

RHODE ISLAND INFRASTRUCTURE BANK
MEETING OF THE BOARD OF DIRECTORS

PUBLIC SESSION

March 21, 2016

A meeting of the Board of Directors of the Rhode Island Infrastructure Bank (“RIIB”) in public session was held on Monday, March 21, 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, Kelly Rogers representing Treasurer Seth Magaziner, and Scott Lajoie.

Directors absent were: Lisa Ferrara and Joshua Celeste

Also present were Joseph Dewhirst, Interim Executive Director; Michael P. Larocque Deputy Director; Michael Pagliaro, Senior Accountant; Helen Terra, Road and Bridge Program/Compliance Manager; Robin Hedges, Clean Water Program Manager; Anna Coehlo Cortes, Drinking Water SRF Program Manager; Christopher Vitale and Stephanie Federico, Harrington & Vitale, RIIB Legal Counsel; Neal Pandozzi, Nixon Peabody, RIIB Bond Counsel; and Maureen Gurghigian, First Southwest Company, RIIB Financial Advisors.

Chair Sherman opened the meeting declaring a quorum. Next the Chair addressed the first item on the Agenda: Review and consideration of the February 22, 2016 Board Meeting Minutes.

Voted: A motion was made by Scott Lajoie, seconded by Kelly Rogers that the meeting minutes from the February 22, 2016 Board meeting be approved.

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

Board Member Joshua Celeste joined the meeting at 3:05.

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

Chair Sherman began her remarks by stating that although the Board would be considering the employment of a new Executive Director later during the meeting, she wanted to take the opportunity to commend Joseph Dewhirst for his work at the Infrastructure Bank over the prior several months, including establishing new internal processes and procedures, overseeing the issuance of Bank Drinking Water Bonds and the issuance of Bank Refunding Bonds for the

Pawtucket Water Supply Board resulting in the savings of millions of dollars for the ratepayers of the Pawtucket Water Supply system. Joe was also instrumental in leading the development of the new energy-related programs on behalf of the Rhode Island Infrastructure Bank (“RIIB”).

No vote was necessary for this agenda item.

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

Executive Director, Joseph Dewhirst provided a summary on a number of RIIB programs and projects including the following:

- Clean Water State Revolving Fund – RIIB is preparing for the next bond issue which is anticipated in late April. RIIB is expected to provide \$56 million in loans including to the Narragansett Bay Commission, Barrington, Bristol, Burrillville, East Greenwich, Newport, Warren and Warwick. There are two resolutions related to the bond on the Board’s Agenda for review and consideration. A \$300,000 Community Septic System Loan for North Kingston is also on the Board Agenda.
- Drinking Water State Revolving Fund – RIIB has received a number of requests for small grants for small drinking water systems one of which will be presented later in the agenda for Abbey Lane.
- Road and Bridge Program –RIIB is preparing to make approximately \$6,000,000 in direct loans to four borrowers this month. These are from state funds that will be provided to Bristol, Pawtucket, New Shoreham, and Cranston which are on the Agenda for consideration. Mr. Dewhirst noted that if legislation, which has been introduced to the General Assembly, is passed, it would permit towns to issue General Obligation bonds with passage of a City/Town Council Resolution but without local voter approval. As a result, RIIB may make up to an additional \$7,000,000 to cities and towns including Providence, East Greenwich, Coventry and Woonsocket. Based upon the outcome of the legislation, RIIB may issue a bond or execute a private placement in June/July to fund part of these loans.
- Efficient Buildings Fund – Mr. Dewhirst stated that the project priority list that was issued by OER included requests for \$60,000,000 in funding from 16 communities. RIIB is considering a 20% cap per community on borrowing and is in the process of meeting with all potential borrowers. Borrowers are assessing costs and alternatives resulting in some communities potentially choosing other financing options. As a result, the anticipated initial pool is now approximately \$20-\$25 million and the staff is working with the Financial Advisors to ensure a AA rating of the bond. Mr. Dewhirst discussed the possibility of engaging S&P to review our proposed structure and that loan pricing is tentatively expected to be a pass through AA rate to borrowers rated lower and some additional discount for borrowers rated AA or higher.
- Commercial PACE –RIIB received a response to the RFP for a vendor to service a centralized CPACE assessment, billing and collection for RIIB and staff is currently in the process of assessing the proposal and discussing a scope of work with the responding

company. Also, a public hearing was held on the CPACE regulation and there were no outside attendees so the approval process for the regulations will continue as scheduled.

- Residential PACE –RIIB is still waiting for federal guidance on the program so there is no new activity to report.
- RFP's –RIIB is addressing the following RFP's:
 - Loan Processing System – A vendor has been selected and RIIB negotiated a 10% cut in fees which results in approximately \$40,000 savings. A draft proposal regarding the scope of work has been received by RIIB and is under review.
 - Finance System – A vendor has been selected and a draft proposal regarding the scope of work is currently being reviewed.
 - Website Redesign – A vendor has been selected and a draft proposal regarding the scope of work is currently being reviewed.
 - Audit – The RFP was approved by the Auditor General after the last Board Meeting and it has been posted.
- Investments: Mr. Dewhirst is working with USB on understanding the cash flow characteristics of various SRF accounts for RIIB. The accounts can be categorized as follows:
 - List Accounts: These accounts have adjustments that are made once a year in late September. RIIB can invest to September with no risk of loss or liquidity. For the current fiscal year this would be about 6 months, however in moving forward it would be 12 months in September. By making these investments RIIB, under current market conditions, would pick up approximately 50 basis points that would add approximately \$100,000 in income to RIIB.
 - Revenue Accounts – Approximately \$25,000,000 falls under this category and it will take more work to figure out how to best address these investments.
 - Construction Accounts with funds remaining to draw – This is money that is going to be drawn by borrowers in the next few years and RIIB would like to invest these funds until the targeted draw dates. Balances are conservatively between \$100,000,000 and \$120,000,000. Investing this amount, RIIB, under current market conditions, would pick up 50 basis points that would add approximately \$500,000 to \$600,000 in additional income to the bank.

Mr. Dewhirst stated that the Financial Advisors are working on models and would like to begin investments, where possible, in the next few weeks. Kelly Rogers inquired as to what would happen if there is a need for the cash, what is the liquidity risk. Mr. Dewhirst stated that the investments will be extremely liquid so if necessary RIIB could sell them and get a substantial portion of the cash back in a short period of time. He further noted that risk exposure is fairly low.

- Income Statement: Mr. Dewhirst discussed his efforts to clarify the Income statements. Mr. Dewhirst discussed that the revised form of an income statement being presented to the Board provides a clearer picture of the Bank's financial operations. After reviewing the document, Mr. Dewhirst noted that such reports are very difficult without the financial software system support and believes one of the benefits of the new financial

software system that RIIB is working with will be the ability to create these reports on a real time basis.

No vote was necessary for this agenda item.

The Chair moved to **Item #4** of the Agenda: Election of Officers.

Chair Sherman reviewed the current slate officers of the Bank and noted that the Chair position is appointed by the Governor by statute. All Board members expressed their willingness to stay in their present capacities.

Voted: A motion was made by Scott Lajoie, seconded by Josh Celeste that the slate of Officers be as follows:

- Scott Lajoie – Vice Chairman of the Board
- Joshua Celeste – Secretary of the Board
- Lisa Ferrara – Assistant Secretary of the Board
- Treasurer Seth Magaziner – Treasurer of the Board

Voting in favor of the foregoing: Chair Merrill Sherman, Kelly Rogers, Scott Lajoie 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 December 2015 Financial Statements.

Michael Larocque reviewed the Revenue and Expense Report for the RI Infrastructure Bank for the six months ended December 31, 2015, the Balance Sheet for the Bank as of December 31 2015 as well as Liabilities and Fund Balance.

Voted: A motion was made by Josh Celeste, seconded by Scott Lajoie that the December 2015 Financial Statements be accepted.

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

The Chair moved to **Item #6** of the Agenda: Review and consideration of a loan to the City of Pawtucket in an amount up to \$3,000,000 out of the Municipal Road and Bridge Revolving Fund.

Maureen Gurghigian from First Southwest stated the City of Pawtucket was requesting the loan for a Citywide Repaving-Pavement Management Program.

Addressing the borrower's financial summary, Ms. Gurghigian stated the city is rated "Baa2/BBB+" by Moody's/Fitch and the city has seen four consecutive years of surpluses and three consecutive years of school surpluses. The school fund deficit has been eliminated and the City's overall debt levels remain relatively low. Assessed values have increased by 4.7% as of the 12/31/14 valuation for the 2016 tax year. The City has a large unfunded pension and OPEB liabilities, low wealth levels and high unemployment rate and increased expenditures for fiscal 2016 budget due to employee salary/benefit costs.

An audited financial summary shows a \$1,673,717 Operating Surplus and \$12,376,714 Unrestricted Fund Balance. The debt per capita is \$722 and the total General Obligation Debt outstanding is \$51,158,658. The City of Pawtucket currently has \$8,500,000 outstanding from RIIB's Road and Bridge Program, however, they are on schedule with their draw schedule and for the Pawtucket Water Supply Boards outstanding \$96,420,673 from the RIIB's Drinking Water SRF which is also on schedule for their spending. For the current requested loan, Pawtucket is expecting to spend all funds by November '16.

First Southwest recommends approval of this loan with the following caveats:

- That the project appear on Department of Transportation's Project Priority List;
- That loan security be in a form acceptable to the Agency as determined by Agency;
- That the borrower comply with all federal, state, and Agency laws, rules and regulations; and
- That a loan agreement be signed by all principal parties authorized to sign.

Voted: A motion was made by Kelly Rogers, seconded by Josh Celeste to approve a loan to the City of Pawtucket in an amount up to \$3,000,000 out of the Municipal Road and Bridge Revolving Fund.

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

The Chair moved to **Item #7** of the Agenda: Review and consideration of a loan to the Town of Bristol in an amount up to \$1,175,000 out of the Municipal Road and Bridge Revolving Fund.

The Town of Bristol is requesting the loan for a 2016 town wide pavement rehabilitation program.

Addressing the borrower's financial summary, Ms. Gurghigian stated that the Town is rated "Aa2/AA+" by Moody's/Fitch. The town has strong budgetary flexibility with an unassigned General Fund balance of 18% of revenues. The town exercises conservative budgeting with historically balanced results and a significant pay-as-you-go capital program. Bristol has stable

tax collections with an average of 96+% current year collections. The town administered police pension plan (closed plan) is only 50% funded, they have \$12 million in OPEB liabilities and rising education costs due to shifts in student populations.

An audited financial summary shows a \$45,571 Operating Surplus and \$7,904,454 Unassigned Fund Balance. The debt per capita was \$1,267 and the total General Obligation Debt outstanding was \$28,578,334. The Town of Bristol currently has \$500,000 outstanding from RIIB's Road and Bridge Program, however, a portion of this is designated toward retainage and will be rectified later this spring. The town also has \$26,674,858 outstanding from the RIIB's Clean Water Program. The loan request currently before the board is scheduled to draw as soon as the bond closes and will be spent by fall 2016.

First Southwest recommends approval of this loan with the following caveats:

- That the project appear on Department of Transportation's Project Priority List;
- That loan security be in a form acceptable to the Agency as determined by Agency;
- That the borrower comply with all federal, state, and Agency laws, rules and regulations; and
- That a loan agreement be signed by all principal parties authorized to sign.

Voted: A motion was made by Scott Lajoie, seconded by Kelly Rogers to approve a loan to the Town of Bristol in an amount up to \$1,175,000 out of the Municipal Road and Bridge Revolving Fund.

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

The Chair moved to **Item #8** of the Agenda: Review and consideration of a loan to the Town of New Shoreham in an amount up to \$296,000 out of the Municipal Road and Bridge Revolving Fund.

The Town of New Shoreham is requesting the loan for road improvements to Old Town Road.

Addressing the borrower's financial summary, Ms. Gurghigian stated that the Town is rated "AA" by S&P. The town has strong budgetary flexibility with an unassigned General Fund balance of 11.7% of revenues. The town exercises conservative budgeting with historically balanced results and has stable liquidity and reserves. New Shoreham has low dependence on state aid. The town has unpredictable seasonal population trends and above average debt per capita due to the low number of residents in the town.

An audited financial summary shows a \$54,037 Operating Surplus and \$1,439,147 Unrestricted Fund Balance. The debt per capita is \$16,528 and the total General Obligation Debt outstanding is \$17,370,847. The Town of New Shoreham currently has approximately \$65,000 left undrawn

from RIIB's Road and Bridge program which has been identified as a retainage and DOT will allow them to use this on the new project. The draw down schedule for the loan request currently before the Board is dependent upon tourist activity on the island, however, construction is scheduled for FY '16.

First Southwest recommends approval of this loan with the following caveats:

- That the project appear on Department of Transportation's Project Priority List;
- That loan security be in a form acceptable to the Agency as determined by Agency;
- That the borrower comply with all federal, state, and Agency laws, rules and regulations; and
- That a loan agreement be signed by all principal parties authorized to sign.

Voted: A motion was made by Kelly Rogers, seconded by Josh Celeste to approve a loan to the Town of New Shoreham in an amount up to \$296,000 out of the Municipal Road and Bridge Revolving Fund.

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

The Chair moved to **Item #9** of the Agenda: Review and consideration of a loan to the City of Cranston in an amount up to \$1,755,000 out of the Municipal Road and Bridge Revolving Fund.

The City of Cranston is requesting the loan for a replacement of the Main Street Bridge.

Addressing the borrower's financial summary, Ms. Gurghigian stated that the City is rated "A2/A/A" by Moody's/S&P/Fitch and has above average median family and per capita income. Debt ratios are strong for the 'A' rating category. The City has stable tax collections with an average of 98+% current year collections. There is widespread economic development initiatives within the City. The City has a fiscal year 2015 general fund operating deficit and the city administered police and fire pension plan is only 22% funded. The City administered plan has \$242.8 million in unfunded liability.

An audited financial summary shows a \$1,727,333 Operating Deficit and a \$20,452,035 Unrestricted Fund Balance. The debt per capita is \$889 and the total General Obligation debt outstanding is \$71,425,000. Total outstanding debt for RIIB programs includes a Clean Water General Obligation totaling \$4,819,363 and a Clean Water Revenue Bond totaling \$17,999,000. Ms. Gurghigian stated that the current loan request would be spent between September of 2016 and March of 2017.

First Southwest recommends approval of this loan with the following caveats:

- That the project appear on Department of Transportation's Project Priority List;
- That loan security be in a form acceptable to the Agency as determined by Agency;

- That the borrower comply with all federal, state, and Agency laws, rules and regulations; and
- That a loan agreement be signed by all principal parties authorized to sign.

Voted: A motion was made by Josh Celeste, seconded by Scott Lajoie to approve a loan to the City of Cranston in an amount up to \$1,755,000 out of the Municipal Road and Bridge Revolving Fund.

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

The Chair moved to **Item #10** of the Agenda: Review and consideration of a loan to the Town of North Kingstown in an amount up to \$300,000 out of the Community Septic System Loan Program.

Town of North Kingstown is requesting a non-restoring line of credit in the amount of \$300,000. This line of credit would be used for the development and operation of a CSSLP and allow North Kingstown to make loans available to property owners for the repair or replacement of failed septic systems.

Addressing the borrower's financial summary, Ms. Gurghigian stated that the Town of North Kingstown is rated "Aa2/AA+" by Moody's/S&P and the town has strong budgetary flexibility with an unassigned fund balance totaling 10.6% of revenues. The Town has stable management conditions with formal policies and practices and has primarily a residential property tax base, though here is a growing commercial presence. North Kingstown's general fund has had an operating deficit for two consecutive years and also faces fire department litigation liability. Ms. Gurghigian discussed the town's reliance on property taxes, noting that it totals 74% of revenues.

An audited financial summary shows a \$397,379 Operating Deficit and an Unassigned Fund Balance totaling \$8,215,662. The debt per capita was \$1,585 and the total General Obligation Debt outstanding was \$48,985,660. Total outstanding debt for RIIB programs includes a Clean Water General Obligation totaling \$6,000,000 and a Drinking Water General Obligation totaling \$3,325,574.

First Southwest recommends approval of this loan with the following caveats:

- That the project appear on Department of Environmental Management's (DEM's) Project Priority List and have Certificates of Approval issued;
- That the borrower comply with all federal, state, and Agency laws, rules and regulations; and
- That a satisfactory loan agreement be signed by all parties to the transaction;
- That the loan will be made subject to availability of funds.

Voted: A motion was made by Scott Lajoie, seconded by Kelly Rogers to approve a loan to the Town of North Kingstown in an amount up to \$300,000 out of the Community Septic System Program.

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

The Chair moved to **Item #11** of the Agenda: Review and consideration of a Bond Resolution for the Water Pollution Control Refunding Revenue Bonds, Series 2016A in an amount up to \$60,000,000 (the “Refunding Bonds”).

Neal Pandozzi from Nixon Peabody reviewed the terms and sections of the Bond Resolution with the Board and explained that the Bond Resolution approves the issuance of up to \$60,000,000 in Refunding Bonds and includes articles addressing authorization, establishment of accounts and application, form of the bond and other miscellaneous sections of the Resolution.

Voted: A motion was made by Josh Celeste, seconded by Kelly Rogers to approve the Bond Resolution for the Refunding Bonds, and further that if the Bank’s Water Pollution Control Revolving Fund Revenue Bonds, Series 2016 B (Green Bonds) (Pooled Loan Issues)(the “2016 WPCRF Bonds”) are issued prior to the Refunding Bonds, then the 2016 WPCRF Bonds would be designated Series A and the Refunding Bonds would be designated Series B.

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

The Chair moved to **Item #12** of the Agenda: Review and consideration of amendments to the Bond Resolution dated January 25, 2016 for the 2016 WPCRF Bonds.

Neal Pandozzi reviewed the proposed amendments to the Bond Resolution initially approved by the Board on January 25, 2016, which at the time authorized the issuance of the WPCRF Bonds as Series A. Since the Refunding Bonds are now scheduled to price prior to the WPCRF Bonds, the amendments to the Bond Resolution change the designation of the WPCRF Bonds from Series A to Series B, but provide flexibility to revert back to the prior designation depending upon the timing of the issuance of the Refunding Bonds.

Voted: A motion was made by Kelly Rogers, seconded by Scott Lajoie to approve the amendments to the Bond Resolution dated January 25, 2016 for the WPCRF Bonds.

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

The Chair moved to **Item #13** of the Agenda: Review and consideration of a \$50,940.00 Grant to Abbey Lane Community Association out of the Drinking Water State Revolving Fund.

Executive Director Dewhirst reviewed the details of the grant request. RIIB received an application from Abbey Lane Community Association (ALCA) seeking a grant for \$50,940.00 to complete a storage tank project. ALCA is a public water system that provides service to a 16 home community in Foster. The water services approximately 40 residents.

The project to be funded consists of installation of a new 8,000 gallon water storage tank; installation of a new 500 gallon propane fuel tank and clearing and stabilizing access to a water supply well. Mr. Dewhirst stated that a majority of the above work has been completed and funded by a USDA loan. The remaining balance of the work is to be funded by the grant from RIIB.

Legislation was enacted last year that now allows RIIB to issue grants to water suppliers. RIIB is focused on helping small systems achieve their remediation/project goals and also meeting EPA's 15% Small System requirement. Per EPA regulations, the State must make at least 15% of the total amount available for assistance in a fiscal year from the DWSRF fund available to small systems serving fewer than 10,000 persons.

This grant will be the first for the DWSRF program and at this time, since it is not a loan, the Bank does not see a need for a credit analysis. All conditions of the grant will be described in a mutually accepted grant agreement and signed by all parties to the transaction.

Voted: A motion was made by Scott Lajoie, seconded by Kelly Rogers to approve a \$50,940.00 Grant to Abby Lane Community Association out of the Drinking Water State Revolving Fund.

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

The Chair moved to **Item #14** of the Agenda: Selection of Executive Director.

Chair Sherman discussed the process that RIIB undertook to identify the candidate for Executive Director. RIIB hired an executive search firm, posted the position on RIIB's website as well as the State's website and as a result received a substantial pool of candidates.

With the assistance of the executive search firm, a number of interviews were conducted, and the Chair recommended hiring Jeffrey Diehl. Chair Sherman reviewed Mr. Diehl's credentials and professional experience and also reviewed the terms of a proposed employment agreement with Mr. Diehl.

Voted: A motion was made by Scott Lajoie, seconded by Kelly Rogers to approve the hiring of Jeffrey Diehl as the RIIB Executive Director and to authorize the signing of an employment agreement in accordance with the terms outlined by the Chair.

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

The Chair moved to **Item #15** of the Agenda: Legislative Update.

Legal Counsel, Chris Vitale, noted that RIIB's legislative priority continues to be the proposed "scoop" of \$8,000,000 from RIIB's budget. He noted that the House Finance Committee held a hearing on the matter and Mr. Dewhirst testified on behalf of the Bank. The Senate has not scheduled a hearing as of yet.

Mr. Vitale also noted that legislation has been introduced and is pending to allow municipalities, for the remainder of 2016, to receive Road and Bridge loans from RIIB with an authorizing resolution issued by the City/Town Council and without the necessity of local voter approval. A hearing was held on this legislation by the House Finance Committee, but no further action has been taken.

Finally, Mr. Vitale reviewed the anticipated timeline for the budget process by the General Assembly.

The Chair moved to **Item #16** of the Agenda: Expenses.

Michael Larocque reviewed RIIB's expenses with the Board.

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

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

The Chair moved to **Item #17** of the Agenda: Next regularly scheduled meeting date, April 18, 2016.

Chair Sherman noted the date of the next Board meeting and indicated that there may be a need, based upon business activities, to hold 2 meetings in the month of April. Coordination of the meetings will occur if necessary.

No vote was necessary for this Agenda Item.

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

- Voting in favor of the foregoing: Chair Merrill Sherman, Kelly Rogers, Lisa Ferrara and Joshua Celeste.

- Voting against the foregoing: None

The meeting adjourned at approximately 4:45 p.m.