



Board Meeting

Holiday Inn, South Burlington, Vermont

March 21, 2014

Meeting Minutes

Board Members: David Beatty (designee of Jeb Spaulding); Dawn Bugbee; Fritz Burkhardt; Steve Gurin; Cathy Hilgendorf (designee of Rebecca Holcombe) Kenneth Linsley; Edward Ogorzalek; James Potvin; Robert Roberts (designee of Douglas Racine); Neal Robinson; and Steve Wisloski (designee of Beth Pearce).

Staff: Robert W. Giroux

Consultants: Matt Hughey (Sidley Austin); June Matte & Robert Guadagno (Public Finance Management); James Foley (Deppman & Foley).

Guests: Chris Kaltsas & Tim Collins (Stratton Mountain School)

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

Annual Meeting

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. Robinson moved the following slate of officers: James Potvin, Chair; Dawn Bugbee, Vice Chair; Edward Ogorzalek, Treasurer; and Steve Gurin, Secretary. Hearing no further nominations, Mr. Giroux called for 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 2013.

Moved: Mr. Robinson 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 2013. Mr. Wisloski seconded the motion and it passed.

VERMONT EDUCATION AND HEALTH BUILDINGS FINANCING AGENCY

Stratton Mountain School

Mr. Kaltsas and Mr. Collins briefly described the Stratton Mountain School ("SMS" or "School"), the educational and snow sports training programs and the need for the financing. The School; was founded in 1972. SMS draws students from both national and international applicant pools. Enrollment has consistently been held at the 125 student level. Graduating students matriculate to a wide range of highly respected colleges and universities., as well as, becoming members of US and foreign national teams

The new academic facility is expected to facilitate education, collaboration and community within the SMS campus. The new training center will provide for a safe, effective learning environment for riders in SMS' snowboard and freestyle programs.

The refunding will allow the School to convert its variable rate debt (currently et an estimated 4.03%) to a fixed rate (estimated at 3.85%), thereby lowering costs and improving both budget management and operation planning.

Following completion of the new academic facilities. Mr. Kaltsas stated that his next priority was to build up the School's endowment fund to the \$5.0 million to \$6.0 million level.

Mr. Guadagno then described PFM's analysis of the School's financing request. SMS would like to borrow up to \$7.25 million to refund previously issued debt and to develop two new facilities on its campus. \$5.755 million of bonds are intended to refund the School's 2004 Series A bonds and convert them to synthetic fixed rate debt. The balance of the funds will be used to construct the new campus facilities, refinance outstanding notes and cover the cost of issuance. SMS will be making an equity contribution of ~\$1.66 million towards the cost of the new facilities.

The 2014 bonds will be structured as tax-exempt variable rate debt and converted to fixed rate debt using an interest rate swap. Both the placement of the bonds and the swap agreement will be with Berkshire Bank. The loan will have a 30-year amortization, level annual payments, a final maturity in 2045, and a bank put option in year 10. Berkshire Bank will have a first mortgage on SMS real estate and a pledge on revenues. The Bank is providing SMS with some relief from existing covenant requirements.

Mr. Guadagno mentioned that there would be a change to the School's risk profile due to the reduction of interest rate and put risk, but an increase to swap counterparty and termination risk.

VERMONT EDUCATION AND HEALTH BUILDINGS FINANCING AGENCY

SMS has developed a strong market position as a ski academy with a high student selectivity and matriculation, consistent enrollment, and exceptional post graduate placement in higher education and national/international teams

The School's balance sheet is highly leveraged. Operations have varied over the past five years, with deficits in two of the five years. The School recently completed a highly successful fund raising campaign and exceeded its \$2.0 million goal.

Based on their analysis of the Stratton Mountain School, PFM recommends that the Agency grant approval for the 2014 Series bond financing.

Mr. Hughey then described how the legal structure of the financing would be very similar to the recent direct placements done by the Agency. The refunding bonds will extend the final maturity of the replacement bonds. A TEFRA hearing was warned and held on February 14, 2014. Since there is an extension of the maturity and new money bonds being issued, there will be a need to obtain the Governor's approval for the financing.

Motion: Mr. Wisloski moved and Ms. Bugbee seconded the motion to authorize the issuance of up to \$7,250,000 of Agency Bonds with the proceeds to be loaned to Stratton Mountain School to refund previously issued debt and to construct new campus facilities. The Board also certifies to the Governor as to the need for the new facilities, the School's ability to repay the debt and that a TEFRA hearing was held in accordance with Section 147(f) of the Internal Revenue Code of 1986. There being no further discussion, the motion passed.

Approval of Minutes

Motion: Mr. Linsley moved to accept the minutes of the August 5, 2013 Board meeting. Mr. Robinson seconded the motion and it passed.

Fiscal Committee Report

Mr. Potvin briefed the Board on the discussions held by the Fiscal Committee during its March 7th meeting. The Committee recommends the 2014 basic budget as proposed. It also recommended that the Board adopt a Fund Balance Policy to assist the Committee/Board and Executive Director in managing the Fund. Finally, the Committee felt that it was time to put out a Request for Proposal ("RFP") for financial advisor services. The suggested RFP is not a reflection of the services provided by PFM to the Board, but just the Board doing its due diligence.

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2014 Budget

At 3:00 PM, Mr. Wisloski moved to go into Executive Session to discuss a personnel matter. Ms. Hilgendorf seconded the motion and it was approved.

At 3:10 PM Mr. Potvin declared the Board out of Executive Session.

Motion: Mr. Linsley moved to increase the Executive Director's salary by \$4,600, including associated fringe benefits for the 2014 budget. The increase is to be shared with the Vermont Municipal Bond Bank in accordance with the agreed to allocation formula. The motion was seconded by Mr. Wisloski. There being no discussion, the motion passed.

Motion: Mr. Robinson moved and Mr. Gurin seconded the motion to approve the Agency's 2014 budget as submitted with the addition of the approved increase to the Executive Director's compensation. The motion was approved.

Reports

Dashboard Indicators - Mr. Giroux then reviewed the Dashboard Indicators with the Board. Indicators for the most part are tracking as expected. Areas requiring Board attention include the annual administrative fee policy, general reserve fund policy and executive director succession. He also remarked about proposals being floated in Washington to eliminate or dramatically reduce the issuance of tax exempt debt. NAHEFFA has been tracking these proposals closely and Mr. Giroux has been keeping in touch with Vermont's Congressional delegation.

Mr. Giroux mentioned that custodial credit risk assessment and the internal controls self-assessment were included in the Board materials.

Advisors – Ms. Matte explained how the SEC and the MSRB have increased their oversight of tax-exempt bonds to include a new Municipal Advisor (“MA”) rule. The definition of a MA is being closely looked at and being reduced. The MA has a fiduciary responsibility to the borrower. Unlike in the past, bankers will not be able to serve as both a MA and the financier. They must chose to do either or. The MSRB/SEC is expected to put the new MA regulations into effect in July.

Mr. Hughey suggested the signature page of the Agency application be amended to include language advising the borrower of the new MA rule.

VERMONT EDUCATION AND HEALTH BUILDINGS FINANCING AGENCY

Announcements

VEHBFA Fall Conference – Mr. Giroux announced that he will soon begin planning a fall borrowers' conference. Like previous Agency conferences, he expects this one to be self-supporting.

Executive Director's Retirement – Mr. Giroux is planning his retirement for the fall of 2016. He is developing a transition plan and guide to assist the new executive director. If the Board wishes after his retirement, he is willing to remain involved with the Agency and its new executive director as a mentor or advisor.

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 13, 2014.