



# | 2016 Annual Report

**VERMONT Educational & Health Buildings Financing Agency**



## Annual Report

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University of Vermont Medical Center



# Vermont Educational & Health Buildings Financing Agency

March 31, 2017

Honorable Phil Scott and  
Members of the General Assembly  
State House  
Montpelier, Vermont 05633

Dear Governor Scott and Members of the General Assembly:

As it has for over 50 years, the Vermont Educational and Health Buildings Financing Agency ("VEHBFA") once again partnered in 2016 with Vermont non-profit healthcare and educational institutions by providing them access to tax-exempt bond financing for critically needed capital projects and for refunding opportunities.

Pursuant to 16 V.S.A. §3862, it is our privilege to provide you with the Vermont Educational and Health Buildings Financing Agency's 2016 Annual Report.

Through the combined efforts of the Board, staff and consultants, the Vermont Educational and Health Buildings Financing Agency has and will continue to provide low cost financings in an efficient and economical manner.

We hope you find this report useful and we welcome any questions or requests for additional information you may have.

Thank you for giving us the opportunity to serve Vermont's non-profit healthcare and educational institutions, and ultimately the people of the State of Vermont.

Respectfully submitted,

James E. Potvin  
Chairman

Robert W. Giroux  
Executive Director

## VEHBFA 2016

### Board of Directors, Staff and Advisors

#### Board of Directors:

James Potvin, Chair  
Frederick Burkhardt, Vice Chair  
Edward Ogorzalek, Treasurer  
Neal Robinson, Secretary  
Anita Bourgeois, Director  
Kenneth Gibbons, Director  
Kenneth Linsley, Director  
Stuart Weppner, Director  
Steve Wisloski, Director  
Hal Cohen, Secretary of Agency of Human Services, Ex-Officio  
Rebecca Holcomb, Secretary of Education, Ex-Officio  
Trey Martin, Secretary of Administration, Ex-Officio  
Beth Pearce, State Treasurer, Ex-Officio

#### Staff:

Robert Giroux, Executive Director

#### Advisors:

Deppman & Foley, P.C., General Counsel  
Public Financial Management, Inc., Financial Advisor  
Norton Rose Fulbright, LLP, Bond Counsel  
Mudgett, Jennett & Krogh-Wisner, P.C., Financial Auditor

Our mission is to assist Vermont's 501(c)(3) educational and healthcare institutions to obtain low cost tax-exempt and taxable financing for important capital projects.



**1. What is the Vermont Educational & Health Buildings Financing Agency?**

VEHBFA is an instrumentality of the State of Vermont established in 1966 to be the statewide conduit issuer of tax-exempt municipal bonds for non-profit educational and healthcare institutions. The board is made up of 7 members appointed by the Governor, 2 members appointed by the governor appointed members and 4 ex-officio members: the Secretary of Human Services, the Secretary of Administration, the Secretary of Education and the State Treasurer. Since 1969, the Agency has issued over \$3 billion in bonds with \$1.1 billion in loans outstanding.

**2. What is the Agency's role in a financing?**

Current federal tax laws allow the Agency, on behalf of eligible Vermont institutions, to issue bonds or notes on a tax-exempt basis. The bonds or notes are sold to qualified investors and then the proceeds are loaned to the borrowing institution. The Agency provides access to the capital markets, but does not directly loan funds of its own and does not enhance the credit quality nor stand behind the bonds. The bonds are repaid solely from funds generated by the borrowing institution. In addition, the State of Vermont does not provide any pledge or support to the payment of any of the Agency's bonds or notes.

**3. Who is eligible to borrow through the Agency?**

Eligible institutions include any nonprofit library that serves the public; any private or independent nonprofit university, college, primary or secondary school in the state; the University of Vermont; the Vermont State Colleges; or any nonprofit hospital as defined in section 1902 of Title 18; any nonprofit institution whose purpose is devoted primarily to the operation of diagnostic and therapeutic facilities for medical, surgical or psychiatric care of ambulatory patients; any nonprofit licensed nursing home; any nonprofit assisted living facility, nonprofit continuing care retirement facility, nonprofit residential care facility or similar nonprofit facility for the continuing care of the elderly or infirm, provided that such facility is owned or under common ownership with an otherwise eligible institution. In the case of healthcare financings, the Green Mountain Care Board *Certificate of Need* approval may be required.

**4. How does an eligible borrower finance a project through the Agency?**

In the development stages, the first step is to contact the Agency with a description of the project and an approximate amount the borrower would like to finance. The Agency will then provide contact information of possible underwriters or placement agents. These firms will review the project, the credit quality of the borrower and advise on possible financing alternatives. Currently there are two principal financing alternatives:

**a. Public Sale**

Within this category there are generally two possibilities:

- (i) Stand alone sale with only one borrower. This may require an investment grade credit rating and/or credit enhancement from a bank letter of credit or bond insurance company and can be either a fixed rate or variable rate borrowing.
- (ii) Pool financing with other borrowers. Like standalone sales, pooled financings will require an investment grade rating or a bank letter of credit and can be either fixed or variable rate.



#### **b. Private Placement**

Within this category there are three possibilities:

- (i) Direct sale to an institutional investor, usually a mutual fund.
- (ii) Direct sale to a qualified bank.
- (iii) Direct sale to one or more private investors who satisfy the sophisticated investor rules established by the Securities and Exchange Commission.

The Agency is also able to offer lease financing for equipment and related construction expenses, typically for short to medium-term projects. Lease financings use standardized documents and can be negotiated or competitively bid with investors.

#### **5. Which financing alternative is best?**

A number of factors contribute to the determination of which financing alternative is most appropriate, including the credit quality of the borrower, the expected size of the bond transaction, and the financing objectives of the borrower. Borrowers that are investment grade (BBB rated or higher) or borrowers that can obtain credit enhancement would be eligible to participate in a public sale. Smaller loans may be more appropriate for a private placement. With a fixed rate transaction, the terms and loan amortization are fixed for the life of the loan, at least to the call protection date, which is usually ten years. With a variable rate transaction, the bonds may generally be repaid on any interest payment date, creating more flexibility for the borrower. One of the roles of the Agency is to help a borrower determine which financing alternative is more appropriate given the individual circumstances of the borrower.

#### **6. What determines the interest rates?**

The interest rates are determined by negotiation with the underwriter and/or investor(s) and are based on the credit quality of the transaction (whether rated or unrated and whether enhanced or unenhanced), the length of the loan and whether it is fixed or variable rate.

#### **7. What are the issuance costs involved in a transaction?**

The costs to finance a transaction depend on the type of transaction and its complexity. The Agency charges a minimal fee for its involvement in each financing, but there are fees for the participants including, but not limited to, underwriter or placement agent, borrower's counsel, bond counsel, financial advisor, rating agencies, if necessary, and sources of credit enhancement, if necessary. Up to 2% of the bond can be used to finance the costs of issuance on a tax-exempt basis.

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For more information on the Vermont Educational and Health Buildings Financing Agency, please visit our website at [www.vehbfa.org](http://www.vehbfa.org)

# Review of 2016 VEHBFA Financings





## 2016 Financing Summary

Borrower	Closing Date	Amount
Brattleboro Memorial Hospital 2016 Series A	6/1/2016	\$10,500,000
Champlain College 2016 Series A	12/1/2016	\$64,620,000
Champlain College 2016 Series B	12/1/2016	\$9,400,000
Middlebury College 2016 Series A	8/5/2016	\$33,055,000
Northeastern Vermont Regional Hospital 2016 Series A	4/1/2016	\$12,605,000
North Country Hospital 2016 Series A	6/1/2016	\$18,743,131
Northwestern Medical Center 2016 Series A	6/1/2016	\$35,000,000
University of Vermont Medical Center 2016 Series A	2/3/2016	\$176,375,000
University of Vermont Medical Center 2016 Series B	7/28/2016	\$89,000,000
Total Loans		<u>\$449,298,131</u>



# Brattleboro Memorial Hospital

**Bond Series:** 2016 Series A Tax-Exempt

**Bond Size:** \$10.5 Million

**Closed:** June 1, 2016

**Credit Rating:** Not Rated

**Credit Enhancement:** None

**Purchaser:** People's United Muni Finance

**Interest Rate:** 1.683%

**Final Maturity:** 2027

**Purpose:** The bonds were used to: i) refund Brattleboro Memorial Hospital's outstanding 2008-A bonds; ii) purchase medical equipment; and iii) pay for issuance costs related to the financing.

**Project Benefit:** The Hospital will realize economic savings from the refunding. The loan will amortize over 11 years, and allow BMH to lock in historically low interest rates, and reduce its renewal, remarketing and bank exposure risks.



# Champlain College

**Bond Series:** \$64.6 million 2016 Series A Tax-Exempt  
\$9.4 million 2016 Series B Taxable

**Closed:** December 1, 2016

**Credit Rating:** Standard & Poor's BBB

**Credit Enhancement:** None

**Underwriter:** Wells Fargo Securities

**Interest Rate:** Fixed rate, 2.914% to 5.0%

**Final Maturity:** 2046

**Purpose:** The bonds will be used to: i) construct a new 314 bed student dormitory called Eagles Landing; ii) refund the College's outstanding debt; and iii) pay for issuance costs related to the financing. The Series B bonds are to finance the "private use" portion of the project.

**Project Benefit:** The new project will add 314 student beds to the College's inventory and will inject over \$36 million in construction spending into the local economy. The refunding will generate economic savings, standardize bond covenants, allow the College to extend the term of its debt, and level out annual debt service.



 **EAGLES LANDING APARTMENTS**  
OF PAUL STREET BUILDINGS, LLC

1000 ST. PAUL STREET, ST. PAUL, MN 55102

# Middlebury College

**Bond Series:** 2016 Series A Tax-Exempt

**Bond Size:** \$33.1 Million

**Closed:** August 5, 2016

**Credit Rating:** Moody's Aa2  
Standard & Poor's AA

**Credit Enhancement:** None

**Underwriter:** Goldman Sachs

**Interest Rate:** 3.474%

**Final Maturity:** 2046

**Purpose:** The bonds were used to: i) refund Middlebury College's outstanding 2006-A bonds; and ii) pay for issuance costs related to the financing.

**Project Benefit:** The College will realize economic savings from the refunding and is expecting \$5.3 million in present value savings.



Middlebury  
College

# Northeastern Vermont Regional Hospital

**Bond Series:** 2016 Series A Tax-Exempt

**Bond Size:** \$12.6 Million

**Closed:** April 1, 2016

**Credit Rating:** Not Rated

**Credit Enhancement:** None

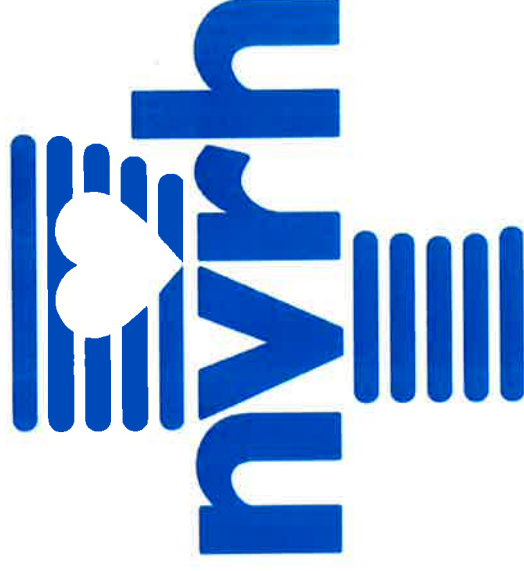
**Purchaser:** Passumpsic Savings Bank

**Interest Rate:** 2.23% fixed for ten years and then at a rate equal to Federal Home Loan Bank of Boston ("FHLBB") 5 year amortizing regular advance rate

**Final Maturity:** 2032

**Purpose:** The bonds were used to: i) refund NVRH's outstanding 2004 and 2009 bonds; and ii) pay for issuance costs related to the financing.

**Project Benefit:** The financings are expected to save the Hospital over \$2.2 million in debt service over the life of the bonds. The 2016 bonds will also reduce Northeastern's interest rate risk, remarketing risk and bank exposure risk.



# North Country Hospital

**Bond Series:** 2016 Series A Tax-Exempt

**Bond Size:** \$18.74 Million

**Closed:** June 1, 2016

**Credit Rating:** Not Rated

**Credit Enhancement:** None

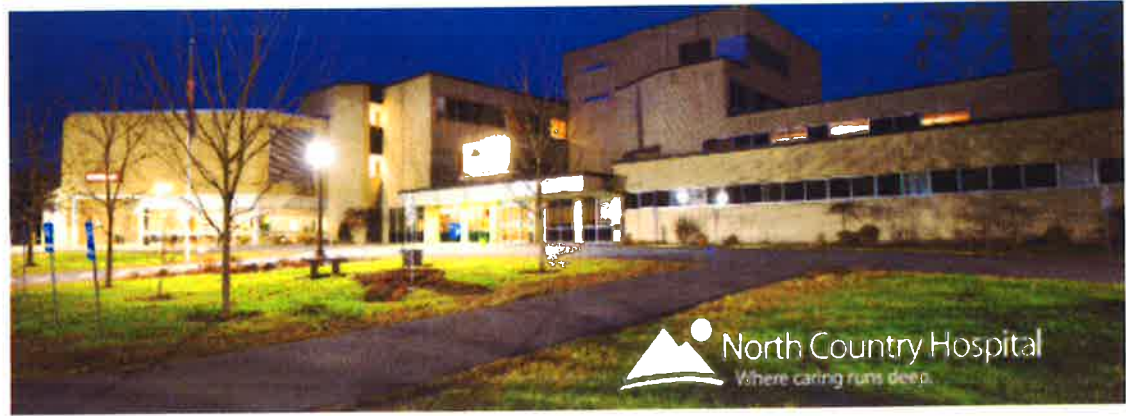
**Purchaser:** People's United Muni Finance

**Interest Rate:** 2.577%

**Final Maturity:** 2034

**Purpose:** The bonds were used to: i) refund North Country Hospital's outstanding 2007-A bonds; and ii) pay for issuance costs related to the financing.

**Project Benefit:** The Hospital will realize economic savings from the refunding. The loan will amortize over 18 years, but have a 10-year bank put. The refunding will allow NCH to lock in favorable loan terms for ten years and reduce its remarketing and bank exposure risks.



# Northwestern Medical Center

**Bond Series:** 2016 Series A Tax-Exempt

**Bond Size:** \$35.0 Million

**Closed:** June 1, 2016

**Credit Rating:** Not Rated

**Credit Enhancement:** None

**Purchaser:** People's United Muni Finance

**Interest Rate:** 2.502%

**Final Maturity:** 2036

**Purpose:** The bonds will be used to: i) refund Northwestern Medical Center's outstanding 2012-A bonds (\$17,334,575); ii) fund capital expenditures (\$17,429,519); and iii) pay for issuance costs related to the financing (\$235,906).

**Project Benefit:** NMC will realize economic savings from the refunding. The new money component of the financing will allow NMC to convert semi-private rooms to private rooms, renovate the reception/waiting areas, and expand specialty and general medical clinic spaces and offices.



# University of Vermont Medical Center

**Bond Series:** 2016 Series A

**Bond Size:** \$176,375,000

**Closed:** February 3, 2016

**Credit Rating:** Moody's A3  
S&P A-  
Fitch A-

**Credit Enhancement:** None

**Underwriter:** Citigroup

**Interest Rate:** Fixed rate, 3.0% to 5.0%

**Final Maturity:** 2036

**Yield:** 0.60% to 3.64%

**Purpose:** The bonds were used to: i) refund UVMC's 2004 Series B bonds and 2007 Series A bonds; and ii) pay for issuance costs related to the financing.

**Project Benefit:** The refunding will generate substantial interest expense savings over the remaining life of the bond series.

**Economic Benefits:** The refunding will generate an estimated \$14.8 million (7.70%) in net present value savings.



THE  
**University of Vermont**  
MEDICAL CENTER



# University of Vermont Medical Center

**Bond Series:** 2016 Series B

**Bond Size:** \$89,000,000

**Closed:** July 28, 2016

**Credit Rating:** Moody's A3  
S&P A-  
Fitch A-

**Credit Enhancement:** None

**Underwriter:** Citigroup

**Interest Rate:** Fixed rate, 3.125% to 5.0%

**Final Maturity:** 2046

**Purpose:** The bonds will be used to: i) construct an inpatient single room facility on the UVM-MC campus; and ii) pay for issuance costs related to the financing.

**Project Benefit:** The new project will replace outdated facilities and will allow the Medical Center to meet its current and community needs for inpatient care.

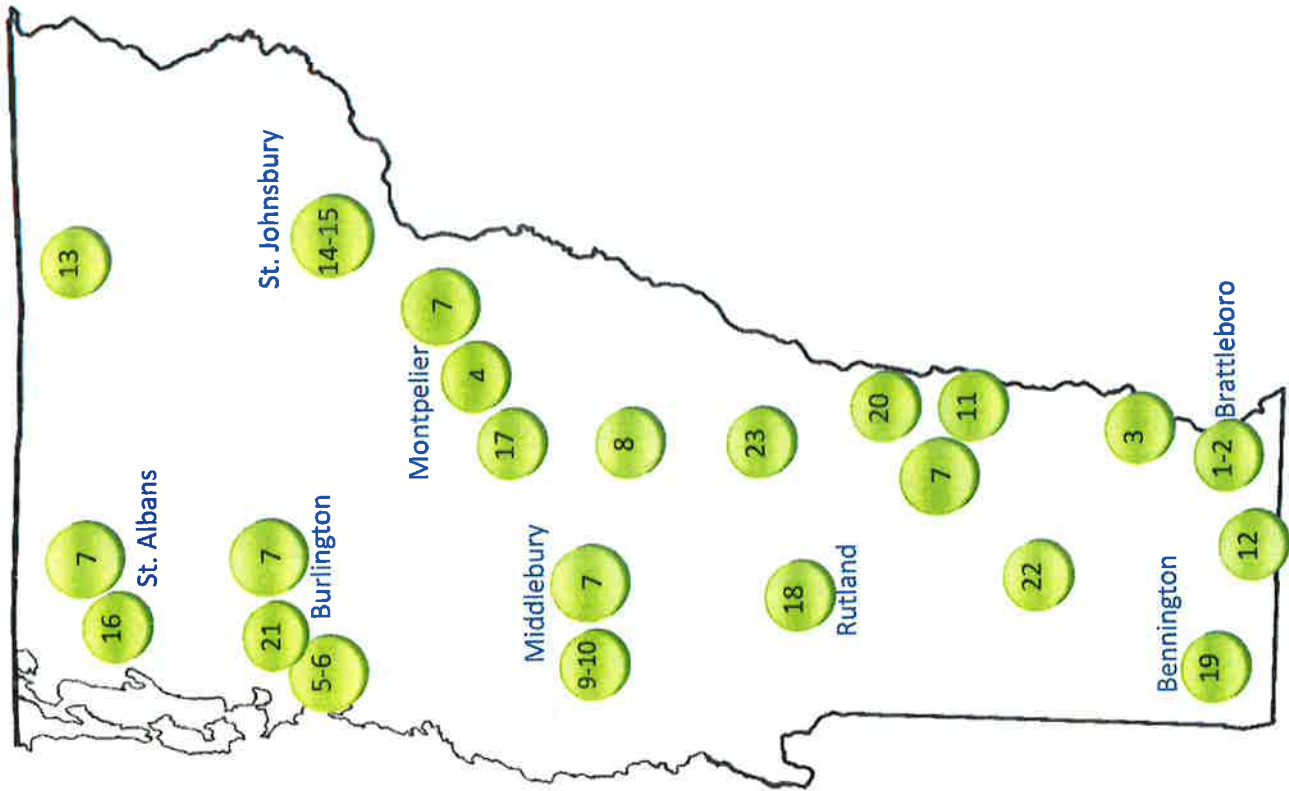


Miller Inpatient Building

# VEHBFA Loan Data as of 12/31/16

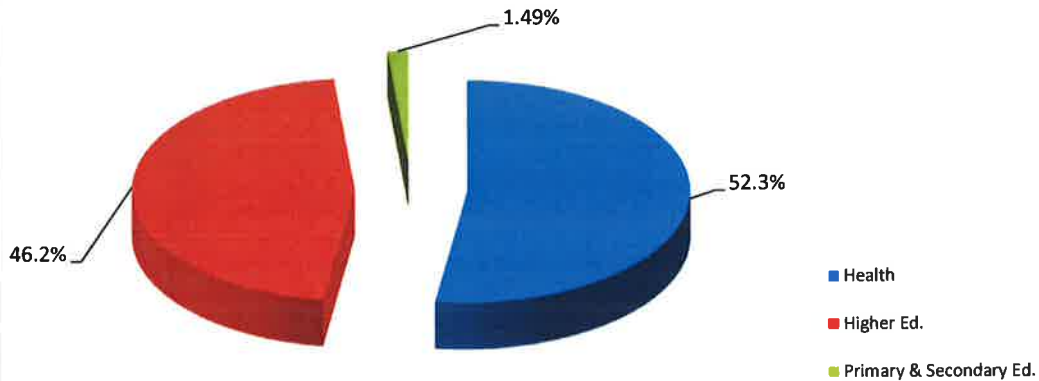
## 12/31/16 VEHBFA Borrowers

1. Brattleboro Memorial Hospital
2. Brattleboro Retreat
3. Carlos G. Otis Health Care
4. Central Vermont Medical Center
5. Champlain College
6. University of Vermont Medical Center
7. Developmental & Mental Health Acquisition Pool
8. Gifford Medical Center
9. Middlebury College
10. Porter Medical Center
11. Landmark College
12. Marlboro College
13. North Country Hospital
14. Northeastern Vermont Regional Hospital
15. St. Johnsbury Academy
16. Northwestern Medical Center
17. Norwich University
18. Rutland Regional Medical Center
19. Southwestern Vermont Medical Center
20. Springfield Hospital
21. St. Michael's College
22. Stratton Mountain School
23. Vermont Law School

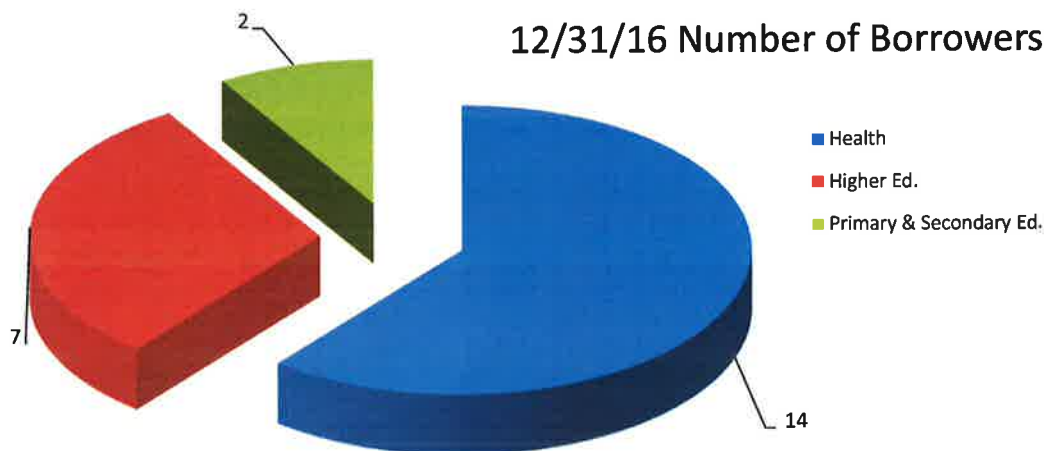


## Vermont Education & Health Buildings Financing Agency 2016 Activity

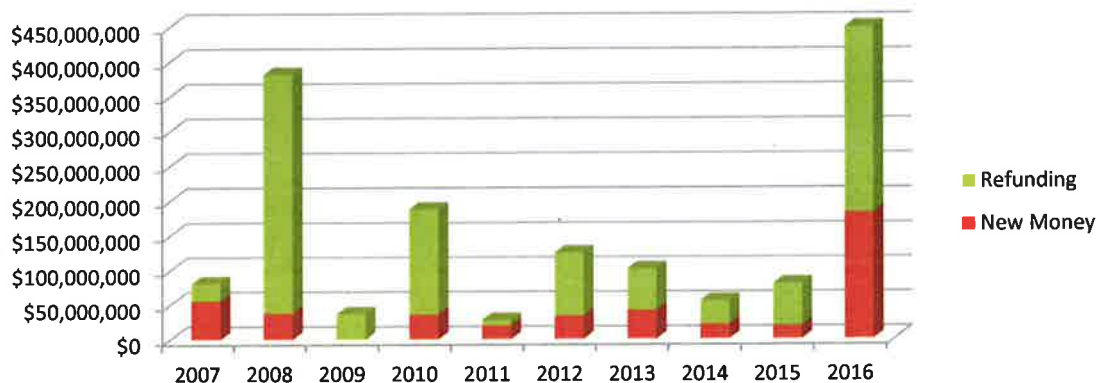
12/31/16 Loan Portfolio



12/31/16 Number of Borrowers



Annual New Money and Refunding



Vermont Education Health Buildings Financing Agency  
December 31, 2016 Loans Outstanding

Borrower	Loans Outstanding
Brattleboro Memorial Hospital	\$10,048,003
Brattleboro Retreat	\$11,245,000
Carlos G. Otis Health Care	\$870,000
Central Vermont Medical Center	\$8,939,559
Champlain College	\$74,020,000
Development & Mental Health Acquisition Pool	\$17,235,000
Gifford Medical Center	\$19,639,022
Landmark College	\$23,640,000
Marlboro College	\$1,020,000
Middlebury College	\$245,570,000
North Country Hospital	\$18,373,349
Northeastern Vermont Regional Hospital	\$11,889,252
Northwestern Medical Center	\$34,582,445
Norwich University	\$86,715,000
Porter Medical Center	\$14,967,854
Rutland Regional Medical Center	\$33,870,000
Southwestern Vermont Medical Center	\$8,135,000
Springfield Hospital	\$6,115,000
St. Johnsbury Academy	\$9,309,127
St. Michael's College	\$54,850,000
Stratton Mountain School	\$6,658,498
University of Vermont Medical Center	\$364,705,000
Vermont Law School	\$9,560,000
Grand Total	\$1,071,957,109