



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
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Memorandum

To: The Honorable Raymond E. Gallison, Jr.
Chairman, House Finance Committee

The Honorable Daniel DaPonte
Chairman, Senate Finance Committee

From: Thomas A. Mullaney *Thomas A. Mullaney*
Executive Director/State Budget Officer

Date: May 21, 2014

Subject: Amendments to the FY 2015 Appropriations Act (13-H-7133)

The Governor requests that Article 4 – Relating to Debt Management Act Joint Resolution be amended by adding the attached new section 6 and renumbering the current section 6 to section 7.

This amendment will provide authority to the University of Rhode Island to finance improvements to the Kingston Campus electrical substation through the issuance of \$7,210,000 of Rhode Island Health and Education Building Corporation revenue bonds. This project was requested by the University in their FY 2015 – FY 2019 Capital Improvement Plan, but was not included in the Governor's recommended FY 2015 capital budget based on conversations between the Budget Office and the University and the availability of funding in FY 2015 to support the debt service on this financing. Subsequently, due to further deterioration in the electrical substation and concerns over its potential failure, the University requested that the authorization to issue this debt be submitted to the General Assembly this year. Depending on the timing of the financing, the University will need to identify funding within its current budget to support an interest payment in FY 2015.

If you have any questions regarding this amendment, please feel free to call me or my staff at 222-6300.

TAM:14-Amend-04
Attachments

cc: Sharon Reynolds Ferland, House Fiscal Advisor
Stephen Whitney, Senate Fiscal Advisor
Steve Hartford, Director of Policy
Richard Licht, Director of Administration
Peter Marino, Director, Office of Management and Budget
Gregory Stack, Supervising Budget Analyst

TDD#: 277-1227

ARTICLE 4

RELATING TO DEBT MANAGEMENT ACT JOINT RESOLUTIONS

SECTION 6. *University of Rhode Island Electrical Substation.*

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, 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 an engineering and construction project to replace two electric substations, associated switch gear, and other improvements to enhance the Kingston Campus primary electrical system ("the project"); and

WHEREAS, last year the University engaged an engineering firm, Thompson Consultants, Inc., to develop plans and specifications for the project, and those specifications have been prepared for Building Commissioner review in preparation for construction bidding; and

WHEREAS, the University requested approval for Rhode Island Health and

Education Building Corporation (RIHEBC) revenue bonds to support the substation replacement project in its Capital Improvement Program for FY 2015 – FY 2019; and

WHEREAS, the University now proposes to finance the project with 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). Annual debt service payments of approximately five hundred seventy four thousand four hundred thirty eight dollars (\$574,438) annually would be supported by the University of Rhode Island's unrestricted general revenues. Total payments on the bonds over twenty (20) years are projected to be eleven million five hundred thousand dollars (\$11,500,000), assuming an average interest rate of five percent (5.0%); now, therefore, be it

RESOLVED, that this General Assembly hereby approves financing not to exceed \$7,210,000 (seven million two hundred and ten thousand dollars), including seven million dollars (\$7,000,000) for the estimated cost to construct the project and \$210,000 (two hundred and ten thousand dollars) for the estimated cost of financing; and be it further

RESOLVED, that this joint resolution shall take effect immediately upon its passage by the General Assembly and shall be limited to debt issued prior to June 30, 2015.

SECTION 7. This article shall take effect upon passage.