



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUDGET OFFICE
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Memorandum

To: The Honorable Raymond E. Gallison, Jr.
Chairman, House Finance Committee

The Honorable Daniel DaPonte
Chairman, Senate Finance Committee

From: Thomas A. Mullaney *Thomas A. Mullaney*
Executive Director/State Budget Officer

Date: May 30, 2014

Subject: Amendments to the FY 2015 Appropriations Act (13-H-7133)

The Governor requests that the attached new Article – Relating to a Debt Management Act Joint Resolution and Authorizing the Refunding of DEPCO Bonds be included in the FY 2015 Appropriations Act.

This article will authorize the Refunding Bond Authority to issue new taxable bonds to refund a portion of outstanding DEPCO obligations. The new debt would be fully secured by non-callable direct obligations of the United States (US Treasury Bonds) that are currently in escrow for payment of the current DEPCO debt. Due to favorable changes in interest rates and recent changes in Internal Revenue Service regulations, the old debt can be refunded and the existing escrow can be moved to fully support the new debt, at no cost to the State of Rhode Island. Excess proceeds from the new issuance, above those needed to refund the old debt, will accrue to the State in the amount of approximately \$1.5 million.

If you have any questions regarding this new article, please feel free to call me or my staff at 222-6300.

TAM:14-Amend-DEPCO
Attachments

cc: Sharon Reynolds Ferland, House Fiscal Advisor
Stephen Whitney, Senate Fiscal Advisor

NEW ARTICLE
RELATING TO A DEBT MANAGEMENT
ACT JOINT RESOLUTION AND
AUTHORIZING THE REFUNDING OF
DEPCO BONDS

SECTION 1. This article consists of a Joint Resolution submitted pursuant to Rhode Island General Laws § 35-18-1 et seq.

SECTION 2. Rhode Island Refunding Bond Authority Bonds.

WHEREAS, the Rhode Island Depositors Economic Protection Corporation (“DEPCO”), was created by the General Assembly pursuant to the Rhode Island General Laws § 42-116-1 et seq.; and

WHEREAS, all of the remaining outstanding DEPCO Bonds have been defeased pursuant to various escrow agreements; and

WHEREAS, because of declines in interest rates, certain of the remaining outstanding DEPCO Bonds can be called and refunded with savings accruing to the State; and

WHEREAS, DEPCO can no longer issue refunding bonds since it was dissolved and terminated pursuant to the provisions of Rhode Island General Laws § 42-116-25; and

WHEREAS, the Rhode Island Refunding Bond Authority (the “Refunding Bond Authority”) was created by the General Assembly pursuant to Rhode Island General Laws § 35- 8.1-1 et seq., initially to authorize the refunding of certain State General Obligation Bonds that could not otherwise be refunded without a new referendum; and

WHEREAS, the General Assembly desires to authorize the Refunding Bond Authority to refund certain DEPCO Bonds in order to accrue the benefits of savings to the State, now, therefore, be it

RESOLVED, the General Assembly approves the issuance of up to \$35,000,000 in Bonds by the Refunding Bond Authority (the "Bonds") to refund a portion of DEPCO's remaining outstanding \$138,835,000 Rhode Island Economic Protection Corporation Special Obligation Refunding Bonds, 1992 Series B, and the Refunding Bond Authority is authorized to proceed with the financing, provided that payment of the debt service on the Bonds shall be fully secured by non-callable direct obligations of the United States of America, or non-callable obligations fully guaranteed as to principal and interest by the United States of America, and

RESOLVED, savings accruing from the refunding shall be transferred to and shall vest in the State's sinking fund established under Rhode Island General Laws § 35-8-1 et seq. and as provided in Rhode Island General Laws § 42-116-25, and

RESOLVED, the Governor is authorized to enter into agreements with the Refunding Bond Authority to effectuate the savings to the State. None of such agreements or the Bonds shall constitute indebtedness of the State or a debt for which the full faith and credit of the State is pledged or a moral obligation thereof, and

RESOLVED, that this joint resolution shall take effect immediately upon passage by the general assembly.

SECTION 3. Section 35-8.1-8 of the General Laws in Chapter 35-8 entitled "Refunding Bond Authority" is hereby amended to read as follows:

§ 35-8.1-8 General powers. – To carry out the purposes of this chapter, the authority has the power to:

- (1) Sue and be sued;
- (2) Adopt and have an official seal and alter the seal at its pleasure;
- (3) Make and alter bylaws, rules, and regulations for the conduct of its affairs and

business;

(4) Maintain an office at such place or places within the state as it may determine;

(5) Acquire, hold, use, and dispose of its revenue income, funds, and moneys;

(6) Acquire, purchase, hold, and use any property, real, personal or mixed, tangible or intangible, or any interest therein necessary or desirable for carrying out the purposes of the authority, and to mortgage, lease, or sell any of the property; and (without limitation of the foregoing) to lease as lessee, any property, real, personal, or mixed, or any interest therein to lease as lessor to the federal government, the state, and any municipality any project of the authority, and to sell, transfer, and convey to any lessee or to any other person upon such terms and conditions and for such considerations as the authority shall determine.

(7) Borrow money, issue its bonds, provide for and secure the payment thereof, and provide for the rights of the holders thereof, and purchase, hold, and dispose of any of its bonds;

(8) Lend money for its purposes, invest and reinvest its funds, and, at its option, take and hold property, real or personal, as security for the payment of funds so loaned and invested, except that at no time will the authority take and hold property of the state as security for the payment of funds so loaned;

(9) Accept, in furtherance of its purposes, appropriations, gifts, or grants of property, funds, money, materials, labor, supplies, or services from the United States of America or the state or any other state or agencies or departments thereof, or from any governmental unit or any person, firm, or corporation, and to carry out the terms or provisions or make agreements with respect to those appropriations, gifts, or grants, and to do any and all things necessary, useful, desirable, or convenient in connection with the procurement, acceptance, or disposition of those appropriations, gifts, or grants;

(10) Do and perform any acts and things authorized by this chapter under, through, or

by means of its officers or consultants or by contracts with any person, firm, or corporation;

(11) Make, enter into, and enforce all contracts or agreements necessary, convenient, or desirable for the purposes of the authority or pertaining to any loan to the state or to the performance of its duties and execution or carrying out of any of its powers under this chapter;

(12) Purchase any bond or interest rate insurance and establish such credit or liquidity enhancement arrangements with financial institutions as the authority shall deem advisable;

(13) Invest any funds or moneys of the authority in the same manner as permitted for investment of funds belonging to the state or held in the state treasury; and

(14) Do all acts and things necessary, convenient, or desirable to carry out the powers expressly granted or necessarily implied in this chapter;

(15) Acquire by purchase, lease, or otherwise, and to construct, improve, equip, furnish, maintain, repair, and operate projects, and to establish rules and regulations for the use of any project;

(16) Rent such space in such public facilities as from time to time may not be needed by any governmental entity to any person for such other purposes as the authority may determine and upon such terms and in such manner as the authority may determine;

(17) Employ, in its discretion, planning, architectural, or engineering consultants, attorneys, accountants, construction, and financial experts, superintendents, managers, and such other officers, employees and agents as may be necessary in its judgment, and to fix their compensation;

(18) Fix and revise from time to time, subject to the provisions of this chapter, and to charge and collect fees, rentals, and other charges for the use of the facilities of, or for the services rendered by, the authority or projects thereof, at rates to be determined by the authority, for the purpose of providing for the payment of the expenses of the authority, the acquisition,

construction, improvement, repair, equipping, furnishing, maintenance, and operation of its facilities and properties, the payment of the principal of and interest on its obligations, and to fulfill the terms and provisions of any agreements made with the purchasers or holders of any obligations;

(19) Without limitation of the foregoing, to borrow money from, to receive, and accept grants for or in aid of construction or acquisition of projects authorized under this chapter from, and to enter into contracts, leases, or other transactions with, any federal agency; and to receive and accept from the state or any municipality, and from any other source, aid or contributions of either money, property, labor, or other things of value, to be held, used, and applied only for the purposes for which the grants and contributions may be made;

(20) Combine for financing purposes any two (2) or more projects authorized to be acquired or constructed under the provisions of this chapter;

(21) Be a promoter, partner, member, owner, associate, or manager of any partnership, condominium, or other enterprise or venture;

(22) Acquire in the name of the authority by purchase or otherwise, on such terms and conditions and in such manner as it may deem proper, or by the exercise of the rights of condemnation in the manner hereinafter provided, such public or private lands, including public parks, playgrounds, or reservations, or parts thereof or rights therein, rights of way, property, rights, easements, and interests as it may deem necessary for carrying out the provisions of this chapter; provided, however, that all public property damaged in carrying out the powers granted by this chapter shall be restored or repaired and placed in its original condition as nearly as practicable.

(23) (a) Issue bonds and notes of the type and for those projects and for those purposes specified in any Joint Resolution of the General Assembly enacted by the Rhode Island house

of representatives and the Rhode Island senate pursuant to section 18 of title 35 of the general laws entitled “Rhode Island Public Corporation Debt Management Act,” which project and purposes specified in such Joint Resolution shall constitute a “project” within the meaning of this chapter, and (b) to enter into such agreements, to deliver such instruments, and to take such other actions as it shall deem necessary or desirable to effectuate the financing of such project.

Section 4. This article shall take effect upon passage.