THE CITY OF PROVIDENCE

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

RESOLUTION OF THE CITY COUNCIL

No. 398

Approved December 9, 2010

WHEREAS, The City of Providence (the "City") has previously issued its (a) $6,825,000 General Obligation Bonds dated August 1, 2000, due August 1, 2001 – 2015, inclusive (the "Series 2000 Bonds"), (b) $37,000,000 General Obligation Bonds, 2001 Series A dated December 1, 2001, due January 15, 2004-2019, inclusive, January 15, 2022 and January 15, 2026 (the "Series 2001 A Bonds"), and (c) $29,910,000 Multi-Modal General Obligation Refunding Bonds, 2006 Series A, dated August 17, 2006, due January 15, 2008-2011, inclusive, and January 15, 2026 (the "Series 2006 Bonds", and collectively with the Series 2000 Bonds and the Series 2001 A Bonds, the "Prior Bonds"); and

WHEREAS, The City desires to issue general obligation refunding bonds (the "Refunding Bonds") to refund all or a portion of the Prior Bonds in order to take advantage of the lower interest rates which currently are prevailing; and

NOW, THEREFORE, BE IT RESOLVED,

1. That the City is authorized pursuant to Chapter 12 of Title 45 of the General Laws of Rhode Island, as amended, to issue Refunding Bonds of the City in an amount necessary to refund all or a portion of the Prior Bonds and to provide for any principal of, redemption premium, if any, and interest on the Prior Bonds coming due on or prior to the date on which the Prior Bonds are to be redeemed, and the costs of issuing the Refunding Bonds.

2. That the issuance of the Refunding Bonds will result in a financial benefit to the City.

3. That the Refunding Bonds will be within all debt and other limitations prescribed by the Constitution and laws of the State of Rhode Island.

4. That in accordance with the provisions of Chapter 12 of Title 45 of the General Laws of Rhode Island, as amended, the manner of sale, amount, denominations, maturities, interest rates and other terms, conditions and details of the Refunding Bonds authorized herein may be fixed by the City Treasurer and the Mayor.

5. That the City Council hereby authorizes the City Treasurer and the Mayor, acting on behalf of the City, to issue the Refunding Bonds for the purposes set forth in this Resolution and to take all actions as he deems necessary to effect the issuance of the Refunding Bonds. The Refunding Bonds shall be issued by the City under its corporate name and seal or a facsimile of such seal. The Refunding Bonds shall be signed by the manual or facsimile signature of the City Treasurer and the Mayor.

6. That the City Treasurer and the Mayor are hereby authorized to issue the Refunding Bonds and deliver them 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 Refunding Bonds will be excludable from gross income for federal income tax purposes and to refrain from all actions which would cause interest on the Refunding Bonds to become subject to federal income taxes.

7. That the proceeds arising from the sale of such Refunding Bonds, exclusive of any premium, accrued interest and costs of issuance, shall, upon the receipt be paid immediately to the paying agent or paying agents for the Prior Bonds, and such paying agents shall hold the proceeds in trust until they are applied to pay or refund the Prior Bonds. While such proceeds are held in trust, they may be invested as permitted by Chapter 12 of Title 45 of the General Laws of Rhode Island, as amended. Proceeds of the Refunding Bonds will be used for no purpose other than the refunding of the Prior Bonds as described in Section 1 hereof.

8. That the City's Finance Director is authorized to execute and deliver a continuing disclosure certificate in connection with the Refunding Bonds issued by the City, in such form as shall be deemed advisable by the City's Finance Director. 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 Resolution or the Refunding Bonds, failure of the City to comply with the continuing disclosure certificate shall not be considered an event of default; however, any bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Resolution and under the continuing disclosure certificate.

9. That the Refunding Bonds may be issued either alone or consolidated with other issues of notes or bonds of the City.

10. That this Resolution shall take effect upon its passage.

IN CITY COUNCIL
DEC 2 - 2010
READ AND PASSED

PRES.

CLERK

APPROVED

12/9/10
MAYOR

Administration

David N. Cicilline, Mayor | Richard Kerbel, Director

November 23, 2010

Councilman John Igliozzi,
Chairman, Committee on Finance
C/O City Clerk's Office
Providence City Hall
Providence, R.I. 02903

Dear Chairman Igliozzi:

In August 2006 the City issued bonds to refund a portion of its outstanding 2001 Series A bonds in order to achieve interest rate savings. At the recommendation of the City's then fiscal advisor, the bonds were issued as variable rate bonds. The bonds were initially sold as term bonds subject to mandatory tender on January 15, 2011, with the intention that depending on market conditions, in 2010 the bonds would be remarketed as weekly or monthly rate bonds (most likely with an interest rate swap). Given prevailing low fixed interest rates at this time, the City's current Financial Adviser, First Southwest Company, is recommending that the 2006 Bonds be refunded as fixed rate bonds. This must be done in December so that the City has the approximately $30,000,000 necessary to pay the bondholders on January 15, 2011. The estimated fees for this refinancing are approximately $250,000. The city's FY 2011 Budget was prepared assuming that the bonds would be remarketed or refinanced. If this action is not passed the City's FY 2011 Budget would need to increase by $30,000,000 to make the payments to the bond holders.

According to the City Solicitor, Charter 807(m) makes it clear that any bonds done via an ordinance have an additional twenty-day period before the representations in the documents can be considered true. This isn't an appeal period – no one could actually challenge – but it operates to delay the pricing and sale. It is true that the Charter speaks in terms of an ordinance for bonding, but this is actually trumped by a provision of state law, RIGL Section 45-12-4.5, which states that notwithstanding any charter provision, bonding can be done by Resolution. RIGL Section 45-12-5.2(i) also eliminates any need for a public vote on refunding bonds.

Also included in the resolution is authorization for the refinancing is the 2000 Judgment Bond and the 2001 A Bonds. The estimated present value of the savings from the refinancing of these two bonds is $197,817.

PROVIDENCE THE CREATIVE CAPITAL

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Thank you for your consideration and should you have any questions, please feel free to contact me to discuss.

Respectfully Submitted;

Richard Kerbel, DE, PE
Acting Finance Director

EDWARDS ANGELL PALMER&DODGE LLP

TO: Members of Providence City Council

FROM: Karen S.D. Grande

DATE: November 26, 2010

RE: Resolution authorizing Providence General Obligation Refunding Bonds, Series 2010

This Memo addresses some questions relating to the Resolution which is pending before the City Council.

What Bonds are proposed to be refunded?

The Series 2010 Bonds would refund the City's Series 2000 Bonds, the City's 2001 Series A Bonds which remain outstanding, and the City's 2006 Series A Bonds (collectively, the "Prior Bonds").

What purposes were the Prior Bonds issued for?

The Series 2000 Bonds were Judgment Bonds issued for the purpose of paying the City's portion of the judgment in the case of Capital Properties, Inc. v. State of Rhode Island, et al. (condemnation in Capital Center). The 2001 Series A Bonds were issued to finance the City's Neighborhood Improvement Program (improvements to streets, sidewalks, parks, other City facilities and redevelopment projects, housing assistance, improvements to commercial areas and assistance to nonprofit institutions). The 2006 Series A Bonds were issued to refund a portion (not all) of the City's 2001 Series A Bonds (described in the previous sentence).

Will the maturity of the Prior Bonds be extended?

Attached are preliminary numbers prepared by the City's Financial Advisor, First Southwest Company, reflecting 1) that the Series 2000 Bonds have a final maturity in 2015, the 2001 Series A Bonds have a final maturity in 2012 and the 2006 Series A Bonds have a final maturity in 2026, and 2) that although the savings is slightly front-loaded, the Refunding Bonds would not extend the maturities of the Prior Bonds.

Why must the refunding be authorized now?

The 2006 Series A Bonds were issued as variable rate bonds. 2006 Series A Bonds in the amount of $635,000 were issued as serial bonds maturing in years 2008-2011, with the remaining Bonds issued as long-term rate bonds (5 years), subject to conversion to a different rate on January 15, 2011. In order for the bonds to be converted, they were issued subject to a mandatory tender (also known as a "put"--the bondholders must present or "put" the bonds back to the issuer for payment) on January 15, 2011. The 2006 bond documents indicate that the City planned to convert the 2006 Series A Bonds to Auction Rate Securities in 2011. The Auction Rate Securities market has been substantially frozen since October of 2008, so it is not possible to enter the ARS market at this time.

Because of the mandatory tender on January 15, 2011, the City must either convert the 2006 Bonds to another interest rate mode or refund them in order to have funds on hand to pay for the Bonds tendered on January 15, 2011. In the attached memo, the City's Financial Advisor recommends refunding the bonds rather than converting them. In addition, both the Financial Advisor and our firm, as Bond Counsel, recommend that in this case, the council resolution should not contain restrictive parameters, as the consequences of not being to access the market due to such constraints would be severe, given the mandatory tender.

What were the interest rates on the Prior Bonds?

As indicated on the attached schedules provided by City's Financial Advisor, First Southwest Company, the rates on the Series 2000 Bonds maturing between 8/1/11 - 8/1/15 range from 5.1-5.375%. The rate on the outstanding 2001 Series A Bonds is 4.5%. The rates on the 2006 Series A Bonds range from 3.75-3.95%. The Series 2000 Bonds and the 2001 Series A Bonds are being refunded to achieve interest rate savings. The 2006 Series A Bonds are being refunded to provide a source of funds for the mandatory tender on January 15, 2011.