



Board Meeting

Mary Fletcher Room, University of Vermont Medical Center
Burlington, Vermont
May 15, 2015

Meeting Minutes

Board Members: Anita Bourgeois; Dawn Bugbee; Fritz Burkhardt; Ken Gibbons; Ken Linsley; Edward Ogorzalek; James Potvin; Robert Roberts (designee of Hal Cohen); Neal Robinson; Cassandra Ryan (designee of Rebecca Holcombe); Stuart Wepler and Steve Wisloski (designee of Beth Pearce, arrived 1:30 pm).

Staff: Robert W. Giroux

Consultants: Larry Bauer (Sidley Austin); Robert Guadagno (Public Finance Management); and James Foley (Deppman & Foley).

Guests: Todd Keating; Marc Stanislas and Douglas Viau (University of Vermont Health Network)

The meeting was called to order by Mr. Potvin, at 12:30 pm.

Annual Meeting

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

Motion: Mr. Linsley 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. Giroux to preside over the election of officers. Mr. Giroux called for nominations. Mr. Linsley moved the following slate of officers: James Potvin, Chair; Dawn Bugbee, Vice Chair; Edward Ogorzalek, Treasurer; and Neal Robinson, Secretary. Hearing no further nominations, Mr. Giroux called for

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the nominations to cease and for a vote on the slate of officers. The slate of officers was approved.

Mr. Potvin assumed the 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 2014.

Moved: Mr. Linsley made the motion to reaffirm and ratify all prior acts and endeavors undertaken by the Vermont Educational and Health Buildings Financing Agency that were made in 2014. Mr. Burkhardt seconded the motion and it passed.

University of Vermont Health Network (“UVMC” or “Medical Center”)

Todd Keating began his presentation by updating the Board on UVM Health Network (“Network”) and its member hospitals, of which UVMC is a member. Critical statistics regarding patients served and physicians employed by the Network was described. A review of the integration of the four Network hospitals was shared with the Board. The Network is exploring new relationships in Vermont and New York to create additional efficiencies, an integrated delivery system and revenue opportunities. The Network is making important IT investments that will make patient records and financial systems available across the Network. The Network’s financials continue to remain strong with healthy operating margins.

Mr. Keating then described the inpatient bed replacement project. This project will not be increasing patient beds, but will allow the Medical Center to improve the quality of patient care and meet current and future community needs. The estimated cost of the inpatient project is \$189M of which \$100M will be funded with bond proceeds and the balance from fund raising (\$30M) and an equity contribution (\$58.6M). The Medical Center is awaiting a Certificate of Need approval from the Green Mountain Care Board and anticipates receiving that approval in June. UVMC would like to publically issue tax-exempt bonds with a maturity term not to exceed 35 years. The new debt will be wrapped around the UVMC’s existing debt service.

UVMC is looking at advanced refunding opportunities for its Series 2004-B and 2007-A bonds. The refundings will be very sensitive to tax-exempt bond rates at pricing. The Medical Center is seeking a minimum 3.0% PV savings to do the refundings, which if met will generate \$2.35M in savings. UVMC will continue to monitor the bond market for favorable interest rates.

Mr. Guadagno then described PFM’s analysis of the Medical Center’s financing request. UVMC would like to borrow up to \$310.0M to fund new inpatient facilities and to advance refund all or a portion of the 2004-B and 2007-A bonds. He noted that in 2014 Moody’s and Fitch

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upgraded UVMC to A3 and A- respectively. S&P affirmed its BBB+ rating but gave the Medical Center a positive outlook. These rating upgrades included consideration of UVMC's master facilities plan, which the inpatient project is a part of, as well as the project's related debt.

The advanced refunding of the 2004-B and 2007-A will only occur if the Medical Center is able to achieve a 3.0% PV savings threshold. The maturity of the refunding bonds will match up with the refunded bonds. The new money bonds are expected to have a 30-year maturity. Both the new money and refunding bonds will be unenhanced tax-exempt fixed rate debt.

Mr. Guadagno reported that UVMC has a strong market position, serving all of Vermont and parts of northern New York. The payor mix is also well balanced.

The Medical Center has sound financial data. Operating margin, MADS coverage, days cash on hand, cash-to-debt and debt-to-capitalization ratios all compare well against Moody's A rated medians.

Based on the financial strength and strong market position of University of Vermont Medical Center, PFM recommends the Agency Board approve the proposed 2015 financing.

Mr. Bauer described how the bonds would be underwritten by Citigroup on a negotiated basis. The principal security for the loan will be the payments made by UVMC under the terms of the loan agreement and would be assigned to Peoples United Bank as the trustee. Additional security would be in the form of an obligation to be issued under the master trust agreement. A TEFRA hearing will be warned for June 2, 2015. Since there will be a need for a TEFRA hearing, the Governor's approval for the financing will be required.

Motion: Mr. Robinson moved and Ms. Bugbee seconded the motion to authorize the issuance of up to \$310,000,000 of Agency Bonds with the proceeds to be loaned to University of Vermont Medical Center to refund previously issued debt and to construct a new inpatient facility. The Board also certifies to the Governor as to the need for the new facility, the Medical Center's ability to repay the debt and that a TEFRA hearing will be held in accordance with Section 147(f) of the Internal Revenue Code of 1986. The authority to issue the bonds under this Resolution shall lapse if the bonds are not issued by September 1, 2015. There being no further discussion, the motion passed.

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Administrative Items

Approval of Minutes -

Motion: Mr. Linsley moved to accept the minutes of the November 18, 2014 Board meeting. Mr. Gibbons seconded the motion and it passed.

Fiscal Committee Report - Mr. Potvin briefed the Board on the discussions held by the Fiscal Committee during its February 2, 2015 meeting. The Agency's investment portfolio earned slightly less than its benchmark during the last quarter, but since its inception has outpaced the benchmark. A rebalancing of the portfolio was requested by the investment advisor to replace an underperforming fund. The Committee recommends the 2015 budget as proposed. Finally, the Committee recommends the Board adopt a Fund Balance Policy to assist the Committee, Board and Executive Director in managing the Fund.

Motion: Ms. Bugbee moved and Mr. Wisloski seconded the motion to accept the Fiscal Committee Report. There being no further discussion, the Report was accepted.

2015 Budget - Mr. Giroux presented the proposed 2015 budget of \$251,134 to the Board. Because certain costs are shared with the Bond Bank, in-direct costs are allocated between the Bond Bank and VEHBFA on a 64%/36% basis based on the level of effort. Since his compensation is at the discretion of the Board, Mr. Giroux's budget does not include any changes to the Executive Director's compensation. Major budget initiatives include health and education financings, post-issuance compliance, borrower training, continued website development and Executive Director succession planning. The budget overall is up +2.1% and the budget net of cost of issue is up 4.7%. primarily due to a reduction in expected legal fees. The Net Assets are expected to grow by ~\$20,000.

At 2:05 pm, the following Motion was made:

Motion: Mr. Robinson moved to go into executive session to discuss a personnel matter. The motion was seconded by Mr. Burkhardt and passed.

At 2:10 pm the Board came out of executive session.

Motion: Mr. Gibbons moved and Mr. Ogorzalek seconded the motion to approve the 2015 budget as presented. The motion passed.

Motion: Mr. Linsley moved to increase the Executive Director's 2015 compensation, thereby increasing the approved budget, through a combination of a \$4,600 raise in salary and a \$6,000 bonus. The compensation increase will be shared between the

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*VEHBFA and the VMBB in accordance with the agreed to expense allocation formula.
Mr. Gibbons seconded the motion and the motion was approved.*

General Reserve Fund Policy – The Board then considered the proposed General Reserve Fund Policy. Reserve funds intended to be used for unanticipated contingencies and opportunities. budget deficits, legal matters and E.D.'s retirement. Risk is commensurate with the balance of outstanding loans and that is why the policy is pegged to borrower loan balances on December 31. After some discussion, the following motion was made:

Motion: Mr. Gibbons moved to adopt the General Reserve Fund Policy. Mr. Robinson seconded the approval of the Policy and it was approved.

Reports

Dashboard Indicators - Indicators were reviewed and discussed. The indicators are tracking as expected.

PFM - From their near historical lows, interest rates have been increasing lately and are primed to rise further. With very strong balance sheets, banks are expected to continue with private loan placements. This may change if Basil III reserve requirements steer banks to higher rated investments.

Sidley Austin – No regulatory items on the horizon and it is still too early in the process to worry about the loss of federal tax-exemption for tax-exempt bonds.

Other Business

5/21/15 Borrowers' Conference – Because of sponsor and VEHBFA support, the Conference is being offered at no cost. The agenda includes an exciting group of topics and presenters.

Burlington College Update – In January the College closed on a taxable loan with Peoples United Bank, and so the loan is no longer in the Agency's portfolio. Since the College's loan is no longer in VEHBFA's loan portfolio, the Agency is no longer entitled to receive status reports or financial updates from the College.

Executive Director's Retirement – Mr. Giroux is planning his retirement for the spring of 2017. He strongly urged the VEHBFA and VMBB to continue to jointly fund the Executive Director's position. He is proposing the following retirement timetable and phasing of responsibilities:

- In August 2016, a joint VMBB/VEHBFA hiring committee is formed;
- On or about 9/1/16, advertise for a new ED;

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- Applications due in early October 2016;
- Applications screened and interviews held at the end of October;
- Replacement ED offered the position in early November;
- Replacement ED starts full-time as a deputy director on or shortly after 1/1/17;
- Mr. Giroux will reduce his ED time to 60% on or about 1/1/17;
- On 4/1/17 Mr. Giroux will resign as the ED and the deputy director becomes the ED. Mr. Giroux will continue to be a mentor and consult with the new ED; and
- At the discretion of the ED and Board, Mr. Giroux will continue his consulting on an as needed basis.

Other –

The next VEHBFA Board meeting is scheduled for 6/19/15. Requests for financing will be considered from a DD Mental Health Pool (new money and refunding), Brattleboro Retreat (refundng) and Porter Medical Center (refundng). PFM has begun to analyze the credit quality of the underlying borrowers. Sidley Austin has been discussing the legal documents with borrowers' counsels.

There being no further business, the meeting was adjourned.

These Minutes were approved by the Board of Directors at a duly warned meeting on June 19, 2015.