

**PHONE MEETING OF THE BUSINESS AFFAIRS COMMITTEE  
OF THE BOARD OF TRUSTEES  
Community College of Philadelphia  
Tuesday, February 5, 2019 – 11:30 A.M.**

**Present:** Ms. Suzanne Biemiller (*via* teleconference), Mr. Harold Epps (*via* teleconference), Mr. Steve Herzog (*via* teleconference), Mr. Michael Soileau (*via* teleconference), Mr. Jeremiah J. White (*via* teleconference), Dr. Donald Generals, Mr. Jacob Eapen, Mr. Gim Lim, Mr. James P. Spiewak, Victoria Zellers, Esq., Mr. Gregory Murphy, Ms. Pat Warner, Ms. Carol de Fries, Dr. Pam Carter, Dr. Samuel Hirsch and Invited Guest: Mr. Andre Allen (*via* teleconference)

**AGENDA – PUBLIC SESSION**

**(1) Architect Selection for the Career and Advanced Technology Center (Action Item):**

Background: At the January 23rd, Business Affairs Committee meeting, a motion was passed for the Committee to recommend to the full Board to award the contract to the Schrader Group for the Career and Advanced Technology Center in the amount of \$2,100,000 contingent upon the staff providing the sources and uses of funds for the construction and proforma of revenues and expenses for the programs at the proposed Center.

Discussion: Dr. Generals announced that Econsult Solutions, Inc. is being contracted to provide an environmental scan in support of programming decisions. Dr. Generals commented that the automotive technology and workforce programs are similar to Nursing and other Allied Health programs where program revenues do not exceed program expenses but draw more students who contribute to the overall College revenue streams.

Mr. Eapen stated that PDE approved the project for \$20 million and we will be receiving 50% or \$10 million in debt servicing. The College has also received \$2.25 million in RACP funding. Mr. Epps and Ms. de Fries confirmed we have RACP funding. Mr. Andre Allen, Principal, Phoenix Capital Partners, LLP, reviewed the sources and uses of funds by comparing traditional financing to financing that includes New Market Tax Credit (NMTC). Mr. Allen noted that the NMTC financing includes \$4.6 million in equity based on NMTC allocation of \$20 million. The \$20 million allocation could be provided by PIDC and other CDEs. The \$4.6 million is equity contribution that does not have to be repaid. A twenty-year taxable bond will be issued to eliminate the risk of refinancing at a higher interest rates at the end of the 7 year NMTC program. The cost will be slightly more to eliminate this refinancing risk. The College is projected to save \$3.1 million over 20 years on debt service using NMTC versus traditional funding. Please refer to Attachment A.

Ms. Biemiller expressed concerns on the cost of the project, the increasing debt service amounts and its potential impact of reducing our operating funds. Mr. Spiewak commented that we have a 7 year private placement loan that will be paid off in 2-3 years and there will be savings from terminating our rental space at the West Regional Center. Mr. Eapen added that the College will also be seeking a Phase 2 capital funding for the project from PDE and private donations.

Dr. General mentioned that the original project was \$20 million but because we are going beyond Auto Tech programs, it has increased to \$31 million. The project will be built on the land we currently own. Construction cost for the first floor is projected at \$275/ft., second and third floors at \$385/ft. Currently, the Advanced Manufacturing programs at Ben Franklin High Schools are limited to evenings and weekends. Renovations at Ben Franklin High School have also disrupted our ability to conduct training. The expanded space will allow for the College to expand its workforce development mission and provide expanded educational opportunities.

The Trustees directed the staff to provide additional information on the programs: competition with other schools offering similar programs, the demand for the programs and affordability for our students to enroll in the programs. Dr. General stated that the Econsult Solutions, Inc. will take a deeper dive to validate the College's initial program assumptions.

Additionally, the Trustees asked whether the architect will be paid based on performance. Mr. Eapen answered that the architect contract will be paid in phases based on performance.

Action: Ms. Biemiller moved and Mr. White seconded the motion that the Committee recommend to the full Board to approve the selection of the Schrader Group as architects for the Career and Advanced Technology Center in the amount of \$2,100,000. The motion passed unanimously.

## **ATTACHMENT A**

**Sources and Uses of Funds for the Construction and  
Proforma of Revenues and Expenses for the  
Programs at the Proposed  
Career and Advanced Technology Center**

## Career and Advanced Technology Center Proforma

Traditional Funding (1)		NMTC - \$20 Million Allocation – Taxable Bonds (2)	
Sources	\$	Sources	\$
Bond Proceeds	28,750,929	Bond Proceeds	10,251,514
RACP Funds	2,250,000	RACP Funds	2,250,000
<b>TOTAL SOURCES</b>	<b>31,000,929</b>	New Market Tax Credit	4,625,000
		Bond Issue Taxable	14,065,000
		<b>TOTAL SOURCES</b>	<b>31,191,514</b>
Uses		Uses	
Project Cost	30,668,750	Project Cost	30,668,750
Cost of Issuance	332,179	Cost of Issuance	522,764
<b>TOTAL USES</b>	<b>31,000,929</b>	<b>TOTAL USES</b>	<b>31,191,514</b>

Notes:

1. The traditional funding assumes the issuance of all tax-exempt bonds as a single series of bonds to fund the entire project.
2. The taxable bonds assume a taxable bond issue with interest only payments for the first 7 years and amortizing principal over the next 13 years. The interest only payments for the first 7 years is a New Market Tax Credit (NMTC) requirement. The estimated costs of issuance are elevated given the separate financings of tax-exempt bonds and a taxable bond issue. NMTC requires taxable bonds as part of the package.
3. PDE's approval for the project is \$20 million and the State's share of the debt service is 50%, i.e. the State will cover debt service on \$10 million.
4. The debt service split between the State and City/College is attached herewith for the 2 options.

## Debt Service Proforma

Traditional Funding				NMTC - \$20 Million Allocation			
<u>Debt Service</u>		City Share (65.2%)	State Share (34.8%)	<u>Debt Service</u>		City Share (58.4%)	State Share (41.6%)
Year 1	109,667	70,563	\$39,104	Year 1	95,950	56,846	39,104
Year 2	2,111,000	1,356,750	754,250	Year 2	1,436,403	682,153	754,250
Year 3	2,111,250	1,356,250	755,000	Year 3	1,437,153	682,153	755,000
Year 4	2,114,500	1,359,500	755,000	Year 4	1,437,153	682,153	755,000
Year 5	2,110,500	1,356,250	754,250	Year 5	1,436,403	682,153	754,250
Year 6	2,114,500	1,361,750	752,750	Year 6	1,434,903	682,153	752,750
Year 7	2,111,000	1,360,500	750,500	Year 7	1,432,653	682,153	750,500
Year 8	2,115,250	1,362,750	752,500	Year 8	1,434,653	682,153	752,500
Year 9	2,111,750	1,358,250	753,500	Year 9	2,235,653	1,482,153	753,500
Year 10	2,110,750	1,357,250	753,500	Year 10	2,236,853	1,483,353	753,500
Year 11	2,112,000	1,359,500	752,500	Year 11	2,235,113	1,482,613	752,500
Year 12	2,111,250	1,360,750	750,500	Year 12	2,235,433	1,484,933	750,500
Year 13	2,110,500	1,358,000	752,500	Year 13	2,237,570	1,485,070	752,500
Year 14	2,112,500	1,359,250	753,250	Year 14	2,236,275	1,483,025	753,250
Year 15	2,111,000	1,358,250	752,750	Year 15	2,236,548	1,483,798	752,750
Year 16	2,111,000	1,360,000	751,000	Year 16	2,233,145	1,482,145	751,000
Year 17	2,112,250	1,359,250	753,000	Year 17	2,236,068	1,483,068	753,000
Year 18	2,114,500	1,361,000	753,500	Year 18	2,239,823	1,486,323	753,500
Year 19	2,112,500	1,360,000	752,500	Year 19	2,239,168	1,486,668	752,500
Year 20	2,111,250	1,356,250	755,000	Year 20	2,239,103	1,484,103	755,000
Year 21	2,110,500	1,359,750	750,750	Year 21	2,234,378	1,483,628	750,750
Total	42,349,417	27,251,813	15,097,604	Total	39,220,393	24,122,797	15,097,604

**Notes:**

Total savings between traditional and NMTC supported financing over 20 years is projected to be less than \$3.1 million. This is before discounting the savings to present value.