



# Agency Overview

Current Topics in Tax-Exempt Public  
Financing Conference - May 21, 2015

Robert Giroux, Executive Director

[ 1 ]

## Authorization



- The Agency is an Instrumentality of the State of Vermont
  - Legislation enacted in 1966
- Governing Statute – V.S.A. T16 §§ 3851 – 3862
- Governed by 13 member Board of Directors
  - 7 board members appointed by the Governor with the advice and consent of the Senate
  - 2 board members appointed by the “Governor-appointed” members
  - 4 Ex-officio board members: State Treasurer; Commissioner of Education; the Secretary of Administration; and the Secretary of the Agency of Human Services

[ 2 ]

## Agency Purpose



- Provide access to tax-exempt financing for certain state entities and 501(c)(3) organizations
  - Private or independent nonprofit universities, colleges, primary and secondary schools
  - University of Vermont and the Vermont State Colleges
  - Nonprofit hospitals as defined in V.S.A. T18 §1902
  - Other nonprofit, healthcare-related institutions as defined by VEHBFA
  - Public nonprofit libraries

[ 3 ]

## Agency Purpose – cont'd.



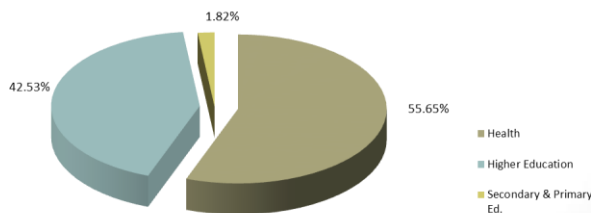
- As an instrumentality of the State of Vermont, VEHBFA is able to issue TAX-EXEMPT municipal bonds
- Bond proceeds are then loaned to the eligible underlying borrower for approved capital projects
- The responsibility to repay the debt and Post Issuance Compliance with the underlying borrower
  - Neither the faith nor credit of the State of Vermont or VEHBFA is pledged to the payment of the bonds

[ 4 ]



# Financings

- Since its first financing in 1969, VEHBFA has
  - Issued 178 series of loans, including refundings, to 48 borrowers
  - Totaling \$2.66 Billion
  - With outstanding loans of \$999.3 Million



5



# Financing Process

- Process begins with the borrower filing an application with VEHBFA
  - Project, financing structure and term sheet should be essentially in final form before the application is filed
- Project and financial review by the Agency's Financial Advisor ("FA")
  - FA responsible for making a recommendation to the VEHBFA Board as to the borrower's need for the project and the borrower's ability to repay the debt

[ 6 ]

## Financing Process – cont'd.



- Legal
  - VEHBFA's bond counsel and other participating attorneys develop the appropriate legal documents
- Public TEFRA Hearing
  - Prior to bond closing (for new money projects and certain refundings), the Agency must hold a TEFRA hearing.

[ 7 ]

## Financing Process – cont'd.



- Board Approval
  - Borrower makes a short presentation to the Agency Board about the need for the project and the proposed financing
  - Agency's financial advisor makes its recommendation to the Board to approve or disapprove the financing
  - Bond counsel reviews the legal documents and required resolutions with the Board.
  - If approved, the Board votes to certify to the Governor that the project being financed is necessary and the borrower has the capacity to repay the debt

[ 8 ]

## Financing Process – cont'd.



- Governor's Approval
  - The Governor's approval is required before a financing may close
    - For new money projects and certain refundings
- Closing
  - After all approvals have been received, legal counsel finalizes the bond documents and the closing date is scheduled

[ 9 ]

## Financing Process – Timeline



- Once a complete application has been filed with the Agency, it takes about 10 to 14 weeks to close on a financing
  - 6 to 8 weeks for the project and financial review
  - 2 weeks for Board consideration and approval
  - 2 to 4 weeks for legal documents
- TEFRA hearing and the Governor's approval happens while legal documents are being finalized

[ 10 ]

## VEHBFA Fees



- Agency Closing Fees
  - 0.15% of the par amount, with a minimum of \$11,000 and a maximum of \$75,000
- Bond Counsel Fees
  - From \$15,000 for a simple financing to \$100,000 and over
    - Amount depending on the complexity of the financing structure and the loan documents

[ 11 ]

## Other Potential Consultants



- Borrower's Counsel
- Borrower's Financial Advisor
- Investment Banker/Underwriter
- Trustee
- Rating Services (publically issued debt)
- Credit Enhancement
- Miscellaneous

[ 12 ]

# Post-Issuance Compliance



- Tax-Exempt Bonds closely scrutinized by the Internal Revenue Service for non-compliance with rules and regulations
- VEHBFA has a PIC program that assists borrowers to remain in compliance with IRS rules and regulations
  - Sample PIC Procedures
  - Annual PIC Survey

[ 13 ]



*There are known knowns; there are things we know we know. We also know there are known unknowns; that is to say, we know there are some things we do not know. But there are also unknown unknowns – the ones we don't know we don't know."*

*Donald Rumsfeld, Secretary of Defense, 2/12/02*



[ 14 ]



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