



## Committee on Finance

### Regular Meeting

~ Meeting Minutes ~

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Tuesday, October 18, 2016

6:00 PM

Committee "B" (City Hall 3rd Floor)

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PRESENT: Chairman John J. Igliazzi, Vice-Chairman Terrence M. Hassett, Councilwoman Sabina Matos and Councilwoman Ryan – 4.

ABSENT: Councilwoman Carmen Castillo – 1.

Also present are Councilman Michael J. Correia; Councilman Kevin Jackson; Councilman Bryan Principe; Councilman Samuel D. Zurier; Kenneth Chiavarini, Deputy City Solicitor, Law Department; Lawrence J. Mancini, Director of Finance; James J. Lombardi III, City Treasurer/Senior Advisor to the City Council; Matthew Clarkin, Internal Auditor; Alan Sepe, Director of Operations; Gina Costa, Auditor/Budget Analyst, Office of Internal Auditor; Cyd McKenna, Chief of Staff, City Council Office; Michaela Antunes, Press Secretary, City Council; Charles Tetelman, Policy Analyst, Office of the City Council; Emily Crowell, Deputy Director of Communications, Mayor's Office; Robin Muksian, Director of Administration, Mayor's Office; Theresa Agonia, Deputy of Staff, Mayor's Office; Jordan Day, Policy Associate, Mayor's Office; John Hill, Providence Journal; Dan McGowan, WPRI 12; Lori L. Hagen, City Clerk and Dawn E. Ostiguy, Assistant Clerk. .

- 1. Resolution in furtherance of Ordinance Chapter 2016-34, No. 33, authorizing the City of Providence to finance the design, construction, repair, rehabilitation, replacement and improvement of infrastructure in the city's neighborhoods, including, but not limited to, streets, sidewalks, public parks, recreation facilities, bridges, sewers, drainage and city buildings by the issuance of not more than \$40,000,000 bonds.**

CHAIRMAN IGLIOZZI: Let's take Item number one. I think first we have to amend the actual Agenda.

CITY CLERK HAGEN: You just need to amend the heading.

CHAIRMAN IGLIOZZI: Change the number?

CITY CLERK HAGEN: The heading, so if you want to, I don't know if you want us to read it into the record.

CHAIRMAN IGLIOZZI: Can we entertain a motion to, I guess, to amend the heading of number one, and where there's the number 33, it should say 331. Is that right, Madame Clerk? We need to add a one?

CITY CLERK HAGEN: That is correct.

CHAIRMAN IGLIOZZI: Because of a typo. Do I have a motion for that?

COUNCILWOMAN RYAN: So moved.

COUNCILWOMAN MATOS: Second.

On motion of Councilwoman Ryan, Seconded by Councilwoman Matos, it is voted to amend the heading of Item number one.

CHAIRMAN IGLIOZZI: Discussion. All in favor.

COMMITTEE: Aye.

CHAIRMAN IGLIOZZI: Okay, Madame Clerk, let's take up Item number one. It's not amended, right?

CITY CLERK HAGEN: We just amended the heading. The heading only.

CHAIRMAN IGLIOZZI: Item number one, as the heading is amended. Do we have a motion for substitution?

COUNCILWOMAN RYAN: Motion for substitution.

VICE-CHAIRMAN HASSETT: Second.

On motion of Councilwoman Ryan, Seconded by Vice-Chairman Hassett, it is voted to substitute Item number one for Item number 1A.

CHAIRMAN IGLIOZZI: Discussion. We'll make it as Item number 1A, right, Madame Clerk?

CITY CLERK HAGEN: That's correct.

CHAIRMAN IGLIOZZI: And, Madame Clerk, just for the record, can you please read what Item number 1A states, please.

CITY CLERK HAGEN: “Whereas, the City Council adopted and the Mayor approved Ordinance Chapter 2016-34, No. 331 effective on August 5, 2016 (the “Ordinance”) authorizing the design, construction, repair, rehabilitation, replacement and improvement of infrastructure in the City’s neighborhoods, including, but not limited to, streets, sidewalks, public parks, recreation facilities, bridges, sewers, drainage and City of Providence (the “City”) buildings (the “Projects”) and the financing of the Projects through the issuance of bonds in an amount not to exceed \$40,000,000 (the “Bonds”); and whereas, Section 2 of the Ordinance provides that the Bonds may be issued pursuant to the authority of the Ordinance only if a majority of the electors of the City has approved the authorization to issue a bond at the state general election to be held on November 8, 2016, in a ballot question to be submitted in substantially the following form: "Shall an Ordinance of the City Council effective on August 5, 2016 authorizing the issuance of up to \$40,000,000 general obligation bonds of the City to finance the design, construction, repair, rehabilitation, replacement and improvement of infrastructure in the City’s neighborhoods, including, but not limited to, streets, sidewalks, public parks, recreation facilities, bridges, sewers, drainage and City buildings, pursuant to Rhode Island General Laws § 45-12-2 and § 807 of the City’s Home Rule Charter, be approved?"; and whereas, since the passage of the ordinance additional information about the finances of the City have arose; and whereas, on October 7, 2016 Moody's Investor Services stated “Any further reductions in reserves or failure to adhere to the deficit reduction plan will result in strong downward rating pressure”; and whereas, the City of Providences bond rating is Baa1, one investment grade above junk status; and whereas, in the recently commissioned NRN report it states “Compared to nine other New England cities, Providence has the lowest credit rating, with Baa1 rating as its 2015 bond issue”; and whereas, per the Internal Auditor there is a negative cumulative deficit balance (a.k.a. rainy day fund) of thirteen million four hundred thousand dollars

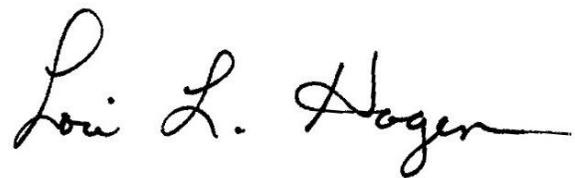
(\$13,400,000) with possible reductions of an unaudited six million four hundred thousand dollars (\$6,400,000) or at least seven million dollars (\$7,000,000); and whereas, presently, the City has an unsustainable pension system that is approximately 27.4% funded with an approximate nine hundred million dollars (\$900,000,000) unfunded pension liability; and whereas, there is an unbudgeted four million dollars (\$4,000,000) change to the budget for reducing the assumed rate of return for the pension system; and whereas, presently the City has an Other Post-Employment Benefits (OPEB) unfunded liability of over one billion dollars (\$1,000,000,000); and whereas, further in the NRN report it states “If the City does nothing else differently, it will face a structural deficit – without even considering the full cost of necessary and required OPEB funding – of more than \$37 million by FY2026”; and whereas, per the Internal Auditor there is a potential unbudgeted twelve million four hundred thousand dollar (\$12,400,000) liability caused from the unilateral actions by the Mayor and Commissioner of Public Safety against the fire department; and whereas, the Providence City Council acknowledges the fiscal challenges that are before the City and continues to review discretionary spending and in the best interest of the City not granting approval; and furthermore, the Governor of The State of Rhode Island recently stated about the City “I think we need some leadership and some action. And make some tough decisions”. Now, therefore, be it resolved that based upon the above and continuing uncertainty of the finances of the City of Providence, the Providence City Council recommends not to support the issuance of this bond at this time. The issuance of said bond would add Forty Million Dollars (\$40,000,000) of new debt to the People of Providence which would create further financial hardship to the City of Providence and its people.”

CHAIRMAN IGLIOZZI: Thank you. I would like the record to reflect, Madame Clerk, that as part of the attachment is a fourteen page PowerPoint, which the first one, of course, is the Moody’s. The second one is the Moody’s Bond

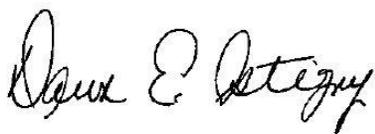
Rating. The third one is a PowerPoint identifying the unsustainable pension system. The next one is other post-employment benefits outlaying the one billion. Then there's the unrealistic rate of return; unsustainable pension burn rate; the National Resource Network PowerPoint; potential three platoon retro payment; negative rainy day fund; the fire department and manning per shifts; police department; debt service burden; a quote from the Governor; a final analysis synopsis and the two page Moody's Investment statement.

<b>RESULT:</b>	<b>APPROVED, AS AMENDED</b>
<b>MOVER:</b>	Councilwoman Ryan
<b>SECONDER:</b>	Councilwoman Matos
<b>AYES:</b>	Chairman Igliazzi, Vice-Chairman Hassett, Councilwoman Matos and Councilwoman Ryan – 4.
<b>ABSENT:</b>	Councilwoman Castillo – 1.

**ADJOURNMENT:** On motion of Councilwoman Ryan, Seconded by Councilwoman Matos, it is voted to adjourn the meeting at 6:11 o'clock P.M.



**City Clerk**



**Assistant Clerk**

# RESOLUTION OF THE CITY COUNCIL

*No.*

WHEREAS, the City Council adopted and the Mayor approved Ordinance Chapter 2016-34, No. 331 effective on August 5, 2016 (the “Ordinance”) authorizing the design, construction, repair, rehabilitation, replacement and improvement of infrastructure in the City’s neighborhoods, including, but not limited to, streets, sidewalks, public parks, recreation facilities, bridges, sewers, drainage and City of Providence (the “City”) buildings (the “Projects”) and the financing of the Projects through the issuance of bonds in an amount not to exceed \$40,000,000 (the “Bonds”); and

WHEREAS, Section 2 of the Ordinance provides that the Bonds may be issued pursuant to the authority of the Ordinance only if a majority of the electors of the City has approved the authorization to issue a bond at the state general election to be held on November 8, 2016, in a ballot question to be submitted in substantially the following form:

"Shall an Ordinance of the City Council effective on August 5, 2016 authorizing the issuance of up to \$40,000,000 general obligation bonds of the City to finance the design, construction, repair, rehabilitation, replacement and improvement of infrastructure in the City’s neighborhoods, including, but not limited to, streets, sidewalks, public parks, recreation facilities, bridges, sewers, drainage and City buildings, pursuant to Rhode Island General Laws § 45-12-2 and § 807 of the City’s Home Rule Charter, be approved?"; and

WHEREAS, since the passage of the ordinance additional information about the finances of the City have arose; and

WHEREAS, on October 7, 2016 Moody's Investor Services stated “Any further reductions in reserves or failure to adhere to the deficit reduction plan will result in strong downward rating pressure”; and

WHEREAS, the City of Providences bond rating is Baa1, one investment grade above junk status; and

WHEREAS, in the recently commissioned NRN report it states “Compared to nine other New England cities, Providence has the lowest credit rating, with Baa1 rating as its 2015 bond issue”; and

WHEREAS, per the Internal Auditor there is a negative cumulative deficit balance (a.k.a. rainy day fund) of thirteen million four hundred thousand dollars (\$13,400,000) with possible reductions of an unaudited six million four hundred thousand dollars (\$6,400,000) or at least seven million dollars (\$7,000,000); and

WHEREAS, presently, the City has an unsustainable pension system that is approximately 27.4% funded with an approximate nine hundred million dollars (\$900,000,000) unfunded pension liability; and

WHEREAS, there is an unbudgeted four million dollars (\$4,000,000) change to the budget for reducing the assumed rate of return for the pension system; and

WHEREAS, presently the City has an Other Post-Employment Benefits (OPEB) unfunded liability of over one billion dollars (\$1,000,000,000); and

WHEREAS, further in the NRN report it states “If the City does nothing else differently, it will face a structural deficit – without even considering the full cost of necessary and required OPEB funding – of more than \$37 million by FY2026”; and

WHEREAS, per the Internal Auditor there is a potential unbudgeted twelve million four hundred thousand dollar (\$12,400,000) liability caused from the unilateral actions by the Mayor and Commissioner of Public Safety against the fire department; and

WHEREAS, the Providence City Council acknowledges the fiscal challenges that are before the City and continues to review discretionary spending and in the best interest of the City not granting approval; and

FURTHERMORE, the Governor of The State of Rhode Island recently stated about the City “I think we need some leadership and some action. And make some tough decisions”

NOW THEREFORE, BE IT RESOLVED that based upon the above and continuing uncertainty of the finances of the City of Providence, the Providence City Council recommends not to support the issuance of this bond at this time. The issuance of said bond would add Forty Million Dollars (\$40,000,000) of new debt to the People of Providence which would create further financial hardship to the City of Providence and its people.

This resolution shall take effect upon passage.