

City of Providence

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

CHAPTER 2011-74

No. 556

AN ORDINANCE APPROVING THE FINANCING OF WATERSHED LAND ACQUISITION AND IMPROVEMENTS TO THE PROVIDENCE WATER SUPPLY SYSTEM AND ALL ATTENDANT EXPENSES INCLUDING BUT NOT LIMITED TO ENGINEERING COSTS AND APPROVING THE ISSUANCE OF WATER REVENUE BONDS AND NOTES THEREFORE IN AN AMOUNT NOT TO EXCEED \$10,000,000.00.

Approved November 22, 2011

Be it ordained by the City of Providence:

SECTION 1. The sum of Ten Million Dollars (\$10,000,000) is appropriated for the purpose of financing improvements to the Providence water supply system and all attendant expenses, including but not limited to, engineering costs (the "Project"). The period of usefulness of the land to be acquired and the other improvements, if any, financed as part of the Project is expected to be not less than forty (40) years.

SECTION 2. In accordance with Chapter 46-12.8 of the Rhode Island General Laws, the City Treasurer and the Mayor are hereby authorized to borrow an amount not exceeding Ten Million Dollars (\$10,000,000) from the Rhode Island Clean Water Finance Agency, and to evidence such loan, such officers are hereby authorized to issue and refund on behalf of the City, in an amount not exceeding Ten Million Dollars (\$10,000,000), water revenue bonds (the "Bonds") of the City, at one time, or from time to time in order to meet the foregoing appropriation.

SECTION 3. The said officers from time to time may issue and refund not exceeding \$10,000,000 interest bearing or discounted water revenue notes (the "Notes") in anticipation of the issue of said Bonds.

SECTION 4. The Bonds and Notes shall be payable solely from revenues of the Providence water supply system. The City may issue bonds, notes, or other obligations on a parity with these Bonds. The manner of sale, amount, denominations, maturities, conversion or registration privileges, interest rates, medium of payment, and other terms, conditions and details of the Bonds or Notes may be fixed by the officers authorized to sign the Bonds or Notes. The net debt of the City is not affected by the issuance of the Bonds or Notes and the Bonds and Notes authorized hereby will be within all debt and other limitations prescribed by the Constitution and the laws of Rhode Island.

SECTION 5. Pending the issuance of the Bonds under Section 2 hereof or pending or in lieu of the issue of Notes under Section 3 hereof, the Chief Engineer and General Manager of the Providence Water Supply Board may expend funds from the Water Fund of the City for the purposes specified in Section 1 hereof. Any advances made under this section shall be repaid without interest from the proceeds of the Bonds or Notes issued hereunder or from the proceeds of applicable federal or state assistance or from other available funds.

SECTION 6. The City Treasurer, the Mayor and the Chief Engineer and General Manager of the Providence Water Supply Board are also authorized, empowered and directed, on behalf of the City, to: (i) execute, acknowledge and deliver a Supplemental Indenture (the "Supplemental Indenture") by and between the City and U. S. Bank, National Association, as trustee (the "Trustee") amending and supplementing the Trust Indenture dated June 5, 2008 by and between the City and the Trustee (as supplemented, the "Indenture") relating to the Bonds and any and all other loan agreements, documents, certificates or instruments necessary to effectuate such borrowing; (ii) amend, modify or supplement the Indenture, the Bonds or Notes and any and all other loan agreements, documents, certificates or instruments at any time and from time to time, in such manner and for such purposes as such officers shall deem necessary, desirable or advisable; (iii) direct the Trustee with regard to investments of trust funds pursuant to the Trust Indenture, and (iv) do and perform all such other acts and things deemed by such officers to be necessary, desirable or advisable with respect to any matters contemplated by this Ordinance in order to effectuate said borrowing and the intent hereof.

SECTION 7. The City Treasurer and the Mayor are hereby authorized to deliver the Bonds or Notes to the purchaser and said officers are hereby authorized and instructed to take all actions, on behalf of the City, necessary to ensure that interest on the Bonds or Notes will be excludable from gross income for federal income tax purposes and to refrain from all actions which would cause interest on the Bonds or Notes to become subject to federal income taxes.

SECTION 8. The Director of Finance, the Mayor and the Chief Engineer and General Manager of the Providence Water Supply Board are authorized to take all actions necessary to comply with federal tax and securities laws including Rule 15c2-12 of the Securities and Exchange Commission (the "SEC Rule") and to execute and deliver a Continuing Disclosure Certificate in connection with the Bonds or Notes in the form as shall be deemed advisable by the Director of Finance, the Mayor and the Chief Engineer and General Manager of the Providence Water Supply Board in order to comply with the SEC Rule. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, as it may be amended from time to time. Notwithstanding any other provision of this Ordinance or the Bonds or Notes, failure of the City or the Providence Water Supply Board to comply with the Continuing Disclosure Certificate shall not be considered an event of default; however, any Bondholder or Noteholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Providence Water Supply Board to comply with its obligations under this Section and under the Continuing Disclosure Certificate.

SECTION 9. This Ordinance shall take effect upon passage.

IN CITY COUNCIL
NOV 03 2011

FIRST READING
READ AND PASSED

[Signature]
CLERK

IN CITY
COUNCIL
NOV 17 2011

FINAL READING
READ AND PASSED

[Signature]
PRESIDENT
[Signature]
CLERK
ACTING

I HEREBY APPROVE.

[Signature]
Mayor
Date: 11/22/11



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The Hon. Angel Taveras
Mayor

Pamela M. Marchand, P.E.
Chief Engineer &
General Manager

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ExA: 15

Purpose – In order to promote water quality and environmental protection, it is the policy of the Providence Water Supply Board to acquire property or property development rights within the Providence Water watershed in order to protect the Scituate Reservoir, along with its tributary reservoirs, streams and watershed, for the safe and efficient production and distribution of potable water.

Background – In 1989, Providence Water obtained \$15 million in bonds to purchase Scituate Reservoir watershed land in order to protect the City's water supply. Funds from the Water Quality Protection (WQP) Program, a legislated state program for all major public water suppliers, were used to pay the debt service on the bonds. Water Quality Protection Program participants are required to spend a minimum of 55% of their funds for land acquisition. To date, the 1989 bond money has been utilized. The 1989 bonds, with a debt service of approximately \$800,000 per year, were paid off in December 2010. A second program, stipulated in the 2009 tax treaty with the Town of Scituate, has also purchased watershed property. Per the requirements of the tax agreement, the \$5 million program funding has been spent. Between these two programs, approximately 60 parcels have been acquired, totaling nearly 3,000 acres.

Future Acquisition / Protection – Several properties have recently become available which would offer substantial watershed protection. These twenty (20) parcels total approximately 1,100 acres. By securing a new bond during this time of low property prices and low interest rates, we will be able to maximize the quantity of watershed land that we purchase, while at the same time minimizing our costs.

Fiscal Impact – Per past practice, Providence Water would propose to use the funds that are available within the restricted Water Quality Protection Fund to cover bond debt repayment. The current funding for the WQP Fund is approximately \$2 million per year. At a 4.5% interest rate, the debt service on a \$10 million bond over a twenty-year period would be approximately \$770,000 per year. Neither the bond, nor the repayment of its debt, will affect our water rates. The existing Watershed Protection Restricted Fund Advisory Board would oversee the future acquisition of watershed land. A bond not to exceed \$10 million, through the Rhode Island Clean Water Finance Agency (RICWFA), would be the source of the necessary funds. The RICWFA has requested that a first installment of only \$3 million be sought through them at this time.