



Board Meeting

Hampton Inn, Colchester, Vermont

February 7, 2017

Meeting Minutes

Board Members Present: Kathryn Boardman; David Coates; David Kimel; Beth Pearce (by telephone until 2:00 pm); and Scott Baker (Treasurer's designee by telephone beginning 2:00 pm).

Staff: Robert Giroux

Consultants: James Foley (Deppman & Foley); Meghan Burke (Mintz Levin); Renee Boicourt (Lamont Financial Advisors); Jeff Smith & Chris Valentino (Omnicap); Zach Solomon and Richard Weiss (Morgan Stanley); and John Malpiede & John Giammarino (Citigroup)

Others: Paul Giuliani (Primmer Piper), Jeb Spaulding and Steve Wisloski (Vermont State Colleges)

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

Annual Meeting

1) Nomination and Election of Officers:

Mr. Kimel stepped down as Chair of the meeting and asked Mr. Foley to preside over the election of officers. Mr. Foley called for nominations. Mr. Coates moved the following slate of officers: David Kimel, Chair; Debbie Winters, Treasurer; and Robert Giroux, Secretary. There being no further nominations, Mr. Foley called for the nominations to cease and asked for a vote on the slate of officers. The slate of officers was approved.

Mr. Kimel resumed as meeting Chair.

Mr. Kimel asked for a motion to revise the order of the meeting's Agenda items.

Moved: Ms. Boardman moved and Mr. Coates seconded the motion to revise the agenda. The motion was approved.

Vermont Municipal Bond Bank

2) Annual Board Ratification of Prior Acts:

Motion: Mr. Coates moved and Ms. Boardman seconded the motion to consider all prior acts of the Vermont Municipal Bond Bank taken during calendar year 2016 and to reaffirm all such actions and endeavors undertaken. The motion was approved.

3) Code of Ethics and Conflict Statement:

In accordance with the Bond Bank's Conflict of Interest Policy, Mr. Kimel asked Board members to sign the Disclosure Statement and provide the Bond Bank with a copy.

Advisors Reports

1) Citigroup–

Mr. Malpiede reported that 2016 was a strong year for bond issuance and 2017 should be as well. Tax-exempt rates are still low, with interest rates being relatively flat since January 1, but with a steepening of the yield curve. The political situation in Washington needs to be closely watched, but it appears that it will take the Administration longer to effect change than political pundits originally anticipated. It is believed the Federal Reserve Board will increase rates over the next year, the question is will there be two or three rate increases.

2) Morgan Stanley –

Mr. Weiss expects that with the prospect of growth in the economy, inflation is expected to rise. There is still uncertainty in the markets. But as the politics play out in D.C., we will see change, but probably not until 2018. Morgan Stanley is not anticipating a rate increase by the Feds until the middle of the year.

Mr. Solomon discussed the benefits of issuing "Green" bonds. The market for Green bonds is growing and they are sought after by socially responsible investors. Benefits to municipal issuers for going Green are: demonstrate leadership in the bond market; aligning sustainability and good public policy with bond issuance; attract new types of buyers, with resulting investor diversification; and positive publicity. With increased investor demand, there is the hope that Green bonds will price slightly lower than regular tax-exempts.

3) Lamont & Ommicap –

Ms. Boicourt expects Moody's and S&P to continue the VMBB's Aa2/AA+ ratings for the 2017 Series 1 and 2 bonds. The State Intercept has a great potential to increase the VMBB's rating. There will be some tweaking that will need to be done, including integrating the GORF into the intercept, to make the intercept very strong.

Vermont Municipal Bond Bank

Mr. Smith believes that a strong intercept program may provide the VMBB with a better rating than the current moral obligation approach. He reviewed Moody's key rating factors and described how using the state intercept could improve our Moody's "scorecard". The State Intercept modeling done to date shows a very compelling argument for a Moody's upgrade.

4) Mintz Levin –

Because of the Vermont State Colleges interest in refunding some of its outstanding debt through the VMBB, Ms. Burke has been drafting a 2017 Resolution under which the VSC debt would be issued. She suggested the Resolution be customized so it matches up with VSC's strength and to assist with maximizing the State Intercept rating.

Minutes

Motion: Ms. Boardman moved to accept the minutes of June 7, 2016; August 29, 2016; November 17, 2016; and January 3, 2017 meetings. Mr. Baker seconded the motion and it passed.

2017 Series 1 and 2 Loan Pool

The Series 1 loan pool is made up of five governmental units with \$33.3 MM in loans to finance various capital projects. The applicant pool includes two towns/cities and three school districts.

The Series 2 loan pool has one town and one school district with \$5.9 MM in loan requests. The Series 2 bonds will be issued as "Green Bonds".

Each application was individually reviewed and discussed. The review included project and financing information, with comparisons to indicator ratios on borrower demographics, financial performance, debt service levels and income levels. Where appropriate, the indicators were compared against State of Vermont averages. Because three of the school districts will be consolidate into unified school districts on July 1, 2017, the unified districts were reviewed as well.

Motion: Mr. Baker moved to accept the following municipalities into the 2017 Series 1 Loan Pool: Hyde Park Town School District; Montpelier City; Shelburne Town; Warren Town School District and Williston Town School District. Ms. Boardman seconded the motion and it passed.

Motion: Ms. Boardman moved and Mr. Baker seconded the motion to accept the Bennington Town School District and Norwich Town into the 2017 Series 2 Loan Pool. The motion carried.

2017 Series 1 & 2 Bond Series

Mr. Solomon reviewed the 2017 Series 1 and Series 2 Sources and Uses of Funds. Numbers are of course preliminary and the estimates are conservative. The POS has been drafted and is being reviewed by the Working Group.

Vermont Municipal Bond Bank

Mr. Solomon anticipates that VMBB will market the sale through the use of an internet roadshow, advertising in local media; and presentations to select financial advisors in Morgan Stanley's Vermont office. Green bonds will be a feature of the marketing

Mr. Giroux briefed the Board on the financing schedule the working group is using to get the 2017 Series 1 & Series 2 bonds to closing. All working group members are on task and the work is commencing as planned.

Ms. Burke then described the required Board motions to issue the 2017 Series 1 & 2 Bonds.

Motion: Ms. Boardman moved and Mr. Baker seconded the following:

Resolved,

I. That the Board of Directors of the Vermont Municipal Bond Bank hereby (i) authorizes the issuance of not to exceed \$50,000,000 aggregate principal amount of 2017 Series 1 Bonds (the "2017 Series 1 Bonds") pursuant to the 1988 General Bond Resolution, (ii) approves and adopts the Series Resolution for the 2017 Series 1 Bonds (the "2017 Series 1 Resolution") in substantially the form presented at this meeting with such changes as may be deemed necessary or desirable by the Executive Director with the approval of the Chair, and (iii) agrees to make an equity contribution towards the costs of issuance for the 2017 Series 1 Bonds in an amount determined by the Executive Director in consultation with the Chair. The definitive form of the 2017 Series 1 Resolution shall be evidenced conclusively by delivery of a copy thereof certified by each of the Executive Director and Chair.

II. That the Board of Directors of the Vermont Municipal Bond Bank hereby authorizes that all or a portion of the 2017 Series 1 may be issued as so-called "Green Bonds" either under the 2017 Series 1 Resolution or as a separate series under a separate series resolution, the terms thereof to be determined by the Executive Director and the Chair, as evidenced by delivery of a copy thereof certificate by each of the Executive Director and Chair.

III. That the Board of Directors of the Vermont Municipal Bond Bank hereby the Executive Director and the Chair to take any and all actions necessary to effectuate the issuance of the 2017 Series 1 Bonds.

The motion was approved.

Vermont Municipal Bond Bank

Vermont State Colleges ("VSC")

Mr. Spaulding and Mr. Wisloski discussed VSC's student demographics, financials and its plan to apply to the VMBB for financing to refund outstanding VSC debt. Mr. Spaulding feels the State Colleges now has the right leadership team in place and the correct strategic plan to be successful. VSC has taken actions to achieve economies of scale throughout its system and is consolidating the Johnson State and Lyndon State campuses to make them more efficient and effective.

Mr. Wisloski said that the VSC would like to refund its outstanding debt placed with TD Bank to eliminate onerous covenants and to remove the 2028 balloon payment. S&P recently affirmed VSC's A-/Stable rating.

Administrative

1. General Operating Reserve Fund ("GORF") –

Mr. Giroux described the changes that are being recommended to amend the GORF policy and add procedures so that it integrates better with the VMBB's new State Intercept program. The suggested change came about after discussions with the rating agencies. The changes to the Policy were made by Mintz in consultation with Lamont, Omnicap and Mr. Giroux.

After some discussion the following motion was made:

Motion: Ms. Boardman moved and Mr. Baker seconded the motion to amend the General Operating Reserve Fund Policy as proposed, including the state intercept procedures. The Motion was approved.

2. Authorized Bank Account Signers –

Peoples United Bank has asked the Board to update the signers on the VMBB accounts with the Bank. These include the General Fund and the State Revolving Fund accounts. Mr. Giroux suggested that instead of identifying individuals as authorized signatories, that the following VMBB officers be authorized: Chair, Treasurer and Executive Director.

Motion: Ms. Boardman moved and Mr. Baker seconded the motion to authorize the Chair, Treasurer and Executive Director as the authorized signers on the Bond Bank's Peoples United Bank accounts. The motion passed.

3. Amend the SRF Investment Policy –

Mr. Giroux asked the Board to consider amending the SRF investment policy to allow for a gradual rebalancing of the SRF portfolio when the portfolio is out of balance with the targets. After some discussion, the following motion was made:

Vermont Municipal Bond Bank

Motion: Mr. Baker moved to amend the SRF Investment Policy as proposed. Ms. Boardman seconded the motion and it passed.

4. SRF Loan Payment default –

Mr. Giroux reported that the Fairfax Fire District #1 is in default of its 10/1/16 loan payment for SRF loan RF3-009. \$7, 081.38 in principal and interest was due on 10/1/16. After numerous contacts with the Fire District, a partial payment of 3, 815.00 was received on 11/28/16. Since 11/28/16, the Fire District has been unresponsive to email and phone calls. Mr. Foley has drafted a demand letter that will be sent to the Fire District.

VMBB Updates

1. Strategic Planning & Board Retreat –

The March 13th Board retreat is coming together nicely. The Retreat will be held at The Inn at Essex. Because of a scheduling conflict, Jeb Spaulding will not be able to join us. Instead, Steve Wisloski will attend in Jeb's place. David Bradbury will be facilitating the Retreat. Mr. Bradbury is gathering data and information through interviews with the Board and consultants and a survey of borrowers.

2. Executive Director Succession –

The Succession Committee is made up of five members. Representing VEHBFA are Jim Potvin, Anita Bourgeois and Ken Gibbons. David Coates and Kathryn Boardman are representing the Bond Bank. Anita Bourgeois was selected Committee Chair. A Job Description and Qualifications have been drafted. The Committee is suggesting we engage a professional recruiter to assist with finalizing the job description/qualifications; refine our recruitment strategies; develop a reasonable hiring calendar; pre-screen candidates; assist with criminal and credit background checks; and assist us with our compensation and benefits strategy. The Committee will be interviewing three individuals that were recommended to us by the Vermont Human Resource Association and Vermont Recruiters Association.

3. State Intercept Procedure –

The State Intercept procedure has been agreed to and approved by the State Treasurer and the Commissioner of Finance and Management. The Memorandum of Agreement has been distributed.

Other Business

1) Village of Derby Line –

For +/- 30 years, the Village of Derby Line and Town of Rock Island, Quebec have jointly paid for the construction and operation of a waste water treatment plant located in Rock Island. The original construction loan required U.S. and Canadian approval at the federal and State/Provincial levels. The

Vermont Municipal Bond Bank

plant is due for a major upgrade and Derby Line will need to borrow to meet its share of the costs. It is looking very unlikely that the Village will be able to borrow under the SRF Program because of strict U.S. EPA loan requirements (primarily American Steel and Davis-Bacon wages). Mr. Giroux have been alerted by the Department of Environmental Conservation that Derby Line will probably be looking to the VMBB's general bond pool for financing.

2) Barclays' \$93.4M Settlement –

VMBB has been put on notice that it is a member of the class action lawsuit brought against Barclays Capital, Inc. because of Barclays' manipulation of LIBOR rates. By agreeing to the terms of the class action settlement, the VMBB may be entitled to as much as \$640. Without that agreement, the VMBB would not be a part of the settlement and so have to file its own lawsuit against Barclays. Mr. Giroux recommended the VMBB join the class action lawsuit.

There being no further business, the meeting was adjourned.

These Minutes were approved by the Board of Directors at a duly warned meeting held on March 30 2017.