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TO: Dr. Monty Sullivan
President

FROM: Joseph F. Marin
Chief Operations Officer

SUBJECT: Refunding of BRCC Facilities Corporation Series 2011 and 2012 Bonds

DATE: November 25, 2019

APPROVED
12/11/19
LCTCS BOARD OF SUPERVISORS

FOR BOARD ACTION

Recommendation: Staff recommends that the Board approve and authorize the System President to execute agreements and associated documents, as listed below, between the LCTCS Board of Supervisors and the BRCC Facilities Corporation for Revenue Refunding Bonds Series 2011 and 2012 for BRCC Facilities Corporation projects, which will refinance a portion of the remaining outstanding Series 2011 and 2012 Bonds issued for Baton Rouge Community College. This action was ratified by the BRCC Facilities Corporation on December 5, 2019 and is subject to approval by the State Bond Commission on December 19, 2019.

Documents: Include, but are not limited to, a supplemental Ground Lease and a supplemental Agreement to Lease With Option To Purchase in connection with the lease of a portion of the Baton Rouge Community College campus to BRCC Facilities Corporation, and the lease back to the Board of buildings constructed thereon with the proceeds of the prior bonds; authorizing the execution of any and all associated documents and certificates; and providing for other matters in connection therewith.

Background: The BRCC Facilities Corporation financed the construction of the majority of the Baton Rouge Community College campus using the proceeds of Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds (BRCC Facilities Corporation Project) consisting of \$55,000,000 Series 2002 Bonds and \$10,000,000 Series 2003 Bonds.

The Corporation later issued \$31,495,000 Series 2011 Bonds for the purpose of refunding a portion of the Series 2002 Bonds. This transaction generated \$2.5 million in gross savings, or \$2.2 million in present value savings (6.8%). The Corporation also issued \$24,125,000 Series 2012 Bonds for the purpose of refunding the remaining portion of the Series 2002 Bonds. This transaction generated \$1.4 million in gross savings, or \$1.0 million in present value savings (4.3%).

The Series 2011 Bonds and the Series 2012 Bonds are on the only bonds still outstanding. In the current market, the Refunding Bonds could have interest rates of approximately 1.89% to 2.93%.

The Corporation has an opportunity to refund a portion of the Series 2011 Bonds (callable in 2021) and Series 2012 Bonds (callable in 2022). These bonds carry interest rates ranging from 3.625% to 5.00%. Pending any changes in market interest rates, approximately \$38.7 million of Refunding Bonds would be sold in mid-January 2020 and close in early February 2020. Savings would be realized in FY2021.

Lease payments for the facilities are paid by the Board to the Corporation from a special annual appropriation from the state pursuant to a Cooperative Endeavor Agreement between the State, the Board and the Corporation. Because the bonds are payable from state appropriations, the savings from the refinancing will accrue to the state general fund. Draft documents, projected debt service schedules and cost of issuance are available for review in the office of the LCTCS Chief Operations Officer.

**Fiscal Impact:** A net savings to the state general fund of approximately \$2.0 million in gross savings and present value savings of 5.3%. This exceeds State Bond Commission's present savings guidelines of 3.0%.

**History of Prior Actions:** On February 14, 2002, the Board voted to approve the resolution for planning and construction of additional facilities for the Baton Rouge Community College using alternative financing. On August 10, 2011, the Board approved the issue of \$31,495,000 Series 2011 Bonds for the purpose of refunding a portion of the Series 2002 Bonds. On March 7, 2012, the Board approved the issue of \$24,125,000 Series 2012 Bonds for the purpose of refunding the remaining portion of the Series 2002 Bonds.

**Benefits to the System:** The State of Louisiana will benefit from the savings in state general funds from refinancing of the Series 2011 and 2012 Bonds.

  
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**Approved for Recommendation to the Board**  
**Dr. Monty Sullivan, President**

12-11-19  
\_\_\_\_\_  
**Date**