Quasi-Public Agencies

Issuer	Issuer Comment	Staff Recommendation/Response	Rationale
Narragansett Bay Commission Original Recommendation: Debt Service Coverage: 1.40x for both NBC debt and RIIB loans	1. Strongly oppose recommendation. 2. NBC has been able to achieve coverage in excess of the ABT and implementation of the high debt service coverage would place additional burden on NBC's ratepayers without any tangible benefit. 3. S&P "assesses coverage in the 1.25x to 1.4x as 'strong' and coverage at the higher end of this range is not likely to result in a credit rating upgrade. 4. The 1.40x coverage would require NBC to increase its user charges by more than 7% or $35 per year for the average single family home owner. 5. In NBC's opinion, increasing debt service coverage, all other things being equal, would cause debt to be less affordable in our service area.	1. Debt Service Coverage: 1.30x for both NBC and RIIB loans	• Staff recommends modifying the debt service coverage ratio target to 1.30x. • NBC is currently rate AA- by S&P. • S&P scores debt service coverage of 1.20x-1.40x as a '3' which is considered strong and consistent with an AA- rating. The 1.30x is middle of the range of S&P's strong/AA- category. • NBC's current debt service coverage level is 1.40x with 1.30x target, NBC should still have flexibility to fund future capital improvements. • Peer group coverage levels range from 1.30x to 3.30x and NBC coverage level should remain in the range of its peer group.
Rhode Island Turnpike and Bridge Authority Original Recommendation: Debt Service Coverage for toll-backed revenue bonds: 1.70x	1. Clarifying language provided. 2. RITBA explained internal planning target of 1.35 to 1.4x 3. RITBA is currently at recommended target level but funding future capital improvements is expected to result in additional debt in the next three to five years. 4. A higher coverage level would require a larger toll increase or fewer projects funded from toll revenue bonds. Fewer projects could result in delaying the RITBA 10 year capital plan which could also put the safety of the bridges under our care at risk. 5. We understand the desire to recommend a target that is higher than the indenture requirement. We would ask that a target of 1.35X, which is higher than the indenture requirement and consistent with our internal planning target, be used.	1. Clarifying language: Changes will be made. 2-5. Debt service coverage: 1.70x based on toll revenues only (no motor fuel tax revenues should be included for coverage purposes). RITBA does not plan on issuing any bonds over the next two years, but may issue toll revenue bonds in the 2019-2020 time-frame.	• Staff recommends keeping the debt service coverage ratio for toll backed revenue bonds targeted at 1.7x coverage, which is the minimum level for an A rating category for Fitch and in the middle of the range for existing toll facilities based on S&P statement. RITBA is also currently at this debt service coverage level. • RITBA's toll revenue bonds are rated A- by S&P and A by Fitch. • Fitch states that for small networks and stand-alone toll roads, average debt service coverage for A rating category is 1.7x and above and for BBB rating category is 1.4x and above. • S&P does not provide indicative rating levels for specified coverage levels, but does state that typical coverage for existing toll facilities is in the 1.5x-2.0x range.
Rhode Island Resource Recovery Corporation Recommendation: Refrain from issuing additional long-term debt	1. Clarifying language provided. 2. Indenture ABT: Not sure where language came from. 3. Recommendation: Prefers alternative language "refrain from issuing additional long-term debt until the future of facility is more certain" rather than "PFMB does not recommend the issuance of additional debt because there is no guarantee that the central landfill facility will remain operational long enough to service any long term debt."	1. Clarifying language: Changes will be made. 2. ABT language: Provided Master Indenture language to RIRRC. (RIRRC responded back and said they have no issues.) 3. Will revise the recommendation language to reflect requested alternative language	

	4. States RIRRC has a $5 million liquidity requirement.		
Rhode Island Airport Corporation Original Recommendation: Debt Service Coverage: 1.75x Debt per Enplaned Passenger: $100	1. Correction: Norwegian has announced six destinations and typo of "emplaned". 2. Debt per enplaned passenger varies from airport to airport, may be driven by recent capital improvements and age of facilities. Fitch: numerous airports have debt per enplaned passenger greater than $200. 3. Coverage: Airports are viewed as affording their debt if they are meeting rate covenant. For Baa rating, Moody's methodology has 1.1x-1.3x. FY15 Moody's median is 1.75x. Recommendation should be more in line with indenture requirement of 1.25x vs. recommendation of 1.75x.	1. Correction: Corrections will be made. 2. Debt service coverage: 1.50x 3. Debt per enplaned passenger: $100	• Staff recommends changing the debt service coverage target to 1.50x, which is the middle range for an A rating category based on Moody's methodology. • Staff recommends keeping the debt per enplaned passenger at $100, which is at the bottom of the Baa rating category based on Moody's methodology. • RIAC is currently 1.76x coverage when including rolling coverage account, which is in the mid-range of its peers, which have a range of 1.42x-1.96x • The current debt per enplaned passenger of $137 is on the high side when compared to most of its peers and the Moody's rubric for airport debt.
Rhode Island Health and Educational Building Corporation	Comments Regarding RIHEBC: 1. Since nonprofits/501(c)(3) are excluded in DAS, exclude from Exhibit A. 2. Statement regarding number of pools is incorrect. Board of Education, Counsel on Post-Secondary Education is single borrower. Comments Regarding Cities and Towns: 1. For cities and towns, 1 week is very short time to review. 2. Any statements made in the report concerning exceeding debt level determinations will need to be disclosed and addressed and RIHEBC hopes this does not adversely affect the borrowing of our cities and towns.	Comments Regarding RIHEBC: 1. Number of pools: Will modify language. Comments Regarding Cities and Towns: 1. Time period for review: PFMB meeting is delayed by a week to allow additional time to for feedback.	
Rhode Island Housing and Mortgage Finance Corporation	No comments received		
Rhode Island Student Loan Authority	No comments received		
Rhode Island Infrastructure Bank Recommendation 1. Require all prospective borrowers to	1. Description of RIIB is not consistent with discussion held with PFMB advisors 2. Report notes that the PFMB has reviewed all the 'pool loan programs' yet metrics apply only to SRF programs and not the newly created Municipal Road and Bridge Revolving Loan Fund (MRBF) and Efficient Buildings Fund (EBF).	1. Ask RIIB to please identify any inconsistencies with the understanding that the description in the report is intended to be high level summary. 2. Clarification will be made in the report. 3. PFMB wants the report to be accurate and clear. Ask RIIB for any	• The recommended debt service coverage target was reduced from 1.25x and the asset to liabilities ratio was reduced from 1.5x • The recommended debt service coverage is on the low end of the levels required to maintain RIIB's triple-A ratings based on

maintain 1.25x debt service coverage 2. Maintain RIIB's asset to liabilities ratio at a minimum of 1.5x **Rhode Island Infrastructure Bank** Recommendation 1. Require all prospective borrowers to maintain 1.25x debt service coverage 2. Maintain RIIB's asset to liabilities ratio at a minimum of 1.5x	Report should be more explicit that the RIIB section only applies to the Drinking Water and Clean Water SRF. 3. Important to RIIB that representations in the report are accurate and clear. Recommendations and factual assertions made in the report have the potential to raise questions among rating agency analysts, bond investors, and underwriters. RIIB is not and cannot be responsible for the content of this report and any reliance on the report by third parties is not the responsibility of RIIB, 4. 'Debt Affordability" is not defined. Concept of debt capacity and debt affordability appear to be used interchangeably at different times. 5. Recommended coverage levels and asset liability ratio favor RIIB to maintain the status quo with little regard to the fact that RIIB currently exceeds both the minimum levels to achieve a AAA rating and that of comparable New England entities. Static coverage level that fosters the status quo does not provide flexibility to respond to natural changes in the portfolio, borrower needs, State Infrastructure Policy and federal changes. 6. Indicate peers included in report are not comparable. 7. RIIB's current ratios compare favorably to indenture requirements, rating agency AAA requirements, New England counterparts (CT, MA) (provide table showing RI, MA and CT asset/liability ratio and debt service coverage) 8. It is difficult to understand why the report recommends that RIIB should be limited to its current coverage level. 9. Static asset liability ratio does not take into consideration RIIB's current policy of investing directly in borrowers' loans when possible in lieu of additional reserve funds. 10. Report recommends that RIIB require its revenue bond borrowers to provide minimum coverage of 1.25x. That is current requirement for the SRF programs. They note that the nature of their portfolio and borrower needs will change. Higher coverage on RIIB bonds can in result in higher costs of funds for local borrowers. Requiring a conduit issuer such as RIIB to maintain	corrections/clarifications they would like to make. 4. In terms of "debt affordability" the PFMB seeks to assess the level of debt a quasi-public agency can take on and be in a good position to meet its debt service obligations in a timely manner and at a minimum, to maintain current rating levels. The report will be reviewed to make sure proper terms are used. *Do not see reference to debt capacity in RIIB or Part Two*. 5. The PFMB recognizes that RIIB is currently above the indenture requirements and rating requirements for a AAA rating. The PFMB target recommendations were purposely drafted to reflect RIIB's current credit position and are not binding. The legislation requires the PFMB to undertake the debt affordability study every two years, and recommended target ratios will be reviewed every two years and therefore, these recommended ratios are not static. 6. Ask RIIB to provide peers for the SRF programs. 7-9. The PFMB recognizes that RIIB is above the indenture requirements and rating requirements for a AAA rating. The PFMB target recommendations were purposely drafted to reflect RIIB's current credit position and are not binding. The legislation requires the PFMB to undertake the debt affordability study every two years, and recommended target ratios will be reviewed every two years and therefore, these recommended ratios are not static. 10. The PFMB is in favor of recommending the current SRF requirement. The legislation requires the PFMB to undertake the debt affordability study every two years,	rating agency criteria and in comparison to its peers but still with criteria in the range for triple-A. • RIIB's current debt service coverage levels and asset to liabilities ratios for these two programs are well within the recommended ratios and RIIB maintains triple-A ratings from Fitch and Standard & Poor's. • PFMB recognizes that current levels may not be able to maintained if there are critical infrastructure needs for the State.

	artificially higher coverage has the effect of raising the cost of borrowing for the participants. 11. Provide clarifying language to second paragraph. 12. RIIB is cognizant of concentration risk. Agreement with NBC is for reserving capacity for NBC not limiting. 13. RIIB's review of other state Debt Affordability studies indicates that most set limits/target for tax-supported debt. Have not found relevant comparison that includes targets/limits on agencies such as RIIB. 14. Because both RIIB SRF programs are rated AAA and RIIB exceeds indenture requirements and rating agency metrics, recommend PFMB adopt a debt service coverage target of 1.15x for existing SRF programs. Do not currently recommend target for MRBF and EBF. Reduced debt issuance by RIIB means fewer projects funded and fewer jobs.	and recommended target ratios will be reviewed every two years. 11. Clarifying language will be added. 12. NBC Concentration: We will delete reference to the agreement. 13. We are not aware of any other state that is undertaking a debt affordability study for its state agencies and quasi-public agencies, but since the PFMB legislation requires it and ultimately the citizens of the state repaying the debt through taxes or fees (including State match requirements for the SRF programs), we believe a study that includes all debt is appropriate. 14. Target 1.20x debt service coverage and maintain asset to liability ratio of 1.3x.	

Municipalities and Special Districts

Issuer	Issuer Comment	Staff Recommendation/Response	Rationale
Barrington			
Bristol			
Burrillville			
Central Falls			
Charlestown			
Coventry			
Cranston			
Cumberland			
East Greenwich			
East Providence	1. Surprised report includes enterprise fund debt in the municipal debt burden. 2. Unclear where EP's NBC allocation comes from.	1. No change (see rationale—it is useful to show the total debt burden that citizens in each community face). 2. Data has been corrected.	To assist policy makers, the PFMB believes it is useful to show the total debt burden that citizens in each community face, including enterprise and pension. If a community is higher on these metrics, but not on traditional tax supported debt, it doesn't mean that the city has necessarily done anything wrong or should do anything differently, but it is still useful information for the public to be aware of.
Exeter			
Foster			
Glocester			
Hopkinton			
Jamestown			
Johnston			
Lincoln	1. Question on how Enterprise Debt is calculated. 2. Question on definition of Overlapping Debt. Additional Comments 3. Lincoln's assessed value is higher than what is reflected in the DMF data, because of the exemptions they provide. His finance director will be sending us the revised data. 4. Their general obligation debt is almost all school funding-related. They receive a 30% reimbursement from RIDE for school construction. He suggests we provide a schedule that outlines what communities receive, in terms of state reimbursement, on school construction debt. 5. He had two concerns about the NBC debt. First, he doesn't think its accurate because of how it is apportioned. I told him this would be changing in	and 2. Provided clarifying information Additional Comments 1. 3. And 4. No change, as the methodology used is consistent with Ratings Agency practices, but language will be added to the report drawing attention to these issues. 2. This data has been corrected.	• To assist policy makers, the PFMB believes it is useful to show the total debt burden that citizens in each community face, including enterprise and pension. If a community is higher on these metrics, but not on traditional tax supported debt, it doesn't mean that the city has necessarily done anything wrong or should do anything differently, but it is still useful information for the public to be aware of.

Issuer	Issuer Comment	Staff Recommendation/Response	Rationale
	the new draft, as we've received new data. Second, he does not think it should be lumped in with the municipality's debt. He suggested we explain our rationale for including it as part of the muni's enterprise debt.		
Little Compton			
Middletown			
Narragansett			
New Shoreham			
Newport	1. Rating agencies look at many factors: operations, pensions and OPEB; picking and choosing various elements from ratings agencies to evaluate debt. Did not get any questions asking for information or clarification. 2. Concerned about possible negative public and press reaction to adding Pension Liabilities and OPEB. Outside parties unlikely to be familiar with nuances of municipal finance. 3. Next rating adds OPEBs and will put many municipalities far above ratios. 4. Alarmist position and potentially stops municipalities from taking out bonds for schools, infrastructure or comply with consent decrees and court orders, etc.	Kelly and Frank have thanked Newport for their feedback. No change to the report is recommended.	To assist policy makers, the PFMB believes it is useful to show the total debt burden that citizens in each community face, including enterprise and pension. If a community is higher on these metrics, but not on traditional tax supported debt, it doesn't mean that the city has necessarily done anything wrong or should do anything differently, but it is still useful information for the public to be aware of.
North Kingstown			
North Providence			
North Smithfield			
Pawtucket	1. Confirm calculation of enterprise debt. 2. Rating Agencies do not include Enterprise Fund Debt (such as the Pawtucket Water Supply Board Debt paid by user fees) in a City's Tax Supported Debt Burden. The debt is included on the debt statement but then netted out because it is not supported by property taxes. Similarly, the NBC debt is not considered overlapping debt for the communities in the NBC service area. 3. Pawtucket Water Supply Board debt is a business operation that is funded by user fees and not funded by taxpayer funds - not all Pawtucket residents are on public water. In addition, Pawtucket Water Supply Board serves non-Pawtucket residents and also sells water wholesale (to the Town of Cumberland for example).	On #2, the data in the report has been corrected. 1. On the other issues raised, Kelly and Frank have thanked Pawtucket for their feedback. No change to the report is recommended.	• To assist policy makers, the PFMB believes it is useful to show the total debt burden that citizens in each community face, including enterprise and pension. If a community is higher on these metrics, but not on traditional tax supported debt, it doesn't mean that the city has necessarily done anything wrong or should do anything differently, but it is still useful information for the public to be aware of.

Issuer	Issuer Comment	Staff Recommendation/Response	Rationale
	4. Tax supported debt and enterprise fund debt, such as the Pawtucket Water Supply Board are very different and should not be combined as part of a debt burden analysis. 5. Adding NBC debt to the City and Town debt is not in line with how bond rating agencies view such debt. Again, NBC is not funded by taxpayer funds. It is funded purely through rate payers. It would be similar to adding National Grid debt -it is a utility that is paid for by its users. 6. If NBC were to be added to City and Town debt, prorating it by population may not be the best way to prorate the debt. The largest institutional users are in the urban areas, especially Providence. Prorating by use or flow may be a better measure. Mostly residential towns do not use the system as much as dividing it by population would suggest. 7. Including Pension obligations in the analysis can be beneficial to planning efforts, however the incremental increase in target debt ratios when including Pension obligations is not realistic.		
Portsmouth			
Providence			
Richmond			
Scituate			
Smithfield			
South Kingstown			
Tiverton			
Warren			
Warwick			
West Greenwich			
West Warwick			
Westerly			
Woonsocket			
FIRE DISTRICTS			
Albion			
Ashaway			
Bonnet Shores			
Bradford			
Buttonwoods			
Central Coventry			
Charlestown			
Chepachet			

Issuer	Issuer Comment	Staff Recommendation/Response	Rationale
Coventry			
Cumberland			
Cumberland Hill			
Dunn's Corners	1. Concerned about the constraint of "Overall net debt as a percentage of market value below 3%". Dunn's Corners maintains one of the lowest tax rates in the state for Fire districts. We provide the actual fire department services to 4 other Fire districts that do not maintain their own equipment. Each of these contracting districts save substantial dollars by contracting with DCFD. That being the case, to be fair the 3% of market value should be based on the combined total of DCFD and the districts that contract with it.	1. Email sent explaining targets apply to municipalities not directly to fire districts and provided how Dunn's Corners debt is allocated between Westerly and Charlestown	
Exeter			
Harmony			
Harrisville			
Hope Valley-Wyoming			
Hopkins Hill			
Indian Lake			
Kingston			
Lime Rock			
Lonsdale			
Manville			
Misquamicut			
Nasonville			
North Cumberland			
North Tiverton			
Oakland-Mapleville			
Pascoag			
Pojac Point			
Portsmouth Water and Fire			
Quinnville			
Quonochontaug Central			
Richmond Carolina			
Saylesville			
Shady Harbor			
Shelter Harbor			

Issuer	Issuer Comment	Staff Recommendation/Response	Rationale
Stone Bridge			
Union			
Valley Falls			
Watch Hill			
Weekapaug			
West Glocester			
Westerly			
Western Coventry			
OTHER SPECIAL DISTRICTS			
Bristol-Warren Regional School District			
Bristol County Water Authority			
Chariho Regional School District	1. Will provide GO debt service, loans and leases for FY2016	1. Information will be added when received.	2.
Exeter-West Greenwich Regional School District			
Foster-Glocester Regional School District			
Kent County Water Authority			
Pascoag Utility District			