



**STATE BOARD OF EDUCATION  
March 13-14, 2019  
Office of the State Board of Education  
Len B. Jordan Building  
650 W State Street, 3<sup>rd</sup> Floor  
Boise, Idaho**

A special meeting of the State Board of Education was held March 13-14, 2019 in the large conference room of the Office of the State Board of Education, Len B. Jordan Building, in Boise Idaho. Board President Dr. Linda Clark presided and called the meeting to order at 8:00 am MST. A roll call of members was taken.

**Present:**

Dr. Linda Clark, President  
Debbie Critchfield, Vice President  
Dr. David Hill, Secretary  
Emma Atchley

Andrew Scoggin  
Don Soltman  
Richard Westerberg  
Sherri Ybarra, State Superintendent

**Wednesday, March 13, 2019**

**EXECUTIVE SESSION (Closed to the Public)**

1. Boise State University

**M/S (Critchfield/Atchley): I move to go into Executive Session pursuant to Section 74-206(a), Idaho Code, to consider hiring a public officer, employee, staff member or individual agent, wherein the respective qualities of individuals are to be evaluated in order to fill a particular vacancy or need.** The motion carried 6-0. Mr. Scoggin and Superintendent Ybarra were absent from voting.

Board members entered in to Executive Session at 8:00 am MST.

Board member Scoggin joined the meeting at 8:05 am MST.

Superintendent Ybarra joined the meeting at 8:35 am MST.

The Board recessed at 12:45 pm MST, returning at 5:00pm MST.

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The Board recessed for the evening at 7:00 pm MST.

**Thursday, March 14, 2019, Office of the State Board of Education, Len B. Jordan Building, Boise, Idaho**

The Board reconvened Thursday, March 14, 2019. Board President Dr. Linda Clark presided and called the meeting to order at 8:00am MST.

**EXECUTIVE SESSION (Closed to the Public)**

2. University of Idaho

**M/S (Critchfield/Atchley): I move to go into Executive Session pursuant to Section 74-206(a), Idaho Code, to consider hiring a public officer, employee, staff member or individual agent, wherein the respective qualities of individuals are to be evaluated in order to fill a particular vacancy or need. The motion carried 7-0. Superintendent Ybarra was absent from voting.**

Superintendent Ybarra joined the meeting at 8:30am MST.

The Board recessed at 3:00pm MST, returning at 3:30pm MST.

**OPEN MEETING**

**BUSINESS AFFAIRS AND HUMAN RESOURCES**

1. University of Idaho – Idaho Central Credit Union Arena Project – Bidding and Construction

**M/S (Atchley/Westerberg): I move to approve the request by the University of Idaho to commence with the bidding and construction phase of the proposed Idaho Central Credit Union Arena, for a total cost not to exceed \$46,000,000 as described in Attachment 1, contingent upon approval of the project by the new President of the University of Idaho once appointed by the Board. Final approval includes the authority for the Vice President for Finance and Administration to execute all necessary and requisite consulting and vendor contracts to implement the project. The motion was withdrawn prior to the roll call vote.**

Board President Dr. Linda Clark introduced the request from the University of Idaho (UI) to commence with the bidding and construction phase for the proposed Idaho Central Credit Union Arena (Arena). Representing the University of Idaho were President Chuck Staben, Vice President for Finance and Administration, Mr. Brian Foisy, and Special Assistant to the President-Government Relations, Mr. Joe Stegner.

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President Staben reported the Board approved an updated University of Idaho Six-Year Plan featuring the proposed Arena in December 2016 and authorized the Planning and Design phase in February 2017. The project has the strong support of the campus community as evidenced by the student body voting to increase the facility fee to help cover the cost of the Arena and, typical of any fee and donor supported project, UI will need to seek financing for the project, as the funds are not immediately available, but will accumulate over time.

Board member Critchfield noted the square footage and finishes for the Arena appear paired down since the project was originally submitted to the Board for consideration. President Staben confirmed the total square footage and finishes were scaled back in order to keep the project costs within budget. Mrs. Critchfield asked if the seating capacity was also reduced. Dr. Staben responded in the affirmative, adding that after consultation with the project architect it became clear the original 6,000-seat capacity was not realistic and, upon the advice of the design team, the seating capacity was reduced to 4,200. Mr. Foisy added it was necessary for the university to give way to costs it knew it could not fund. Dr. Clark requested information on the average attendance for UI basketball events. President Staben responded 2,400 for Men's Basketball and 900 for Women's Basketball. There have been occasions where attendance exceed 5,000, however, this is not common and the Kibbie Dome is still an option for events with greater attendance. Dr. Clark asked if the fixed seating for the Arena is 4,200 to which Dr. Staben responded the fixed seating for the Arena is 4,000. Mrs. Critchfield asked if the occupancy rating for the Arena was also 4,000. President Staben responded the Arena design would support up to 4,200 spectators for athletic events; however, there is no firm estimate from the design team on the occupancy rating for concert attendance.

Mrs. Critchfield asked if the design provided a dedicated space for Women's Volleyball to which Dr. Staben responded the original design included dedicated space for volleyball, however, this was eliminated due to budget restraints. The roof slope of the Arena would allow UI to host intercollegiate volleyball tournaments; however, there will not be a designated space within the Arena for this program. This was discussed with the coaching staff and others who agreed Memorial Gym was a good space for the volleyball program and once the Arena is constructed, Memorial Gym would become an almost dedicated space for volleyball. Mrs. Critchfield asked if UI has in place a long-term commitment for investing in Memorial Gym to maintain the space for the volleyball program. Mr. Foisy responded Memorial Gym is included on the deferred maintenance schedule for all buildings on campus and it is not anticipated the building will become unavailable anytime soon.

Board member Atchley requested the cost per square foot (sf) for the project to which President Staben responded \$722 per sf. Mr. Foisy added the total project cost includes \$3,000,000 for Furniture, Fixtures and Equipment (FFE) and \$3,500,000 for Architecture and Design fees.

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Mr. Foisy reported for projects, like the Arena, funded by revenue streams generating cash over time; such as gifts, donations, sponsorships, pledges and student fees; require some form of financing to construct and the financing options available for the Arena would be to borrow the funds internally, or through traditional debt financing. With either option, the university would still be compelled to identify revenue streams to generate \$46,000,000. UI has identified revenue streams to generate \$43,000,000; leaving the UI \$3,000,000 short of the fundraising goal. Fundraising efforts for the Arena continue, however, if the university were not able to secure the remaining funds, then internal funds would be utilized to complete the project. President Staben added UI has received significant, but difficult to value, in-kind contributions from the wood products industry that, depending on how the project is bid and the products utilized, total \$1,000,000 - \$2,000,000 that has yet to be counted towards the funds raised.

Mr. Foisy shared with the Board UI had recently learned that Moody's, not taking into consideration the Arena project, had recently changed UI's outlook from stable to negative which would indicate Moody's sees a downgrade in UI's issuer rating as likely in the near future. Two scenarios that would contribute to the downgrade would be any material deterioration of the university's liquidity and any material issuance of new debt. Discussions with the Moody's analyst and financial advisors from PFM Financial Advising Firm have confirmed the institution's issuer rating would most likely slide from an AA3 to an A1. This would be a guaranteed outcome if the university were to move forward with the Arena under either financing option (internal vs. traditional). A rating of A1 would still be considered "investment grade" however, the institution would pay more in the refunding of debt and interest rates would be less favorable than for a rating of AA3.

Mr. Foisy reported there would be very few differences between the two financing options (internal vs. traditional) and under either scenario, the institution would still have to identify revenue streams to generate cash, over time, to pay the debt. Mr. Foisy defined the timeframe to repay the loan, under either scenario, as 30 - 40 years. The revenue stream generated by student fees assumes the same 35-year period as what Idaho Central Credit Union (ICCU) requested in the sponsorship agreement. The current facility fee of \$15 per semester or \$30 per year generates approximately \$250,000 per year. If the Board were to take action during the April 2019 Regular meeting to double the facility fee, \$30 per semester or \$60 per year, the increase would generate approximately \$500,000 per year totaling \$18,000,000 over 35-years. Mr. Foisy stated facility fees are a commonly used mechanism for institutions, specifically Boise State University, to generate revenue over time and use the revenue to issue debt, construct a building and pay the debt over time. The University of Idaho could utilize this approach for the Arena project with the only fall out being a slip by one notch down in debt rating and making interest payments in connection with the annual or semi-annual debt service. Mr. Foisy reported UI could utilize this mechanism under either financing option. If the institution were to select internal financing, it would cost UI approximately \$800,000 per year in lost interest earnings if the institution were to pull \$29,000,000 from the short-term investment balance. The status of the debt service account is such that it could absorb a loss of \$800,000 without cutting somewhere else.

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Mr. Foisy estimated the external borrowing option would have a cost of capitol estimated to be \$15,000,000 - \$18,000,000 over a 30 to 40 year period and reported this is a financing mechanism the market and average taxpayer are familiar with as a way for institutions to construct buildings after levying a fee for the construction of a new building. Mr. Foisy stated he had no concerns with the traditional debt financing option affecting the status of the project and would expect the project to meet the same ground breaking and completion deadlines listed in the Board agenda materials. The institution would have until the end of the coming fiscal year before needing to close on issuing debt in order to generate enough cash to begin paying for the project. Mr. Foisy stated that currently, UI has \$17,000,000 in cash on hand that could provide the institution with some ability to float the project through the end of the next fiscal year before the institution's cash balances are low enough to require the issuance of debt to collect the capitol needed to cover the project costs.

Board member Soltman asked if UI had given any thought to the optics of choosing the internal financing option, especially so shortly after the announcement in January 2019 of the institution's plan to implement a cut of \$5,000,000 in expenditures.

Board member Scoggin stated the cost of capitol if the Arena were to be funded using external financing would be more expensive than the cost of the interest on the money the university would spend down through the internal financing option. From a purely financial standpoint, the extent to which the Arena could be internally funded would be a less expensive approach. Mr. Foisy responded in the affirmative, adding the university's current interest rate on short term investments is between 2% – 3% and the expected interest rate associated with long term debt is between 5 ½% - 6% . President Staben added the costs for either financing option are fairly similar and that originally, Mr. Foisy had felt internal financing would be the better option and that this is what was presented to the Business Affairs and Human Resources (BAHR) Committee and the Board. If the optics or any other aspect were such that the Board would prefer the external financing option than the university would have no objection. Mr. Foisy assured the Board the Arena could be financed and the debt repaid under either scenario (internal vs. traditional) and he would commit the \$800,000 of lost interest earnings, if the university were to choose the external financing option, to the project as a revenue stream. Mr. Foisy added the underwriters and bond council would require UI to identify revenue streams and under a typical debt financing option, the university would be legally committed to use those sources to make the debt service payments. Finally, Mr. Foisy assured the Board of his ability to finance the project under either scenario, and cash flow the project, including debt service payments, through the end of 30, 35, or 40 years (the most likely bond terms) and fund every cent of the expense under either scenario.

After making the original motion, Board member Atchley asked how approval of the motion would affect the search process for the new University of Idaho president and the ability for the new president to provide input on the Arena project. Dr. Clark responded the intent of the motion was for the president, once named, to approve the project. Dr. Hill asked if the new president is named but not under contract, would their approval be binding. Dr. Clark responded the intent is to empower the new president through the

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motion. The Board's legal counsel, Ms. Jenifer Marcus, responded it would preferable for the Board to wait until the new president is under contract. Dr. Clark responded the concern, as expressed by the institution, with waiting until the new president is under contract is that it could delay the project by as much as one year. President Staben reported the bidding process would take 90 days and that for the project to stay on the current timeline; the university would need to proceed with the bidding process immediately. Dr. Hill asked if the bidding process would obligate the university, to which Dr. Staben responded the process would not commit the university, but the awarding of bids would. Dr. Staben added it is anticipated the end of the bidding process would coincide with when the new president would be under contract. Ms. Marcus asked if general counsel for the University of Idaho, Mr. Kent Nelson, understood this to be the process followed by the institution. Mr. Nelson responded the institution would not be bound until the bids were awarded and that the institution can set the time to announce when the bids would be opened. Mr. Foisy reported the project Architect has indicated onsite excavation work must start in June of 2019 in order to prepare the site for footings, foundations, floors and other structural concrete necessary to begin fabrication and erection of the wood super structure in March 2020 and the building enclosed or "dried in" by September 2020. The earth, concrete and structural phase is planned at nine (9) months. If the project start were delayed by two (2) months, the project would lose 22% of the performance period, making it critical for excavation work to begin in June of 2019.

Board member Critchfield commented on the importance for the Board to recognize and be sensitive to the timing of the transition for the new president upon which would fall the burden of fundraising, communication and oversight of the project. Mrs. Critchfield asked if the bid package and project specifications had been prepared to which Mr. Foisy responded in the affirmative, adding the university is able to move immediately to begin the bidding process. Board member Westerberg commented the intent of the motion is not to stop the project, but to allow an opportunity for the new president to provide input on the project.

Ms. Atchley made a request to withdraw the original motion. Mr. Westerberg seconded the request.

Mr. Foisy asked for the Board's preference for the financing mechanism of the project. The consensus of the Board was for the institution to select the financing option; however, the mechanism selected would need to be clearly relayed to the Board and communicated to the UI students, faculty and community.

**M/S (Atchley/Westerberg): I move to approve the request by the University of Idaho to commence with the bidding and construction phase for the proposed Idaho Central Credit Union Arena, for a total cost not to exceed \$46,000,000 as described in Attachment 1, contingent on approval of the project by the Executive Director in consultation with the new President of the University of Idaho, once named by the Board. Final approval includes the authority for the Vice President for Finance and Administration to execute all necessary and requisite consulting and vendor contracts to implement the project. The motion carried 8-0.**

**EXECUTIVE SESSION (Closed to the Public)**

**M/S (Critchfield/Westerberg):** I move to go into Executive Session pursuant to Section 74-206(a), Idaho Code, to consider hiring a public officer, employee, staff member or individual agent, wherein the respective qualities of individuals are to be evaluated in order to fill a particular vacancy or need. The motion carried 8-0.

Board members entered in to Executive Session at 4:25pm (MST).

**M/S (Westerberg/Critchfield):** I move to go out of Executive Session. The motion carried 8-0.

Board members exited Executive Session at 4:28pm (MST).

The Board convened in Executive Session to consider an exempt matter, which is permissible under the Open Meeting Law, Idaho Code, Title 74, Section 206(a). The Board concluded its discussion and took no action on the matter discussed. If action is necessary in this matter it will occur at a future meeting properly noticed under the Open Meeting Law.

**OTHER BUSINESS**

There being no further business, a motion to adjourn was entertained.

**M/S (Critchfield/Soltman):** To adjourn the meeting at 4:30 pm MST. The motion carried 8-0.