AGENDA

JOINT MEETING
FINANCE/AUDIT AND CONSTRUCTION COMMITTEES

UNIVERSITY OF SOUTHERN INDIANA
BOARD OF TRUSTEES

March 4, 2004

(FINANCE/AUDIT)

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

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

The summary of responses to the Request for Proposal for investment banking services and the bond analysis (Attachment A) will be reviewed. Approval of the staff recommendation regarding the selection of an investment banker is recommended.

2. APPROVAL OF INTERIM FINANCING FOR THE PARKING GARAGE PROJECT

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

The analysis and recommendation for interim financing (Attachment B) will be reviewed. Approval of the staff recommendation regarding the selection of a lending institution for the parking garage project is recommended.

3. APPROVAL OF BUDGET APPROPRIATIONS, ADJUSTMENTS, AND TRANSFERS

Approval of the budget appropriations, adjustments, and transfers in Attachment C is recommended.

4. REVIEW AND APPROVAL OF THE ANNUAL AUDIT PLAN

5. REPORT ON INTERNAL CONTROLS

(CONSTRUCTION)

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

The following request will be reviewed and is recommended for approval by the Board of Trustees at its meeting on March 4, 2004.

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

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

7. REPORT OF CHANGE ORDERS ISSUED BY THE VICE PRESIDENT FOR BUSINESS AFFAIRS

(Attachment D)
UNIVERSITY of SOUTHERN INDIANA
Executive Summary
David L. Rice Library Bond RFP Responses

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

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

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

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

Evaluation of Proposals
For
Investment Banker Services

Banc One Capital Markets, Inc.

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

Disadvantages
- Recent announcement of merger
Bank of America Securities

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

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

Fifth Third Securities, Inc.

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

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

McDonald Investments

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

NatCity Investments

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

Disadvantages
- University has no experience with firm
- Firm has a small [five person] higher education group
Piper Jaffrey/City Securities

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

Disadvantages
- University has no experience with the firm

RBC Dain Rauscher Investment Services

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

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

STAFF RECOMMENDATION

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

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

<table>
<thead>
<tr>
<th>Bank</th>
<th>Par Amount of Bonds</th>
<th>Underwriting Discount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banc One</td>
<td>$34,555,000</td>
<td>$114,723</td>
</tr>
<tr>
<td>Bank of America</td>
<td>$34,555,000</td>
<td>$107,121</td>
</tr>
<tr>
<td>Fifth Third Securities</td>
<td>$34,555,000</td>
<td>$110,576</td>
</tr>
<tr>
<td>McDonald Investments</td>
<td>$34,555,000</td>
<td>$250,524</td>
</tr>
<tr>
<td>NatCity Investments</td>
<td>$34,555,000</td>
<td>$108,848</td>
</tr>
<tr>
<td>Piper Jaffrey/ City Securities</td>
<td>$34,555,000</td>
<td>$129,581</td>
</tr>
<tr>
<td>RBC Dain Rauscher</td>
<td>$34,555,000</td>
<td>$105,393</td>
</tr>
</tbody>
</table>

Bonds will be issued as follows:

Fixed Rate
Insured
Twenty-Year Life
With Capitalized Interest
Maximize Refunding Opportunities
UNIVERSITY OF SOUTHERN INDIANA
Analysis and Recommendation for Interim Financing
University Auxiliary System Parking Garage

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

(LIBOR - London Interbank Offering Rate)

**Recommendations**

1. That the University enter into an agreement with Fifth Third Bank to borrow funds to construct the University Auxiliary System parking garage.

2. That, if practical, the University negotiate a "bank qualified" replacement of this note during January 2005.

3. That the University coordinate replacement of this debt with the issuance of permanent debt when issuing debt for the construction of additional Auxiliary System facilities.
### BUDGET APPROPRIATIONS, ADJUSTMENTS, AND TRANSFERS

#### 1. Additional Appropriation of Income

| From: Unappropriated Current Operating Funds | To: 1-10340 Chemistry Supplies and Expense | 1,038 |
| To: 1-10107 Honors Program Personal Services | 192 |
| To: 1-10200 School of Liberal Arts Personal Services Supplies and Expense | 41,100 4,278 |
| To: 1-10300 School of Science and Engineering Personal Services Supplies and Expense | 28,600 3,000 |
| To: 1-10400 School of Nursing and Health Professions Personal Services Supplies and Expense | 84,000 4,167 |
| To: 1-10610 Bachelor of General Studies Program Personal Services | 14 |
| To: 1-10700 School of Business Personal Services | 29,250 |
| To: 1-10910 Academic Skills Personal Services | 1,800 |
| To: 1-10300 School of Science and Engineering Supplies and Expense | 3,399 |
| To: 1-16221 Art Collection Committee Supplies and Expense | 5,750 |

| From: Unappropriated Designated Funds | To: 2-23100 Faculty Development Travel Supplies and Expense | 840 |
| To: 2-23120 Faculty Enhancement – Liberal Arts Supplies and Expense Capital Outlay | 107 1,285 |
| To: 2-23130 Faculty Enhancement – Science and Engineering Supplies and Expense | 5,514 |
| To: 2-23140 Faculty Enhancement – Nursing and Health Professions Supplies and Expense | 1,395 |
| To: 2-23170 Faculty Enhancement – Business Supplies and Expense | 3,775 |
To: 2-23180 Faculty Enhancement — Education
Personal Services 4,841
Supplies and Expense 308
To: 2-23300 School of Business Revolving Account
Supplies and Expense 40
From: Unappropriated Auxiliary Funds
To: 3-30200 University Center
Supplies and Expense 2,511
To: 3-30900 New Harmony Operations
Supplies and Expense 517

2. Transfer and Appropriation of Funds

From: 2-20050 Student Services Operations
To: 1-10800 School of Education and Human Services
Supplies and Expense 400
To: 2-20760 International Programming
Supplies and Expense 1,958
To: 2-23170 Faculty Enhancement — Business
Supplies and Expense 400
From: 2-20120 Multicultural Center
To: 2-20200 Activities Programming Board
Supplies and Expense 2,000
From: 2-20063 Labor Day Extravaganza
To: 2-20061 SpringFest 3,314

3. Transfer of Funds

From: 2-20050 Student Services Operations
To: 2-20200 Activities Programming Board 600
From: 2-20063 Labor Day Extravaganza
To: 2-20061 SpringFest 3,314
Change Orders Issued by the Vice President for Business Affairs

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

<table>
<thead>
<tr>
<th>PROJECT: Science and Education Center</th>
<th>Description</th>
<th>Contractor</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO13- Contract 01</td>
<td>Repair damaged metal exterior panels</td>
<td>Industrial Contractors, Inc.</td>
<td>$2,940</td>
</tr>
<tr>
<td>CO 7- Contract 06</td>
<td>Revise window bulkheads, change transitions at existing building, deduct for clean-up charge, extra for work on ceilings due to delay in work, extra for work on display cases, and deduct for moving metal studs in parking lot</td>
<td>Kite, Inc.</td>
<td>$13,065</td>
</tr>
<tr>
<td>CO 8- Contract 06</td>
<td>Revise entry canopy framing</td>
<td>Kite, Inc.</td>
<td>$3,365</td>
</tr>
<tr>
<td>CO 3- Contract 12</td>
<td>Revise vestibule call buttons</td>
<td>ThyssenKrupp Elevator Corp.</td>
<td>$194</td>
</tr>
<tr>
<td>CO 4- Contract 16</td>
<td>Allowance closeout and deduct for use of scaffold</td>
<td>Tri-State Fire Protection, Inc.</td>
<td>($3,366)</td>
</tr>
<tr>
<td>CO 3- Contract 18</td>
<td>Deduct for drywall repair, deduct for use of scaffold, add receptacle, repair conduits in parking lot, change electrical receptacles on lab tables.</td>
<td>Premier Electric, Inc.</td>
<td>$9,096</td>
</tr>
</tbody>
</table>
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<table>
<thead>
<tr>
<th>PROJECT: Henry W. and Betty Jane Ruston Hall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
</tr>
<tr>
<td>CO- GO3</td>
</tr>
<tr>
<td>Modify dumpster screen and change sheet vinyl to vinyl composition tile.</td>
</tr>
<tr>
<td>Contractor</td>
</tr>
<tr>
<td>Arc Construction Co., Inc.</td>
</tr>
<tr>
<td>Amount</td>
</tr>
<tr>
<td>$3,309</td>
</tr>
</tbody>
</table>