



Corrected February 7, 2022

City of Newport
REQUEST FOR CITY COUNCIL ACTION

To: Mayor Jeanne-Marie Napolitano & Members of the City Council
From: Joseph J. Nicholson, Jr., Esq., City Manager
Date: January 31, 2022
Subject: School Bonds and Possible Bond Premiums
Staff Presentation: Laura Sitrin, Director of Finance & Joseph J. Nicholson, Jr., City Manager

RECOMMENDATION:

Recommends the Council approve the use of any bond premium up to a maximum of \$15,000,000 to pay for "add alternates" related to the construction of Rogers High School, as well as for any Covid escalation costs related to the construction budget.

BACKGROUND AND FINDINGS:

On November 3, 2020, voters overwhelmingly approved the issuance of bonds of \$106,500,000 reduced by the State Bond pay-go portion of \$7,927,272 for a total of \$98,500,000 to add an addition to Pell Elementary School and to build a new Rogers High School ("the projects"). The City Council approved the sale of said bonds, plus any original issue premium for the projects on February 24, 2021, and authorized the Mayor and Director of Finance to issue said bonds on behalf of the City.

The RIDE Memorandum of Agreement on School Construction approved new construction/major renovations in the amounts of \$7,472,300 for Pell and \$98,862,667 for Rogers. Projected costs for the new Rogers High School, in particular, exceed the amounts approved by RIDE and the total authorized bonds of \$98,500,000. Cost increases are due to the Covid pandemic, inflation, and significant delays in supply and distribution systems in the United States.

As a result of projected increased costs of the new Rogers High School, several items were eliminated from the cost of the project and set aside as "add alternates" including the automotive and cosmetology programs, the central office building, the track and premier athletic field, and approximately 10 other items.

The City is planning to issue the bonds in March 2022, and initial discussions indicate that the City might receive a substantial original issue premium on the sale of the bonds. Normally, premium is used to reduce the principal amount of bonds that are being issued. City bond counsel has indicated that a premium of up to 15% of the original voter approved amount of bonds (\$15,000,000) may be used for additional costs of construction of the projects. As such, the City Manager and Director of Finance are requesting that Council reaffirm the use of original bond premium of up to \$15,000,000 to be applied to the increased cost and add alternates of the Rogers High School build, as set forth in Resolution 2021-13 dated February 24, 2021.

PREVIOUS LEGISLATIVE ACTION

Resolution 2021-13

FISCAL IMPACT

The fiscal impact is the amount of additional interest and principal on the foregone use of bond premium to reduce the amount of bonds being issued. An exact amount is not known at this time as we won't know how much premium the City may receive when it prices the bonds in March, nor do we know what the effective interest rate on the bonds will be. Assuming the premium is \$15,000,000, the premium amount plus interest will be the cost of the use of premium for the projects. This cost will not be eligible for school housing aid reimbursement at this time.

SUPPORTING DOCUMENTS

Resolution

Finance Dept. Review: 2/7/22 Date By: JS (if applicable)