

# **STATE BOARD FOR COMMUNITY COLLEGES AND OCCUPATIONAL EDUCATION**

December 14, 2022

**TOPIC:** Pikes Peak State College Bond Defeasance

**PRESENTED BY:** Mark Superka, VC Finance and Administration

## **EXPLANATION:**

At its October 2022 Board meeting, the Board approved renaming the Rampart Range Child Development Center to be the Delta Dental Oral Health Career Center as a result of a \$2.5 million gift from Delta Dental. In addition, PPSC will be requesting, at the upcoming December 2022 Board meeting, spending authority approval from the Board to renovate the facility.

In consulting with our bond counsel, Kutak Rock, it was learned that the gift--which as a condition of receipt included naming rights for Delta Dental on the facility—could, without remediation such as defeasing a portion of the applicable debt, be considered private use that could push the Board beyond the 10% private use limitation applicable to the tax-exempt obligations that are currently financing the Rampart Range Child Development Center. The Rampart Range Child Development Center was originally financed with the proceeds of tax-exempt bonds issued on behalf of PPSC by the State Board in 2003. In 2016, these bonds were refunded into new tax-exempt bonds (in order to take advantage of interest rate savings) and combined with a new issuance for Red Rocks Community College (the “2016 Bonds”). The 2016 Bonds are not currently callable.

As a result, in order to be able to accept and use the proceeds of the gift, the staff is recommending the Board approve a defeasance of the 2016 Bonds in the amount equal to the portion of the 2016 Bonds allocable to the former Rampart Range Child Development Center together with any other amounts as determined by an Authorized Person, after consultation with bond counsel, that would be necessary or advised to keep the Board within its private use limitations with respect to the 2016 Bonds, together with any additional amount of the 2016 Bonds as determined by an Authorized Person on the basis that it is strategically advantageous to the Board to do so. “Authorized Person” hereunder means the Chair of the Board, the Vice Chair of the Board, the Chancellor, the Vice Chancellor for Finance and Administration or any other officer of the Board that is designated to act as a Board Representative under the Master Resolution, as previously amended and supplemented.

Such defeasance would effectively remove all or a portion of the PPSC portion of the debt from the CCCS balance sheet, eliminate the private use issue regarding the 2016 Bonds, and allow PPSC to proceed with renovating and naming the facility. PPSC is planning to use reserves to fund the escrow account, which currently is estimated to be approximately \$1.6 million. However, the exact amount required will depend on where interest rates are at transaction close. In order to proceed with the defeasement, the Board is required to authorize and sign the attached Board resolution, which defines Authorized Persons and approves such defeasance.

**RECOMMENDATION:**

Staff recommends the Board approve the attached resolution to authorize the defeasance. In addition, staff recommends the Board authorize PPSC to fund an escrow account with college reserves for the purpose of facilitating such defeasance plus applicable transaction fees. Also, staff recommends that the Board delegate signature authority for all documents related to this transaction to the Authorized Persons, on the condition that all State and Board processes are followed.

**ATTACHMENT:**

2022 SBCCOE Defeasance Resolution