

**RHODE ISLAND INFRASTRUCTURE BANK**  
**MEETING OF THE BOARD OF DIRECTORS**

**PUBLIC SESSION**

**November 17, 2015**

A meeting of the Board of Directors of the Rhode Island Infrastructure Bank (“RIIB”) in public session was held on Friday, November 17, 2015 in the conference room of the RIIB, 235 Promenade Street, Suite 119, Providence, Rhode Island pursuant to a duly posted public notice of the meeting and notice given to all the Directors. The meeting was called to order by the Chair of the Board, Merrill Sherman, at approximately 3:00 p.m.

Directors present were: Chair Merrill Sherman, Joshua Celeste, Scott Lajoie and Kelly Rogers, Treasurer Seth Magaziner’s Designee.

Directors absent were: Lisa Ferrara.

Also present were Joseph Dewhirst, Interim Executive Director; Michael P. Larocque, Deputy Director, Michael Baer, Senior Advisor; Anna Coelho Cortes, Drinking Water SRF Program Manager; Michael Pagliaro, Senior Accountant; Robin Hedges, Clean Water SRF Program Manager; Marcelina Jackson, Administrative Assistant; Christopher Vitale and Stephanie Federico, Harrington & Vitale, RIIB Legal Counsel; Neal Pandozzi, Nixon Peabody, RIIB Bond Counsel; Maureen Gurghigian and Adam Krea, First Southwest Company, RIIB Financial Advisors.

Chair Sherman opened the meeting declaring a quorum. Chair Sherman indicated that the Board would hear an update from Michael Baer on the Bank’s new programs first due to Mr. Baer’s need to leave the Board meeting early for another meeting. Mr. Baer began by providing an update on the Efficient Buildings Fund. He noted that the rules and regulations will be finalized by the end of the year and there is a meeting planned for December 2 to brief municipalities and school districts regarding the program, application requirements and deadlines. He further explained that Treasurer Magaziner sent out an email earlier in the week to municipalities encouraging them to sign up through National Grid for an audit of municipal buildings. Chair Sherman noted that the Governor’s office is working with the Rhode Island Department of Education to encourage school districts to utilize EBF for energy efficiency projects. She further stated that RIDE Commissioner is going to issue guidance to the districts regarding this program.

Next, Mr. Baer spoke regarding the Commercial PACE program. He indicated that the evaluation committee met with all CPACE bidders and has elected to move forward with one of the groups. A contract is going to be negotiated and will be presented to the Board at the next board meeting. He further indicated that additional diligence will be conducted in the coming weeks on the selected group.

Mr. Baer moved on to the Residential PACE program. He indicated that the evaluation committee had met with all of the RFP respondents and that they learned FHA is going to be issuing guidance regarding residential PACE programs. In light of this new information, Mr. Baer stated that the committee has decided to slow the process of implementation down and issue an RFP for a Financial Advisor for PACE. Chair Sherman stated that RPACE programs are much more complex due to issues with subordination of liens, Fannie, Freddie and FHA are wrestling as to how to address this issue on a national level. Joseph Dewhirst added that FHFA have reacted to California's plan which has liens in the senior position but haven't said anything or reacted negatively to RI's legislation. Staff sees the value of a financial advisor with PACE experience to assist in the selection and negotiation with vendors and process. Only one bid was received from the RFP. The team will be working to negotiate a contract and begin working with the respondent as soon as possible.

Finally, Mr. Baer addressed the Brownsfield program. He indicated that the EPA has a capital grant to provide seed funding for a revolving fund and is working with DEM and municipalities to submit an application. The application will be submitted by December 18, 2015.

The Board had no questions regarding the program update.

Next, the Chair addressed the first item on the Agenda: Review and consideration of the October 15, 2015 Board Meeting Minutes. No comments or amendments to the meeting minutes were requested.

Voted: A motion was made by Scott Lajoie, seconded by Kelly Rogers that the meeting minutes from the October 15, 2015 Board meeting be accepted.

- Voting in favor of the foregoing: Chair Merrill Sherman, Kelly Rogers, Scott Lajoie, Joshua Celeste.
- Voting against the foregoing: None.

The Chair moved to Item #2 of the Agenda: Review and consideration of the October 15, 2015 Executive Session Meeting Minutes. No comments or amendments to the meeting minutes were requested.

Voted: A motion was made by Kelly Rogers, seconded by Joshua Celeste to accept and seal the minutes of the October 15, 2015 Executive Session Meeting Minutes.

- Voting in favor of the foregoing: Chair Merrill Sherman, Kelly Rogers, Scott Lajoie, Joshua Celeste.
- Voting against the foregoing: None.

The Chair moved to Item #3: Review and consideration of the November 6, 2015 Board Meeting Minutes. No comments or amendments to the meeting minutes were requested.

Voted: A motion was made by Scott Lajoie, seconded by Joshua Celeste that the meeting minutes from the November 6, 2015 Board meeting be accepted.

- Voting in favor of the foregoing: Chair Merrill Sherman, Kelly Rogers, Scott Lajoie, Joshua Celeste.
- Voting against the foregoing: None

The Chair moved to Item #4: Review and consideration of the Agency's August 2015, Financial Statement. Deputy Director Michael Larocque provided a summary of the RIIB's Financial Statement. The summary included information regarding RIIB's revenues, expenses, assets, liabilities and fund balances as of August 31, 2015.

Voted: A motion was made by Kelly Rogers, seconded by Scott Lajoie to accept the August 2015 Financial Statement.

- Voting in favor of the foregoing: Chair Merrill Sherman, Kelly Rogers, Scott Lajoie, Joshua Celeste.
- Voting against the foregoing: None.

The Chair moved to Item #5: Review and consideration of a loan to the City of Warwick in an amount up to \$8,000,000 out of the Clean Water SRF. Adam Krea from First Southwest provided a summary of the request from the City of Warwick. The City of Warwick is requesting funds to finance continued work on flood control, phosphorus reduction upgrades, and general piping and interceptor repairs; fund a debt service reserve; and pay certain costs of issuance. The City is looking for financing for these projects in early 2016. Adam noted that the city's Municipal Employees Pension Plan (covering Waste Water employees is 70% funded and that the outstanding General Obligation Sewer Bonds that are outstanding with the City are continuously decreasing. Additionally, RIIB loans to the City, including a mix of General Obligation and Revenue Bonds is approximately \$90.5 million. The bonds will be secured by a revenue pledge from the Authority. Adam further stated that the City of Warwick operates its Sewer Authority as an enterprise fund and the Sewer Fund's operations have been positive in each of the past five years. Adam reviewed both the City and Sewer Authority's bond ratings and recommended that the Board approve the loan application subject to completion of all legal requirements by the City and with the understanding that the Bank will review the request in connection with the DEM Project Priority List, Bank capacity and the funding requirements of other Bank borrowers.

Voted: A motion was made by Scott Lajoie, seconded by Joshua Celeste to approve the loan.

- Voting in favor of the foregoing: Chair Merrill Sherman, Kelly Rogers, Scott Lajoie, Joshua Celeste.
- Voting against the foregoing: None.

The Chair moved to Item #6: Review and consideration of a loan to the City of Newport in an amount up to \$9,142,000 out of the Clean Water SRF. Again, Adam Krea from First Southwest provided a summary of the request from the City of Warwick. The funding will be used to begin the design and construction of Water Pollution Control Plant Upgrades and Debt Service Reserve Fund/Issuance Costs. This project is one of many required to be done as part of a consent decree with the U.S. EPA/RIDEM, and is on the project priority list. The City Council has approved

this borrowing. This project is anticipated to begin in 2016 and this is the first in a series of borrowings as the City makes substantial improvements to its treatment of wastewater under a consent decree from the Environmental Protection Agency. The City provides pension benefits for its non-public safety employees through a state wide MERS program that as of 2013 was 64% funded. The City currently has approximately \$83M in outstanding Water Improvement debts that will begin to be paid down. The Sewer Improvement debts are approximately \$33M, however this debt is anticipated to increase due to the anticipated upgrades to the City's system. The security for the loan is a revenue pledge from the City of Newport's Water Pollution Control Fund. The City has the ability to raise rates to meet debt service on any obligations of the Funds. The City has plans over the next 5 to 7 years of borrowing and expect to raise rates going forward. As of June 30, 2014, the City's Water Pollution Control unrestricted fund balance was 4.4% of the operating revenues. The City's revenue pledge was assigned a credit assessment in July 2015 of 'Medium Investment Grade.' As a result of their review, First Southwest recommends Bank approval of the loan application subject to completion of all legal requirements by the Town and with the understanding that the Bank will review the request in connection with the DEM Project Priority List, Bank capacity and the funding requirements of other Bank Borrowers.

Voted: A motion was made by Joshua Celeste, seconded by Kelly Rogers to approve the loan.

- Voting in favor of the foregoing: Chair Merrill Sherman, Kelly Rogers, Scott Lajoie, Joshua Celeste.
- Voting against the foregoing: none.

The Chair moved to Item #7: Review and consideration of a loan to the Town of Hopkinton in an amount up to \$300,000 from the Community Septic System Loan Program (CSSLP). Adam Krea provided a summary of the loan request that the Town of Hopkinton is seeking \$300,000 to be used for loans to Hopkinton property owners on a town-wide basis for the repair, or replacement of failed or otherwise sub-standard residential onsite wastewater treatment systems (OWTS) and removal of all cesspools and installation of an OWTS . The Bank has engaged Rhode Island Housing to be the homeowner loan administrator for the CSSLP. The borrowing cost for the homeowner will be a \$300 closing fee payable to RI Housing and a 1% service fee on the outstanding loan balance split equally between the Bank and RI Housing for a term up to ten years. The Town's employee's pension system is administered through MERS and is overfunded at 117%, the police pension system is funded at 67%. Adam represented that the town has very low debt, less than \$1.5M and in 2015 the Town issued a little over \$1M in debt so they will show \$2.5M in debt for 2015. The Town is rated "Aa3" by Moody's and at the end of fiscal year 2014 the total fund balance for the General Fund was \$5,441,906 or 22.16% of total budgeted revenues. The Town's budget for fiscal year 2014-2015 reflects no increase from the prior fiscal year. Mr. Krea noted that the town has very conservative fiscal management and recommended the Board approve the loan application subject to completion of all legal requirements by the Town and with the understanding that the Bank will review the request in

connection with the Project Priority List, Bank capacity and the funding requirements of other Bank Borrowers.

Chair Sherman noted that the terms of this program are extremely favorable to homeowners in Rhode Island and that while we are awaiting the roll-out of the Residential PACE program the RIIB should make efforts to direct as many qualifying homeowners to this program as possible. Attorney Vitale noted that RIIB has not experienced any defaults from the program and Rhode Island Housing, who services the loans have experienced minor defaults. Chair Sherman inquired as to why municipalities might be hesitant to move forward with this program on behalf of the residents. Attorney Vitale noted that municipalities must have a waste water management plan in place with DEM in order for a municipality to participate in the program. Chair Sherman emphasized that RIIB should make the program as user friendly as possible and should work with the Rhode Island Department of Environmental Management to coordinate efforts. Chair Sherman expressed the desire to have a deeper conversation to determine how to make the program more efficient and cost effective.

Voted: A motion was made by Scott Lajoie, seconded by Kelly Rogers to approve the loan.

- Voting in favor of the foregoing: Chair Merrill Sherman, Scott Lajoie, Kelly Rogers, Joshua Celeste.
- Voting against the foregoing: None.

Chair Sherman moved to Item #8: Review and consideration of a Board Resolution authorizing an expansion and extension of the Bank's lease with The Foundry. Interim Executive Director Joseph Dewhirst explained that given the new programs that are being rolled out by the Bank it is expected that there will be an expansion of staff and the Bank will need to expand the office space. Mr. Dewhirst represented that prior to his arrival the former Executive Director negotiated an oral agreement to amend the lease to add 1366 square feet to increase the office space to a total of 4950 square feet and to pay \$22.50 per square foot through 2018 with an increase of 2% per year after that for a five year term. He further represented that The Foundry will be providing a building allowance of approximately \$20,000. He believed the terms are good and asked for authority, in the form of a resolution to negotiate and sign a lease. Chair Sherman noted that the expansion of space is ideal and will allow for minimal disruption in the operations of the Bank.

Kelly Rogers noted that she would be recusing from voting as the Treasurer has a personal relationship with the owners of The Foundry.

Voted: A motion was made by Scott Lajoie, seconded by Joshua Celeste to approve the Board Resolution authorizing and expansion and extension of the Bank's lease with the Foundry.

- Voting in favor of the foregoing: Chair Merrill Sherman, Scott Lajoie, Joshua Celeste.
- Voting against the foregoing: None
- Recusal from voting: Kelly Rogers

Chair Sherman moved to Item #9: Review and consideration of a Board Resolution authorizing the use of up to \$1,757,400 of Bank operating funds to temporarily provide the required State Match to the FY15 Drinking Water SRF Capitalization grant. Interim Executive Director Joseph Dewhirst explained that this request was similar to the resolution the Board previously approved to grant temporary funds for purposes of issuing Technical Audits in the Efficient Buildings Fund. This bridge funding will be used while the Bank awaits other sources of funding to be transferred to the Bank. In an effort to not complicate the issuance of the loans, the Bank would like to use Bank funds while they are waiting for the state matching funds.

Voted: A motion was made by Joshua Celeste, seconded by Kelly Rogers to approve the Board Resolution.

Chair Sherman moved to Item #10: Review and consideration of a Board Resolution authorizing the Chair and Executive Director to select and negotiate an agreement with an Executive Search Firm. Chair Sherman explained to the Board that due to the small size of the organization it is very difficult to recruit a new Executive Director. She noted that the Bank lacks an IT division, an HR division and that there is a need for assistance in revising the Executive Director's job description, compensation range, advertising for the position, collecting and reviewing resumes and such activities is not appropriate for the staff and board chair to be handling. Chair Sherman explained that as a result an RFP for an executive search firm was issued and the Bank received 3 responses, 2 of which were credible. There is a plan to interview the firms but wanted permission from the board to move ahead with selecting and securing the firm prior to the next board meeting due to the expediency that is necessary for this process. She represented that the bidding firms are comparably priced and would like authorization to enter into a contract with one of the firms.

Joshua Celeste determined that he would recuse himself from the vote because one of the respondents to the RFP is a client of his law firm.

Voted: A motion was made by Kelly Rogers, seconded by Scott Lajoie to approve the Board Resolution.

- Voting in favor of the foregoing: Chair Merrill Sherman, Kelly Rogers, Scott Lajoie.
- Voting against the foregoing: None.
- Recusal from voting: Joshua Celeste

Chair Sherman moved to Item #11: New Program Development Update.

Joseph Dewhirst indicated that Michael Baer had provided the majority of the update at the start of the meeting but also wanted to bring the Board up to date on the current project to review business practices and technology with the bank. BlumShapiro who was awarded the contract has conducted staff interviews and has interviewed the former Executive Director. BlumShapiro

has also conducted follow-up interviews with staff to clarify knowledge of certain processes. There are already some recommendations regarding data security that have been implemented. The discovery phase will last for another month or so with recommendations to follow.

No vote was necessary on this agenda item.

Chair Sherman moved to Item #12: Expenses. Michael Larocque provided a summary of the Bank's expenses for the prior month.

Voted: A motion was made by Scott Lajoie, seconded by Joshua Celeste to approve the expenses as presented.

Voting in favor of the foregoing: Chair Merrill Sherman, Scott Lajoie, Kelly Rogers and Joshua Celeste.

Voting against the foregoing: None.

Chair Sherman moved to Item #13 noting that the next regularly scheduled meeting date would be December 21, 2015. All members of the board that were present indicated that they were available on that date.

### **Supplement to the Agenda**

Chair Sherman moved to the final item: Review and consideration of (i) an issuance resolution authorizing up to \$26,995,000 Rhode Island Infrastructure Bank City of Pawtucket Rhode Island Conduit Issue Refunding Water Revenue Bonds, (ii) the Second Supplemental Bond Resolution related thereto and (iii) certain amendments to the City of Pawtucket, Rhode Island Indenture of Trust relative to a Debt Service Reserve Fund Surety Bond. Maureen from First Southwest indicated that the sale of the bond was very successful and savings are higher than originally projected. The true interest cost is 3.87% and investor yields from 2.9% in 2025 to 4% in 2035. Several maturities were oversubscribed and yields were able to be lowered. Annual savings are a little over \$400,000 from 2016 to 2025 and over \$500,000 from 2026 to 2035 which is \$9.8 savings on a cash flow basis. When taking the reserve fund into consideration their net present value savings are approximately \$4.2 million. Neal Pandozzi from Nixon Peabody stated that the Board was being asked to approve three separate items: Issuance Resolution, Second Supplemental Bond Resolution and Amendment to the City of Pawtucket Indenture. Mr. Pandozzi explained that the Issuance Resolution approves up to \$26,995,000 for the purpose of: (1) repaying the Series 2003 Loan to the Bank and thus redeeming the outstanding 2003 Borrower Bonds and (2) funding a debt service reserve fund relating to the Borrower Bonds and (3) pay Cost of Issuance. Mr. Pandozzi reviewed the details of the Issuance Resolution with the Board. Next, Mr. Pandozzi reviewed the terms of the Second Supplemental Bond Resolution including the Articles addressing Authorization of Series 2015 Bonds, Establishment of Accounts and Application of Series 2015 Bond Proceeds, Form of Series 2015 Bonds, The Insurance Policy and other miscellaneous sections of the Resolution. Finally, Mr. Pandozzi reviewed certain amendments to the City of Pawtucket, Rhode Island Indenture of Trust relative to a Debt Service Reserve Fund Surety Bond.

Voted: A motion was made by Joshua Celeste and seconded by Scott Lajoie to approve all three resolutions together.

- Voting in favor of the foregoing: Chair Merrill Sherman, Scott Lajoie, Kelly Rogers, Joshua Celeste.
- Voting against the foregoing: None.

Chair Sherman entertained a motion to adjourn the meeting.

Voted: A motion was made by Scott Lajoie, seconded by Joshua Celeste to adjourn the meeting.

- Voting in favor of the foregoing: Chair Merrill Sherman, Scott Lajoie, Kelly Rogers, Joshua Celeste.
- Voting against the foregoing: None.

The meeting adjourned at approximately 4:42 p.m.