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Enclosure 8d

April 14, 2014

April 11, 2014

TO: Members of the Board of Education

FROM: Clark Greene, Authorized Agent

RE: **Approval of the Proposed Replacement and Bonding Plan for the University of Rhode Island's Utility Substation**

In the University's 2015-2019 Capital Improvement Program presented in 2013, the University and the Board transmitted a resolution for a replacement of the electric utility substations and associated switch gear that are required to reduce the incoming National Grid electrical service from 34.5 kilovolts to the University standard distribution voltage of 4.16 kilovolts. The Capital Plan as submitted had presented this project in two phases: the first phase valued at $1,710,000 to be funded in 2014 via Asset Protection programs funds and the second valued at $5,290,000 to be funded in 2015 via Rhode Island Health and Education Building Corporation bonds.

However, the replacement of these substations has become increasingly urgent with the initial phase-in plan allowing great vulnerability to the University in the event of a significant failure to this system. It is important to note that the transformer and switchgear equipment that is presently installed has been in service and continuous operation since 1956 and 1971 respectively. Its timely replacement is vital.

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.

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.

I recommend:

THAT the Board of Education approves the attached draft legislation addressing the Public Corporation Debt Management Act issues related to the University's electrical substation project at the Kingston Campus for submission to the General Assembly.