

2023



VT EDUCATIONAL & HEALTH BUILDINGS FINANCING AGENCY **ANNUAL REPORT**



**Vermont Educational and Health
Buildings Financing Agency**



PURPOSE

The Vermont Educational & Health Buildings Financing Agency (the “Agency” or “VEHBFA”) is dedicated to facilitating tax-exempt and taxable bond finance for qualifying non-profit educational and health organizations throughout the state.

VEHBFA DIRECTORS

Board Members as of 12/31/23	Term / Ex-Officio Position	Type	2022 Election
Fritz Burkhardt	January 31, 2027	Gubernatorial Appointment	Chair
Ken Linsley	January 31, 2027	Gubernatorial Appointment	Vice Chair
Ed Ogorzalek	January 31, 2026	Gubernatorial Appointment	Treasurer
Anita Bourgeois	January 31, 2027	Gubernatorial Appointment	Director
Lauren Wobby	January 31, 2026	Gubernatorial Appointment	Director
Ken Gibbons	February 29, 2028	Gubernatorial Appointment	Director
Mario Hankerson	February 29, 2028	Gubernatorial Appointment	Director
Neal Robinson	February 17, 2025	Board Appointment	Director
Stuart Weppler	February 17, 2025	Board Appointment	Director
Mike Pieciak or Designee	State Treasurer	Ex Officio	Director
Heather Bouchey or Designee	Secretary of Education	Ex Officio	Director
Jenney Samuelson or Designee	Secretary of Human Services	Ex Officio	Director
Kristen Clouser or Designee	Secretary of Administration	Ex Officio	Director

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TRANSMITTAL LETTER

THE HONORABLE MEMBERS OF THE GENERAL ASSEMBLY
State House
Montpelier, Vermont

THE HONORABLE PHIL SCOTT
Governor, State of Vermont Pavilion Office Building
Montpelier, Vermont

Dear Governor Scott & Members of the General Assembly:

The staff and Directors of the Vermont Educational and Health Buildings Financing Agency (the "Agency" or "VEHBFA") are pleased to submit to you our 2023 Annual Report.

As a conduit bond issuer, the Agency helps facilitate tax-exempt debt issuance on a pass-through basis to educational institutions, hospitals, and other eligible non-profit borrowers throughout the state.

Over the course of the year, the Agency helped two institutions in the state with refunding and new money transactions in the aggregate amount of nearly \$107.47 million.

Over the course of the Agency's history it has issued over \$3.64 billion of bonds benefiting education and healthcare around the state. Over \$950 million of conduit debt facilitated by the Agency remains outstanding.

The following pages of this report include more information on the Agency's work over the course of the past year as well as an overview of the conduit loan portfolio as of December 31, 2023.

Thank you for your continued support in helping us to finance critical social infrastructure throughout the state.

Sincerely,



MICHAEL GAUGHAN
Executive Director



FRITZ BURKHARDT
Chair

WHO WE ARE

VEHBFA was created by the Vermont legislature in 1966 to benefit the people of Vermont as it relates to their education, health, welfare, and prosperity. VEBFA conducted its first financing in 1969 following additional amendments.

VEHBFA is governed by a nine-member Board of Directors with seven appointed by the governor and two members selected by gubernatorial selected members. In addition, the Agency's board consists of four ex-officio members including the State Treasurer and the Secretaries of Education, of Human Services, and of Administration, or their respective designee.

The Agency provides access to tax-exempt and taxable financing as a conduit issuer of bonds.

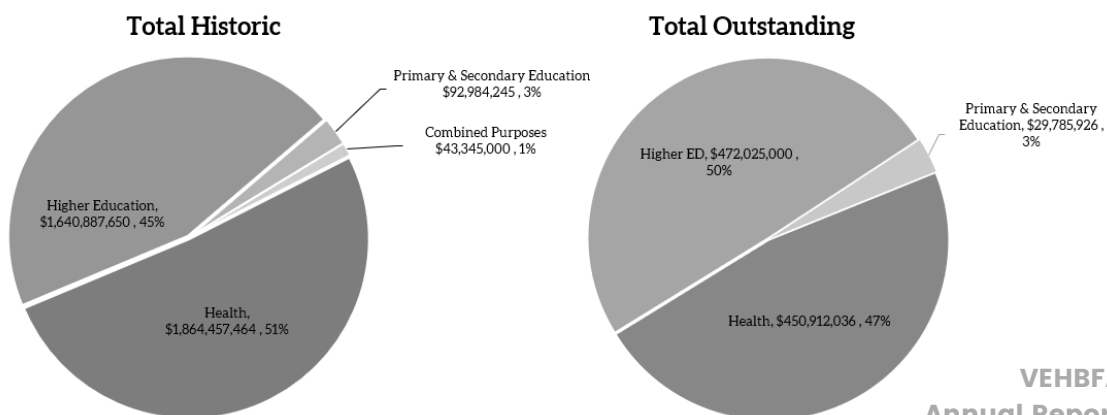
WHO WE SERVE

The Agency facilitates conduit bond transactions around the state to eligible nonprofit borrowers. Statute defines this to include the University of Vermont and the Vermont State Colleges as well as nonprofit private or independent universities, colleges, primary or secondary schools, and nonprofit public libraries.

In addition, borrowers may include nonprofit hospitals and institutions operating diagnostic and therapeutic facilities for medical, surgical, or psychiatric care of ambulatory patients. The Agency may also serve licensed nursing homes and assisted living or continuing care facilities.

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The Agency has facilitated nearly \$3.64 billion in financing over the course of its history with \$952.72 million currently outstanding.



ANNUAL ACTIVITY SUMMARY

Borrower	Transaction Description	Issue Date	Amount of Issue
University of Vermont Medical Center	Refunding of 2013 Series A bonds	2/8/2023	25,246,336
St. Michael's College	Restructuring of the College's Series 2012 Bonds	5/24/2023	38,160,000
Middlebury College	Allowed Middlebury to initiate demolition of an outdated student residence hall (Battell Hall) and replace it with a modern facility which will be approximately 87,000 square feet and have 298 beds	8/1/2023	44,060,000
			\$107,466,336

IMPACT CASE STUDY:



SAINT MICHAEL'S
COLLEGE FOUNDED
1904

Saint Michael's College is a small liberal arts college just outside Burlington, Vermont. The college was founded in 1904 and is a Catholic institution. Historically the college primarily served undergraduates from New England and the Mid Atlantic. Despite its relative youth in the New England higher education landscape, it has many prominent graduates and has a reputation much larger than its size.

Over the last five years, the college has experienced challenges with enrollment with a 28 percent decline to approximately 1,300 students. This decline mirrors larger nationwide trends in which regional private colleges are on the front lines of stagnation in the number of high school graduates nationally.

The college is not sitting idle in the face of these structural challenges and is actively working to stabilize enrollment through the "Forward with Purpose" plan, which seeks to match academic and athletic offerings with student demand while enabling a 21st century version of service.

The college issued bonds through VEHBFA historically and at the time of the 2023 transaction had \$40.7 million outstanding. As part of the transaction, the college had two objectives:

- Structure an aggregate declining debt service structure to aggregate level debt service with a runway of immediate cashflow relief over the next few years while the strategic plan is implemented; and,
- Incorporate additional new debt to undertake improvements to the athletic facilities and other campus infrastructure systems.

Market conditions and changes to the college's credit rating precluded the new debt but the college did move forward with the assistance of RBC Capital Markets and Estrada Hinojosa, who the college engaged as bond underwriter and Independent Registered Municipal Advisor, respectively.

IMPACT CASE STUDY:

After selecting the financing team, the college turned to VEHBFA to receive the authorizations needed to receive the benefit of tax-exempt financing, which would allow lower interest rates over the lifetime of the debt.

As an instrumentality of the State of Vermont, VEHBFA has experience and understanding of the many factors impacting the stability of Vermont's anchor institutions. Moreover, its mission to support nonprofit educational institutions in the state was clear and VEHBFA's board approved the transactions after reviewing the recommendation of the agency's financial advisor, Public Financial Management.

The transaction priced in May of 2023 following a negotiated sale via limited offering in which the bonds were only offered to sophisticated investors. The college was able to realize savings of nearly \$3 million in the first two fiscal years following the debt restructuring, which will allow it to advance the strategic plan. In fall 2023, first year enrollment was up by 28 percent from the prior year.

Like many small colleges, the road ahead will be challenging but thanks to VEHBFA, the college will retain some control of its destiny in the face of structural changes in the wider higher education landscape.

Total Bonds Issued through Agency: \$180.73 million

Total Bonds Outstanding: \$53.29 million

OUTSTANDING LOANS

Borrower	Amount Outstanding as of December 31, 2023
Brattleboro Memorial Hospital	15,653,753
Brattleboro Retreat	7,792,721
Champlain College	64,605,000
Development & Mental Health Acquisition Pool	3,595,000
Gifford Medical Center	14,792,375
Landmark College	17,475,000
Lyndon Institute	3,462,880
Middlebury College	271,150,000
North Country Hospital	12,467,644
Northeastern Vermont Regional Hospital	6,688,416
Northwestern Medical Center	24,677,783
Norwich University	65,510,000
Putney School	13,000,000
Rutland Regional Medical Center	9,243,236
Southwestern Vermont Medical Center	27,428,667
St. Johnsbury Academy	7,755,244
Saint Michael's College	53,285,000
Stratton Mountain School	5,567,802
University of Vermont Health Network *Includes Porter	328,572,441
Total	\$952,722,962

