



Board Meeting
Double Tree Inn
South Burlington, Vermont
September 8, 2015

Meeting Minutes

Board Members: Anita Bourgeois; Dawn Bugbee; Heather Campbell (designee of Justin Johnson); Ken Gibbons; Ken Linsley; Edward Ogorzalek (joined the meeting at 12:37 pm); James Potvin; Robert Roberts (designee of Hal Cohen); Neal Robinson; and Cassandra Ryan (designee of Rebecca Holcomb).

Staff: Robert W. Giroux

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

Guests: Saint Michael's College – John Neuhauser, Dawn Ellinwood, Robert Robinson and Shirley Goodell-Lackey
Springfield Hospital – Andy Majka and Nesity Shems

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

Saint Michael's College ("SMC" or "College")

Because of his affiliation with St. Michael's College, Mr. Neal Robinson removed himself from the Board meeting and abstained from deciding on this financing.

President Jack Neuhauser reviewed SMC's history and mission. Founded in 1904, the College is a Catholic liberal arts college with ~1,900 students. SMC's student body comes from primarily New England and Mid-Atlantic States. SMC is a traditional small liberal arts college. The College has been successfully recruiting students and has improved student quality with increasing average SAT scores without increasing the discount rate.

Dawn Ellinwood then described the need for the new student housing. SMC wants to consolidate student housing on the main campus and phase out the north campus housing. With the bond proceeds, the College will construct and outfit a 56,000 square foot, 188 bed apartment-style residence hall. This project will improve the quality of residential housing on campus and eliminate older, poor quality and expensive to maintain housing. The new residence hall will help to support SMC's student

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recruitment efforts. The student housing project is expected to bring over \$15 million into the local economy and will employ over 120 workers during the height of construction.

The College will drill geo-thermal wells to provide heating, cooling and domestic hot water for the new residence hall. This and other energy efficiency improvements will allow SMC to designate the bonds to be issued as "Green" bonds.

Robert Robinson then reviewed the financing's proposed Sources and Uses of Funds. SMC has been able to grow its Net Assets and the College's endowment fund has rebounded from 2008-2010 recessionary losses. The current and pro-forma financial ratios are all favorable and exceed the testing requirements.

Bob Guadagno from Public Financial Management then reviewed the College's financing request. The College expects to borrow up to \$22 million to fund the housing project, capitalized interest during construction and the cost of issuance. The financing will be publically placed and underwritten by Morgan Stanley with fixed interest rate, tax-exempt bonds and a 27-year level payment amortization. The loan will be secured by an unconditional general obligation of the College and specific balance sheet and income statement covenants. SMC is currently rated Baa1/Stable by Moody's and A-/Stable by S&P.

Mr. Guadagno then reviewed the College's key performance ratios. Student indicators have remained essentially flat over the last five years. SMC's tuition and room and board fees (excluding financial aid and scholarships) put the College in the mid-range of fees charged by its peers. Operating margins have declined slightly, but cash flow margins have remained strong. SMC has also been able to grow its balance sheet over the last five years. Operating margins have been declining because of recent increases in the College's discount rate. The College has been able to reverse the trend and the discount rate is now in decline.

PFM recommends the Agency Board approve the proposed 2015 financing for Saint Michael's College based on the College's need for the project and its ability to repay the debt.

Mr. Hughey then discussed the legal structure of the proposed new money issue. The 2015-A bonds will have virtually the same structure as SMC's 2012 bonds. Principal security will be the payments made by the College under the loan agreement and promissory note.

The bonds will be designated "Green" bonds. Green Bonds are bonds that fund sustainable and environmentally-beneficial projects. The bonds' "Green" designation will be fulfilled if and when the College constructs the housing project with the planned energy efficient improvements. The College will not need to report on energy savings/performance as the project is put into use.

Because this is a new money issue, the Agency will need to hold a TEFRA hearing and seek the Governor's approval. Mr. Hughey then reviewed the specific resolutions the Board will need to consider for this refunding.

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Motion: Ms. Bugbee moved and Mr. Gibbons seconded the motion to authorize the issuance of up to \$22,000,000 of Agency Bonds with the proceeds to be loaned to Saint Michael's College to construct new student housing. The Board also certifies to the Governor as to the need for the new facility, the College'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, the motion passed.

Mr. Neal Robinson then rejoined the meeting.

Springfield Hospital

Andrew Majka, Springfield Hospital's CFO, made a pre-application presentation to the Board. He described "Who" Springfield Hospital ("Springfield") is, "What" Springfield has done to transition to a new delivery model and "Where" Springfield wants to end up. He then spoke briefly on Springfield's financials and the plan of refinance.

Springfield is in the middle of a RFP for private placement financing to refund outstanding debt. Once the lender has been identified, Springfield will formally apply for financing and provide the Agency with a plan of finance.

Lake Champlain Waldorf School ("LCWS" or "School")

Mr. Hughey reported that because LCWS is selling property that was financed with the outstanding 2003/2009 bonds, the School will need to undertake remedial action as a result of the sale. Rather than buy back a proportionate amount of bonds with sale proceeds, LCWS would like to substitute its new high school property as collateral for the 2009 bonds and use the sale proceeds to complete the renovation and fit-up of the new high school (financed with the 2012 bonds). This remedial action constitutes a reissuance under the IRS Code and so will require a TEFRA hearing be held and the Governor's approval obtained. TD Bank, the 2009 lender, has agreed to the collateral substitution.

Motion: Ms. Bugbee moved and Mr. Robinson seconded the motion to authorize an amendment to the Lake Champlain Waldorf School loan agreement to allow for the substitution of collateral for the 2009 bonds and the repurpose of sale proceeds to the new High School campus. The Board also certifies to the Governor that a TEFRA hearing will be held in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended.

There being no further discussion, the motion passed.

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University of Vermont Medical Center ("UVMC")

The Agency Board's May authorization for UVMC to refund and issue new debt in an amount not to exceed \$310,000,000 had a sunset date of September 1, 2015. UVMC is still negotiating the new money component of the financing with the Green Mountain Care Board. UVMC has asked the Agency to extend the authorization to issue debt until December 31, 2015 while it completes Certificate of Need ("CON") negotiations with the Green Mountain Care Board. Prior to seeking the Governor's approval, it was requested that UVMC make a follow-up presentation to the Agency Board when the CON negotiations are finalized.

Motion: Mr. Gibbons moved and Ms. Bugbee seconded the motion to authorize the extension of the University of Vermont Medical Center's debt issuance authorization to December 31, 2015. There being no further discussion, the motion passed.

Administrative Items

Approval of Minutes -

Motion: Mr. Gibbons moved to accept the minutes of the June 19, 2015 Board meeting. Mr. Linsley seconded the motion and it passed.

Code of Ethics Policy – Mr. Foley reviewed the draft Code of Ethics Policy. After some discussion the following motion was made:

Motion: Mr. Gibbons moved to adopt the Code of Ethics Policy as drafted. Mr. Linsley seconded the motion. After some discussion, the Policy was adopted.

Update Authorized Signers on the Agency's Bank Account – Mr. Giroux reported that it has been several years since the Agency last authorized its bank account at the Peoples United Bank. While there have been no change to the signatories, the Bank has asked for an update to the authorization.

Motion: Mr. Linsley moved and Mr. Robinson seconded the Motion to adopt the Peoples United Bank account resolution and to authorize the Chair, Treasurer and Executive Director as the authorized signers on the account. The Motion passed.

Reports

UVM Health Net - Mr. Hughey reported on the status of UVM Health Net ("Health Net"). Health Net is the obligated group for UVMC and Central Vermont Medical Center. Health Net has received permission from the New York Department of Health for Champlain Valley Physicians Hospital (Plattsburg) and Elizabethtown Community Hospital to join Health Net.

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Financial Advisor – No reports.

Bond Counsel – No reports.

Other Business

Future Financings – Mr. Giroux reported that he is discussing refunding and new money financings with Marlboro College; UVMC; Springfield Hospital, Mt. Ascutney Hospital; Northwestern Medical Center; and Middlebury College.

Board Member Resignation - Ms. Bugbee submitted her letter of resignation from the VEBFA Board. Because of other outside commitments, she will no longer be able to serve. The Board accepted her resignation with regrets.

There being no further business, the meeting was adjourned.

These Minutes were approved by the Board of Directors at a duly warned meeting on February 22, 2016.