



State of Rhode Island and Providence Plantations
RHODE ISLAND BOARD OF EDUCATION
Council on Postsecondary Education
80 Washington Street
Providence, Rhode Island 02903-3400

Enclosure 9d
January 7, 2015

December 30, 2014

Eva-Marie Mancuso, Esq.
Chair

TO: Members of the Council on Postsecondary Education

Council on Elementary and
Secondary Education

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

Patrick Guida, Esq.
Chair

RE:  **Approval of the Early Redemption of the Board of
Regents for Education 3% Rhode Island Junior College
Series A Revenue Bonds of 1977.**

Amy Beretta, Esq.

Colleen A. Callahan, Ed.D.

The Community College of Rhode Island is requesting that the Council on Postsecondary Education grants approval for the early redemption of the Board of Regents for Education 3% Rhode Island Junior College Series A Revenue Bonds of 1977. The original bond principal was \$631,000 with a maturity date of these bonds on April 1, 2018.

Karin Forbes

Jo Eva Gaines

Lawrence Purtill

Lt. Col. (Ret.) Mathies J. Santos

The redemption date is requested for April 1, 2015.

Joyce L. Stevos, Ph.D.

Council on Postsecondary
Education

At this time, the College has the opportunity to repay these bonds in full. This early defeasance will result in savings from annual trustee fees as well as interest on debt that remains outstanding until their maturity date.

Michael Bernstein
Chair

In addition to these savings, access to the bond reserve funds will supplement both the Warwick and the Lincoln campus renewal projects that were included in the Community College's Capital Improvement Plan and are currently underway.

Antonio Barajas, M.D.

Dennis Duffy, Esq.

The Honorable Thomas Izzo

Accordingly, I recommend:

Judy Ouellette

Kerry I. Rafanelli, Esq.

**THAT the Council on Postsecondary Education approves the early
defeasance of the Board of Regents for Education 3%
Rhode Island Junior College Series A Revenue Bonds
of 1977 on April 1, 2015.**

John J. Smith, Jr.

Dr. Jeffery A. Williams

Attachments.



COMMUNITY COLLEGE
OF RHODE ISLAND

INTEROFFICE MEMO

Office of the President

TO: Jim Purcell, Commissioner of Postsecondary Education
FROM: Ray Di Pasquale, President of the Community College of Rhode Island
DATE: December 30, 2014
SUBJECT: Redemption of 1977 Series A Revenue Bonds

N. Patten
FOR RMD

This memo is to request a vote at the January 7, 2015 meeting of the Council on Postsecondary Education endorsing the attached resolution to redeem the 1977 Series A Revenue Bonds.

In 1977 the Series A Revenue Bonds (and certain other bonds which have now been paid in full) were issued to finance or refinance the construction of dining and other auxiliary service facilities at the Blackstone Valley (Lincoln) and Warwick campus. The funding stream pledged for this financing under the Trust Agreement for the 1977 Series A Revenue Bonds are revenues derived from auxiliary services, specifically, a student union fee, dining concession commissions, locker rental fees, and bookstore profits, which revenues are deposited in a Bond Revenue Fund. Below is a description of Auxiliary Services practices and the policy and accounting basis for the establishment of such funds.

- An Auxiliary Enterprise is an entity that exists to furnish goods or services primarily to benefit students, faculty, and staff, and that charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. These activities are referred to as Auxiliary Enterprises because the operations meet the Governmental Accounting Standards Board (GASB) definition of enterprise funds.
- Auxiliary Enterprises are managed as self-supporting activities through the fees that they charge their customers for products or services rendered and may not obtain any support from the Educational and General Fund (E&G). At all times, auxiliary activities must support the educational endeavor of the College and enhance its functioning and the student experience.
- In conformance with RI General Laws, Title 16, Chapter 59-9, section (d), Auxiliary Enterprises at the Community College of Rhode Island are specified as financially self-supporting entities to include: the Bookstores, the Student Unions, and Dining and Vending commissions for all four campus locations.
- Contractual/commission auxiliaries produce restricted revenue that is to be conditionally held in reserve in specifically designated funds within the institutional financial statements. Working capital accounts to finance accounts payable and inventory and cash flow management, capital improvement and equipment replacement funds, are examples of such funds.
- The Auxiliary Indirect Cost expense will be calculated on a basis that is consistent with Board of Education Auxiliary Enterprise Overhead Policy. These funds will be remunerated to the college each fiscal year.

- To assist the Bookstore in its ability to make prompt institutional reimbursements, vendor payments and negotiate favorable terms, a reasonable working capital cash fund will be established in concert with the college controller.
- Fund balances generated by auxiliary sources will be reviewed during the annual budget process. Appropriate use for these funds is subject to approval by the Council for Postsecondary Education.

The final maturity on this debt is April 1, 2018 with a balance of approximately \$83,500 currently outstanding. As a result of savings on annual trustee fees of approximately \$10,000 and interest payments on the debt that will not need to be made if the debt is redeemed, it is more economical for the college to seek early redemption of this debt and have early access to the bond reserves for auxiliary related improvement projects at the four campuses, such as the Warwick Renewal of the Student Union and Student Government. Early redemption also dovetails with the college's recommendation in the FY16 Budget Request to eliminate the \$10 per semester student union fee currently imposed on full-time students. Paul Campellone from Adler, Pollock & Sheehan P.C. has been retained as bond counsel and is facilitating this early redemption process. On behalf of the Community College, I request that the Council on Postsecondary Education approve this request and facilitate the signature of the Chair of the Postsecondary Council on the appropriate documentation.

It is requested that Rhode Island Board of Education (as the successor to the Board of Regents for Education), acting through the Council on Postsecondary Education, redeem on April 1, 2015 the remaining outstanding principal amount of the \$631,000 Board of Regents for Education 3% Rhode Island Junior College Series A Revenue Bond of 1977. Since the amounts held in the Reserve Account by the Trustee under the Trust Agreement far exceed the amounts need to redeem the Bond, we propose to use amounts in the Reserve Account for the redemption and to cause the defeasance of the Bond as contemplated by Section 11.1 of the Trust Agreement, so that the remaining amounts being held by the Trustee, or otherwise restricted under the Trust Agreement, can be released to the Board of Education, Council on Postsecondary Education.

It is proposed that the surplus created by the student activity fee would be used in conjunction with strategic facility projects for the Warwick and Lincoln campuses. The Warwick Renewal project is currently underway. It is addressing long overdue facility deficiencies and will provide a general upgrade to the facility. My staff will supplement the capital project with a portion of the bond fund surplus to leverage economies of scale of such a significant capital upgrade. We will apply the same strategy for the Lincoln Campus Expansion, planning for which will begin next year. In both cases, the funds will be used for which they were intended, improvements that have direct benefit to students.

My staff will work with the Council on Postsecondary Education's Facilities Committee to advance the capital projects mentioned above. I will also include periodic updates on these projects in our discussions and in my report to the Council as appropriate.

I ask for your support and the Council's affirmative vote on the resolution.

c: Ruth Barrington
Paul Campellone (AP&S)
Ron Cavallaro
Susan LaPanne
David Patten

RESOLUTION OF THE COUNCIL ON POSTSECONDARY EDUCATION REGARDING
THE REDEMPTION OF ALL OF OUTSTANDING
PRINCIPAL AMOUNT OF THE \$631,000 BOARD OF REGENTS FOR EDUCATION 3%
RHODE ISLAND JUNIOR COLLEGE SERIES A REVENUE BOND OF 1977
(STUDENT CENTER)

January 7, 2015

WHEREAS, the Board of Regents for Education, a public corporation that was the predecessor to the Board of Governors for Higher Education, which was the predecessor to the Board of Education, which was the predecessor to the Council on Postsecondary Education (the "Council"), issued on behalf of the Community College of Rhode Island (formerly known as Rhode Island Junior College) ("CCRI") certain bonds under that certain Trust Agreement dated as of April 1, 1977 ("Trust Agreement"), by and between the Board of Regents for Education and Industrial National Bank of Rhode Island, as the original trustee, which bonds consisted of (i) \$1,600,000 Board of Regents for Education 3% Rhode Island Junior College Series A Revenue Bond of 1977 (Refunding) (the "1977 Series A Refunding Bond"), (ii) \$1,400,000 Board of Regents for Education 7.75% Rhode Island Junior College Series A Revenue Bond of 1977 (Student Center) (the "1977 Series A Student Center 7.75% Bond") and (iii) \$631,000 Board of Regents for Education 3% Rhode Island Junior College Series A Revenue Bond of 1977 (Student Center) (the "Outstanding Bond");

WHEREAS, the 1977 Series A Refunding Bonds and the 1977 Series A Student Center 7.75% Bond have been paid in full but approximately \$83,500 of the principal amount of the Outstanding Bond remains outstanding with a final maturity date of April 1, 2018;

WHEREAS, the successor trustee under the Trust Agreement is U.S. Bank National Association (the "Trustee"), which holds as security for the payment of the Outstanding Bond funds in various accounts under the Trust Agreement, including without limitation, a Reserve

Account of the Bond Fund and the Repair Fund, and such funds exceed the amounts necessary to redeem all of the remaining outstanding principal amount under the Outstanding Bond and to pay any and all fees and expenses of the Trustee in connection with such redemption;

WHEREAS, the Council desires to give the Trustee an irrevocable notice of its intent to redeem the outstanding principal amount of the Outstanding Bond (the "Redemption") on the next date available for such redemption, which is April 1, 2015, or such other date to be determined, and to cause the Trustee to set aside from the funds held in the Reserve Account of the Bond Fund under the Trust Agreement sufficient funds to accomplish the redemption, including the payment of all fees and expenses of the Trustee in order to cause the discharge of the Trust Agreement and the surrender and release to the Council of all cash and deposited securities, if any, other than the funds to be set aside for the redemption and the payment of fees and expenses of the Trustee, and all other security held by the Trustee to secure the payment of the Outstanding Bond (the "Defeasance"); and

WHEREAS, the Council deems it in the best interest of the Council, CCRI and the State of Rhode Island to cause the Outstanding Bond to be redeemed and to cause the discharge of the Trust Agreement and the release and surrender of the security held by the Trustee to secure the payment of the Outstanding Bonds other than the funds set aside by the Trustee for the redemption of the Outstanding Bonds or to pay the fees and expenses incurred by the trustee in connection with the redemption.

NOW, THEREFORE, be it resolved by the Council as follows:

1. The Council hereby approves the redemption of the Outstanding Bond on April 1, 2015 or such other date as may otherwise be determined by the Authorized Officer (as hereinafter defined) and to cause in accordance with Section 11.1 of the Trust Agreement the

discharge of the Trust Agreement and release and surrender of all cash and deposited securities, if any, other than cash set aside for the redemption and the payment of fees and expenses of the Trustee in connection with the redemption, and any other security held by the Trustee to secure the payment of the Outstanding Bond.

2. The Chairman of the Council (the "Authorized Officer") shall be and hereby is authorized, empowered and directed, signing singly, for and in the name of and on behalf of the Council, to execute and deliver to the Trustee an irrevocable notice of redemption for the Redemption and the Defeasance, and all other documents and instruments necessary and convenient in connection therewith.

3. The Authorized Officer is hereby authorized and empowered, signing or acting singly, to execute, acknowledge, deliver or approve any and all documents referred to above, upon such terms as the Authorized Officer shall deem advisable and such Authorized Officer's execution thereof shall be conclusive as to the authority of the Authorized Officer to act on behalf of the Council.

4. From and after the execution and delivery of documents hereinabove authorized, the proper officers, Council members and agents and employees of the Council are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of said documents as executed and are further authorized to take any and all action and to execute and deliver any and all other documents as may be necessary in connection with the Redemption and the Defeasance.

5. That the Commissioner of Postsecondary Education is hereby designated as Secretary of the Council for the meeting at which this Resolution has been presented to the Council for adoption for the purpose of executing and delivering any certificate or certificates deemed advisable by the Authorized Officer to certify the adoption of this Resolution by the Council as contemplated by the Trust Agreement.

6. All acts of the Authorized Officers and all other officers of the Council which are in conformity with the purposes and the intents of this Resolution and furtherance of the Redemption and the Defeasance, are in all respects ratified, approved and confirmed.

7. This Resolution shall take effect on passage.