**Q&A #5**

**RFP #685688**

**ERP Financing**

1. Question:

Which legal entity (the University of Arkansas System or the University of Arkansas – Fayetteville) will be the ultimate borrower on the lease?

Answer:

The University of Arkansas System.

1. Question:

Would you please provide a breakout of the project hard costs vs. soft?  *(i.e. software, installation, engineering, training, etc.)?*

Answer:

Workday Subscription $62.3 million thru 2027; Deloitte implementation $35.6 million thru 2021; Project team costs $25.6 million thru 2027. The Project team costs include training and equipment for the System employees performing the implementation along with Deloitte personnel. Configuration, conversion and engineering will be done by both the project team and Deloitte.

1. Question:

Can you please provide a detailed description of equipment being installed?

Answer:

The Workday product is cloud-based so there is not installation of equipment involved.

1. Question:

Does the project financing require Board Approval? If yes, has a date been set?

Answer:

The UA System expects to present to the Board of Trustees at the September 13-14 meeting.

1. Question:

Given the contemplated tax-exempt nature of the requested credit facility, please confirm that the University will engage at its expense Bond Counsel to prepare University authorization and related issuance documents regarding the obligation to be issued and to opine regarding the validity and tax-exempt status thereof.  Please identify such Bond Counsel.

Answer:

We do not believe that Bond Counsel will be required because the obligation will not be a registration required.

1. Question:

Will the proposed credit facility be issued under (and stand on a parity with) an existing University bond program (e.g., various facilities pledged revenues, auxiliary enterprise revenues, student fee revenues)?  If so, please confirm which program and from which campus or campuses such proposed pledged revenues relate.

Answer:

Revenues pledged to existing bond issues will not be pledged to the proposed loan/lease.

1. Question:

If not to be issued under an existing University bond program, please more fully describe the revenue stream/collateral proposed to be pledged to secure the requested facility.  Please confirm/describe the University’s statutory authority therefor.  Will the requested obligation also be considered a general obligation of the University.

Answer:

The obligation would be a general obligation of the Board of Trustees, acting for the University of Arkansas System. The System has the authority to obtain a loan/lease as needed for operations of the University.

1. Please more-fully describe the intended timing of the proposed facility (i.e., would the facility be drawn in full at closing, or are you requesting the ability to make draws over time?).  If to be drawn over time, please provide an estimated draw schedule.

Answer:

The funding could be drawn at once or could be done in draws on a schedule over no more than three years.

1. Question:

Will this tax-exempt loan be a general obligation of the Board of Trustees of the University of Arkansas System?

Answer:

Yes.

1. Question:

Will this tax-exempt loan be included in pledged revenue pool?

Answer:

No, this would not.

1. Question:

Could the System provide the definition of pledged revenues?

Answer:

The definition is included in the indentures currently outstanding. I would refer you to those publicly available documents.

1. Question:

Will this tax-exempt loan be on parity with existing indebtedness?

Answer:

The revenues pledged to support previously issued bonds will not be pledged to this obligation.  The general payment obligation would have no preference or priority over existing indebtedness.

1. Question:

Are there any significant changes from the Fall of 2017 enrollment data posted on 12/14/17, as those data points were preliminary?

Answer:

No, the final numbers were actually higher than the preliminary.

1. Question:

Can the University provide Fall 2018 enrollment numbers?

Answer:

We do not have those numbers yet since the Fall 2018 semester has not yet begun.

1. Question:

Can the University provide a detailed sources and uses for this project?

Answer:

This is not a bond issue and would not have such information, however, the expected costs of the implementation of the Workday cloud-based ERP includes $62.3 million for the subscription contract thru 2027; Deloitte contract for implementing totals $35.6 million thru 2021; and the project team costs estimated total is $25.6 million thru 2027. Each campus has a technology fee charged on SSCHs that should provide financing as well as the avoided costs for their current system that is in place.

1. Question:

Would the University of Arkansas consider alternative forms of security for this financing given a more advantageous rate?

Answer:

We would consider alternative forms of security for this financing.

1. Question:

Who will be providing the legal opinion for the borrowing entity to be bank-qualified tax-exempt?  Will you provide a copy of the opinion?

Answer:

The General Counsel of the UA System would provide any legal opinion needed. Yes, we will provide a copy.

1. Question:

Is the Board of trustees providing its general obligation pledge on this borrowing as it does on its public debt obligations?

Answer:

The Board would provide its pledge on this borrowing.

1. Question:

Will there be covenants for debt service coverage and additional issuance on a parity basis?  If so, what are the terms of those covenants?

Answer:

The lender would need to request such covenants.

1. Question:

Will the System agree to provide the same disclosures as it is obligated to provide with respect to its public debt market borrowings (i.e. annual filings; 15c2-12 reporting obligations)?

Answer:

The financial statements and filings are publicly available on EMMA so we would believe that information would suffice.

1. Question:

Will the System agree to provide an annual disclosure of its tuition and fee levels as well as its annual budget upon adoption?

Answer:

As noted in the previous response, our tuition and fee levels are included in our audited financial statements and are publicly available.

1. Question:

What other capital improvement and debt issuance plans does the system currently have beyond what is disclosed in the RFP?

Answer:

There are currently no planned debt instances, however, campuses have needs from time to time for new project financing.

1. Question:

Page 14 of the RFP references a *master lease agreement*; will you provide a copy of this lease agreement?

Answer:

If a lender would like to propose a master lease agreement for financing, that would be an option as we have additional borrowing needs as the second phase of the project begins. There is no current master lease agreement in place related to this financing.

1. Question:

What is being proposed as security for the loan?  What will be provided as collateral for the financing?

Answer:

The implementation costs of the Workday ERP system would be the security for the loan.

1. Question:

Will you please provide a debt service schedule for the System?  Exhibit A, Statement of Net Position, references *Note 8*, but the Notes are not included in the exhibits.

Answer:

[https://www.uasys.edu/wp-content/uploads/sites/16/2017/12/2017-Cons-Annual-Report.pdf](https://urldefense.proofpoint.com/v2/url?u=https-3A__www.uasys.edu_wp-2Dcontent_uploads_sites_16_2017_12_2017-2DCons-2DAnnual-2DReport.pdf&d=DwMFAg&c=7ypwAowFJ8v-mw8AB-SdSueVQgSDL4HiiSaLK01W8HA&r=OWIIo74cOcblMKVQUC7HZg&m=hp6OccjTmEJmAZmWJT3WBWWMY1iMGivJOecs7ruhIfE&s=B9qmZCqLU7DEBXBYtIEInZ1jVL8t8wObyoiOY078x_0&e=)

1. Question:

Is the System allowed to enter into an interest rate structure that contains a prepayment penalty provision?

Answer:

We do not know of any prohibition of a prepayment penalty provision.