shall contain a loss payable clause covering the interest of any trustee appointed by the Authority in connection with the issuance of bonds. Prior to commencing construction of the Facilities, the State shall provide to the Authority and its trustee a certificate of insurance, in a form acceptable to the Authority, evidencing such insurance.

17. **Indemnification:** The State shall indemnify, defend and hold the Authority harmless from any claim, liability, loss, or expenses of any nature relating to or arising

LCSC DEVELOPMENT AGREEMENT - Page 6

out of this Agreement, the Facilities, or any work performed in connection therewith, the State Contracts or arising out of or relating to any act or omission of any employee, agent, representative, consultant or other person acting on behalf of the State. This indemnification shall run to the Authority, its officers, directors, employees, and representatives. This indemnification shall include all reasonable attorney's fees and other reasonable defense costs. In the event the State fails or refuses to indemnify or defend the Authority without reservation or condition as to any such claim against the Authority, the Authority may, if it so elects, defend itself with counsel it selects without limiting in any way the obligations of the State hereunder, and all costs incurred by the Authority in such instance, and any judgment or other claim rendered against the Authority or determined by the Authority to be due, shall be immediately due and payable from the State.

Nothing in this paragraph 16 shall be construed as the agreement of the State to indemnify the Authority from liability for damages arising out of director's and officer's liability, personal injury or damage to property caused exclusively by the malfeasance or negligence of the Authority.

18. **Non-Assignment by State**: The State shall not assign this Agreement. In the event the State delegates any of its obligations under this Agreement to any independent third party engaged by or employed by the State in connection with the Facilities, no such delegation shall reduce or in any way limit the State's obligations hereunder.

19. **Assumption of Rights of Authority**: The rights of the Authority hereunder run to the Authority, and its successors and assigns, and all rights of the Authority hereunder shall be assignable to and enforceable by any bondholder of the Authority, or any trustee representing the same to the same effect and in the same manner as enforceable by the Authority itself.

20. **Notice of Default**: In the event either party contends that a default or claimed default has occurred hereunder, such party shall prior to taking any legal action to enforce its rights hereunder, give written notice of such default or claimed default to the other, specifying with reasonable detail the nature of such defaults. The party allegedly in default shall have fifteen (15) days from the date such notice is given to cure such default. Provided, however, such notice shall not be required if the default itself or any delay in taking legal action for the period required for notice has the effect of limiting or terminating the rights of party not in default or if such default is such that it cannot be cured by the defaulting party, and in such instance, the non-defaulting party shall use reasonable efforts to give notice to the other as may be reasonable and practical in the circumstances, but may take immediate action itself to correct or cure the default and exercise all other rights hereunder.

21. **Remedies on Default of State**: In the event of any default hereunder, the Authority shall have any or all of the following remedies:

- (a) All remedies provided under the Facilities Lease;

(b) The right to recover all of its damages, including but not limited to compensation for loss of use of the Facilities and/or loss of rental income;

(c) Upon written notice pursuant to paragraph 20 to the State of its default, the Authority shall succeed to all rights and remedies of the State under the State Contracts assigned hereunder to the Authority, but shall not thereby itself become liable under any of such contracts;

(d) If the State's default may be cured or mitigated by the payment of money or by completion of the work, the Authority may in its sole discretion, but shall not be obligated to, pay such sums as the Authority deems appropriate, or complete the work or such portion thereof as the Authority deems appropriate, and all sums incurred or paid by the Authority shall be immediately due and payable to the Authority by the State;

(e) Injunction, specific performance, equitable relief, and

(f) No remedy hereunder shall be exclusive, nor shall the Authority's decision to pursue one remedy constitute an election of remedies.

22. **Notice:** In the event notice is required hereunder, such notice shall be deemed given upon depositing the same in the United States mail by certified mail, return receipt requested, to the following persons at the following addresses:

Idaho State Building Authority
Post Office Box 2802
Boise, Idaho 83701
Attention: Executive Director

Idaho Department of Administration
Statehouse Mail
Boise, Idaho 83720
Attention: Director

23. **Authorized Representative:** The Executive Director of the Authority is authorized to act for the Authority regarding all matters contained in this Agreement. The Administrator for Division of Public Works shall represent the State of Idaho as to all matters contained in this Agreement.

24. **Attorney Fees:** In the event either party to this Agreement is required to initiate or defend litigation with respect to the terms hereof or to enforce any of its rights hereunder, the prevailing party in such litigation shall be entitled to reasonable attorney's fees incurred in such litigation, including all discovery costs and costs of expert witnesses, together with all reasonable litigation expenses.

EXECUTED on the dates set forth below.

IDAHO STATE BUILDING AUTHORITY

By: _____
Chairman
Date: _____

STATE OF IDAHO
DEPARTMENT OF ADMINISTRATION

By: _____
Its Director
Date: _____

STATE OF IDAHO, DEPARTMENT OF
ADMINISTRATION, DIVISION OF
PUBLIC WORKS

By: _____
Its Administrator
Date: _____

LEWIS-CLARK STATE COLLEGE

By: _____
Its _____
Date: _____

EXHIBIT A

BUDGET **07/01/03** **Lewis-Clark State College** **Campus Activities Center**

Sources of Construction Funds

| | |
|------------------------------|------------------------|
| ISBA Bond Proceeds | 9,868,000.00 |
| State Deposits | <u>3,620,731.00</u> |
| Total Funds Available | \$13,488,731.00 |

| <u>Uses of Construction Funds</u> | <u>Budget</u> | <u>Paid To Date</u> | <u>Balance</u> |
|--|----------------------|----------------------------|------------------------|
| Design Fees and Costs | 1,198,800.00 | (814,521.91) | 384,278.09 |
| Construction Contracts | 11,166,172.00 | | 11,166,172.00 |
| Construction Testing | 70,000.00 | (3,812.20) | 66,187.80 |
| Consultant Services | 14,870.00 | (14,870.00) | - |
| Special Equipment | | | - |
| Plan Check/Advertising | 16,260.00 | (632.97) | 15,627.03 |
| Site Survey/Investigation | 39,675.00 | (28,775.00) | 10,900.00 |
| Contingency Allowance | <u>982,954.00</u> | <u>-</u> | <u>982,954.00</u> |
| Total \$ | 13,488,731.00 | \$ (862,612.08) | \$12,626,118.92 |

FACILITIES LEASE

(Lewis-Clark State College Campus Classroom and Activity Center)

THIS FACILITIES LEASE, made as of the ____ day of _____, 2003, between the IDAHO STATE BUILDING AUTHORITY (the "Authority"), as lessor, and the STATE OF IDAHO (the "State"), acting through the IDAHO DEPARTMENT OF ADMINISTRATION ("IDOA") and LEWIS-CLARK STATE COLLEGE ("LCSC"), with the consent and approval of the IDAHO STATE BOARD OF EDUCATION, as lessee.

RECITALS

A. The Authority was created by the Idaho State Building Authority Act, Title 67, Chapter 64, Idaho Code (the "Act"), to finance, construct, and operate facilities for the purposes set forth in the Act; and

B. The Authority is empowered by the Act, among other powers, to acquire property; to enter into agreements with the State of Idaho or any agency, board, department or commission thereof for the financing of facilities; to provide for the acquisition, development, construction, reconstruction, improvement, alteration, maintenance, operation, or repair of facilities or parts thereof; and to lease such facilities as provided by the Act; and

C. In accordance with the provisions of Idaho Code, Section 67-6410(a), the Idaho Legislature, pursuant to House Concurrent Resolution No. 30, First Regular Session of the Fifty-seventh Legislature, has authorized the IDOA and LCSC to enter into agreements with the Authority as may be reasonable and necessary for the purpose of providing financing and development of educational facilities (defined herein as the "Facilities"), for use by LCSC; and

D. Concurrently herewith, the Authority has leased the real property described in Exhibits A-1 and A-2 pursuant to the Site Lease, as defined hereinafter, entered into coincidentally herewith, to finance and acquire the Facilities, and to lease the Facilities back to the State pursuant to this Facilities Lease; and

E. The Authority intends to finance the cost of acquisition of the Facilities and related costs by the issuance of bonds, notes or other evidences of indebtedness as authorized by the Act; and

F. The State and the Authority acknowledge that there shall be no merger of the State's leasehold interest in the Facilities and its ownership interest in the real property described in Exhibits A-1 and A-2; and

G. The State will be responsible for the design and construction of the Facilities pursuant to the terms of the Development Agreement, as hereinafter defined, and will lease the Facilities from the Authority upon the terms and conditions set forth in this Facilities Lease.

NOW, THEREFORE, in consideration of the mutual promises, conditions, and covenants set forth herein, the parties agree:

ARTICLE 1

FINDINGS AND DECLARATION

Section 1.1 Findings: The Authority has found and declared, in accordance with Section 67-6410(c), Idaho Code, that the Facilities will be of public use and will provide a public benefit to the people of the State of Idaho.

Section 1.2 Declaration: The parties agree and acknowledge that the Recitals contained in this Facilities Lease are true and are incorporated into this Facilities Lease as if set forth in full. This Facilities Lease shall constitute the agreement of the Authority to provide the Facilities as required by Section 67-6410(b), Idaho Code.

ARTICLE 2

DEFINITIONS

The terms used herein shall have the following meanings:

Section 2.1 "Act" shall mean Chapter 64, Title 67, Idaho Code, as it now exists and as it may hereafter be amended and supplemented.

Section 2.2 "Annual Rent" shall mean, with respect to the initial term of this Facilities Lease and each renewal term thereof, the Basic Rent and Additional Rent determined in accordance with Article 6 hereof due and payable by the State to the Authority with respect to the Facilities for such lease term.

Section 2.3 "Authority" shall mean the Idaho State Building Authority, an independent public body corporate and politic of the State of Idaho, created by and existing under the Act.

Section 2.4 "Bonds" shall mean the portion of any bond or bonds, note or notes, or other evidences of indebtedness issued by the Authority for the purpose of financing the Cost of Acquisition and Construction and bonds or notes issued to refinance all or any part thereof and any bonds or notes issued to finance any additions, modifications or replacements of the Facilities from time to time hereafter.

Section 2.5 "Bond Resolution" shall mean the resolution or resolutions of the Authority, as amended and supplemented, authorizing the issuance of Bonds.

Section 2.6 "Code" means the Internal Revenue Code of 1986, as amended, regulations thereunder and rulings and judicial decisions interpreting or construing the Code.

Section 2.7 "Cost of Acquisition and Construction" shall mean any proper and reasonable cost, whether or not specifically mentioned herein, of the lease, development and design and construction of the Facilities and furniture, fixtures, machinery, apparatus and equipment

therefore; of engineering and architectural services, designs, plans, specifications and surveys; of planning, analysis, project management, administration, inspection and similar services in connection with the Facilities; of acquisition or lease of any land or interest therein for use in connection therewith; of preparation of the sites thereof and of any land to be used in connection therewith; of any indemnity and surety bonds and insurance premiums; of allocable administrative and general expenses of the Authority; of allocable portions of legal fees, audits, fees and expenses of any trustees, depositories and paying agents, financial advisors, underwriters and others for the Bonds; of issuance of the Bonds and interest thereon and other financing charges, and of fees and expenses of other advisors and consultants necessary or appropriate in connection therewith; of the payment of any Bonds of the Authority (including any interest and redemption premiums) issued to temporarily finance the payment of any item or items of cost of the Facilities; of expenses necessary or incidental to determining the feasibility or practicability of the Facilities; and of all other reasonable expenses not specified herein as may be necessary or incidental to the development, design, construction and acquisition of the Facilities, the financing thereof, and the placing of the same in use and operation.

Section 2.8 “Development Agreement” shall mean an agreement entered into between the Authority and the State whereby the State agrees to complete the design and construction of the Facilities satisfactory to the Authority and to convey ownership of the Facilities to the Authority as the design and construction progresses.

Section 2.9 “Existing Buildings” shall mean the buildings currently existing on the real property described in Exhibits A-1 and A-2 attached hereto which shall be razed in order to construct the final phase of improvement to be constructed thereon described in Exhibit B.

Section 2.10 “Facilities” shall mean the Authority’s interest in the real property described in Exhibits A-1 and A-2 attached hereto created by the Site Lease together with all easements and rights appurtenant thereto together with all improvements located thereon including the Existing Buildings and improvements to be constructed thereon described in Exhibit B, together with all equipment, furniture, fixtures, improvements, and appurtenances designed, constructed or installed thereon by or for the Authority.

Section 2.11 “Facilities Lease” shall mean this Facilities Lease, including any amendments or supplements thereto.

Section 2.12 “Fiscal Year” shall mean the twelve-month period of each year beginning July 1 and ending on the following June 30.

Section 2.13 “Site Lease” shall mean the Site Lease, as amended, entered into between the Authority and the State of Idaho acting by and through LCSC **[need to verify]** coincidentally herewith, containing the terms and conditions of the lease of real property and easements, described in Exhibits A-1 and A-2, to the Authority.

Section 2.14 “Operating Costs” shall mean the Authority's expenses (including reasonable reserves for such expenses) for real property assessments, allocable administration and general expenses of the Authority, expenses for maintenance and repairs, insurance premiums, utility

charges, legal, financial, architectural and engineering expenses, fees and expenses of fiduciaries under the Bond Resolution, bond insurance, guaranty and/or letter of credit fees, interest and finance charges, and any other expenses or contingencies to be paid or provided for by the Authority, all to the extent properly attributable to the Facilities and payable by the Authority. Operating Costs shall not include any Cost of Acquisition and Construction or any provision for depreciation, amortization or similar charges or any expenses for maintenance and repairs, utility services or insurance paid for or provided by the State pursuant to this Facilities Lease.

ARTICLE 3 LEASE OF PROJECT; TERM OF LEASE

Section 3.1 Lease of Facilities: The Authority hereby leases the Facilities to the State for use in furtherance of the public benefit, and the State hereby leases the Facilities from the Authority on the terms and conditions set forth herein. Notwithstanding the foregoing, the State shall vacate the Existing Buildings upon notice from the Authority so they can be razed in preparation of the construction of the improvements described on Exhibit B to be located on that portion of the Facilities.

As affects this Facilities Lease, LCSC shall have the primary responsibility to act on behalf of the State in all respects pertaining to the obligations of the State under this Facilities Lease. The State of Idaho hereby authorizes LCSC to act as its representative and agent in all respects pertaining to this Facilities Lease, and the State of Idaho shall be fully bound by all acts, authorizations, representations and decisions of LCSC, except as otherwise expressly provided in this Facilities Lease.

Section 3.2 Term of Lease: This Facilities Lease shall be in full force and effect from the effective date hereof. The initial term of this Facilities Lease shall extend from the effective date hereof through June 30, 2004. The State shall have the option to renew this Facilities Lease in accordance with the provisions hereof for successive terms concurrent with and equal to succeeding Fiscal Years thereafter and each such renewal of this Facilities Lease shall be deemed to be exercised, automatically and without further action by the State, unless the State shall notify the Authority in writing of its intent not to renew this Facilities Lease not later than ten (10) months prior to the expiration of any lease term; provided, however, no term of this Facilities Lease shall extend beyond the term of the Site Lease.

ARTICLE 4 ACQUISITION, DEVELOPMENT AND FINANCING

Section 4.1 Acquisition and Development of Facilities: The Authority agrees to acquire real property and parking for use as the site of the Facilities by the Site Lease entered into coincidentally herewith. Pursuant to the terms of the Site Lease, the Authority will own fee title to the improvements constructed thereon as provided in the Development Agreement entered into coincidentally herewith. This Facilities Lease and the rights, title and interest of the State in this Facilities Lease and the Facilities shall be subject to the interests of the Authority in the real property and parking acquired therefor.

Section 4.2 Financing of Facilities by the Authority: The Authority agrees to finance the Cost of Acquisition and Construction of the Facilities by issuance of Bonds as authorized by the Act. The Authority may from time to time refinance or refund such Bonds as the Authority may deem appropriate; provided the Authority shall not refinance or refund such Bonds without the written consent of the State if to do so would increase the Basic Rent due hereunder. The Authority shall give written notice to the State of its intent to refinance or refund such Bonds.

Section 4.3 Bond Anticipation Notes: The Authority may issue bond anticipation notes payable from proceeds of Bonds.

ARTICLE 5

USE OF FACILITIES

Section 5.1 Use of Facilities: The State agrees that the Facilities shall be used by LCSC and such other institutions, departments and agencies of the State as deemed necessary or appropriate by the State. With the written consent of the Authority, which shall not be unreasonably withheld, the State may enter into agreements with other entities ("Non-State Entities") for the operation and/or maintenance of the Facilities or for the use or occupancy of portions of the Facilities by Non-State Entities upon the following conditions:

(a) the nature and extent of the proposed agreements with Non-State Entities will not adversely affect the tax-exempt status of the Bonds; and

(b) such proposed users or uses shall be compatible with and complimentary to the interests in and uses of the Facilities by the State; and

(c) the nature and extent of the proposed uses of the Facilities conforms to policies relating to permitted uses of the Facilities adopted by the Board of Commissioners of the Authority.

ARTICLE 6

RENT

Section 6.1 Payment of Annual Rent: In consideration of the lease of the Facilities, the State shall pay to the Authority, in advance and without any set off or deduction whatsoever, the following Annual Rent:

(1) For the period of the initial term of this Facilities Lease in the Fiscal Year ending June 30, 2004, the State shall pay no Annual Rent.

(2) For the renewal term of this Facilities Lease commencing July 1, 2004 and for each annual renewal term thereafter, the State shall, within 30 calendar days following the commencement of such renewal terms, pay in advance:

(a) As and for Basic Rent, an amount for such term which shall equal the principal installments, including sinking fund deposits, and interest payable in the corresponding Fiscal Year in accordance with the Bond Resolution with respect to the Bonds; and

(b) As and for Additional Rent as follows:

(i) the amount estimated by the Authority to be sufficient to provide the Authority with adequate monies to pay all Operating Costs attributable to the Facilities for the applicable term of this Facilities Lease, plus

(ii) the amount, if any, of deposits to any debt service reserve account, any operating fund, and any other reserve or expense accounts required to meet all terms and conditions of the Bond Resolution. The Authority will provide to the State an estimate of Operating Costs which shall accompany its statement for Additional Rent.

(3) Annual Rent payable for any renewal term shall not be deferred or abated because of delays in completion of the construction of the Facilities or delays in completion of any repair or replacement of damage to the Facilities.

(4) Any installment of Annual Rent which is not paid by the State on or before the due date thereof shall, from and after said due date, bear interest until paid at the highest rate per annum borne by any of the Bonds then outstanding; time being of the absolute essence of this obligation.

(5) The Authority and the State hereby agree that the Basic Rent in any lease term shall be reduced by any amounts on deposit with the Authority legally available for and allocated by the Authority to the payment of principal and interest on the Bonds, including without limitation capitalized interest deposited from the proceeds of the Bonds and funds on deposit in the debt service account established under the Bond Resolution. Basic Rent shall be increased or decreased as appropriate to reflect the issuance by the Authority of Bonds bearing interest at variable rate and issuance of any additional Bonds issued to refinance the Facilities, in whole or in part, or any additional Bonds issued for the purposes set forth in Section 9.1 hereof or issued to finance additions, modification or replacement of the Facilities or any part thereof.

(6) Annual Rents shall be payable in lawful money of the United States of America, which shall be legal tender for public and private debts under the laws of the United States at the time of payment, provided that, upon prior written approval of the Authority, the State may transfer funds through electronic funds transfer. Payment shall be made at the office of the Authority or such other place or places as may be designated in writing by the Authority.

(7) The State and the Authority have agreed and determined that such Annual Rent represents the fair market rental value of the Facilities. In making such determination, consideration has been given to the Cost of Acquisition and Construction, and the costs of financing of the Facilities and the Operating Costs thereof, and the uses and purposes of the Facilities which

will accrue to the State and the Authority and the general public by reason of the use and occupancy thereof by the State and ownership by the Authority.

(8) The parties agree that the Annual Rent hereunder constitutes ordinary operating expense of the State within the provisions of Article VIII Section 1 of the Idaho Constitution.

Section 6.2 Application of Rent: The Authority covenants to use and apply Annual Rent to payment of debt service of the Bonds, Operating Costs, deposits to required reserve accounts and other appropriate purposes pertaining to the Facilities and/or the Bonds.

ARTICLE 7

OPERATION AND MAINTENANCE OF THE FACILITIES

Section 7.1 Operation, Repairs, and Maintenance: The State shall, throughout the term of this Facilities Lease and each renewal term thereof, at the State's cost and expense, keep and maintain or cause to be kept and maintained, the Facilities and all equipment, fixtures, additions and improvements thereof, in good order and condition, and shall, at the State's cost and expense, make or cause to be made all necessary repairs, renewals, and replacements with respect to the Facilities. To the extent repairs or replacements are insured under policies maintained by the Authority and insurance proceeds are paid to the Authority, the State shall be entitled to such insurance proceeds to the extent of the actual costs incurred by the State and except to the extent the insurance proceeds are required to be otherwise applied in accordance with the terms of the Bonds. Subject to Section 10.1, in the event the Facilities or any part thereof are damaged or destroyed by uninsured or partially uninsured casualty of any kind, the State shall either replace or rebuild the Facilities in equal value, or pay such sums to the Authority as may be required to fully pay and discharge the Bonds.

Section 7.2 Utilities: The State shall pay or cause to be paid all costs, expenses and charges for water, electricity, lights, heat, power, sewage, telephone, and other utility services, rendered or supplied upon or in connection with the Facilities during the term of this Facilities Lease and each renewal term.

Section 7.3 Insurance:

(1) The State shall maintain or cause to be maintained with responsible insurers or under an established program of self-insurance (as considered to be adequate by an Insurance Consultant as may be engaged by the Authority) the following kinds and amounts of insurance acceptable to the Authority with respect to all existing buildings, improvements, equipment and other property comprising any part of the Facilities and/or the use of the Facilities at all times throughout the initial term and each renewal term of this Facilities Lease:

(a) Commercial general liability insurance (CGL) and, if necessary, commercial umbrella insurance and property damage liability, and errors and omissions liability as shall afford protection to the Authority in an amount of not less than \$1,000,000 for each occurrence. The commercial general liability insurance shall cover liability arising from premises, operations,

independent contractors, product-completed operations, personal injury and advertising injury, and liability assumed under an insured contract. Such insurance shall protect the Authority to the same extent as the State is protected from claims, demands, causes of actions, penalties, including costs and attorney fees, arising out of the use or occupancy of the Facilities. Upon written request of the Authority, the State will increase the amount of the CGL insurance to an amount determined by the Authority if, in the opinion of the Authority and based on local standards, the amount of the CGL insurance is not adequate.

(b) Commercial property insurance and, as applicable, course of construction insurance, in the amount of the full replacement value of the Facilities or any portion thereof, including fixtures, equipment, lessee improvements and betterments. Commercial property insurance shall, at a minimum, cover the perils insured under the ISO special causes of loss form CP 1030 and, if reasonably available, earthquake and flood insurance, debris removal, operation of building laws, extra expense, consequential loss, loss of rents and/or business interruption. Such loss of rents or business interruption insurance shall be in an amount equal to Annual Rent payable to the Authority by the State with respect to the Facilities during such time or times as the use of the Facilities may be totally or partially interrupted or the construction thereof delayed as a result of damage or destruction resulting from perils insured against pursuant to this subsection (1)(b).

(c) Worker's Compensation Insurance in the amount and in the form which the State is required by law to maintain.

(d) Any other insurance agreed to in writing by the State and the Authority.

(e) Any other insurance required by the terms and conditions of the Bonds.

(2) All insurance procured and any self-insurance plan maintained by the State shall comply with the following requirements:

(a) Each policy or policies of insurance shall be written by insurance companies authorized to do business in the state of Idaho and furnished through an insurance carrier or carriers satisfactory to the Authority or through a self-insurance plan satisfactory to the Authority and an Insurance Consultant pursuant to the Bond Resolution.

(b) True, correct and complete copies of all insurance policies or self-insurance plan and all endorsements, changes, amendments and supplemental provisions thereto shall be continually maintained by the State and shall be available for inspection and copying by the Authority at all times during the State's regular office hours.

(c) All such insurance shall provide that coverage shall not be canceled or amended except upon sixty (60) calendar days prior written notice to the Authority. The Authority shall be furnished current certificates upon the commencement of the initial term and each renewal term of this Facilities Lease showing that all such insurance fully complies with the terms of this

Facilities Lease, and current certificates shall be furnished at any other time or times as may be reasonably requested.

(d) All policies of insurance obtained by and any self-insurance plan maintained by the State shall include provisions that coverage shall not be affected, reduced or waived by any inaccurate or misleading statement or information furnished by the State in obtaining such insurance nor shall insurance under such policies furnished to the Authority be reduced by any actual or alleged breach of warranties made by the State in obtaining such insurance. All liability insurance furnished by the State shall include insurance covering the obligations of the State under Article 8 of this Facilities Lease.

(3) The Authority and the State hereby release each other from any and all liability or responsibility to the other as to any person claiming through or under either by way of subrogation or otherwise for any loss or damage to property caused by any casualty insured by the above-described coverages, even if the loss is caused by the fault or negligence of the other party or by any party for whom the other party is responsible.

(4) All insurance provided to the Authority by the State pursuant to this Facilities Lease shall name the Authority as additional named insured and contain a loss payable clause providing for payment of proceeds to the Authority and the trustee of the Bonds to the extent of their interest therein, and the Annual Rent otherwise payable by the State with respect to the Facilities shall be reduced by the amount of business interruption or loss of rents insurance payments, if any, made to the Authority and/or the trustee of the Bonds.

(5) In the event the Authority is able to procure any or all of the insurance coverages herein required at a cost less than the cost incurred by the State thereof, the Authority agrees to do so and the cost thereof shall be included as Operating Costs of the Authority. In such event the obligation of the State to provide any such insurance shall continue until the insurance coverage procured by the Authority is actually in effect. Upon the expiration or termination of any insurance procured by the Authority hereunder, the State shall immediately, without any interruption in insurance coverage, procure and maintain such coverage.

ARTICLE 8

INDEMNITY

Section 8.1 State's Indemnification: The State hereby agrees to defend, protect, hold harmless and indemnify the Authority and its agents, employees, representatives, successors, and assigns, against all demands, claims, liabilities, causes of action or judgments, and all loss, expense and damage of any and every sort and kind, including, but not limited to, costs of investigations and attorneys' fees and other costs of defense, for:

(1) injury to person or property occurring in, upon or about the Facilities or any adjacent or related real property or improvements owned, occupied or controlled by the State or any of its agencies, departments, bureaus or subgovernmental entities;

- (2) injury to person or property arising out of the use or occupancy of the Facilities or relating in any manner to operations conducted thereon;
- (3) any other premises liability relating to the Facilities;
- (4) any loss to person or property to the extent of its self-insurance, if any; and
- (5) all liability whatsoever arising out of any public or governmental activities of the State of any kind or nature whatsoever.

Nothing in this Article 8 shall be construed as the agreement of the State to indemnify the Authority from liability for damages arising out of personal injury or damage to property caused solely and exclusively by the negligence or malfeasance of the Authority.

The obligations under this Section are deemed to be ordinary operating expenses of the State within the provisions of Article VIII Section 1 of the Idaho Constitution.

Section 8.2 Authority's Indemnification: The Authority hereby agrees to defend, indemnify and save the State harmless from and against any and all liability, loss, damage, cost and expense, including court costs and attorney fees of whatever nature or type, whether or not litigation is commenced, that the State may incur, by reason of any act or omission of the Authority, its employees or agents or any breach or default of the Authority in the performance of its obligations under this Facilities Lease. The foregoing indemnity shall not apply to any injury, damage or other claim resulting solely from the act or omission of the State.

ARTICLE 9

ALTERATIONS, ADDITIONS, AND IMPROVEMENTS

Section 9.1 Alterations, Additions, and Improvements: The State shall have the right, at any time and from time to time during the term of this Facilities Lease, at the State's costs and expense, to make such, alterations, additions, expansions and improvements, to the Facilities, as the State shall deem necessary or desirable in connection with its use of the Facilities. Notwithstanding the foregoing, the State shall not make any alterations, additions, expansions or improvements which are structural or will lessen the market value of the Facilities without the prior written consent of the Authority which shall not be unreasonably withheld.

Once commenced, all alterations, additions, expansions and improvements shall be diligently pursued to completion. All such alterations, additions and improvements shall be of such character as to not reduce or otherwise adversely affect the value of the Facilities or the rental value thereof and all the costs thereof shall be promptly paid or discharged so that the Facilities shall at all times be free of liens or claims for labor and materials supplied thereto. All, alterations, additions, fixtures and permanent improvements to the Facilities shall be and become a part of the Facilities and shall become the property of the Authority.

Section 9.2 Furniture, Fixtures, and Equipment: The State shall maintain an inventory of all furniture, fixtures, and equipment and other tangible personal property financed or provided by

the Authority as part of the Facilities and shall have the right to replace, at its expense, such tangible personal property as the State shall deem necessary or desirable in connection with its use of the Facilities. The State shall, upon request but in no event more than once per year, provide to the Authority an inventory of furniture, fixtures, and equipment in use at the Facilities provided by the Authority with the Facilities.

ARTICLE 10 DAMAGE, DESTRUCTION, AND CONDEMNATION

Section 10.1 Damage, Destruction, and Condemnation: In the event of damage, destruction, or condemnation of the Facilities, or any part thereof, the net proceeds of any insurance or condemnation awards with respect to the Facilities and, to the extent necessary, the proceeds of any additional Bonds which may be issued by the Authority for such purpose pursuant to the terms and conditions of the Bonds, shall be used and applied by the Authority in accordance with the terms of the Bonds to repair, restore, rebuild, or replace the Facilities; provided, however, that, in the event of total or substantial destruction or condemnation of the Facilities or in the event that the aforesaid insurance proceeds, condemnation awards, and proceeds of Bonds are not sufficient to repair, restore, rebuild, or replace the Facilities, the Authority may elect not to repair, restore, rebuild, or replace the Facilities, in which case the net proceeds of all insurance and condemnation awards, together with all other available funds, shall be applied in accordance with the terms of the Bonds. Any such repair, restoration, rebuilding, or replacement of the Facilities may be in accordance with such different design, plans, and specifications approved by the State as will or may provide facilities of the same or different nature or use, so long as any such change therein or thereof shall not reduce or otherwise adversely affect the value of the Facilities or the rental value thereof. In consideration of the Authority proceeding with the repair, restoration, rebuilding, or replacement of the Facilities as above provided, the State shall continue to pay the Annual Rent due under this Facilities Lease, except to the extent the Authority actually receives proceeds of business interruption or loss of rents insurance described in Section 7.3 hereof.

ARTICLE 11 PARTICULAR COVENANTS

Section 11.1 Compliance with Laws and Regulations: The State shall, at its own cost and expense, promptly comply with, or cause to be complied with, all applicable laws and ordinances, rules, regulations and other governmental requirements, whether or not the same require structural repairs or alterations, which may be applicable to the State, the Facilities or the use or manner of use of the Facilities. The State shall also observe and comply with the requirements of all policies and arrangements of insurance at any time in force with respect to the Facilities.

Section 11.2 Covenant Against Waste: The State covenants not to do or suffer or permit to exist any hazardous materials, contamination, waste, damage, disfigurement or injury to, or public or private nuisance, in or upon the Facilities in violation of any state of Idaho or federal laws or regulations and agrees to pay all costs, changes, penalties or any other expense reasonably incurred or to be incurred to remove, restore or reclaim the Facilities or premises thereof.

Section 11.3 Right of Inspection: The State covenants and agrees to permit the Authority and the authorized agents and representatives of the Authority to enter the Facilities at reasonable times during usual business hours for the purpose of inspecting the same, subject to reasonable security requirements and procedures of the State.

Section 11.4 Condition of Facilities: The Authority makes no representation regarding the condition of the Facilities or real property underlying or adjacent thereto and the Authority shall not be liable for any latent or patent defects therein.

Section 11.5 Assignment and Subletting: The State shall not assign or mortgage this Facilities Lease or any right hereunder or interest herein and shall not sublease the Facilities or any portion thereof, without prior written consent of the Authority (which consent may be granted or withheld by the executive director of the Authority); provided, that in no event shall the State assign this Facilities Lease or any right hereunder or interest herein or sublease the Facilities or any portion thereof unless the State shall continue to remain liable for the performance of all the terms, covenants, and conditions contained in this Facilities Lease and unless the proposed assignee or sublessee shall agree, in writing, to be bound by all of the terms, covenants, and agreements contained in this Facilities Lease and all other agreements related thereto. The Authority agrees that it will not unreasonably withhold its consent to any such assignment or subleasing.

Section 11.6 Covenant of Quiet Enjoyment: The Authority covenants that it has full right and lawful authority to enter into this Facilities Lease and that, so long as the State shall pay the Annual Rent and shall duly observe all of its covenants and agreements in this Facilities Lease, the State shall have, hold, and enjoy, during the initial term of this Facilities Lease and each renewal term thereof, peaceful, quiet, and undisputed possession of the Facilities. No defect, encumbrance, cloud, lease, restriction or other matter affecting title to the land on which the Facilities shall be developed existing at the time the land is acquired or leased to the Authority or to which this Facilities Lease is subrogated to shall constitute a breach of this Facilities Lease by the Authority.

Section 11.7 Tax Covenant: The State covenants for the benefit of the holders of the Bonds and the Authority that during the term of this Facilities Lease, that no action shall be taken or omitted with respect to the Bonds, the proceeds thereof, any other funds of the State or any Facilities financed or refinanced with the proceeds of the Bonds if such action or omission (i) would cause the interest on the Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Code, (ii) would cause the Bonds to become "specified private activity bonds" with the meaning of Section 57(a)(5)(C) of the Code, or (iii) would cause interest of the Bonds to lose its exclusion from Idaho taxable income under present Idaho law. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Bonds until the date on which all obligations of the Authority in fulfilling the above covenant under the Code have been met.

ARTICLE 12 DEFAULT

Section 12.1 Events of Default: The following shall be events of default under this Facilities Lease:

- (1) Failure by the State to pay the Annual Rent as the same shall become due, or
- (2) Failure by the State or anyone contracting with the State to observe and perform any other covenant, condition, or agreement to be observed or performed under this Facilities Lease for a period of 90 calendar days after written notice, specifying such failure and requesting that it be remedied, given to the State by the Authority or trustee of the Bonds, unless the Authority or trustee shall agree in writing to an extension of such time prior to its expiration.

Section 12.2 Remedies: Whenever any event of default referred to in Section 12.1 hereof shall occur, the Authority may take any one or more of the following remedial steps:

- (1) Declare all Annual Rent payable for the applicable lease term then in effect to be immediately due and payable, together with applicable interest thereon.
- (2) Re-enter and take possession of the Facilities, exclude the State from possession thereof, and terminate this Facilities Lease.
- (3) Take such action at law or in equity as may appear necessary or desirable to collect all sums due and thereafter to become due, or to enforce performance and observation of any obligation, agreement, or covenant of the State under this Facilities Lease.

Section 12.3 Remedies Not Exclusive: No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Facilities Lease, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In the exercise of any remedy reserved to the Authority in this Article 12, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

ARTICLE 13 SURRENDER OF FACILITIES

Section 13.1 Surrender of Facilities: In the event that the State elects not to renew or extend the term of this Facilities Lease or this Facilities Lease is otherwise terminated, the State shall immediately quit and surrender the Facilities to the Authority in the same condition in which it existed at the date the construction of all Facilities was completed by the Authority, subject to any alterations, additions, expansions or improvements made in accordance with Section 9.1 hereof, ordinary wear and tear excepted.

**ARTICLE 14
LIMITATION ON OBLIGATIONS**

Section 14.1 Obligations of Authority and State: Notwithstanding any other provisions of this Facilities Lease, no obligation assumed by or imposed upon the Authority by this Facilities Lease shall require the performance of any act by the Authority except to the extent, if any, that the cost and expense of such performance may be paid from the proceeds of the Bonds issued by the Authority or from other funds legally available to the Authority to meet the cost and expense of such performance, and no obligation assumed by or imposed upon the State by this Facilities Lease shall require the performance of any act by the State, including, but not limited to, the payment of Annual Rent, except to the extent that funds may be available for such performance or payment from State general appropriations or other funds legally available therefor. This Facilities Lease shall not be construed as obligating the Legislature of the State of Idaho to make future appropriations for the payment of Annual Rent or the performance of any other obligations under this Facilities Lease beyond the initial rental term or for any renewal term hereof. In the event that appropriated funds are not legally available for payment of Annual Rent or other obligations hereunder for any term, then this Facilities Lease shall be terminated. The liability of the State for payment of Annual Rent as it becomes due shall be in consideration of the right of the State, whether or not exercised, to occupy and/or use the Facilities for the then-current lease term.

**ARTICLE 15
MISCELLANEOUS**

Section 15.1 Pledge of Rent, Proceeds, and Lease: It is expressly understood and agreed by the parties hereto that the Authority has the right to pledge and assign the Annual Rent, all proceeds receivable by the Authority from any sale of the Facilities, and its rights and interest under this Facilities Lease to secure: (i) the payment of the principal of and the interest on and redemption premium, if any, on the Bonds; and (ii) other obligations of the Authority under the terms and conditions of the Bonds.

Section 15.2 Notices: All notices or other communications hereunder shall be sufficiently given and shall be deemed given on the second business day following the day on which the same are mailed by certified mail, postage prepaid, addressed as follows:

(1) If to the State:

Idaho Department of Administration
Attn: Director
Statehouse Mail
Boise, Idaho 83720

AND

Lewis-Clark State College
Attn: _____

(2) If to the Authority:

Idaho State Building Authority
Attn: Executive Director
Post Office Box 2802
Boise, Idaho 83701

The State or the Authority may, by notice given hereunder, designate any further or different addresses to which subsequent notices or other communications shall be sent. Notice may be also given by personal delivery of a written notice.

Section 15.3 Severability: If any term or provision of this Facilities Lease or the application of it to any person, entity or circumstance shall to any extent be invalid or unenforceable, the remainder of this Facilities Lease or the application of such term or provision to persons, entities or circumstances, other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Facilities Lease shall be valid and shall be enforced to the extent permitted by law.

Section 15.4 Attorney Fees: In the event either party to this Agreement is required to initiate or defend litigation with respect to the terms hereof or to enforce any of its rights hereunder, the prevailing party in such litigation shall be entitled to reasonable attorney's fees incurred in such litigation, including all discovery costs and costs of expert witnesses, together with all reasonable litigation expenses.

Section 15.5 Headings: The article and section headings contained herein are for convenience and reference and are not intended to define or limit the scope of any provision of this Facilities Lease.

Section 15.6 Counterparts: This Facilities Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 15.7 Amendments: The Authority and the State shall not, without the written consent of the trustee of the Bonds or other legally-authorized representative of the interests of the owners of the Bonds, consent or agree to or permit any rescission of or amendment to or otherwise take any action under or in connection with this Facilities Lease which will reduce the payments required to be made by the State hereunder during the initial term or any renewal term hereof, or which will in any manner materially impair or adversely affect the rights of the Authority hereunder, and any action by the Authority or the State in violation of this covenant shall be null and void as to the Authority and the State. Furthermore, any voluntary amendment, modification or termination of this Facilities Lease shall require the written consent of all parties to this Facilities Lease.

Section 15.8 Effective Date: This Facilities Lease shall be effective as of the date stated above upon its execution.

IN WITNESS WHEREOF, the parties hereunto have caused this Facilities Lease to be executed as of the day and year first hereinabove set forth.

AUTHORITY:

IDAHO STATE BUILDING AUTHORITY

By: _____
V. L. Bud Tracy, Chairman

Dated: _____, 2003

ATTEST:

By _____
Wayne V Meuleman, Secretary

STATE:

STATE OF IDAHO, by and through

IDAHO DEPARTMENT OF ADMINISTRATION

By: _____
Pamela I. Ahrens, Director

Dated: _____, 2003

LCSC:

LEWIS-CLARK STATE COLLEGE

By: _____
_____, President

APPROVAL AND CONSENT:

STATE BOARD OF EDUCATION

By: _____
Blake G. Hall, President

Dated: _____, 2003

STATE OF IDAHO)
) ss.
County of Ada)

On this ____ day of _____, 2003, before me, the undersigned, a Notary Public in and for said State, personally appeared V.L. Bud Tracy and Wayne V Meuleman, known or identified to me to be respectively the Chairman and Secretary, respectively, of the IDAHO STATE BUILDING AUTHORITY, each of whom acknowledged to me that they executed the within Facilities Lease on behalf of the Idaho State Building Authority in their representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Notary Public for the State of Idaho
Residing at _____
My commission expires _____

STATE OF IDAHO)
) ss.
County of Ada)

On this ____ day of _____, 2003, before me, the undersigned, a Notary Public in and for said State, personally appeared Pamela I. Ahrens, known or identified to me to be the Director of the IDAHO DEPARTMENT OF ADMINISTRATION of the STATE OF IDAHO, who acknowledged to me that she executed the within Facilities Lease on behalf of the State in his representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Notary Public for the State of Idaho
Residing at _____
My commission expires _____

STATE OF IDAHO)
) ss.
County of Ada)

On this ____ day of _____, 2003, before me, the undersigned, a Notary Public in and for said State, personally appeared Blake G. Hall, known or identified to me to be the President of IDAHO STATE BOARD OF EDUCATION (the "SBOE"), who acknowledged to me that he executed the within Facilities Lease on behalf of the SBOE in his representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Notary Public for the State of Idaho
Residing at _____
My commission expires _____

STATE OF IDAHO)
) ss.
County of Ada)

On this ____ day of _____, 2003, before me, the undersigned, a Notary Public in and for said State, personally appeared _____, known or identified to me to be the _____ of LEWIS-CLARK STATE COLLEGE, who acknowledged to me that he executed the within Facilities Lease in his representative capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Notary Public for the State of Idaho
Residing at _____
My commission expires _____

List of Exhibits:

- Exhibit A-1 Description of Real Property
- Exhibit A-2 Description of Parking
- Exhibit B Description of Improvements Comprising the Facilities

LCSC (6/18/03)
DRAFT
OPERATING AGREEMENT

THIS OPERATING AGREEMENT is made this ___ day of _____, 2003, by and between the Department of Administration (the "Department") and Lewis-Clark State College ("LCSC").

RECITALS

WHEREAS, the Idaho Legislature, House Concurrent Resolution No. 30 ("HCR 30"), First Regular Session of the Fifty-seventh Legislature, has authorized the Idaho State Building Authority (the "ISBA") to provide financing to develop and construct certain Classroom and Activity Center facilities for use by LCSC (the "Facilities");

WHEREAS, pursuant to HCR 30, the ISBA and LCSC have entered into, or will enter into simultaneously with the execution of this Operating Agreement, a Ground Lease involving the real property on which the Facilities will be constructed;

WHEREAS, pursuant to HCR 30, the Department and LCSC have entered into, or will enter into simultaneously with the execution of this Operating Agreement, a Facilities Lease (the "Facilities Lease") and a Development Agreement (the "Development Agreement"), both with the ISBA and involving and for the Facilities;

WHEREAS, the Department and LCSC desire to address between themselves certain issues related to the Facilities Lease and Development Agreement, upon the terms and conditions set forth below.

AGREEMENT

NOW THEREFORE, in consideration of the above recitals, which are incorporated herein as if set forth in full, and the mutual promises and agreements hereinafter set forth, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Other Documents. This Operating Agreement is intended to co-exist with the Facilities Lease and the Development Agreement; provided however, in the case of any conflict between the terms of this Operating Agreement, as may be amended from time to time, and the Development Agreement and the Facilities Lease, as may be amended from time to time, the terms of this Operating Agreement shall control as between the Department and LCSC.

2. Term. The term of this Operating Agreement shall begin on its effective date and continue until the expiration or termination of the Facilities Lease, including renewals, or the Development Agreement, whichever occurs later.

3. Allocation of Responsibility. Anything contained in the Facilities Lease and the Development Agreement notwithstanding, the parties agree as follows:

a. Upon and after occupancy by LCSC, LCSC shall make all decisions regarding the use and routine operation, repair and maintenance of the Facilities. LCSC shall, at its cost and expense, comply with all applicable federal, state and municipal laws, ordinances, regulations and orders and any contractual obligations relative to such use, operation, repair and maintenance of the Facilities. LCSC shall consult with the Department on any issues concerning the use, operations and maintenance of the Facilities that could impact the Department or the Facilities Lease or the Development Agreement.

b. LCSC shall not do or suffer or permit to exist any hazardous materials, contamination, waste, damage, disfigurement or injury to, or public or private nuisance, in or upon the Facilities in violation of any state of Idaho or federal law or regulation and shall pay all costs, charges, penalties or any other expense reasonably incurred or to be incurred to remove, restore or reclaim the Facilities or premises.

c. LCSC shall be responsible for the cost and expense of all insurance required under the Facilities Lease and the Development Agreement, provided, however, that LCSC may arrange for such insurance through the Department's Office of Insurance Management.

d. LCSC shall, at its cost and expense, comply with Sections 5, 7, 9 and 10 of the Facilities Lease, which includes but is not limited to the obligations contained in Section 3,e-h, of this Agreement

e. LCSC shall, at its cost and expense, keep and maintain or cause to be kept and maintained, the Facilities and all equipment, fixtures, additions and improvements thereof, in good order and condition, and shall, at its cost and expense, make or cause to be made all necessary repairs, renewals, and replacements with respect to the Facilities. Subject to Section 10 of the Facilities Lease, in the event the Facilities or any part thereof are damaged or destroyed by uninsured or partially uninsured casualty of any kind, LCSC shall either replace or rebuild the Facilities in equal value, or pay such sums to the Authority as may be required to fully pay and discharge the Bonds (as defined in the Facilities Lease).

f. LCSC shall pay or cause to be paid all costs, expenses and charges for water, electricity, lights, heat, power, sewage, telephone, and other utility services, rendered or supplied upon or in connection with the Facilities.

g. LCSC shall maintain an inventory of all furniture, fixtures and equipment and other tangible personal property financed or provided by the ISBA as part of the Facilities and provide such inventory to the ISBA in accordance with Section 9.2 of the Facilities Lease. LCSC shall have the right, at its expense, to replace such tangible personal property as it deems necessary in connection with its use of the Facilities, in accordance with Section 9.2 of the Facilities Lease.

h. LCSC shall be responsible to pay for all cost overruns incurred in the planning, design and construction of the Facilities, including without limitation all cost overruns specified in Section 7 of the Development Agreement, provided, however, that cost overruns shall first be paid out of the project contingency fund and LCSC shall not be responsible for any cost overrun unless and until the contingency fund is depleted, and that LCSC has approved any change order that results in a cost overrun. LCSC shall not be responsible for any cost overrun that is the result of the negligence or malfeasance of the Department.

i. Upon and subject to a specific and sufficient annual appropriation by the state of Idaho Legislature to the Department of funds from the Permanent Building Fund, or other

sources determined by the Legislature, the Department shall remit to the ISBA the payment of Annual Rent (as defined in the Facilities Lease) in accordance with the Facilities Lease.

j. Any consents or approvals required of the State under the Ground Lease or Facilities Lease shall be made by LCSC.

k. The right contained in Section 3.2 of the Facilities Lease to give ten months' notice of termination of the Facilities Lease must be given jointly by the Department and LCSC.

4. Notice of Non-Appropriation Non-Renewal; Other Notices. In the event that the Department fails to receive an appropriation of moneys necessary for any payment of any rent under the Facilities Lease, it shall immediately notify LCSC. The Department also agrees to give notice to LCSC if it does not include in its budget request a request for moneys related to the Facilities Lease. In the event that either party receives any notice related to the Ground Lease, the Facilities Lease or the Development Agreement that could impact the other, the receiving party shall immediately notify the other party of the receipt and substance of such notice.

5. Intentionally Blank.

6. Order of Use of Funds; Funds Remaining. LCSC specifically acknowledges and agrees that any money it transfers to the Authority for the project, and which are deposited by the Authority into the Construction Fund (as defined in the Development Agreement), shall be deemed to be used first, before any bond proceeds or other funds, for any cost or expense of planning, design or development or construction. LCSC further specifically acknowledges that any funds remaining in the Construction Fund (as defined in the Development Agreement) upon final acceptance of the Facilities shall be used to defease the Bonds (as defined in the Facilities Lease) or otherwise decrease the amount of Annual Rent (as defined in the Facilities Lease) due under the Facilities Lease.

7. Indemnification. LCSC shall indemnify, defend and save harmless the Department, its officers, agents and employees from and against any liability, claim, damages, losses, costs, expenses or actions to which the Department is or could be subject arising from or related to this Operating Agreement and its use, operation or maintenance of the Facilities. This indemnification does not apply when such claims, damages and liabilities are the result of negligent acts, errors, omissions or fault or malfeasance on the part of the Department, its officers, agents or employees. The Department shall indemnify, defend and save harmless the LCSC, its officers, agents and employees from and against any liability, claim, damages, losses, costs, expenses or actions to which the LCSC is or could be subject arising from or related to this Operating Agreement and its use, operation or maintenance of the Facilities. This indemnification does not apply when such claims, damages and liabilities are the result of negligent acts, errors, omissions or fault or malfeasance on the part of the LCSC its officers, agents or employees.

8. Cooperation Between the Parties. Should any claims, demands, suits or other legal proceedings be made or instituted by any person against either party which arise out of any

matters relating to the Facilities, the other party shall give all pertinent information and reasonable assistance in the defense or other disposition thereof.

9. Notices. All notices, demands, consents and reports provided for in this Operating Agreement shall be in writing and shall be given to the Department or LCSC at the address set forth below or at such other address as they individually may specify thereafter in writing:

Department of Administration: Larry V. Osgood
Administrator
Division of Public Works
P.O. Box 83720
Boise, Idaho 83720-0072
Ph: 208-332-1911
Fax: 208-334-4031

With a Copy to: Department of Administration
Attention: Deputy Attorney General
650 West State Street
P.O. Box 83720
Boise, Idaho 83720-0003

Lewis Clark State College: Vice President for Admin. Services
Lewis-Clark State College
8th Ave. and 6th St.
Lewiston, ID 83501

Such notices or other communications may be mailed by United States registered or certified mail, return receipt requested postage prepaid or delivered by a recognized courier delivery service (e.g. Federal Express, Airborne etc.). Such notices, demands, consents and reports may also be delivered by hand. For purposes of this Operating Agreement, notices will be deemed to have been "given" upon personal delivery thereof or 72 hours after having been deposited in the United States mail at a United States Post Office or a depository for the receipt of mail regularly maintained by the post office or deposited with a recognized courier delivery service.

10. Survival. Any termination, cancellation or expiration of this Operating Agreement notwithstanding, provisions that are intended to survive and continue shall so survive and continue, including, but not limited to, the provisions of section 7.

11. No Third Party Rights. Nothing in this Operating Agreement shall be construed as creating or giving rise to any rights in any third parties or any persons other than the parties hereto.

12. Governing Law. The Contract shall be governed by and construed under the laws of the State of Idaho.

13. Officials Not Personally Liable. In no event shall any official, officer, employee or agent of the Department or LCSC be liable or responsible for any representation, statement, covenant, warranty or obligation contained in, or made in connection with, this Operating Agreement, express or implied.

14. Complete Statement of Terms. This Operating Agreement constitutes the entire agreement between the parties hereto as regards its subject matter and shall supersede all previous proposals, oral or written, negotiations, representations, commitments, and all other communications between the parties.

15. Written Modification. This Operating Agreement may be modified or amended only by an agreement in writing signed by a duly authorized representative of the Department and LCSC.

16. Counterparts. This Operating Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have entered this Operating Agreement as of the date first set forth herein.

LEWIS-CLARK STATE COLLEGE

By: _____
Its: _____

**IDAHO DEPARTMENT OF ADMINISTRATION
DIVISION OF PUBLIC WORKS**

By: _____
Larry V. Osgood
Its: Administrator