



Public Finance Management Board
Regular Meeting Minutes
Thursday, February 2, 2017
9:00 a.m.
50 Service Avenue, Warwick

A meeting of the members of the Public Finance Management Board (“PFMB”) was held on Thursday, February 2, 2017 at 9:00 a.m. in the large conference room of 50 Service Avenue, Warwick, 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 9:09 a.m.

II. Roll Call of Members

The following members were present: Mr. Shawn Brown, Mr. Michael DiBiase, Mr. Karl Landgraf, Mr. Douglas Jacobs, Mr. Joseph Reddish, Ms. Maribeth Williamson, and General Treasurer Seth Magaziner. Mr. DiBiase left the meeting at 10:33 a.m.

The following members were absent: Ms. Patricia Anderson and Mr. Robert Mancini

Also in attendance: Ms. Janet Lee and Mr. Thomas Huestis, Public Resources Advisory Group (PRAG); Mr. Charles Kelley, Director of the Rhode Island Student Loan Authority (RISLA); Mr. Noel Simpson, Deputy Director of RISLA; Ms. Kara Lachepelle, Chief Financial Officer, Rhode Island Housing (RI Housing); Mr. Richard Hartley, Treasurer of Rhode Island Housing; Mr. Frank Quinn, Director of Debt Management; Mr. Eugene Bernardo, Esq., Legal Counsel from Partridge Snow & Hahn LLP; 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 Mr. Brown and seconded by Mr. Reddish, it was unanimously
VOTED: To approve the draft of the Minutes of the December 12th 2016 PFMB Regular Meeting.

IV. Debt Affordability Study Update

Treasurer Magaziner began by explaining that Ms. Lee and Mr. Huestis will be presenting information on Phase II and Phase III of the Debt Affordability Study. Regarding Phase II with the quasi-public agencies, he stated PRAG will go through each, one-by-one, reviewing the outstanding debt for each agency, how it

compares to similar peers and how it compares to rating agencies' guidelines on appropriate levels of debt. He hoped to have a brief conversation following each to ascertain the Board's opinions, satisfaction levels of agency standing as well as what additional aspects they may like to see in order to make a determination about what affordability guidelines should look like for that particular agency. Phase III, containing data from municipalities and districts, can be broadly discussed as affordability guidelines can be applied uniformly; municipalities do not have the varying missions quasi-public agencies do, which necessitate a more individualized approach. Based on the data collected from PRAG and the feedback from the Board, staff will return next month with preliminary recommendations on affordability guidelines for each agency as well as guidelines for the cities and towns.

Mr. Huestis encouraged the members to interrupt at any time with questions.

Ms. Lee then proceeded to lead the Board through each of the twelve quasi-public agencies, outlining their outstanding debts, their credit ratings and the types of security. The Board asked questions relevant to each agency. Ultimately, the Board asked for more information on RI Resource Recovery Corporation, RI Turnpike and Bridge Authority, Narragansett Bay Commission, and RI Airport Corporation related to their project plans and liabilities. Members also found it prudent to gather information on each agency's affordability projections for one to two years in the future.

Mr. Landgraf noted data being used is from 2015 and having more current information will assist in making stronger recommendations. Mr. Jacobs added he found it important to set standards based on both a current and projected basis.

Ms. Lee then gave an overview of the municipalities. One recommendation coming from PRAG regarding Phase III was to combine districts with the municipalities in which they are located when presenting the data and determining affordability guidelines. The reason being is that (usually) both the districts and municipalities are funded by the same population and in the same manner, typically with respect to the property taxes of the area. The members questioned the fairness of combining a poorly managed district with a well performing municipality or vice versa. Would the well performing entity be penalized for the underperformer? How would that be accounted for? Treasurer Magaziner offered the possible solution of displaying the debt in three ways: debt of the municipalities only, the combination of debt from districts and municipalities, and the combination of debt from districts and municipalities funded by property taxes. This would help frame the numbers. This will be represented in future versions of the report.

Treasurer Magaziner noted that they will also be adding pension liabilities to the report in Phase III for a more "apples to apples" comparison among municipalities. Ultimately, he would like to see OPEB added as well but that may be too arduous to incorporate in this edition of the study.

The Board asked questions.

V. Volume Cap Presentation

At the December meeting, the Board requested additional information on the Volume Cap. Mr. Quinn and Mr. Bernardo developed informational material regarding the Volume Cap. Mr. Bernardo then summarized the history and purpose of Volume Cap. He provided the Board detail on the differing bonds and the subsets of those bonds, defining the qualifying nature of each.

Mr. Kelley and Mr. Simpson of RISLA and Ms. Lachepelle and Mr. Hartley of RI Housing were made available for questions.

The board asked questions.

Due to the length of the meeting, Treasurer Magaziner suggested tabling the remaining item on the agenda, the Dashboard of Proposed Issuer Information, and revisiting it next month.

On a motion by Mr. Brown and seconded by Mr. Reddish, it was unanimously **VOTED: To move the remaining agenda item to the next meeting.**

VI. Chairman's Comments

Treasurer Magaziner thanked PRAG and staff for their hard work producing such a comprehensive study. He was pleased with the discussions the presentation yielded and looks forward to concluding the study in April.

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

On a motion by Mr. Reddish and seconded by Mr. Brown it was unanimously **VOTED: To adjourn the meeting.**

There being no further business, the meeting adjourned at 11:27 a.m.

Respectfully submitted,

**Seth Magaziner,
General Treasurer**