

DEPARTMENT OF CITY CLERK

CITY HALL

OCTOBER 6, 1986

The Committee on Finance meets this day at 12:00 o'clock Noon in Committee Room "A", City Hall.

PRESENT: Councilwoman Carolyn F. Brassil, Chairwoman, Councilwoman Evelyn V. Fagnoli, and Councilmen David G. Dillon and Malcolm Farmer, III.

ABSENT: Councilman Thomas M. Glavin.

Also present are Finance Director Jerome I. Baron, City Treasurer Stephen T. Napolitano, James Jackson of Hinckley, Allen, Tobin and Silverstein, and Maureen Massiwer of Fleet National Bank.

(Rose M. Mendonca, Clerk).

Chairwoman Brassil relinquishes the Chair to Vice-Chairman Dillon.

VICE-CHAIRMAN DILLON IN THE CHAIR.

AWARDING OF BONDS FOR THE REFUNDING BOND ISSUES.

Vice-Chairman Dillon invites Mr. Jackson and Ms. Massiwer to make their presentation.

Mr. Jackson states that his presentation will involve the vote they have prepared, with some explanation, and that Ms. Massiwer has prepared the figures and calculations, which she can speak to.

He states that this is the advance refunding of the bonds issued in 1980, 1982 and 1985. The purpose of the vote today is to approve the advance refunding of those bonds, approve the issuance of the bonds by the City Treasurer and the terms and conditions of those bonds.

Mr. Jackson states that the City has previously issued a \$19,000,000 general obligation bonds dated September 1, 1980, its \$22,500,000 general obligation bonds dated September 15, 1982, and 1982 bonds, and its \$10,000,000 general obligation bonds, Lot B, dated June 1, 1985.

He reads the vote:

"WHEREAS, the City has authorized the City Treasurer, with the approval of the Mayor and the Committee on Finance, to issue refunding bonds not in excess of \$19,000,000 to refund the 1980 bonds, not in excess of \$26,000,000 to refund the 1982 bonds, and not in excess of \$12,000,000 to refund the 1980 bonds by Ordinances approved and adopted by the City Council on September 18, 1986; NOW, THEREFORE, the Committee on Finance makes the following findings:

The Committee on Finance has received a report regarding the economic benefits to be derived from refunding the 1980, 1982, and 1985 bonds."

Mr. Jackson points out that there are substantial savings provided by the advance refunding. The present value of the savings would amount to \$2,301,694.26 as shown by the report. The actual cumulative savings would amount to \$1,860,251.94 as shown on the report.

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Councilman Farmer inquires of Mr. Jackson as to why the present value is higher than the actual. Ms. Massiwer explains that the present value is a reflection of the time in which the savings are taken, and because of the prior structure and the way the new issue is structured, the savings will come in the earlier years. The City has the use of that money earlier, instead of waiting for inflation to take its toll and the dollars will be worth less ten years from now than they are today.

Vice-Chairman Dillon wishes to know if the City is actually going to keep the money in a separate account (the money to be saved), to which Ms. Massiwer responds affirmatively. She states that the money to be saved will be saved because the actual appropriation will be less, so that would be up to the City.

Ms. Massiwer continues her explanation and concludes that the bonds sold very well at 6.2608%, and that was because there was M.B.I.A. Insurance, which is the first time in its history the City has been awarded Insurance by M.B.I.A., which is the prime insurance company. These bonds will be rated AAA by both M.B.I.A. and Standard and Poor, for which the City can be very pleased.

Vice-Chairman Dillon then wishes to know the cost of the insurance, to which Ms. Massiwer responds that the insurance cost is \$435,000, but much more than that amount is saved. The insurance saved the City a considerable amount of money. The premium was very attractive, .681%, which in itself saved the City \$100,000.

Ms. Massiwer states that all the City officials, especially Mr. Baron, who participated in the presentation, should be commended, because M.B.I.A. was very impressed with everything they saw in the City, and they were also impressed with the economic development progress which is being made. She thinks they feel good about Providence.

Mr. Jackson states that there is more in the motion, which he will explain as he goes along. He continues with the motion:

"2.) The refunding bonds proposed to be issued in the amount of \$44,855,000.00 payable in varying principal amounts on March 15 of each year, from 1987 to 2005, inclusive, at interest rates and redeemable as shown in Schedule A attached hereto, the net proceeds will be used as follows:

"To redeem the 1980 bonds within 90 days of the date of issue at redemption price of 102.5% plus accrued interest; to redeem the 1982 bonds on September 15, 1988 at redemption price of 102.5% of the face amount; to redeem the 1985 bonds on June 1, 1991 at a redemption price of 102.5% of their face amount, and to pay the principal and interest payments coming due on the 1982 Bonds and the 1985 Bonds prior to redemption.

"3.) Based on the report, the Finance Committee finds that the proposed refunding of the 1980, 1982 and 1985 Bonds will result in a financial benefit to the City."

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"AND FURTHER, the Finance Committee votes as follows:

VOTED: to approve of the execution by the Treasurer of the City of a Bond Purchase Agreement with underwriters in substantially the form of the agreement submitted to this meeting with such changes and additions as he shall in his sole discretion approve, his signature thereto to be conclusive as to the due authorization and approval of that Agreement by the Finance Committee."

Mr. Jackson explains that would be a Bond Purchase Agreement that would be made part of the record of this Finance Committee, and it is in the usual form for the sale of the bonds to the underwriters, Fleet National Bank, Prudential Bache Securities, Alex Brown & Sons, Inc., B. F. Sterns & Co., Inc., Tucker Anthony and R. L. Day, Inc., Kidder, Peabody & Co., and Payne Webber, Inc. The Agreement would be signed on behalf of the underwriters by Fleet National Bank, which would be the lead underwriter. By voting this Committee approves the Agreement, which is in substantially the usual form.

"VOTED: to approve of the sale by the Treasurer of General Obligation Bonds of the City in the amount of \$44,855,000 on substantially the terms described in the Bond Purchase Agreement as executed by the Treasurer."

On motion of Councilman Farmer, seconded by Councilwoman Fagnoli, the following vote is adopted:

"WHEREAS, The City has previously issued its \$19,000,000 General Obligation Bonds dated September 1, 1980 (the "1980 Bonds"), its \$22,500,000 General Obligation Bonds, dated September 15, 1982 (the "1982 Bonds") and its \$10,000,000 General Obligation Refunding Bonds-- Lot B, dated June 1, 1985 (the "1985 Bonds"), and

"WHEREAS, The City has authorized the City Treasurer, with the approval of the Mayor and the Committee on Finance, to issue refunding bonds not in excess of \$19,000,000 to refund the 1980 Bonds, not in excess of \$26,000,000 to refund the 1982 Bonds and not in excess of \$12,000,000 to refund the 1985 Bonds by ordinances approved September 25, 1986.

"NOW, THEREFORE, The Committee on Finance makes the following findings:

1. The Committee on Finance has received a report regarding the economic benefits to be derived from refunding the 1980, 1982 and 1985 Bonds.
2. The refunding bonds are proposed to be issued in the amount of \$44,855,000 payable in varying principal amounts on March 15 of each year from 1987 to 2005 inclusive at interest rates and redeemable as shown on Schedule A attached hereto. The net proceeds will be used as follows:
 - "(a) to redeem the 1980 Bonds within 90 days of the date of issue at a redemption price of 102.5% of their face amount plus accrued interest,
 - (b) to redeem the 1982 Bonds on September 15, 1988 at a redemption price of 102.5% of their face amount,
 - (c) to redeem the 1985 Bonds on June 1, 1991 at a redemption price of 102.5% of their face amount,
 - (d) to pay the principal and interest payments coming due on the 1982 Bonds and the 1985 Bonds prior to redemption.

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"3. Based on the report, the Finance Committee finds that the proposed refunding of the 1980, 1982 and 1985 Bonds will result in a financial benefit to the City.

AND FURTHER, the Finance Committee votes as follows:

VOTED: to approve of the execution by the Treasurer of the City of a Bond Purchase Agreement with underwriters in substantially the form of the agreement submitted to this meeting with such changes and additions as he shall in his sole discretion approve, his signature thereto to be conclusive as to the due authorization and approval of that Agreement by the Finance Committee.

VOTED: to approve of the sale by the Treasurer of general obligation bonds of the City in the amount of \$44,855,000 on substantially the terms described in the Bond Purchase Agreement as executed by the Treasurer."

SCHEDULE A

DATE	PRINCIPAL	COUPON
3/15/87	1,600,000.00	4.200000
9/15/87		
3/15/88	3,620,000.00	4.700000
9/15/88		
3/15/89	3,560,000.00	5.000000
9/15/89		
3/15/90	3,660,000.00	5.250000
9/15/90		
3/15/91	3,860,000.00	5.500000
9/15/91		
3/15/92	4,080,000.00	5.750000
9/15/92		
3/15/93	4,320,000.00	6.000000
9/15/93		
3/15/94	4,550,000.00	6.150000
9/15/94		
3/15/95	4,760,000.00	6.300000
9/15/95		
3/15/96	1,540,000.00	6.400000
9/15/96		
3/15/97	1,520,000.00	6.500000
9/15/97		
3/15/98	1,495,000.00	6.600000
9/15/98		
3/15/99	1,470,000.00	6.700000
9/15/99		
3/15/ 0	1,440,000.00	6.800000
9/15/ 0		
3/15/ 1	1,410,000.00	6.900000
9/15/ 1		
3/15/ 2	500,000.00	6.950000
9/15/ 2		
3/15/ 3	495,000.00	7.000000
9/15/ 3		
3/15/ 4	490,000.00	7.000000
9/15/ 4		
3/15/ 5	485,000.00	7.000000
	<u>44,855,000.00</u>	
ACCRUED	<u>44,855,000.00</u>	

Redemption Prior to Maturity

Bonds maturing on or prior to March 15, 1994 are not subject to redemption prior to maturity. Bonds maturing March 15, 1995 and thereafter shall be subject to redemption prior to their stated dates of maturity, at the option of the City, on or after March 15, 1994 as a whole at any time, or in part in inverse order of maturity on any interest payment date, at the respective redemption prices (expressed as percentages of the principal amount of Bonds to be redeemed) set forth in the following table, together with the interest accrued and unpaid to the redemption dates.

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<u>Redemption Period (both dates inclusive)</u>	<u>Redemption Price</u>
March 15, 1994 to March 14, 1997	103%
March 15, 1997 to March 14, 2000	102%
March 15, 2000 to March 14, 2003	101%
March 15, 2003 and thereafter.	100%

In the event the City shall exercise its option to redeem any or all of the Bonds, notice of such redemption specifying the numbers and maturities of Bonds to be redeemed will be mailed not more than forty-five (45) days nor less than thirty (30) days prior to the redemption date to the registered owners at their addresses as shown on the registration books. Failure to mail such notice to the owner of any Bond will not affect the redemption of any other Bond. In addition, notice of redemption shall be published at least fifteen (15) days prior to the date set for redemption in a daily newspaper of general circulation in the State of Rhode Island and in a nationally distributed financial journal with general circulation in New York, New York. Failure to publish such notice of redemption will not affect the redemption of any other Bond. Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall be due and payable at the applicable redemption prices herein provided and monies for the redemption having been deposited with the Paying Agent, from and after the date so fixed for redemption interest shall cease to accrue and be payable.

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RESCIND LEAVE OF ABSENCE FOR WAYNE MONTAGUE, WATER SUPPLY BOARD, AS APPROVED FROM OCTOBER 13, 1986 TO OCTOBER 13, 1987 BY THE COMMITTEE ON FINANCE ON SEPTEMBER 10, 1986.

On motion of Councilwoman Brassil, seconded by Councilwoman Fargnoli, it is voted to rescind the vote of the Committee on Finance at its meeting held September 10, 1986, authorizing a Leave of Absence to Wayne Montague from October 13, 1986 to October 13, 1987.

RESOLUTION AUTHORIZING THE CITY COLLECTOR TO CAUSE THE TAXES TO BE ABATED ON THAT PROPERTY SITUATED ALONG 491 POTTERS AVENUE, IN THE AMOUNT OF \$1,066.71 AS REQUESTED BY SWAP.

Vice-Chairman Dillon reads a letter from City Collector Ronald Tarro recommending this be approved.

On motion of Councilwoman Fargnoli, seconded by Councilman Farmer, it is voted to approve the foregoing matter and transmit same to the City Council with recommendation of adoption.

RESOLUTION AUTHORIZING THE DIRECTOR OF INSPECTION AND STANDARDS TO CAUSE THE LIENS ON THAT PROPERTY LOCATED AT 50 HARVARD AVENUE TO BE WAIVED, IN ACCORDANCE WITH THE REQUEST OF ANGEL GARCIA.

Clerk Mendonca states that this is an abandoned building, which had a fire and needed to be razed due to its dangerous condition.

Vice-Chairman Dillon reads a letter from Merlin A. DeConti, Director of Inspection and Standards, in which he states in part:

"Based on the fact that Mr. Garcia received compensation for the fire from his insurance company, I do not see any reason for the City of Providence waiving this lien. If the Finance Committee feels it is appropriate, perhaps some of the interest charges could be waived. The basic lien is \$3,950.00. Any repayment in this particular case will go to the general fund of the City since this building was demolished with City funds. Because of this, it is my recommendation that the City receive the full amount of the funds expended by the City of Providence and a portion of the interest."

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On motion of Councilwoman Brassil, seconded by Councilman Farmer, it is voted to Deny the foregoing Resolution.

ADJOURNMENT: On motion of Councilwoman Brassil, seconded by Councilman Farmer, it is voted to adjourn this meeting at 12:35 o'clock P.M.

Rose M. Henderson

CLERK

Copied *APG*
Compared *JM*