

State of Rhode Island and Providence Plantations

BOARD OF EDUCATION

80 Washington Street, Suite 524  
Providence, Rhode Island 02903



Enclosure 3f  
April 10, 2014

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To: Members of the Board of Education

From: Clark Greene, Authorized Officer 

Date: April 4, 2014

Re: Approval of request to issue revenue bond financing in support of an urgent project to replace the primary electrical substations serving the URI Kingston Campus

President David Dooley is requesting Board support for the issuance of revenue bond financing to support the replacement of the primary electrical substations serving the Kingston Campus.

More information from President Dooley on behalf of the University of Rhode Island is attached.

Accordingly, I recommend:

THAT the Board of Education approve the issuance of revenue bond financing in support of an urgent project to replace the primary electrical substations serving the URI Kingston Campus.

THE  
UNIVERSITY  
OF RHODE ISLAND

OFFICE OF THE  
PRESIDENT

THINK BIG  WE DO™

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March 24, 2014



**TO:** Clark Greene, Authorized Officer

**FROM:** David M. Dooley, President University of Rhode Island

**SUBJECT: PUBLIC CORPORATION DEBT MANAGEMENT ACT RESOLUTION FOR REVENUE BOND FINANCING OF THE UNIVERSITY'S KINGSTON CAMPUS SUBSTATION REPLACEMENT PROJECT**

I am transmitting a Public Corporation Debt Management Act Resolution document for consideration by the Board of Education in April to issue revenue bond financing in support of an urgent project to replace the primary electrical substations serving the Kingston Campus. The commitment to assume debt service starting in FY 2015, would be presented as an amendment to the University's FY 2015 Unrestricted Budget and discussed at upcoming State Budget Hearings leading to its hopeful inclusion in the appropriations bill to be acted upon by the Legislature and the Governor for FY 2015.

The main high-voltage electrical crib, the primary interface between the primary electrical service from National Grid and the extensive underground and overhead electrical distribution system on the Kingston Campus, has reached the end of its useful life and requires full replacement. The two transformers and associated switch gear in the crib step-down the incoming power from National Grid from 34,500 volts to 4,160 volts for distribution to the majority of the Kingston Campus Buildings. The first of these transformers was installed in 1956 and the second was installed in 1972. The replacement of this equipment and the associated investments to harden the reliability and flexibility of operation of the Campus primary electrical system has been a priority element of the University's electrical distribution improvement plans for multiple years.

The scope of the project involves the development of a new main electrical crib east of the present location on Alumni Avenue near Heathman Hall. Two new transformers and associated switch gear will be installed in the new crib and the National Grid feed will be connected into the new equipment after full testing. In addition, a planned expansion of transforming capacity at the North District Substation on Flagg Road will be accomplished and tied into the new main electrical crib. This will strengthen the system by making it possible for any of the three electrical cribs serving the Kingston Campus to be taken off line, while continuing to feed electricity to the buildings on the Campus electrical distribution system.

The University sought RI Health and Education Building Corporation (RIHEBC) revenue bonds to support the substation replacement project in this year's Capital Improvement Program for FY 2015-2019. The University has consistently requested dedicated funding for its major utility systems (electrical, steam, water, wastewater, and storm water) over the last decade, but has resorted to more incremental investments having not successfully secured such a dedicated source.

The scale of this project, at \$7,000,000, is too extensive to utilize Asset Protection funding (projected to be \$7,520,000 in FY 2015), which is needed as a primary funding source for major repairs to all University general fund supported buildings and infrastructure components. The project is also not easily or advisably phased over multiple years. The estimate for the cost of the construction of the project was priced by the utility engineering firm in January 2014.

The University seeks revenue bonding for the \$7,000,000 full project cost and the cost to issue the financing, estimated at \$210,000. Debt Service payments would be supported by University's unrestricted general revenue funds from the University of Rhode Island. Total debt service on the bonds is not expected to exceed \$574,438 annually and \$11,500,000 in the aggregate based on an interest rate of five percent (5%) and a twenty-year term. In FY 2015, only one of two semi-annual payments of principal and interest of \$287,219 would be due, limiting the required adjustment to the FY 2015 Budget Request to accommodate this critical funding requirement.

The issuance of bonds through RIHEBC would take about two months from final approval. The construction project is expected to take a full year from the completion of the bid process to the final activation of the new electrical substations. Provisions will be made in a "Resolution of the Board of Education," which would follow this initial authorization that would enable construction expenses associated with this project to be reimbursed from the bond proceeds, if they occurred prior to the date of the availability of bond proceeds.

Knowledgeable University representatives will be available to respond to questions regarding this important project and the revenue bond process to enable this important infrastructure investment to be accomplished in a timely fashion.

cc: Christiana Valentino  
Louis Saccoccio  
J. Vernon Wyman  
Jerome Sidio

Enclosures

DRAFT \_\_\_\_\_

ARTICLE

RELATING TO RHODE ISLAND PUBLIC CORPORATION DEBT  
MANAGEMENT ACT JOINT RESOLUTIONS

SECTION I. This article shall serve as joint resolution required pursuant to Rhode Island Laws§ 35-18-1, et seq.

WHEREAS, the University's main high-voltage electrical crib, the primary interface between electrical feed from National Grid and the extensive underground and overhead electrical distribution system on the Kingston Campus, has reached the end of its useful life and requires full replacement, with the two transformers in the crib having been installed in 1956 and 1972; and

WHEREAS, additional improvements have been identified within the planned project to enhance the reliability and flexibility of operation of the Kingston Campus high voltage electrical distribution system and the replacement and improvements of this equipment has been a priority element of the University's electrical distribution improvement plans; and

WHEREAS, a failure in the main high-voltage electrical crib could cause electrical service to the majority of the Kingston Campus buildings to be down for an extended period of time, if it occurred, impacting commitments to educate and house students as well as the conduct of research; and

WHEREAS, The Board of Education and the University of Rhode Island are proposing a project which involves the engineering and construction to replace two electric substations in the main high voltage electrical crib serving the majority of the Kingston Campus buildings, associated switch gear, and other improvements to enhance the Kingston Campus primary electrical system; and

WHEREAS, The University engaged an engineering firm, Thompson Consultants, Inc., last year to develop plans and specifications for the project and those specifications will soon emerge from Building Commissioner review in preparation for construction bidding; and

WHEREAS, the University sought RI Health and Education Building Corporation (RIHEBC) revenue bonds to support the substation replacement project in the Capital Improvement Program for FY 2015-2019 and has consistently requested dedicated funding for its major utility systems (electrical, steam, water, wastewater, and storm water) over the last decade without successfully securing such a dedicated source; and.

WHEREAS, the cost of the construction of the project, priced in January 2014, is estimated at \$7,000,000 (seven million dollars), while the cost to issue financing is projected at \$210,000 (two hundred ten thousand dollars); and

WHEREAS, the proposed method of financing is to secure Rhode Island Health and Education Building Corporation revenue bonds in an amount not to exceed \$7,210,000 (seven million two hundred ten thousand dollars), with an expected term of twenty (20) years and debt service payments would be supported by University of Rhode Island's unrestricted general revenues and total debt service on the bonds is not expected to exceed Five Hundred Seventy Four Thousand Four Hundred Thirty Eight Dollars (\$574,438) annually and Eleven Million Five Hundred Thousand Dollars (\$11,500,000) in the aggregate based on an average interest rate of five percent (5.0%); and,

WHEREAS, The Rhode Island Public Corporation Debt Management Act requires the General Assembly to provide its consent to the issuance or incurring by the State of Rhode Island and other public agencies of certain obligations including

financing guarantees or other agreements; now, therefore be it

RESOLVED, that, this Joint Resolution shall take effect upon passage by this  
General Assembly.

DRAFT