



Board Meeting

Burlington, Vermont

June 16, 2017

Meeting Minutes

Board Members: Scott Baker (designee of Treasurer Pearce); Anita Bourgeois, Fritz Burkhardt; Ken Gibbons; Sarah Clark (designee of Secretary Gobeill); Nick Foss (designee of Secretary Young); Ken Linsley; Edward Ogorzalek; Jim Potvin; Neal Robinson; and Steve Wisloski.

Staff: Robert W. Giroux

Consultants: James Foley (Lynch & Foley), Lawrence Bauer & Matt Hughey (Norton Rose Fulbright); and June Matte & Caroline Raymond (Public Finance Management).

Guests: None

The meeting was called to order by Mr. Potvin at 12:30 pm and introductions were made.

Annual Meeting

Appointment of Board Members - Mr. Potvin called for nominations for the Board members appointed by the Governor Appointed members.

Motion: Ms. Bourgeois moved and Mr. Burkhardt seconded the nomination of Neal Robinson and Stuart Wepler as Board appointed members. Hearing no further nominations, Mr. Potvin called for the nominations to cease and for a vote on the nominated members. The nominations of Neal Robinson and Stuart Wepler were approved.

Election of Officers - Mr. Potvin stepped down as Chair of the meeting and asked Mr. Foley to preside over the election of officers. Mr. Foley called for nominations. Mr. Linsley moved the following slate of officers: James Potvin, Chair; Fritz Burkhardt, Vice Chair; Edward Ogorzalek, Treasurer; and Neal Robinson, Secretary.

Hearing no further nominations, Mr. Foley called for the nominations to cease and for a vote on the slate of officers. The vote was in the affirmative.

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Mr. Potvin assumed responsibility for chairing the Board meeting.

Reaffirmation of Prior Acts – Under the advice of general counsel, Mr. Potvin asked for a motion to approve and ratify all prior acts of the Agency made during 2016.

Moved: Mr. Robinson moved to reaffirm and ratify all prior acts and endeavors undertaken by the Vermont Educational and Health Buildings Financing Agency that were made in 2016. Mr. Gibbons seconded the motion and it passed

Code of Ethics and Conflict Statement – In accordance with the Agency’s Conflict of Interest Policy, Mr. Potvin requested Board members to sign the Disclosure Statement and provide the Agency with a copy.

Administrative Items

Approval of Minutes -

Motion: Mr. Wisloski moved and Ms. Bourgeois seconded the motion to accept the minutes of the October 28, 2016 Board meeting. The motion was approved.

Finance Committee Report – Mr. Potvin briefed the Board on the discussions held by the Finance Committee at its November 18, 2016 and June 2 2017 meetings.

November 18, 2016 – The Agency’s investment portfolio is outperforming the benchmark. Our portfolio is well positioned to take advantage of the market outlook. The Committee decided not to change the portfolio allocations at this time and to accept the advisor’s recommendation to use Raymond James index-type equity funds.

June 2, 2017 – The investment portfolio is still outperforming the benchmark. The weighting between equities and fixed investments is still within our policy range. Within equities, we are a little overweight with Large/Mid cap stocks. The Committee felt that now was not the time to make adjustments to the portfolio’s fixed to equities ranges, and to wait and see if the equities portfolio re-balances itself over time.

Mr. Burkhardt asked how much the Agency was paying in fees to the different funds that it is investing in. Mr. Giroux reported that the only fees VEHBFA pays is 0.93% to our advisor to help us develop and manage our investment strategy. Because we pay advisor fees, Raymond James has waived the individual load fees on our various investments.

After a review and discussion of the proposed 2017 budget, the Finance Committee recommends its adoption by the full Board.

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Motion: Ms. Bourgeois moved and Mr. Burkhardt seconded the motion to accept the Financial Committee Reports. There being no further discussion, the Reports were accepted.

2017 Budget - Mr. Giroux reported that the proposed budget is a transition one due to his retirement at the end of the year and a new Executive Director being hired. The budget includes costs for a recruitment specialist and transition costs, including three months of overlap between Mr. Giroux and the new Executive Director.

With the exception of the overlapping Executive Director positions, staff will remain at the same levels in 2017. Mr. Giroux is expecting the number of new bonds being issued in 2017 to be dramatically lower than in 2016, when a record \$449M of bonds were issued.

Major budget initiatives for the year include planning for and carrying out the Executive Director transition and, if adopted, implementing a new tax-exempt leasing program.

Shared staff and operating expenses are allocated between VEHBFA and VMBB by the cost sharing formula. Staff salaries and benefits are comparable to State positions. Other expenses are based on known costs (office leases and contracts) or prior experience.

Mr. Giroux reported that the proposed 2017 budget does not include a raise for the Executive Director.

After some discussion, the Board considered the following motion:

At 12:55 pm, the Board went into Executive Session to discuss a personnel matter.

At 1:15 pm the Board came out of Executive Session.

Motion: Mr. Anderson moved to adopt the 2017 budget as proposed with the following changes:

- 1. The Agency is awarding Mr. Giroux a one-time bonus of \$10,000; and*
- 2. A 6.0% proportional raise to Mr. Giroux's salary, retroactive to 1/1/17. The salary raise will be split between VEHBFA and VMBB using the budget's cost sharing allocation formula.*

Ms. Bourgeois seconded the motion and it passed.

VEHBFA Leasing Program – The Board then considered the adoption of a tax-exempt leasing program. In many cases, tax-exempt bonds are not a cost effective way to finance equipment

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purchases. A tax-exempt leasing program, with standardized bid and lease documents, can result in a very low cost of issuance. Ms. Matte reviewed an outline of the proposed lease program.

Ms. Matte and Mr. Hughey then described their experiences with tax-exempt leasing programs. Programs of the type being proposed have been successfully implemented in numerous states. Keys to a successful low-cost leasing program are the standardization of bidding and legal documents.

Mr. Giroux suggested the cost to develop the program be borne by a combination of agency borrowers and an Agency equity contribution.

After some discussion, the following motion was made:

Motion: Mr. Anderson moved to adopt the tax-exempt leasing program as proposed. Mr. Burkhardt seconded the motion. The motion passed.

Executive Director Succession

Ms. Bourgeois provided the Board with a status report of the Executive Director recruitment search. The Joint VEHBFA/VMBB Committee has met several times. With the help of a recruitment specialist, the job specifications and qualifications, advertising, and hiring timeline have been finalized. The recruiter is screening applications through a paper review and telephone interviews. Recommendations for final Board interviews will be made and scheduled. All Board members will be invited to attend the final interviews, expected to be held in July and August. It is hoped the new hire will begin work on or about October 1st.

Mr. Giroux acknowledged that Ms. Bourgeois, as the Chair of the joint committee, has been extremely helpful with the recruitment.

Bond Market and Federal Tax Reform Updates

Ms. Raymond gave a brief market update. Long-term rates are up approximately 75 BPs from last summer's historical lows. Short-term rates have been climbing as of late, causing a flattening of the yield curve. Supply in the market is down, which benefits issuers. Washington still remains the "wildcard" as investors wait to hear the specifics about tax reform and infrastructure investments.

On the regulatory side, Mr. Bauer discussed the new issue price rules for setting the bond yield. The SEC had been relying on the underwriter's reasonable expectations of the yield on the day of pricing. Instead it will now be relying on actual sales data, using the period five days after the date of pricing to establish the yield.

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The SEC and MSRB have issued draft regulations regarding issuer disclosure of privately placed debt. While beneficial to investors, this could cause a burden to some issuers.

Other Business

IRS Tax-Exempt Bond Audits – Recently, the Agency has been involved in several IRS audits. Audits of Mt. Ascutney Hospital and Rutland Regional Medical Center were recently concluded, with no adverse opinions. Responses have been sent in to the IRS for two additional borrowers and we are hoping for successful results.

Freedom of Information Act Requests – Numerous requests have been filed asking for information on the Burlington College 2010 private placement financing with Peoples United Bank. Mr. Foley has been very helpful coordinating the dissemination of information and answering questions. Because the Agency acted as a conduit issuer and because of the private placement nature of the Burlington College financing, the Agency does not have very much information to provide beyond the application, PFM's analysis/recommendation and the loan documents.

According to Mr. Foley, Board members are not required to personally respond to FOIA requests. That will be done by the Agency. It is suggested that Board members refer any FOIA inquiries to Mr. Giroux or Mr. Foley.

There being no further business, the meeting was adjourned.

These Minutes were approved by the Board of Directors at a duly warned meeting held on January 25, 2018.