



Board Meeting

Hampton Inn, Colchester, Vermont

March 30, 2017

Meeting Minutes

Board Members Present: David Coates; David Kimel; Beth Pearce; and Debbie Winters.

Staff: Robert Giroux

Consultants: James Foley (Deppman & Foley); Meghan Burke (Mintz Levin); Renee Boicourt (Lamont Financial Advisors); Zachary Solomon (Morgan Stanley); and John Malpiede (Citigroup)

Others: Scott Baker (Treasurer's Office); Paul Giuliani (Primmer Piper) and Steve Wisloski (Vermont State Colleges System)

The meeting was called to order by Mr. Kimel at 8:00 am.

Approve Minutes

Mr. Kimel asked that the minutes be amended to correct the spelling of Ms. Boardman's name on page 3.

Motion: Mr. Coates moved to accept the minutes of the February 7, 2017 Board meeting, as amended. Ms. Pearce seconded the motion and it passed.

VMBB 2017 General (VSCS) Bond Resolution and 2017 Series A (VSCS) Resolution

Ms. Burke discussed the proposed 2017 General (VSCS) Bond Resolution and the proposed 2017 (VSCS) Series A financing. The Resolutions would be limited to debt issued on behalf of the Vermont State Colleges System (VSCS) and be a completely separate financing program from the 1988 General Resolution pooled program. The 2017 General Resolution has been written as an "open" resolution, allowing for multiple series of parity bonds. Bonds will constitute "special obligations" of the Bond Bank and not "general obligations". Ms. Burke also emphasized that the 2017 General (VSCS) Resolution, as drafted, does not include the State's moral obligation support and the VSCS bonds do not constitute a legally enforceable obligation of the State of Vermont nor create a debt on behalf of the State. The new resolution allows flexibility regarding credit enhancement, debt structure and payment terms, issuing tax-exempt and taxable debt, and new money or refunding bonds.

Vermont Municipal Bond Bank

The 2017 (VSCS) Series A Resolution authorizes the issuance of up to \$85,000,000 for the purpose of making a loan to VSCS to refund privately placed debt and payoff an interest rate swap, both with TD Bank.

Mr. Wisloski reviewed an Executive Summary of the financing with the Board. The refunding will provide VSCS with stable debt; eliminate onerous covenants; eliminate a sizeable balloon payment in 2028; terminate an interest rate swap and provide budgetary relief. The Vermont State Colleges System will end up with both a lower risk debt profile and reduced debt service. VSCS expects to save over \$5.0 million over the 20-year life of the bonds.

Mr. Wisloski emphasized that the debt restructuring is one of the State College's key strategic initiatives allowing for the transformation of its cost structure. VSCS has already taken certain actions to reduce expenditures and make the business operation more efficient. More cost savings are anticipated.

Ms. Boicourt then presented her analysis for the VSCS financing. VMBB will issue the 2017 A bonds as publically placed debt, using the state intercept mechanism as credit enhancement. The bonds would not be general obligation bonds of the VMBB nor would they be supported by the General Operating Reserve Fund. Ratings for the transaction are expected to be Aa1 by Moody's and AA+ by S&P. The bonds will be used to refund privately placed debt with TD Bank.

In recent years VSCS has had narrow positive cash margins, but suffered losses on a GAAP basis. The System's financial stress has been due in large part to declining enrollments and some inefficiencies in administration. VSCS implementation of a strategic plan designed to stabilize the System's finances, grow enrollment, and develop new educational programming, is beginning to show promise. Continued financial support from the State is critical for the future of VSCS.

Primarily due to the implementation of the strategic plan, S&P recently affirmed its A- rating, Stable Outlook for the VSCS. S&P also viewed the proposed refunding of the VSCS TD Bank debt as a positive development.

The Board discussed the potential legal and reputational risks to the Bond Bank and the State associated with the new financing program and appropriate steps to mitigate such risks. Mr. Solomon was asked if the market would understand the "firewall" that was being set up between the 1988 and 2017 General Resolutions. He stated that there could be some temporary fallout if VSCS defaulted on its bonds, but this could be limited or overcome by strong educational and marketing efforts.

After discussion regarding the 2017 General (VSCS) Resolution and the 2017 (VSCS) Series A Resolution, The following motion was made:

Motion: Ms. Pearce moved to adopt the 2017 General (VSCS) Bond Resolution and the 2017 (VSCS) Series A Resolution as drafted with the following clarifications:

- 1. No net tax support of the debt by the State;*
- 2. No State moral obligation support;*
- 3. VSCS will be added to the VMBB's borrower monitoring program; and*

Vermont Municipal Bond Bank

4. *Mr. Giroux, working with Mr. Wisloski, will develop a plan to cover the ongoing administrative costs of the 2017 Series A bond series.*

Mr. Coates seconded the motion and it passed

Ms. Pearce asked that the State's bond counsel be added to the 2017 Series A working group list.

Mr. Coates excused himself from the meeting at 10:05 am.

Administrative

Bank Account Resolution – People's United Bank has asked the VMBB to update its Resolution on file with the Bank.

Motion: Ms. Pearce moved to adopt the Business Deposit Account Certified Resolutions as requested by People's United Bank. Ms. Winters seconded the motion and it passed.

Reports

Executive Director Search – Mr. Giroux reviewed the work the Committee has done to date. Three professional recruiters have been interviewed and it is hoped that we will have a contract in place soon with one of them.

SRF Loan default - Mr. Giroux reported that Fairfax Fire District #1 is no longer in default on its SRF loan payment.

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 21, 2017.