

**Public Finance Management Board**

**February 4, 2016**

**9:00 a.m.**



**Rhode Island State House, Room 205**

## Public Finance Management Board

### Notice of Meeting

The next meeting of the Public Finance Management Board has been scheduled for Thursday, March 31, 2016 at 9:00 a.m. in Room 205, on the second floor of the State House, Providence, Rhode Island.

### Agenda

1. Call to Order
2. Membership Roll Call
3. Approval of Minutes of Meeting held December 3, 2015\*
4. New Request for Approval \*
  - PFMB – Allocation of reserve volume cap in the amount of \$30,287,500.00, which represents 10% of the annual federal cap allocation.
  - RI Infrastructure Bank – Allocation for proposed refunding of conduit loan made to City of Cranston in 1997 -- \$30,000,000.00
5. Legislative Update
  - Discussion of proposed legislation pertaining to debt management
6. Discussion of State debt management study \*
  - Presentation from PRAG (Janet Lee and Tom Huestis)
7. Other Business

\* Board Members will be asked to vote on this item

**Posted on Monday, February 1, 2016**



**Public Finance Management Board**  
**Regular Meeting Minutes**  
**Thursday, December 3, 2015**  
**9:00 a.m.**  
**Room 205, State House**

A meeting of the members of the Public Finance Management Board (“PFMB”) was held on Thursday, December 3, 2015 at 9:05 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. Roll Call of Members**

The following members were present:

The Honorable Seth Magaziner, General Treasurer and Chair  
Mr. Shawn Brown, Public Member  
Mr. Michael DiBiase, Director, Department of Administration  
Mr. Robert A. Mancini, Public Member  
Mr. Joseph Reddish, Public Member

Also in attendance: Mr. Eugene Bernardo, Esq., Legal Counsel from Partridge Snow & Hahn LLP, Mr. Jeffrey Padwa, General Counsel of the General Treasurer’s Office, and other members of the Treasurer’s Staff; Barbara Fields, Richard Hartley and Kara Lachapelle from the Rhode Island Housing and Mortgage Finance Corporation (“RIHMFCA”); and Charlie Kelley and Noel Simpson from the Rhode Island Student Loan Association (“RISLA”).

There being a quorum, the meeting was called to order at 9:05 a.m.

## **II. Approval of Minutes**

Mr. Magaziner moved to the first agenda item:

Consideration to approve the Public Finance Management Board Minutes. Mr. Mancini moved; Mr. Brown seconded a motion. The following motion was passed by these members who voted in favor: Mr. Magaziner, Mr. Brown, Mr. DiBiase, Mr. Mancini and Mr. Reddish.

**VOTED: To approve the draft of the Minutes of the December 4, 2014 PFMB Regular Meeting.**

## **III. New Request for Approval**

Mr. Magaziner moved on to the next agenda item:

Consideration to approve an allocation of volume cap to RISLA. Mr. Charles Kelley, Executive Director of RISLA, presented RISLA’s application and discussed, among other items, the Authority’s debt issuance history and its upcoming plans, its historical ability to carryforward volume cap issuance, the student loan marketplace, low default rates and the occasion for RISLA to provide refinancing opportunities to existing student loan debtors. Mr. DiBiase moved; Mr.

Mancini seconded a motion. The following motion was passed by these members who voted in favor: Mr. Magaziner, Mr. Brown, Mr. DiBiase, Mr. Mancini and Mr. Reddish.

**VOTED: To approve an allocation of volume cap in the amount of \$60,000,000 to the Rhode Island Student Loan Authority (RISLA); and to allow that allocation to be carried forward and that the Board's legal counsel be directed to file the necessary tax forms with the Internal Revenue Service (IRS) in connection therewith.**

Mr. Magaziner moved on to the next agenda item:

Consideration to approve an allocation of volume cap to RIHMFC. Ms. Kara LaChapelle, Director of Finance and Technology of RIHMFC, joined by Ms. Barbara Fields and Mr. Richard Hartley, presented RIHMFC's application and discussed, among other items, the Corporation's debt issuance history and its upcoming debt issuance plans, its historical ability to carryforward volume cap issuance, the increased demand for single and multi-family loans. Mr. Reddish moved; Mr. Brown seconded a motion. The following motion was passed by these members who voted in favor: Mr. Magaziner, Mr. Brown, Mr. DiBiase, Mr. Mancini and Mr. Reddish.

**VOTED: To approve an allocation of volume cap in the amount of \$241,515,000 to the Rhode Island Housing and Mortgage Finance Corporation (RIHMFC); and to allow that allocation to be carried forward and that the Board's legal counsel be directed to file the necessary tax forms with the Internal Revenue Service (IRS) in connection therewith.**

#### **IV. Discussion of State Debt Practices**

Members discussed the role that PFMB would assume as part of the Treasurer's recommendations for overhauling public debt management and oversight, and specifically the scope of the study that the Treasurer has recommended of the state's debt management practices to be conducted by the state's new financial advisor, Public Resources Advisory Group ("PRAG"). Member Robert Mancini, president of the Rhode Island Society of Certified Public Accountants, offered his organization's pro bono assistance with debt analysis. All members voiced their agreement that the study should be done; to meet again in January after Treasury works with PRAG, the Society of CPAs, and others to design the scope of the study; and that the PFMB will meet more frequently moving forward.

#### **V. Statutory Required Training of New Members**

Mr. Jeffrey Padwa explained that state law requires that members of the PFMB board are required to be trained within six months of appointment on statutory provisions, regulations, the Code of Ethics, the Access to Public Records Act and the Open Meeting Act. He reviewed the PFMB statute and regulations with the members. The Open Meetings Act, APRA and the Open Meetings Act were reviewed and it was explained how they apply to PFMB and its board members. He went on to review the code of ethics and members' responsibilities. Mr. Padwa added that trainings are offered by the Attorney General's office, if members are interested.

Mr. Magaziner opened the floor to other business. There being none, Mr. Magaziner entertained a motion to adjourn the meeting. Mr. DiBiase moved, Mr. Mancini seconded and the following motion was passed. The following members voted in favor: Mr. Magaziner, Mr. Brown, Mr. DiBiase, Mr. Mancini and Mr. Reddish.

**VOTED: To adjourn the meeting.**

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

Respectfully submitted,

**Seth Magaziner,  
General Treasurer**



**§ 42-10.1-4 Notice of debt issue to board.** – (a) Each state, municipal and regional department, authority, agency, board, commission, and public and quasi-public corporation having authority to issue revenue or general obligation bonds or notes shall, no later than thirty (30) days prior to the sale of any such debt issue at public or private sale, give written notice of the proposed sale to the board; and each such issuer shall, within thirty (30) days after such sale, submit to the board a report of final sale.

(b) The notice of proposed debt shall include one proposed sale date, the name of the issuer, the nature of the debt issue, and the estimated principal amount thereof, and such further information as may be required by rule of the board and shall be delivered in accordance with procedures to be established by rule of the board; and the notice of final sale shall be made on a form approved by the board and contain all of the information requested on said form. Any issuer which fails to submit the report of proposed debt or report of final sale by the appropriate deadline shall be subject to a per diem fine of Two Hundred Fifty Dollars (\$250).

(c) Failure of delivery of the above notice or of the time or efficiency thereof shall not affect the validity of the issuance of any debt, bond or note.

(d) The board shall submit a report annually on or before September 30th of each year to the director of administration, the speaker of the house, the chairman of the house finance committee, the president of the senate, the chairman of the senate finance committee, and the auditor general on debt issues by cities and towns and other authorities subject to the provision of chapter 45-12, which report shall include the information set forth in division (b) of this section and shall be for the notices of debt issues received during the state's fiscal year next preceding. An electronic transmission of the report shall be considered an acceptable submission.

History of Section.

(P.L. 1986, ch. 477, § 1; P.L. 2007, ch. 292, § 6; P.L. 2012, ch. 441, § 1; P.L. 2012, ch. 479, § 1.)

## TITLE 42

### CHAPTER 42-10.1

### Public Finance Management Board

### SECTION 42-10.1-9

*This is a new section being added to the General Laws*

(1) Notwithstanding any provision of general law, special law, public corporation or municipal charter to the contrary, no public corporation, body corporate and politic, instrumentality, authority or agency created by statute, city or town, any municipal and regional department, authority, agency, board, commission, fire, water, sewer or regional school district shall incur an obligation to borrow money or enter into any financing lease in an amount greater than one million (\$1,000,000) dollars without the prior approval of the board, unless:

(a) the general assembly approves said borrowing by special statutory authority or by approval as provided for in the Public Corporation Debt Management Act, §§ 35-18-3; or

(b) said borrowing has received the express consent of the voters.

(2) In addition to, and not by way of limitation on, the exemptions provided in subsections 1 (a) and (b) above, prior approval by the Board shall not be required under this chapter for conduit obligations issued by the Rhode Island health and educational building corporation for non-profit corporations or by the Rhode Island industrial facilities corporation.

(3) Prior approval of the Board shall be required for any insurance of the payment of mortgage loans by the Rhode Island industrial-recreational building authority pledging the faith and credit of the state pursuant to R.I. Gen. Law § 42-34-3.

This act shall take effect of January 1, 2017.

**§ 42-10.1-2 Purpose.** – It shall be the purpose and responsibility of the board:

(1) To advise and assist all state departments, authorities, agencies, boards, commissions, and public and quasi-public corporations having authority to issue revenue or general obligation bonds or notes with respect to issuance of and financial planning related to all those bonds and notes;

(2) ~~Upon request, to~~ To advise and/or assist any city or town and any municipal or regional agency, authority, board, commission, or public or quasi-public corporation having authority to issue revenue or general obligation bonds or notes with respect to the issuance and financial planning related to those bonds and notes;

(3) To collect, maintain, and provide information on state, municipal and public or quasi-public corporation debt authorization, sold and outstanding, and serve as a statistical center for all state and municipal debt issues;

(4) To maintain contact with state municipal and public or quasi-public corporation bond issuers, underwriters, credit rating agencies, investors, and others to improve the market for state and local government debt issues;

(5) To undertake or commission studies on methods to reduce the costs and improve credit ratings of state and local debt issues;

(6) To recommend changes in state laws and local practices to improve the sale and servicing of state and local debts.

History of Section.

(P.L. 1986, ch. 477, § 1.)



2016 -- S 2007

LC003777

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2016

A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- PUBLIC FINANCE  
MANAGEMENT BOARD

Introduced By: Senators DaPonte, Pearson, DiPalma, Lombardi, and Walaska

Date Introduced: January 12, 2016

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 42-10.1-2 of the General Laws in Chapter 42-10.1 entitled "Public  
2 Finance Management Board" is hereby amended to read as follows:

3 **42-10.1-2. Purpose.** -- It shall be the purpose and responsibility of the board:

4 (1) To advise and assist all state departments, authorities, agencies, boards, commissions,  
5 and public and quasi-public corporations having authority to issue revenue or general obligation  
6 bonds or notes with respect to issuance of and financial planning related to all those bonds and  
7 notes;

8 (2) Upon request, to advise and/or assist any city or town and any municipal or regional  
9 agency, authority, board, commission, or public or quasi-public corporation having authority to  
10 issue revenue or general obligation bonds or notes with respect to the issuance and financial  
11 planning related to those bonds and notes;

12 (3) To collect, maintain, and provide information on state, municipal and public or quasi-  
13 public corporation debt authorization, sold and outstanding, and serve as a statistical center for all  
14 state and municipal debt issues;

15 (4) To maintain contact with state municipal and public or quasi-public corporation bond  
16 issuers, underwriters, credit rating agencies, investors, and others to improve the market for state  
17 and local government debt issues;

18 (5) To undertake or commission studies on methods to reduce the costs and improve

1 credit ratings of state and local debt issues;

2 (6) To recommend changes in state laws and local practices to improve the sale and  
3 servicing of state and local debts.

4 (7) To annually ascertain the total amount of public, municipal, and public and quasi-  
5 public corporation debt authorized, sold and unsold and no less frequently than every three (3)  
6 years to analyze all necessary and appropriate factors to determine the prudent allowable  
7 aggregate total of public, municipal, and public and quasi-public corporation debt authorization,  
8 which shall be forwarded to the governor and both chambers of the general assembly for their  
9 review and vote of ratification.

10 SECTION 2. Chapter 42-10.1 of the General Laws entitled "Public Finance Management  
11 Board" is hereby amended by adding thereto the following section:

12 **42-10.1-2.1. Report of aggregate debt.** -- (a) The board, at any interval, but no less  
13 frequently than every three (3) years, shall compile the total amount of public, municipal, and  
14 public and quasi-public corporation debt authorized, sold and unsold. The board shall analyze all  
15 necessary and appropriate factors and shall determine the prudent allowable aggregate total of  
16 public, municipal and public and quasi-public corporation debt authorization. The board shall  
17 report such prudent allowable aggregate total of said debt to the governor and both chambers of  
18 the general assembly for their review and general assembly vote of ratification.

19 (b) The board shall be empowered to give notice to any issuer of state, municipal, and  
20 public and quasi-public corporation debt that their issuance of proposed debt will cause the  
21 allowable aggregate total of state, municipal, and public and quasi-public corporation debt to be  
22 exceeded, and that such issuance cannot proceed until that is no longer the case or the allowable  
23 aggregate total of said debt is raised and ratified by vote of the general assembly.

24 SECTION 3. This act shall take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF

A N A C T  
RELATING TO STATE AFFAIRS AND GOVERNMENT -- PUBLIC FINANCE  
MANAGEMENT BOARD

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- 1 This act would require the public finance management board to ascertain and report on
- 2 the total amount of public debt no less than every three (3) years.
- 3 This act would take effect upon passage.

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