



BOARD MEETING

November 4, 2019 – 9:30 a.m.
CCV – Winooski, VT (Room 415)

MEETING MINUTES

Board Members Participating & Voting: David Kimel (via telephone), David Coates, Debbie Winters, Mary Alice McKenzie, and Scott Baker (as designee for Beth Pearce)

Board Members Absent: None

Staff Participating: Michael Gaughan, Ashley Lucht

Guests: Jim Foley (Lynch & Foley), Jeb Spaulding – Chancellor; Vermont State College System, and Steve Wisloski – CFO; Vermont State College System

The meeting was called to order by Ms. Winters at 9:30 a.m.

Administrative

Ms. Winters asked if there were any changes or additions to the agenda. Mr. Gaughan indicated that he would like to add discussion about an escrow agreement.

Mr. Gaughan updated the Board on the Bond Bank's recent award for Deal of the Year from the Bond Buyer in the small issuer category.

The Board discussed the minutes and had no changes.

Motion: Mr. Baker moved, and Mr. Coates seconded the approval of the meeting minutes from September 18th, 2019 and October 2nd, 2019. The motion was approved unanimously.

Vermont State College System Application Review

Mr. Gaughan introduced the Vermont State College System ("VSCS") application for financing under the Vermont State Intercept Program and provided an overview of the proposed transaction. He noted that based on current market conditions, the refunding through the State Intercept Program results in \$5.34 million in present value savings or 19 percent of refunded par.

Mr. Wisloski and Mr. Spaulding provided a financial and operations update of VSCS and described why they are seeking use of the State Intercept Program. They further described recent increases in state funding over the last budget cycle.

Mr. Coates asked if the refinancing would result in any financial liability to the Bond Bank or the State of Vermont. Mr. Gaughan responded that the transaction would be a conduit bond for the Bond Bank and that no debt service reserve fund would be included, which would prevent the use of any moral obligation authority from the state.

Ms. McKenzie disclosed her role as former General Counsel to the VSCS and her husband’s current employment by VSCS. She noted that she would recuse herself from a motion related to the financing.

Motion: Mr. Coates moved, and Mr. Baker seconded a motion authorizing the Executive Director to engage professionals within the existing working group and move forward with the proposed conduit transaction on behalf of the VSCS that would benefit from enhancement under the Vermont State Intercept Program. The motion was approved unanimously with recusals as noted.

At approximately 10:45 a.m., Mr. Spaulding and Mr. Wisloski left the meeting.

SRF Loan Approvals

Ms. Lucht provided an overview of the loans for consideration.

Motion: Mr. Coates moved, and Ms. McKenzie seconded the approval of the SRF loans with conditions as noted while adding the Town of Proctor and Town of West Windsor to the Watch List. The motion was approved unanimously.

Borrower	Loan Number	Amount	Conditions
Town of Brandon	RF3-372-3.0	\$870,000	None
Town of Brandon	RF1-214-3.0	\$540,000	None
Town of Proctor	RF3-363-3.0	\$805,069	None
Town of West Windsor	RF1-228-3.0	\$700,000	None
Town of West Windsor	RF3-376-3.0	\$425,000	None

Ludlow Mt. Holly Unified Union School District

Mr. Gaughan described the Ludlow Mt. Holly Unified Union School District’s (the “District”) request to pay off the legacy loan of the District to the Black River Union School District #39 that is necessitated by the school closing alongside disposition by the District. He explained that this could be accomplished by escrowing the loan to maturity on a gross funded basis as outlined in the resolution and form of escrow agreement.

Motion: Mr. Baker moved, and Mr. Coates seconded the adoption of the Authorization for Escrow Agreement for Black River Resolution as attached. The motion was approved unanimously.

Discussion of Winter Bond Pool Method of Sale

Mr. Gaughan provided a summary of reasons he believes the Bond Bank would benefit from using a competitive method of sale for the Winter Bond Pool. He stated that the periodic use of a competitive sale is in line with GFOA guidance and would help inform questions as to whether the Bond Bank was minimizing its spread to the tax-exempt market index in its bond sales.

Mr. Gaughan indicated he did not believe this was the appropriate method of sale in all cases for the Bond Bank but that the VSCS transaction will provide a unique opportunity to serve multiple investors through two bond sales in close succession. He described his thought that it would be appropriate to return to a negotiated sale for future transactions after learning from the market feedback gained in a competitive sale. He also shared his strong interest in providing continued access to the Bond Bank's bonds for individual investors within the state.

The board discussed the trade-offs and difficulty of an apples to apples comparison between a negotiated sale and competitive sale.

Mr. Gaughan highlighted that the State of Vermont recently used both competitive and negotiated sales for its recent bond issuances. Mr. Baker then discussed the experience of the State. He noted that on the recent transaction, the competitive sale performed better as a spread to the underlying market index for comparable maturities.

Several members reiterated the board's commitment to selling bond to Vermont investors and asked Mr. Gaughan about the participation in recent sales by Vermont "retail." Mr. Gaughan indicated that participation by "mom and pop" investors is generally higher than national averages but that increasingly Vermont retail is comprised of "professional retail" investors.

Mr. Kimel then stated he believed that purpose of the Bond Bank was to protect the state, provide low-cost financing, and provide investment opportunities for Vermonters. He stated that he did not believe a competitive sale for the winter bond offering would achieve the last of these goals.

After additional discussion, Mr. Gaughan indicated that he heard the sentiments of the board and would move forward with a negotiated sale for both the VSCS and winter bond issuances.

Policy Review

Mr. Gaughan discussed proposed updates to the Governmental Unit Monitoring Policy.

Motion: Ms. McKenzie moved, and Mr. Baker seconded the revisions to the Governmental Unit Monitoring Policy. The motion was approved unanimously.

Discussion of Vermont State Intercept Program for School Districts

Mr. Gaughan provided his analysis on why he believes the Bond Bank should develop a school finance program for district's issuing bonds in excess of current concentration levels in the Pooled Loan Program. He stated that employing the Vermont State Intercept Program is an appropriate tool but that the structure of how the tool is used requires additional analysis with interested parties and the Bond Bank's advisors.

Mr. Kimel stated that he agreed that the Bond Bank should investigate how to aid schools as they consider large bond projects.

Bond Bank / VEHBFA Memorandum of Agreement

Mr. Gaughan described the background preceding the introduction of a Memorandum of Agreement between the Bond Bank and VEHBFA. He indicated that he would be discussing more with the VEHBFA board and working on a draft of an agreement with Mr. Foley.

Standing Hold for Executive Session

Motion: Mr. Coates moved, and Ms. McKenzie seconded a motion to go into executive session to discuss personnel matters. The motion was approved unanimously.

At 11:35 a.m. the Board went into executive session. All guests left the meeting.

At 11:48 a.m. the Board came out of executive session.

There being no other business to come before the Board, on a motion by Mr. Baker, the meeting adjourned at 11:49 a.m.

These Minutes were approved by the Board of Directors at a duly warned meeting on December 18, 2019.