



State of Rhode Island and Providence Plantations  
Council on Postsecondary Education  
**OFFICE OF THE POSTSECONDARY COMMISSIONER**  
560 Jefferson Boulevard Suite 100  
Warwick, Rhode Island 02886-1304

Enclosure 8g  
April 14, 2016

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Education**

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TO: Members of the Council on Postsecondary Education

FROM: Jim Purcell, Ed.D, Commissioner for Postsecondary Education

DATE: April 8, 2016

RE: Authorization to submit an application to the Rhode Island Health and Education Building Corporation (RIHEBC) for bond issuances to refund previous bond series issuances for significant savings and to finance one approved new project at the University of Rhode Island.

**Background**

As part of ongoing due diligence with regard to revenue bond financing in place, the Office of the Postsecondary Commissioner, University of Rhode Island, Rhode Island College, and the Community College administration and finance staffs monitor these ongoing debt service commitments and consult periodically with financial advisors to assess refinancing opportunities to reduce annual debt service obligations. Recent changes in market conditions have created a particularly favorable outlook for refinancing a select grouping of bond series that would benefit annual budgetary commitments from both auxiliary and general revenues at the University and the College beginning in FY 2017.

Preliminary analysis has focused on revenue bond series issued in 2005 and 2008. While there is additional professionally supported research and evaluation required before the specific refinancing strategy and bond series inclusion is finalized, current projections suggest that annual debt service savings of several hundred thousand dollars may be achievable, after absorbing issuance related costs given current and projected interest rates for the coming months. Such cost avoidance would continue into the future until the associated bond series' indebtedness is retired. The cumulative effect would be substantial.

In addition, the University is requesting the issuance of revenue bonds for approximately \$5.1M of new money for the Fraternity Circle Infrastructure Project Phase I, which was approved for financing by the Council and the State during the 2015 Legislative Session.

Following consultation with the Office of the Postsecondary Commissioner and the Executive Director of the RIHEBC, an application will be filed for approval by the RIHEBC Board for their meeting of April 14th that would enable preparations for both the refinancing and new financing transactions to commence.

Therefore, the placement of this item on both agendas was essential to preserving the ability for the Council on Postsecondary Education to act on this beneficial prospect in advance of the July 4<sup>th</sup> holiday and to realize full debt service savings in FY 2017.

The Council's permission to proceed with a bond application with RIHEBC is the first step in this process. Once the application has been submitted and approved, the Council will receive a presentation related to the proposed funding to be issued along with the detail of the savings anticipated on the bond refunding. Permission to issue the proposed bonds will be requested in an upcoming meeting of the Council.

Accordingly, I recommend:

THAT the Council on Postsecondary Education authorizes the appropriate financial officials of the Office of the Postsecondary Commissioner and the two Institutions to submit an application for the refunding of RIHEBC Bonds and the funding of the single project at the University in order to achieve savings and accomplish beneficial financing for the system.