

RHODE ISLAND INFRASTRUCTURE BANK
MEETING OF THE BOARD OF DIRECTORS

PUBLIC SESSION

February 22, 2016

A meeting of the Board of Directors of the Rhode Island Infrastructure Bank (“RIIB”) in public session was held on Monday, February 22, 2016 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, Lisa Ferrara, and Scott Lajoie. Board Member Joshua Celeste arrived after the Board discussed and voted on Agenda Item #1.

Directors absent were: Treasurer Seth Magaziner

Also present were Joseph Dewhirst, Interim Executive Director; Michael P. Larocque, Deputy Director; Michael Baer, Senior Advisor; Michael Pagliaro, Senior Accountant; Helen Terra, Road and Bridge Program/Compliance Manager; Anna Coelho Cortes, Drinking Water SRF Program Manager; 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. The Chair addressed the first item on the Agenda: Review and consideration of the December 21, 2015 Board Meeting Minutes.

Voted: A motion was made by Lisa Ferrara, seconded by Scott Lajoie that the meeting minutes from the December 21st, 2015 Board meeting be approved.

- Voting in favor of the foregoing: Chair Merrill Sherman, Lisa Ferrara, Scott Lajoie
- Voting against the foregoing: None

The Chair moved to **Item #2** of the Agenda: Board Chair remarks.

Chair Sherman stated that there is a great deal of progress being made at the Bank on its various new initiatives. Chair Sherman further stated that based upon information and materials prepared by the staff, she reviewed historical disbursements of loan proceeds from the Bank. She noted that while the projects are generally fully completed and the loans fully drawn down, approximately 86% of Bank-funded projects are not constructed within the original predicted time frame and 2/3^{rds} are completed more than one year after the anticipated project completion date. Chair Sherman indicated that she is still reviewing information to determine the cause of

these delays but it could be a combination of factors including that the communities may have borrowed too much too soon, they might not have been “shovel ready” or they may have needed increased construction supervision and monitoring.

Chair Sherman also noted that the projects the Bank has been funding are projects that have been in construction over a period of years (sewer, storm water, etc.) Some of the projects that the Bank will be moving forward with in the future, like wind energy, are much more complicated and the Bank anticipates making determinations regarding the project’s cost effectiveness. Oversight of these projects may need to include analysis of ongoing maintenance and other complicating factors, as the loans will be paid principally from the realized energy savings over the next 15-20 years. Chair Sherman stated that capacity to monitor the analysis and contracting, supervision of construction and ongoing maintenance of these projects will be important. Lastly, Chair Sherman discussed the Executive Director Search. She stated that significant progress has been made in identifying a candidate for the Executive Director position and the plan is to have the finalist interviewed by anyone on the Board that wishes to meet with the candidate.

No vote was necessary for this agenda item.

The Chair moved to **Item #3** of the Agenda: Interim Executive Director’s report.

Executive Director, Joseph Dewhirst noted that construction has begun in the new office space and should be completed in a couple of weeks, which will allow the new Executive Director to bring in new staff.

Next, Mr. Dewhirst discussed the Clean Water SRF, noting that there has been a lot of activity with the Borrowers and that the Bank is anticipating pricing a CWSRF bond in late April/May and closing shortly thereafter. There will be approximately \$60 million in loans. This will include a loan to Narragansett Bay Commission (NBC). NBC will have a 20 year loan rather than the 30 year term they requested, a two (2) year draw rather than the 3 ½ years that they requested, and a loan size reduction of \$23 million from \$36 million. The Bank indicated to NBC that it would honor its agreement to provide 50% of the annual allotment of CWSRF funds to NBC, subject to NBC’s meeting all other loan requirements. Mr. Dewhirst stated that this might require giving NBC more than 50% next year but cumulatively they will receive only 50% of all funds.

Mr. Dewhirst further noted that two advantages of structuring the loan in this manner. The shorter term will improve sustainability of the Clean Water State Revolving Fund, allowing more loans to be made more quickly to other borrowers. The shorter draw period and reduced the loan amount will improve RIIB’s financial performance by reducing negative arbitrage. Mr. Dewhirst estimated the benefit of a shorter draw period and reduced loan amount to be at least \$250 K for this one transaction alone.

Executive Director Dewhirst then discussed the Drinking Water SRF. He stated RIIB is working with the borrowing communities to make sure they are using the funds quickly. EPA is also concerned about undrawn loan obligations. When Mr. Dewhirst began there was approximately

\$16 million in long-term undrawn funds; the EPA wants that number down to \$0 by late 2016; and RIIB expects to achieve that goal.

Separately, within the program, RIIB has received a number of requests for some small grants for some small drinking water programs in the \$50,000 range. Mr. Dewhirst noted that the former Executive Director had committed grants to these small drinking water entities and he thinks that it was reasonable for those to have been made. The EPA expects RIIB to award funds for these types of requests as part of the program for principal forgiveness. Mr. Dewhirst expects to have onse such proposal for the board to consider next month. Next, Executive Director Dewhirst discussed the Road and Bridge Program. RIIB is preparing to make loans under the program but some communities are uncertain whether they will be able to borrow this year due to without general obligation bond authority. There are currently 4 communities with general obligation bond authority with loans totaling approximately \$6,000,000. The total potential Road and Bridge loans this year could be as high as \$13 million depending on how many communities end up borrowing.

Executive Director Dewhirst then discussed the Efficient Buildings Fund. He reported that the Project Priority List had been published by the Office of Energy Resources this month along with a news release. There were approximately \$60 million in application requests from 16 communities for projects benefitting municipal buildings and schools. The Bank will be working in the coming weeks to finalize the financing terms and to meet with the applicants with to further assess projects on the Project Priority List. The goal for the program remains to make loans approximately in June 2016.

Mr. Dewhirst next addressed the C-PACE program, indicating that this program is also moving quickly. Mr. Dewhirst stated that RIIB is seriously considering centralizing administration of the billing process and have issued an RFP for a vendor on behalf of RIIB and the communities. All responses are due to the Bank on February 29th. The advantages of centralized administration for billing include increased efficiency as well as reduced impact on the cities and towns. CPACE regulations are progressing and will be posted for public notice and comment in the coming weeks. There are many meetings going on with cities and towns, tax collectors, contractors, and capital providers. RIIB is still expecting to launch the program in April/May.

Next, Executive Director Dewhirst discussed the RPACE program, indicating that this program is still on hold while awaiting federal guidance/guidelines.

Finally, Mr. Dewhirst indicated that reports will be provided later in the meeting regarding the loan processing system, web site redesign, and financial advisor. He also noted that the RFP for an auditor is still awaiting approval from the Auditor General before it may be issued.

Chair Sherman expressed her concern with the delay in posting of the RFP for auditing services and asked Legal Counsel to please follow up and resolve the matter.

No vote was necessary for this agenda item.

The Chair moved to **Item #4** of the Agenda: Approve engagement of Cayer Caccia to perform Quarterly Agreed Upon Procedures for Fiscal Year 2016.

Michael Larocque indicated the Auditor General advised that they have approved the Bank's engagement of Cayer Caccia to perform the FY16 Quarterly Agreed Upon Procedures while the Bank procures the services of an auditing firm to perform the full FY16, 17, and 18 audits.

Voted: A motion was made by Lisa Ferrara, seconded by Scott Lajoie to approve the engagement of Cayer Caccia to perform Quarterly Agreed Upon Procedures for Fiscal Year 2016.

- Voting in favor of the foregoing: Chair Merrill Sherman, Scott Lajoie, Lisa Ferrara and Joshua Celeste.
- Voting against the foregoing: None

The Chair moved to **Item #5** of the Agenda: Review and consideration of the Rhode Island Infrastructure Bank's November 2015 Financial Statements.

Michael Larocque reviewed the Revenue and Expense Report for the Bank for the five months ended November 30, 2015, the Balance Sheet for the Bank as of November 30, 2015 as well as the Liabilities and Fund Balance.

Chair Sherman asked Mr. Vitale to provide detail on the governor's proposal to "scoop" Bank funds to help balance the state budget. Mr. Vitale noted that in the Governor's Budget it is proposed to transfer \$8 million from RIIB. He further noted that a similar proposal has been presented in previous years but has not been adopted by the General Assembly. Mr. Vitale stated that the Governor's Budget also proposed transferring funds from other quasi-public agencies as well. This matter will be monitored closely in the coming weeks.

Voted: A motion was made by Josh Celeste, seconded by Scott Lajoie to approve that the November 2015 Financial Statements.

- Voting in favor of the foregoing: Chair Merrill Sherman, Scott Lajoie, Lisa Ferrara and Joshua Celeste.
- Voting against the foregoing: None

The Chair moved to **Item #6** of the Agenda: 1st Quarterly review performed by Cayer Caccia LLP

Michael Larocque stated that Cayer Caccia, LLP had provided a clean review and the documents had been provided to the Board. Chair Sherman requested that a copy of the letter be included with the Board Meeting Minutes.

No vote was necessary for this agenda item.

The Chair moved to **Item #7** of the Agenda: Update on integrated loan and financial management system.

Executive Director Dewhirst stated that in keeping with Blum Shapiro's recommendations to automate Bank loan processing and financial reporting systems, RIIB had issued an RFP for such software systems. He stated that no single vendor sells one integrated system that would provide both effective loan processing within the individual Bank loan programs and also provide consolidated financial reporting. Consequently, RIIB will work with a vendor to supply a loan processing system and to recommend a financial reporting system with which it can be well integrated.

Mr. Dewhirst stated that RIIB received three responses to the RFP, two of which were considered to be worth further consideration. Mr. Dewhirst stated that these two proposals estimated costs of approximately \$400,000 to initially purchase and install the software and approximately \$100,000 per year to maintain it. RIIB hosted a day long demonstration of each of the two systems, showing the functionality of the programs. RIIB has made a preliminary decision regarding the selection of a system, the terms of which are currently being negotiated.

Mr. Dewhirst stated that the rational implementing such a system despite the costs would be both enhanced efficiency, as RIIB would be able to save money and expedited processes without the need to add new staff, as well as reduced operational risks. One current issue is that the Bank's various loan programs are now administered through manual processes that would be difficult to continue in the absence of the respective program administrator or related finance staff. Additionally, there is currently no standardized loan administration process because each program has evolved in different ways. Mr. Dewhirst noted that placing those programs onto one system would assist with documentation and allow better access to data. This is currently difficult with a significant amount of paper records. Mr. Dewhirst stated that more information will be provided to the Board for selection and approval of a system once negotiations are complete.

Chair Sherman commended the staff for the work that they have done previously with no automated systems. She also supported Mr. Dewhirst's description of the current workings of the Bank and supported the diligence and analysis that was being conducted in the selection of the new system. She further noted that a new system will expand everyone's capacity and this may be an opportunity to share the system with other similar quasi-state entities and help to defray their costs. Board Member Lisa Ferrara stated that Blum Shapiro has done a really good job in guiding RIIB through the process. She inquired as to whether Blum Shapiro has checked references and talked directly to software clients. Michael Larocque stated that they are in the process of reference checks now. Chair Sherman also indicated that Blum Shapiro will assist with the contract negotiations and also noted that RIIB will need their assistance with the conversion.

No vote was necessary for this agenda item.

The Chair moved to **Item #8** of the Agenda: Update on website development.

Executive Director Dewhirst stated that RIIB had issued an RFP to enhance the website design, content, and technological infrastructure. RIIB had received 14 responses to the RFP, which he sorted into 3 groups. The first group of 6 proposals cost \$8,000 - \$12,000, providing mostly artwork and design but not necessarily addressing technical issues. The second group of 6 proposals cost \$15,000-\$40,000, providing artwork and design as well as technological support with issues such as data security and search capability. The 3rd group of 2 proposals seemed similar to the 2nd group but with costs in the range of \$80,000 - \$100,000.

Mr. Dewhirst reviewed all of the proposals and settled provisionally on one in the 2nd group. He then took that proposal, two others from the second group, and one from the third (expensive) group for review by Michael Baer of RIIB and Jeff Ziplow of Blum Shapiro. Mr. Dewhirst asked Mr. Baer and Mr. Ziplow to use the proposal from the third (expensive) group as an example of a competent response. Without divulging his preference, he then asked them to select a proposal among the three from the second group. Independently, both Mr. Baer and Mr. Ziplow chose the same proposal as had Mr. Dewhirst. Mike Baer also reviewed a number of websites that had been produced by each of the vendors and determined that the selected vendor's sites were superior.

Next, Mr. Dewhirst indicated that he would check references and then begin negotiations with the selected company. It will likely take six months end to end to complete the website development. Mr. Dewhirst stated that he intends to present a proposal for approval at the next Board meeting.

No vote was necessary for this Agenda Item.

The Chair moved to **Item #9** of the Agenda: Legislative Update.

Mr. Vitale stated that with regard to the proposed "scoop" of Bank funds proposed in the FY17 budget, he testified last year at the budget hearings and will coordinate with Mr. Dewhirst to do the same this year. Mr. Vitale also noted that the legislature was on recess last week and will be reconvening tomorrow. He expects budget hearings to begin in short order.

Chair Sherman inquired about providing testimony to explain the impact that a "scoop" would have on programs such as the Efficient Building Fund. Mr. Dewhirst again noted the strong demand for the program.

Mr. Vitale discussed that there are multiple ways that the General Assembly could address additional funding including through a direct appropriation or a state bond referenda providing new capital to various programs.

Mr. Dewhirst stated that it would also be worth noting the potential increase in CSSLP demand. He estimated that with the new "point of sale" legislation effective in January 2016, RI

could see upwards of 1,000 cesspool closure projects per year. If 50 percent of these property owners are interested in CSSLP, that would represent ~10 times as many CSSLP loans as RIIB has issued in any previous year. He stated that this would require between \$3 - \$6 million more dollars per year. Chair Sherman stated that RIIB wants to make it affordable for homeowners to replace their cesspools now rather than waiting for the sale of the property. Chair Sherman also stated that the state could place a bond on the ballot to address this. Mr. Dewhirst indicated that this RIIB should act in partnership with the other stakeholders like DEM.

Mr. Vitale discussed general legislation and budget articles. He noted that a bill has been introduced to extend through the end of this year the ability for municipalities to issue general obligation bonds without borrower approval for the Road and Bridge program. This legislation would require town or city council resolutions authorizing a general obligation bond, subject to RIIB having the funds available. Mr. Vitale noted that the bill has not been heard yet, but the City of Providence is advocating for the passage of this legislation.

No vote was necessary for this Agenda item.

The Chair moved to **Item #10** of the Agenda: Expenses.

Chair Sherman indicated that the appropriate documentation had been provided to the Board regarding expenses and that she would entertain any comments, questions or concerns regarding the expenses. No comments were made by other Board members.

Voted: A motion was made by Lisa Ferrara, seconded by Josh Celeste to approve expenses as presented.

- Voting in favor of the foregoing: Chair Merrill Sherman, Scott Lajoie, Lisa Ferrara and Joshua Celeste.
- Voting against the foregoing: None

The Chair moved to **Item #11** of the Agenda: Convene into Executive Session pursuant to RIGL 42-26-5(a)(1) – Personnel (Such persons have been notified in writing and advised that they may require that such discussion be held at an open meeting.)

Voted: A motion was made by Josh Celeste, seconded by Scott Lajoie that this public body convene in executive session to discuss personnel. The individuals have been notified in writing that this public body intends to convene in executive session in order to discuss his/her job performance and he/she has declined to have this discussion take place in open session.

- A Roll Call vote was conducted
- Voting in favor of the foregoing: Chair Merrill Sherman, Scott Lajoie, Lisa Ferrara and Joshua Celeste.

- Voting against the foregoing: None

Voted: A motion was made by Josh Celeste, seconded by Scott Lajoie to resume open session and seal the minutes from said Executive Session.

- A Roll Call vote
- Voting in favor of the foregoing: Chair Merrill Sherman, Scott Lajoie, Lisa Ferrara and Joshua Celeste.
- Voting against the foregoing: None

The Chair moved to **Item #12** of the Agenda: Selection of Financial Advisory Services firm. The Chair recommended the selection of First Southwest to serve as the Financial Advisor for a term of one year with an option to extend for up to one year at the sole discretion of the Bank. The Chair allowed for discussion.

Voted: A motion was made by Josh Celeste, seconded by Lisa Ferrara to select First Southwest as the Financial Advisor for a term of one year with an option to extend for up to one year at the sole discretion of the Bank and authorize the Executive Director to sign contract in accordance with these terms

- Voting in favor of the foregoing: Chair Merrill Sherman, Scott Lajoie, Lisa Ferrara and Joshua Celeste.
- Voting against the foregoing: None

The Chair moved to **Item #13** of the Agenda: Next regularly scheduled meeting date, March 21, 2016.

No vote was necessary for this Agenda Item.

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

- Voting in favor of the foregoing: Chair Merrill Sherman, Scott Lajoie, Lisa Ferrara and Joshua Celeste.
- Voting against the foregoing: None

The meeting adjourned at approximately 4:50 p.m.