



**Board Meeting  
June 21, 2017  
Hampton Inn, Colchester, Vermont**

**Meeting Minutes**

**Board Members Present:** Scott Baker (designee of Beth Pearce); David Coates; David Kimel; and Deborah Winters

**Staff:** Robert Giroux

**Consultants:** James Foley (Lynch & Foley); Meghan Burke (Mintz Levin); Renee Boicourt (Lamont Financial Advisors); Jeff Smith (Omnicap); Richard Weiss (Morgan Stanley); John Giammarino (Citigroup)

The meeting was called to order by Mr. Kimel at 12:35 pm.

**Minutes**

*Motion: Mr. Coates moved to accept the minutes of the March 30, 2017 and April 12, 2017 Board meetings. Ms. Winters seconded the motion and it passed.*

**Advisors Reports**

Mr. Weiss briefed the Board on the US economy and the tax-exempt bond market. The Fed raised interest rates last week, with one more raise expected at the end of the calendar year. The Fed also announced that it will begin its balance sheet wind-down soon. Interest rates have been trending downwards since mid-March. Bond fund cash flows have remained positive. Indications are that we will have a favorable market when we price the 2017-3 bond series in July.

Ms. Boicourt reported that tax-reform appears to be on the back-burner and not likely to be taken up by Congress in the short-term. The rating agencies are paying more attention to pension liabilities and municipal bankruptcies. Formulaic ratings are becoming more the norm. The SEC is trying to promulgate regulations requiring more immediate disclosure of bank loans and other direct placements.

**2017 Series 3 Loan Pool**

Mr. Giroux reported that eighteen municipalities had submitted applications for financing from this summer's bond pool. Total loan requests amount to \$29.9M. Each loan application was individually

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reviewed and discussed. The review included a discussion of the project to be financed, requested financing terms, and individual borrower indicator ratios compared against state-wide averages.

Of the eighteen applicants, there was some discussion regarding Bennington and Windsor, and their budget deficits. If accepted into the 2017-3 Loan Pool, it was suggested that these municipalities be added to the VMBB's monitoring list for future performance review.

The Board also discussed the misconception by some borrowers that because they belong to VMERS/VSTRS that they do not have an unfunded pension liability. Mr. Giroux said that he would develop a "retirement" training session to be delivered at an upcoming VMBB sponsored workshop.

*Motion:* Mr. Coates moved to accept the following municipalities into the 2017 Series 3 Loan Pool:

| <b>2017 Series 3 Loan Pool - Approve Without Monitoring</b> |                    |                         |
|---|--------------------|-------------------------|
| <i>Brandon</i>  | <i>Charlotte</i>   | <i>Chester</i>          |
| <i>Hartford S.D.</i>  | <i>Hartford</i>    | <i>Hinesburg</i>        |
| <i>Huntington S.D.</i>                                      | <i>Ludlow Town</i> | <i>Manchester</i>       |
| <i>Milton</i>   | <i>Randolph</i>    | <i>Salisbury</i>        |
| <i>Shaftsbury</i>   | <i>Shelburne</i>   | <i>South Burlington</i> |
| <i>South Hero</i>   |                    |                         |
| <b>2017 Series 3 Loan Pool - Approve With Monitoring</b>    |                    |                         |
| <i>Bennington (already on the monitoring list)</i>          | <i>Windsor</i>     |                         |

*Ms. Winters seconded the motion. There being no further discussion, the motion passed.*

## 2017 Series 3 & Series 4 Bonds

Bond Series Issuance - Mr. Weiss briefed the Board on the 2017-3 marketing plan and the preliminary sources and uses of funds. The recent flattening of the yield curve benefits the potential refundings.

Mr. Smith reviewed the advance refunding opportunities that are under consideration. All of the refundings are below the VMBB's policy of a 5% PV savings threshold for advanced refundings. 2012-1, 2012-4 and 2013-1 are the most likely candidates for refundings. The refundings will be decided on or about the day of pricing.

After being advised by Ms. Burke, the Board then considered the required motions to issue the 2017 Series 3 and Series 4 (potential) bonds.

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Motion: Mr. Baker moved and Mr. Coates 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 \$35,000,000 aggregate principal amount of 2017 Series 3 Bonds (the "2017 Series 3 Bonds") pursuant to the 1988 General Bond Resolution, (ii) approves and adopts the Series Resolution for the 2017 Series 3 Bonds (the "2017 Series 3 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 3 Bonds in an amount determined by the Executive Director in consultation with the Chair. The definitive form of the 2017 Series 3 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 (i) authorize the issuance of one or more series of refunding bonds ("Refunding Bonds") pursuant to the 1988 General Bond Resolution; and (ii) approves and adopts one or more Series Resolutions authorizing the issuance of the Refunding Bonds in a form approved by the Executive Director and the Chair, the definitive form of each such Series Resolution shall be evidenced conclusively by delivery of a copy thereof certified by each of the Executive Director and Chair; provided, however, that a portion of the debt service savings resulting from such refundings equal to the aggregate amount of equity contributions, if any, made by the Vermont Municipal Bond Bank in connection with the series of refunded bonds shall be held by or on behalf of the Vermont Municipal Bond Bank for equity contributions for future bond issues or other lawful purposes.*

III. *That the Board of Directors of the Vermont Municipal Bond Bank hereby authorizes the Executive Director and the Chair to (i) determine the method of sale of the Refunding Bonds, whether by negotiated sale or by competitive bid, (ii) determine whether the 2017 Series 3 Bonds and the Refunding Bonds shall be sold on the same or different dates, and (iii) take any and all actions necessary or desirable to effectuate such financing and refinancing.*

The motion was approved.

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## Administrative

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

Based on recent comments received from the rating agency regarding the General Operating Reserve Fund and its importance to the state intercept program, Mr. Giroux suggested the GORF policy be changed to require a GORF balance be maintained between the range of 3% and 7% of the sum of the VMBB's operating budget plus the outstanding loan portfolio.

After some discussion the following motion was made:

*Motion: Mr. Coates moved and Mr. Baker seconded the motion to accept the Executive Director's recommendation as presented to modify the General Operating Reserve Fund Policy.*

*The Motion was approved.*

### 2. Review VMBB Monitoring List –

The Board reviewed the VMBB's monitoring list status report provided by the Executive Director. After some discussion, the following motion was made:

*Motion: Mr. Coates moved to remove Barton Village, Vergennes Union High School, Pittsford School District and Randolph Town from the VMBB's Monitoring List. Ms. Winters seconded the motion and it passed.*

### 3. Executive Session -

At 2:45 pm, the following motion was made:

*Motion: Mr. Coates moved and Mr. Baker seconded the motion to go into executive session to discuss a legal matter and a personnel matter. Mr. Foley, Ms. Burke and Mr. Giroux were asked to participate in the legal portion of the executive session.*

At 3:05 pm the Board came out of Executive Session and the following motion was made:

*Motion: Ms. Winter moved and Mr. Baker seconded the motion to adopt the 2017 budget in the amount of \$598,766. The motion passed.*

Mr. Coates then excused himself from the Board meeting.

## Training Session

Mr. Smith provided the Board with an overview of arbitrage and why it is so important in the tax-exempt bond world. Under IRS regulations, arbitrage earnings must be closely tracked and rebated to the Feds when excess arbitrage is earned. Mr. Smith pointed out that the VMBB's arbitrage rebate models have

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helped the VMBB to obtain to rating upgrades and to be able to transfer cash from the bond fund to the General Operating Reserve Fund.

## Business Items

1. Investment Portfolio Report –  
Mr. Kimel asked the Board if there were any questions regarding the portfolio report. He suggested the investment advisor be invited to a future meeting to meet with the Board.
2. 2017 Strategic Plan & Business Items –  
Mr. Kimel suggested the Board spend time considering operational matters of importance. He envisions the Board and advisors being asked to submit topics for discussion and review at a future meeting.
3. Executive Director Update –  
The Joint VEBFA/VMBB Committee has met several times. With the help of a recruitment specialist, the job specifications and qualifications, advertising, and hiring timeline have been finalized. The recruiter is screening applications through a paper review and telephone interviews. Application recommendations for final Committee interviews will be made and scheduled for late July or early August. It is hoped the new hire will begin work on or about October 1<sup>st</sup>.

## Other Business

None.

There being no further business, the meeting was adjourned.

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These Minutes were approved by the Board of Directors at a duly warned meeting on December 11, 2017.