RHODE ISLAND BOARD OF EDUCATION
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BOARD OF EDUCATION

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Enclosure 81
June 16, 2014

June 12, 2014

TO: Members of the Board of Education

From: Clark Greene, Authorized Officer CG

SUBJECT: Approval of Resolution Relating to the RI Health and Education Building (RIHEBC) Bond Funded URI Substation Project

The Board of Education approved the request from the University of Rhode Island to secure RIHEBC revenue bond financing to support major, high voltage electrical system improvements for the Kingston Campus at its April 14, 2014 meeting. 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.

At that time, the University was proposing the use of RIHEBC bonds to finance this urgent project which would have an estimated costs for both the project and the bond issuance of approximately $7.21M.
In the interim, however, the House Finance Committee has recommended in its budget proposal that the Rhode Island Capital Plan funds for FY 2015 would provide the $7.0m rather than having the system issue debt which will save $4.5m in interest costs over the life of the bonds.

Needless to say, the University is very grateful for this budget item and is hopeful that it will be included in the final budget passed by the full Legislature.

However, the University is requesting that the Board continues its consideration of this item at its Monday meeting in order to allow officials to proceed to bond funding in the unlikely and unfortunate event that this proposed RICAP funding is not included in the final budget. The Legislature will be voting on the final budget at some point after the Board's Monday meeting. Because this project is of an emergent nature, a delay in the financing arrangement to begin after the next Board meeting in August would be problematic.

University officials have discussed this request with the RIHEBC Board as well as with representatives from the State Budget Office, House Finance, and Senate Fiscal so that all involved are aware of the continuation of this request to the Board.

Therefore, a "Resolution of the Board of Education" has been prepared by the Board's Bond Counsel and is being presented to the Board for approval at this time in the case that bond funding becomes a necessity. It reinforces the Board's intent to proceed with the revenue bond financing, subject to the required approvals at the Legislative level, it details the intended methods to be employed for issuance of the bonds; and it describes the compliance requirements to be met by the University and the Board in the case that RICAP funds are not available.

Therefore, I recommend:

THAT the Board of Education approves the Resolution of the Board of Education associated with the Rhode Island Health and Education Building Corporation (RIHEBC) Bond funded URI Substation Project unless the funding is included in the enacted budget for Fiscal Year 2015.

THE
UNIVERSITY
OF RHODE ISLAND
OFFICE OF THE
PRESIDENT

THINK BIG WE DO™

Green Hall, 35 Campus Avenue, Kingston, RI 02881 p: 401.874.2444 f: 401.874.7149 uri.edu/president

TO: Clark Greene, Authorized Agent

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

DATE: May 15, 2014

SUBJECT: **RESOLUTION OF THE BOARD OF EDUCATION ASSOCIATED WITH THE RHODE ISLAND HEALTH AND EDUCATION BUILDING CORPORATION (RIHEBC) BOND FUNDED URI SUBSTATION PROJECT**

The Board of Education, at its meeting of April 14, 2014, approved a University of Rhode Island request to secure RIHEBC revenue bond financing to support major, high voltage electrical system improvements for the Kingston Campus. A draft of legislation to secure Public Finance Debt Management authorization was forwarded to the State following that meeting and is before the Executive and Legislative branches at this time for final consideration.

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.

Engineering work and estimating for the project has been funded from Asset Protection sources and completed. The project construction is estimated at $7.000M and $210K is the estimated cost of issuance of the bonds for a total to be financed of $7.210M. 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.

As indicated during the presentation of this project financing request at the April 2014 Board of Education Meeting, a "Resolution of the Board of Education" has been prepared by the Board's Bond Counsel pertaining to this project financing and is being presented for the Board's consideration and approval at this time. The Resolution reinforces the Board's intent to proceed with the revenue bond financing, subject to the required approvals at the Legislative level. The Resolution also provides further details as to the intended methods to be employed for issuance of the bonds and the compliance requirements to be met by the University and the Board.

The University of Rhode Island is an equal opportunity employer committed to the principles of affirmative action.

Of particular importance, Paragraph 8 of the Resolution provides a declaration of official intent by the Board to be reimbursed for capital expenditures incurred for project construction prior to the date of issuance of the bonds and access to their proceeds. With this provision in place, it would be possible to issue a purchase order to the contractor following bidding and award of the project and begin fabrication of the components needed for the project once State and RIHEBC approvals were secured. Reimbursement of such capital expenditures can be received from the bond proceeds when they are available. This is critical to enabling the project to proceed on its required schedule to complete the work prior to September 2015.

University representatives will be available at the Board's next meeting to respond to any questions concerning this request for approval of this "Resolution of the Board" and the other steps associated with this important financing transaction.

Cc: Christina Valentino

Louis J. Saccoccio

J. Vernon Wyman

Jerry Sidio

Enclosures

RESOLUTION OF BOARD OF EDUCATION REGARDING NOT TO EXCEED $7,210,000 RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION HIGHER EDUCATION FACILITY REVENUE BONDS BOARD OF EDUCATION ISSUE, 2014 SERIES, FOR THE URI SUBSTATION PROJECT (the "Bonds")

WHEREAS, the Board of Education (the "Board") desires to finance a project for the University of Rhode Island ("URI") consisting of:

(a) the replacement of two (2) electric substations and associated switch gear serving the Kingston Campus, and other improvements to enhance the Kingston Campus primary electrical system, and (b) the payment of certain expenses incurred in connection with the issuance of the Bonds (the "Project");

WHEREAS, it is anticipated at this time that the Rhode Island General Assembly shall adopt a joint resolution to approved the financing of the Project in the total principal amount not to exceed Seven Million Two Hundred Ten Thousand Dollars ($7,210,000) in accordance with Rhode General Laws Section 35-18-1, et seq. and shall adopt a FY2015 appropriation bill for the State of Rhode Island and Providence Plantations (the "State") that will include funds to pay debt service on the Bonds that becomes due and owing in FY2015 (collectively, the "Financing Approvals") but neither of the Financing Approvals has occurred to date;

WHEREAS, the Board deems it in the best interests of the Board, URI and the State to finance the Project through the Rhode Island Health and Educational Building Corporation ("RIHEBC") and, subject to the Financing Approvals, to enter into the agreements mentioned herein.

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

1. The Board hereby approves the Project and the issuance of the Bonds by RIHEBC to finance the Project in a total principal amount not to exceed Seven Million Two Hundred Ten Thousand Dollars ($7,210,000). The Bonds may be issued in one or more Series bearing interest at fixed rates and not variable rates and may be issued on a consolidated basis to finance other projects authorized by the Board. The Bonds may be sold in a public offering through an underwriter or underwriters determined in

concert with RIHEBC or, in the alternative, may be privately placed with a financial institution or financial institutions determined in concert with RIHEBC.

2. The Chairman, Vice Chairman, or Associate Commissioner for Finance and Management of the Board (each an "Authorized Officer") shall be and hereby is authorized, empowered and directed, signing singly, for and in the name of and on behalf of the Board, to execute and enter into a Loan and Trust Agreement, an amended Loan and Trust Agreement, a restated and amended Loan and Trust Agreement, or similar agreements (collectively, the "Loan and Trust Agreement"), a Bond Purchase Agreement to be entered into among RIHEBC, the Board and a purchaser of the Bonds through private placement or an underwriter to be determined in concert with RIHEBC (the "Bond Purchase Agreement"), and agreements with bond insurers or other credit enhancers, any supplemental or amendatory documents with respect to existing documents, and all other documents and instruments necessary and convenient in connection therewith, provided that the total principal amount for the Bonds shall not exceed the sum of Seven Million Two Hundred Ten Thousand Dollars ($7,210,000).

3. To the extent necessary or desirable to effectuate the financing of the Project, the Board hereby authorizes the Authorized Officer to pledge on behalf of the Board revenues of the Project, and educational and general revenues, including tuition, student and other fees that are a part of educational and general revenues, or such other security as may be required, without limitation. The Board's obligations and the Bonds shall not be deemed to constitute a debt or pledge of the faith and credit of the State nor any municipality of the State. Neither the State nor any municipality of the State shall be obligated to pay the obligations of the Board or the Bonds or the interest thereon, and neither the faith and credit nor the taxing power of the State nor any municipality of the State shall be pledged to pay such obligations of the Board or the Bonds.

4. In the event the Bonds are sold through a public offering, or if otherwise required, the Authorized Officer is hereby authorized, empowered and directed, for and in the name of and on behalf of the Board to approve a preliminary and final official statement to be

prepared in connection with the issuance of the Bonds and to execute, acknowledge, deliver and approve said preliminary and final official statement.

5. The Authorized Officer is authorized to take all actions necessary to comply with federal tax and securities laws, including Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), if applicable, and to execute and deliver, if necessary, a Continuing Disclosure Agreement in connection with the issuance of the Bonds in the form as shall be deemed advisable by such Authorized Officer in order to comply with the Rule. The Board hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement, as it may be amended from time to time. Notwithstanding any other provision of this Resolution and the Bonds, failure of the Board to comply with the Continuing Disclosure Agreement, if any, shall not be considered an event of default under the Bonds; however, any bondholder may take such actions as may be necessary and appropriate, including seeking mandatory or specific performance by court order, to cause the Board to comply with its obligations under this Section and under the Continuing Disclosure Agreement, if any.

6. The Authorized Officer is hereby authorized and empowered 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 such Authorized Officer to act on behalf of the Board.

7. The Authorized Officer and all other officers of the Board are hereby authorized to take all lawful action necessary under the Internal Revenue Code of 1986, as amended (the "Code"), to insure that the interest on the Bonds will remain exempt from federal income taxation to the extent provided in Section 103 of the Code and to refrain from taking any action which will cause interest on the Bonds to lose the benefit of exclusion from gross income provided by Section 103(a) of the Code. The Authorized Officer is authorized to execute and deliver a Tax Regulatory Agreement of the Board in connection with the issuance of the Bonds in order to effectuate these purposes.

8. This Resolution constitutes the Board's declaration of official intent pursuant to U.S. Treasury Regulations Section 1.150-2 to be reimbursed for certain capital expenditures for the Project paid on or after the date which is sixty (60) days prior to the date of this Resolution but prior to the issuance of the Bonds by RIHEBC. Prior to reimbursement, project costs will initially be paid out of educational and general revenue accounts of the Board or URI. The maximum principal amount of obligations to be issued for the Project is not expected to exceed Seven Million Two Hundred Ten Thousand Dollars ($7,210,000). Amounts to be reimbursed shall be reimbursed not later than eighteen (18) months after the later of (a) the date on which the expenditure is paid, or (b) the date on which the Project is placed in service; but in no event later than three (3) years after the date the expenditure is paid.

9. From and after the execution and delivery of documents hereinabove authorized, the proper officers, Board members and agents and employees of the Board 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 actions and to execute and deliver any and all other documents as may be necessary in connection with the issuance of the Bonds and in the execution, delivery, approval and performance of any of the Loan and Trust Agreement, the Bond Purchase Agreement, any agreements with bond insurers or other credit enhancers, any supplemental or amendatory documents with respect to existing documents, and all other documents and instruments necessary and convenient in connection therewith, as contemplated by the preliminary and final official statements, if any.

10. All acts of the Authorized Officers and all other officers of the Board which are in conformity with the purposes and intents of this Resolution and furtherance of the issuance of the Bonds and the execution, delivery, and approval and performance of any of the Loan and Trust Agreement, the Bond Purchase Agreement, any agreements with bond insurers or other credit enhancers, any supplemental or amendatory documents with respect to existing documents, and all other documents and instruments necessary

and convenient in connection therewith, as contemplated by the preliminary and final official statements, if any, shall be, and the same hereby are, in all respects ratified, approved and confirmed.

11. This Resolution shall take effect on passage; provided, however, no issuance of the Bonds to finance the Project or the execution and delivery of any agreement or instrument or the making of any commitment in furtherance thereof or the Project shall occur unless on or prior to July 31, 2014, the Rhode Island General Assembly has adopted a joint resolution approving the financing of the Project in the total principal amount not to exceed Seven Million Two Hundred Ten Thousand Dollars ($7, 210,000) in accordance with Rhode Island General Laws Section 35-18-1, et. seq. and has adopted, without veto by the Governor or after overriding the veto of the Governor, a FY 2015 appropriation bill for the State that specifically includes funds for debt service payments due and payable on the Bonds during FY 2015.