



Public Finance Management Board
Regular Meeting Minutes
Thursday, October 27, 2016
9:00 a.m.
Room 205, State House

A meeting of the members of the Public Finance Management Board (“PFMB”) was held on Thursday, October 27, 2016 at 9:00 a.m. in Room 205, State House, Providence, Rhode Island, pursuant to duly posted public notice of the meeting and notice duly provided to all members.

I. Call to Order

The meeting was called to order at 9:01 a.m.

II. Roll Call of Members

The following members were present: Mr. Karl Landgraf, Ms. Maribeth Williams, Mr. Douglas Jacobs, Mr. Joseph Reddish, Ms. Patricia Anderson and General Treasurer Seth Magaziner.

Mr. Shawn Brown arrived at 9:08 a.m.
Mr. Michael DiBiase arrived at 9:34 a.m.

Also in attendance: Ms. Janet Lee and Mr. Thomas Huestis, Public Resources Advisory Group (PRAG); Jean-Pierre Aubry, Associate Director of State and Local Research, Boston College; Mr. Frank Quinn, Director of Debt Management; Mr. Eugene Bernardo, Esq., Legal Counsel from Partridge Snow & Hahn LLP; Mr. Patrick Marr, Chief of Staff for the General Treasurer’s Office, and other members of the Treasurer’s Staff.

III. Approval of Minutes

Treasurer Magaziner moved to the first agenda item:
Consideration to approve the Public Finance Management Board Minutes.

On a motion by Ms. Williamson and seconded by Mr. Reddish, it was unanimously
VOTED: To approve the draft of the Minutes of the September 22, 2016 PFMB Regular Meeting.

IV. Discussion of Board Elections

Per statute, it is required that, in addition to a Chairman, that the Board annually elect a Vice-Chair and a Secretary. Treasurer Magaziner stated he welcomes volunteers. The vote to approve the positions will be placed on the agenda at the next meeting.

V. Debt Management Technology and Communications Update

Mr. Marr provided an update on both the public facing debt portal and the issuer facing portion of the debt portal, presenting a live demonstration of the website. He began by showing the issuer facing portion of the portal, noting the site is live. He navigated several areas, illustrating the contents available.

Next, he explained that over the past month, staff has been working to incorporate online versions of the notice of proposed sale and notices of final sale. He showed the hard copy form that issuers are presently required to provide the office and compared it to the online version that was developed, noting that content wise they are quite similar but that the online version will ease the current process, which is less user friendly and causes gaps in data collection. In order to use the online version to submit a notice, a user will have to sign up to use the site with basic identifying information. Once credentials are created, the user can then not only file their notices but also access their past submissions as well and even edit them as needed. Users also can print their submissions. He demonstrated these points.

He stated that any feedback from the board or the public are welcome and added that the office will be sending out solicitations to all previous issuers to inform them of how to sign up for the site and how to complete the forms in order to gather user feedback in that manner as well. As is, the site is ready for a soft launch.

In regards to the public facing portal, Mr. Marr said staff are working to create a data model to build a summary of all debt issuance. The model that will be used is based off the Socrata platform that is utilized by the State of California for its debt portal but Rhode Island's platform can establish various data points of interest specific to this state. Socrata has created a staging site for Treasury while the contract for their services is undergoing the state procurement process.

The board asked questions.

VI. Debt Affordability Study Update

Treasurer Magaziner outlined the phases of the study. Still in Phase I, the current focus is on the state's direct tax supported debt and data collection. Phase II is the state-level, quasi-public agency debt and Phase III encompasses municipal debt. The board is not voting to consider any suggested targets for any issuers until all three phases are complete as the board should have all of the information available before making recommendations.

Treasurer Magaziner reminded the board they provided feedback to PRAG at the previous meeting indicating they would like to see the peer set broadened outside of neighboring states and that the ratios incorporate pension liabilities in addition to traditional bonded debt as it is difficult to determine how much debt can be afforded if only looking narrowly at bonds and not other liabilities. Now the board must determine how to measure and standardize these ratios in order to best establish real "apples to apples" comparisons. There are several ways to make these measurements. PRAG and the Boston College Center for Retirement Research will be presenting the various methods of measuring liabilities at this meeting with the goal of the board being to select the methodology it likes best so it can then be applied to creating the measures to the state's debt.

Ms. Lee began by presenting the debt and pension ratios of twenty-seven (27) comparably rated states as reported by each of the three ratings agencies.

The board asked questions.

Ms. Lee summarized the ratios used by each of the three ratings agencies, highlighting each agency's indicators and net pension liability criteria. This encompasses reports issued on comparability as well as specific statistics tracked in their respective ratings methodology. Both Fitch and Moody's normalize to a common assumed rate of return, whereas S&P does not, making their approach not conducive to the standardization goals of the board.

The board asked questions.

Mr. Huestis gave an update on Phase II as the groundwork is currently being laid for that aspect of the study. Phase II involves the long-term liabilities of quasi-public agencies, which do not include tax-supported debt of the state. He then outlined the various types of quasi-public agencies and the different considerations in the application guidelines of revenue and conduit bonds. As PRAG moves into the next phase, Treasurer Magaziner stated they will be reaching out to these various agencies to gain an understanding of how they approach the different types of debt and what kind of metrics the ratings agencies use for the issuers in order to build a comparison with other states.

VII. Uniform Methodology of Assessing Local Pension Liability Presentation

Related to the PRAG discussion, Mr. Aubry offered an overview of the cost burden of pension and OPEB plans. He explained the purpose of Boston College's study was to test the generalizations made about the costs of pension plans, namely to determine if all plans are indeed struggling. The sample size includes all 50 states, 178 counties and 173 cities (although only the top 50 cities are reported). The cost burdens were calculated by: applying GASB 68 to determine the liability of each level of government; normalizing figures by determining the rate of return and amortization method; and, selecting an appropriate revenue base. Their findings show that although a handful of states are struggling with the financial burden imposed by retirement programs, most are managing quite well. Mr. Aubry concluded by stating a full analysis of the burden of employee retirement costs should consider all jurisdictions and all major costs.

Treasurer Magaziner said he liked the pension analysis and would like to explore similar analysis utilizing the state's policy figures. He discussed the possibility of utilizing Mr. Aubry's approach for the pension analysis piece and the "apples to apples" debt methodology provided by PRAG to produce a comprehensive report.

The board asked questions.

VIII. Chairman's Comments

Treasurer Magaziner welcomed comments, questions and feedback from the board on any of the topics discussed at the meeting. He also addressed the necessary change in December's meeting date and said a survey would be forthcoming to gauge the availability of members for an alternate date. He thanked the board and presenters for the time.

Treasurer Magaziner opened the floor to other business. There being none, Treasurer Magaziner entertained a motion to adjourn the meeting.

On a motion by Ms. Williamson and seconded by Mr. Jacobs it was unanimously
VOTED: To adjourn the meeting.

There being no further business, the meeting adjourned at 10:35 a.m.

Respectfully submitted,

**Seth Magaziner,
General Treasurer**

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