

THE CITY OF PROVIDENCE
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

RESOLUTION OF THE CITY COUNCIL

No. 179

Approved March 29, 2012

WHEREAS, The cash balance of the City of Providence is insufficient to allow the City to make certain debt service payments which are due by April 1, 2012 to the Rhode Island Health and Education Building Corporation; and

WHEREAS, The Providence Home Rule Charter (HRC), Section 808 provides:

Except for such revenue as may be by law, this Charter or trust devoted to specific purposes, all revenue of the city shall be paid into and credited to the general fund; provided, however, that **monies received by the city from the sale of capital assets shall be deposited in a special fund and used only for payment of the city debt** or to finance capital expenditures authorized by the capital improvement budget, and provided further, that all revenue from the water supply system shall first be applied to the operation and maintenance of the system and for the payment of interest on the retirement of bonds of the system, any excess revenue thereafter, as determined by the water supply board, shall be paid into and credited to the general fund; and provided, further that all payments made by the state or federal governments to the City of Providence for the support of public schools, together with tuition fees earned by the school department and all miscellaneous receipts of the school department now available to it for expenditure in accordance with the provisions of state law shall be paid over and credited to the school fund by the city treasurer. Any surplus resulting from excess revenue receipts over estimates and unencumbered balances of appropriations at the end of any fiscal year shall revert to the general fund current operating surplus account and shall be subject to such reservations or other disposition as the city council may direct.

WHEREAS, Debt service to the RIHEBC constitutes "city debt;" and

WHEREAS, The Administration has requested a legal opinion from the City Solicitor, as to whether the City Council may authorize the use of certain proceeds from the sale of the Civic Center and other real estate transactions for the purpose of meeting the RIHEBC interest payments; and



WHEREAS, The City Solicitor has issued a legal opinion that using the proceeds in this way is legitimate, and may be done by passage of a Resolution so authorizing the use of the fund balances.

NOW, THEREFORE, BE IT RESOLVED, That the City Council by this Resolution authorizes and instructs the City Treasurer and the Mayor to take all actions on behalf of the City necessary to transfer those certain fund balances from accounts with Morgan Stanley Smith Barney, which, as of February 29, 2012, were \$2,025,789.24 for the Civic Center, and \$1,014,416.15 for real estate sales, to the General Fund, in order to provide sufficient liquidity to pay the debt service to the RIHEBC not later than April 1, 2012.


IN CITY COUNCIL

MAR 27 2012

READ AND PASSED


PRES.

CLERK
ACTING

I HEREBY APPROVE,


Mayor
Date: 3/29/12



Mayor of Providence

Angel Taveras

March 9, 2012

The Honorable City Council
City Hall
Providence, Rhode Island 02903

Honorable Council President and Members of the City Council:

The Finance Department has been meeting regularly with the Internal Auditor, the Treasurer and your Fiscal Advisor to address the City's coming cash flow crisis. Through these meetings, in addition to discussions with the Law Department, bond counsel, and our investment advisors, we have reached consensus that the best available option is to transfer to the General Fund certain funds held in cash accounts with Morgan Stanley, which, as of February 29, 2012, were \$2,025,789.24 for the Civic Center, and \$1,014,416.15 for real estate sales. This transfer will help us make timely debt service payments to the Rhode Island Hospital and Educational Building Corporation not later than April 1, 2012. The attached Resolution would empower the City to take the necessary steps to effectuate this transfer. I hereby submit this correspondence and enclosed Resolution for your approval.

Very truly yours,


Angel Taveras
Mayor

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