



Board Meeting
South Burlington, Vermont
February 22, 2016

Meeting Minutes

Board Members: David Beatty; Fritz Burkhardt; Ken Linsley; Edward Ogorzalek; Neal Robinson; Stuart Wepler and Michael Clasen (designee of Beth Pearce, by telephone).

Staff: Robert W. Giroux

Consultants: Matt Hughey (Sidley Austin); and Robert Guadagno (Public Finance Management).

Guests: Robert Hersey (Northeastern Vermont Regional Hospital)

Mr. Ogorzalek announced that the Chair, Jim Potvin, would not be able to attend the Board meeting. Due to a resignation, the Agency's Vice-Chair position is open. As the only remaining Officer able to chair the meeting, unless any one objected, Mr. Ogorzalek offered to serve as the Chair. There were no objections.

The meeting was called to order by Mr. Ogorzalek, at 12:35 pm and introductions were made.

Annual Meeting

Election of Officers - Mr. Ogorzalek 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; Fritz Burkhardt, Vice Chair; Edward Ogorzalek, Treasurer; and Neal Robinson, Secretary.

Hearing no further nominations, Mr. Giroux called for the nominations to cease and for a vote on the slate of officers.

Mr. Giroux asked for a roll-call vote and the slate of officers was approved.

Mr. Ogorzalek assumed responsibility for chairing the Board meeting.

VERMONT EDUCATION AND HEALTH BUILDINGS FINANCING AGENCY

Reaffirmation of Prior Acts – Under the advice of general counsel, Mr. Ogorzalek asked for a motion to approve and ratify all prior acts of the Agency made during 2015.

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 2015. Mr. Burkhardt seconded the motion.

A roll-call vote was taken and the motion passed.

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

Northeastern Vermont Regional Hospital (“NVRH”)

Mr. Hersey, NVRH’s CFO, made a brief presentation on NVRH and the requested refunding. NVRH is a 25-bed critical access hospital located in St. Johnsbury, Vermont. NVRH primarily serves the 30,000 residents of Caledonia County. NVRH is a leader in healthcare accountability and has implemented numerous initiatives to improve the quality of patient care and outcomes. NVRH anticipates the refunding will provide substantial savings, thereby reducing costs that will be passed on to patients.

PFM’s representative, Robert Guadagno, then reviewed the financing with the Board. NVRH would like to refund its outstanding 2004 Series A and 2009 Series A bonds. The refunding will allow NVRH to lock in loan terms for the balance of the 15-year amortization, including replacing variable interest rates with fixed rates.

Mr. Guadagno reported that in addition to refunding outstanding debt, NVRH will use tax-exempt bond proceeds to terminate its swap agreement and to pay for the cost of issuance. The bond will be privately placed with Passumpsic Savings Bank. By terminating the swap, NVRH will be able to eliminate the need for a letter of credit. The refunding will reduce NVRH’s exposure to interest rate risk, remarketing risk, and bank exposure risk.

Finally, Mr. Guadagno reported that NVRH has a history of positive operating margins and adequate cash flow margins. Over the last five years, NVRH has been able to improve and strengthen its balance sheet.

Based on the long-term financing commitment by Passumpsic Savings Bank and the reduced renewal risks the refunding makes available to NVRH, PFM recommends the Agency Board approve the proposed 2016 financing.

VERMONT EDUCATION AND HEALTH BUILDINGS FINANCING AGENCY

Mr. Hughey then reviewed the legal structure of the refunding. The financing will be a private placement with Passumpsic Savings Bank, with the loan principally secured by payments made under the loan agreement and a first security on all business assets. Because NVRH has decided to increase the final maturity of the loan, there will be the need to hold a TEFRA hearing and obtain the Governor's approval.

Motion: Mr. Robinson moved and Mr. Wepler seconded the motion to authorize the issuance of up to \$13,500,000 of Agency Bonds with the proceeds to be loaned to Northeastern Vermont Regional Hospital to refund previously issued debt. The Board also certifies to the Governor as to the Hospital'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.

There being no further discussion, a roll-call vote was taken and the motion passed.

Administrative Items

Approval of Minutes -

Motion: Mr. Linsley moved and Mr. Robinson seconded the motion to accept the minutes of the September 8, 2015, November 20, 2015 and January 15, 2016 Board meetings.

The motion passed on a roll-call vote.

Dash board Indicators – Mr. Giroux reviewed the status of the indicators. He spent most of the review on the items that will require ongoing attention. He reports that all of the indicators are within expected norms and meeting expectations.

Borrower Communication and Compliance Monitoring – In the 2016 Budget, Mr. Giroux is requesting funds to develop an enhanced marketing and educational program and the staff to assist with the implementation. He reports that without realizing it, he has been using a form of "Inbound" marketing with the Agency's borrowers. He would like to move that effort to a more formal one and has begun discussions with New Breed Marketing, the Agency's website developer, to assist in the development of an inbound marketing program. Since the strategies employed will be similar, marketing programs for the Agency and the Bond Bank will be jointly developed, thereby achieving economies of effort and savings. Both Board Chairs have met with New Breed and have agreed that pursuing a new marketing plan makes sense. Mr. Giroux is recommending a slow build out of the plan so that it maximizes our needs without exceeding them and driving up excess costs. Mr. Giroux will ask the Chair to appoint Agency Board members to serve on a joint "communication's" committee with Bond Bank Board members.

VERMONT EDUCATION AND HEALTH BUILDINGS FINANCING AGENCY

Fiscal Committee Report - Mr. Ogorzalek briefed the Board on the discussions held by the Fiscal Committee at its February 12, 2016 meeting. 2015 was not kind to investors in general and even the Agency's investment benchmarks struggled. As of 12/31/15, the Agency's investment portfolio was down \$23,000 for the year, or 1.7%. Since its inception, the portfolio is still outpacing the benchmarks. A rebalancing of the portfolio was requested by the investment advisor to replace an underperforming fund and to bring stocks and bonds into line with our investment allocation strategy. The Committee discussed whether or not the recommendation exceeded the allocation strategy ranges. The Committee ultimately agreed to accept the investment advisor's recommendation.

After a review and discussion of the proposed 2016 budget, the Committee recommends its adoption by the full Board.

Finally, the Committee reviewed the self-assessment of internal controls. Mr. Potvin suggested that the Agency's accountant be added to the self-assessment as an additional review of internal controls. The Committee accepted the 2015 self-assessment.

Motion: Mr. Linsley moved and Mr. Wepler seconded the motion to accept the Fiscal Committee Report. There being no further discussion, a roll-call vote was taken and the Report was accepted.

2016 Budget - Mr. Giroux presented the proposed 2016 budget of \$340,389 to the Board. Because certain costs are shared with the Vermont Municipal Bond Bank, in-direct costs are allocated between the Bond Bank and VEHBFA on a 62%/38% basis based on the level of effort (slightly up from 2015). Since his compensation is at the discretion of the Board, the budget does not include any changes to the Executive Director's compensation. Major budget initiatives include a substantial increase in financings, additional post-issuance compliance activity, development of a formal marketing program, including the addition of a .10 FTE position to support it, and Executive Director succession planning. The budget overall is up +33.9% and the budget net of cost of issue is up 17.4%. Based on the budget, Net Assets are budgeted to drop by ~\$8,000.

Motion: Mr. Linsley moved the approval of the 2016 budget as presented in the amount of \$340,389. Mr. Wepler seconded the motion. The motion passed on a roll-call vote.

Executive Director Succession – Mr. Giroux briefly discussed a draft of the proposal that he developed to plan for his successor at retirement. The proposal will need to be tweaked and developed further. VHEBFA and VMBB Board Chairs are recommending a joint hiring committee made up of two members from each organization and staffed by Mr. Giroux. Volunteers to represent the Agency will be solicited and appointed by the Chair.

VERMONT EDUCATION AND HEALTH BUILDINGS FINANCING AGENCY

M. Giroux reported that depending on the results of the marketing plan design, that he would agree to put off his retirement date until the plan was developed and fully operational.

Reports

PFM – Tax-exempt bond interest rate remain near historical lows. The recent Fed rate increase resulted in an increase to LIBOR. More advanced refundings are possible because increased short-term interest rates have caused a reduction in negative arbitrage for some financings. Tax-exempt issuance supply and demand is up from last year.

Sidley Austin – It is quiet on the regulatory front and not much to report at this time. The SEC is beginning to offer settlement proposals for its muni-market disclosure initiative.

Other Business

Equipment Leasing - Bank of America Merrill Lynch (“BAML”) is proposing an expedited equipment leasing program be developed for Agency borrowers. Through the use of a fixed financial structure and canned legal documents, leases could be done on an expedited and cost reduced basis. Sidley Austin and PFM both have experience with leasing programs. BAML will be approaching one of the Agency’s borrowers to serve as a test case for this expedited process. If it proves successful and the Board agrees, we will market the leasing program to our borrowers.

Future Financings - Mr. Giroux reported that it appears the Board will have a busy spring and summer considering financing requests. He is expecting to receive applications from Northwester Medical Center (new money and refunding), UVM-MC (new money), Brattleboro Memorial Hospital (refundng), North Country Hospital (refundng), and Middlebury College (refundng). He is expecting to request a Board meeting sometime in April to consider some of the expected financings.

There being no further business, the meeting was adjourned.

These Minutes were approved by the Board of Directors at a duly warned meeting on April 25, 2016.