



Vermont Bond Bank

BOARD MEETING

September 24, 2026 – 9:00 a.m.

In-person and via Zoom

[Recording Link](#)

DRAFT MEETING MINUTES

Board Members Present

Debbie Winters
Scott Baker (as designee for Treasurer Pieciak)
John McSoley
Mark Foley

Board Members Absent

Vacancy

Staff Participating

Michael Gaughan
Elizabeth King
Nick Koleszar
Ken Linge

Guests

Thomas Melloni, General Counsel

Administrative

The Board considered approval of the prior meeting minutes. No further discussion was offered.

Motion; John.McSoley.moved.Scott.Baker.seconded.a.motion.to.approve.the.prior.meeting.minutes.from.the.July.8~~9~~28682.meeting;.The.motion.passed.unanimously;

Executive Director's Update

Michael Gaughan reported updated the board on updating bank and trustee records as well as the closing a new standby letter of credit with Truist for the energy program.

Mr. Gaughan reported that the Pew Foundation would host Bond Bank staff and other public-finance participants in Washington, D.C., on October 15 for a discussion of state infrastructure banks, financing agencies, and deferred infrastructure maintenance.

He also summarized the Debt Affordability Committee's anticipated biennium recommendation of \$100 million, or \$50 million per year. He noted concerns regarding inflation-adjusted borrowing capacity and needs outside of Building and General Services.

He explained that school construction standards were not expected to be implemented within the biennium. Debbie Winters disclosed that her husband serves on the Committee.

Robert Wood Johnson Foundation Grant Agreement

Mr. Gaughan presented a \$250,000 grant agreement developed through the Public Finance Institute and the Robert Wood Johnson Foundation. The proposed pilot would support small, low-interest deferred loans for transportation-infrastructure planning intended to reduce flood risk, including culvert-sizing and related work. Repayments could be recycled for future lending.

The Board discussed the grant term, reporting requirements, accounting treatment, audit implications, and whether the funds would be maintained separately within the MCRF. Staff stated that the grant to have its own bank account.

Staff confirmed that the agreement's requirements were manageable. Staff agreed to clarify whether reporting obligations end after the grant term.

Motion; Mark.Foley.moved· John.McSoley.seconded.a.motion.to.approve.the.Robert.
Wood.Johnson.Foundation.grant.agreement; The.motion.passed.unanimously;

Stowe Electric Department Loan

Ken Linge presented a \$2.4 million revenue-obligation loan to Stowe Electric Department for reconstruction of a hydroelectric facility damaged during Tropical Storm Irene. The approximately \$6 million project would create a modern facility, and the Bond Bank financing would provide interim financing for an elective-pay credit.

Mr. Linge reported on key credit considerations while noting that the project would improve operating economics. Mr. Gaughan highlighted that the financing includes protective covenants and that the loan benefits from the state intercept. The project's funding sources included a significant grant, and staff had connected the borrower with CLA for assistance with the elective-pay process.

Motion; Mark.Foley.moved· John.McSoley.seconded.a.motion.to.approve.the.P\$10.
million loan.to.Stowe.Electric.Department; The.motion.passed.unanimously;

SRF Loan Reviews

Staff presented approximately \$68 million in SRF loans and amendments. The Board reviewed borrower credit conditions, project purposes, debt ratios, operating performance, forgiveness amounts, concentration considerations, and mitigating factors.

The Board discussed South Burlington's concentration within the portfolio and its statutory debt ceiling. Staff reported that South Burlington represented approximately 7% of the total portfolio including all loan programs.

The Board also discussed the effect of the St. Albans creamery closure; staff reported that the water enterprise benefited remained healthy and that the estimated impact was manageable based on the overall level of historical usage by the creamery.

Mark Foley indicated that he was abstaining from the City of Rutland loans.

Motion; Mark Foley moved. Scott Baker seconded a motion to approve the below SRF loans; The motion passed unanimously noting abstentions;

Borrower	Loan #	Loan Amount
Burlington	RF3-602-3.0	\$1,746,101
Franklin	RF3-436-3.0	425,444
Hinesburg	RF1-301-3.2	10,348,000
Marshfield	RF3-471-3.1	522,631
Middlebury	RF1-361-3.0	6,075,120
Richmond	RF1-362-2.0	1,004,634
Rutland	RF3-513-1.1	3,230,793
Rutland	RF1-333-3.0	751,000
South Burlington	RF1-354-3.1	43,184,040
St. Albans	RF3-571-3.0	1,322,900
TOTAL		68,610,663

Killington Financing Update

Staff reported that work on a potential financing structure to bridge a USDA loan for road construction in Killington had been suspended indefinitely. Staff cited unresolved diligence questions, management turnover, and changes in project administration.

MCRF Loan to Lyndon

Staff presented an additional \$1 million MCRF loan to Lyndon for bridge-replacement and other remaining costs from the 2024 floods. Lyndon had reduced its earlier \$4 million loan with FEMA reimbursements, and the proposed loan would restore its outstanding MCRF balance to approximately \$4 million following the March 2027 loan amortization.

The Board also discussed how recent FEMA reimbursements had restored lending capacity in the MCRF.

Motion; John.McSoley.moved .Mark.Foley.seconded.a.motion.to.approve.the.Pf7.
million.MCRF.loan.to.Lyndonj.The.motion.passed.unanimously;

Policy Review

Staff presented revisions to the deficit-financing policy to more broadly cover MCRF disaster-response lending where no federal disaster declaration has been issued.

Staff also presented a new artificial-intelligence policy establishing approved systems, safeguards, human review, limits on sensitive information, and practical implementation procedures. The Board discussed training restrictions, alignment with the State of Vermont's policy, organizations consulted, the use of Copilot and Claude, and the expectation that the policy would evolve.

Motion; John.McSoley.moved .Mark.Foley.seconded.a.motion.to.accept.the.changes.
to.the.deficient.lending.policy.and.adopt.the.artificial_intelligence.policy.and.review.
it.in.one.yearj.The.motion.passed.unanimously;

Budget-to-Actual and Quarterly Financial Review

Staff reviewed financial results through August and explained timing differences caused by quarter-end transactions and modified-accrual accounting. Excluding unbudgeted investment gains and losses, results were favorable. Investment earnings on available cash continued to offset increased treasury-service costs.

General-fund expenses were favorable in part because costs were allocated to reimbursable programs. System-support costs were unfavorable due to new software subscriptions and VC3 work below the capitalization threshold. The single audit was completed and filed with a clean opinion and one process note concerning review of the federal debarment list; staff reported that a process had been implemented.

Salary and benefit variances reflected payroll timing, budget assumptions, health-plan experience, and program allocations. In response to a question regarding the reported salary variance, staff agreed to verify the allocation and resend the information.

Staff reviewed 2026 vendor payments. Staff noted that several costs are allocated among programs or reimbursed under management agreements.

SRF Memorandum of Agreement

Staff reported that the SRF memorandum of agreement was being renegotiated. Anticipated changes included a modest fee increase, additional work on small planning loans based on EPA guidance, and possible in-house invoicing. The final agreement was expected to be presented in November.

Portfolio Medians

Staff presented annual portfolio medians based primarily on fiscal year 2025 financial statements. General-fund balances were generally declining as ARPA funds were spent and some communities used reserves to moderate tax increases. Overall debt growth had moderated, although debt continued to increase among communities with populations above 2,000. Growing budgets caused debt service as a percentage of budget to moderate, while grand-list values increased, reducing debt to value ratios.

School districts continued to deleverage, reflecting limited borrowing activity amid school-consolidation uncertainty and the absence of a state-aid framework for construction projects.

Water and sewer enterprises showed improvements in the remaining useful life of assets and in debt-service-coverage ratios. Staff noted that the median remaining useful life had increased from approximately 18 years several years earlier to 23 years, and that operating results suggested communities were raising rates and rebuilding reserves following recent flooding.

Enterprise Risk Management

Staff presented an updated enterprise risk assessment, including explicit risk-treatment categories and draft key risk indicators. Staff discussed key risk indicators for reviewing moving forward.

Staff reported significant recent market volatility and noted that the Bond Bank's recent refunding benefited from favorable timing. The Board supported the more quantitative presentation. Staff stated that indicators would be developed over time and that risk-rating loans could be considered as a longer-term project.

Other Business

The Board determined that no executive session was needed. The next meeting was scheduled as an in-person annual meeting on November 19, with officer elections, budget review, and adoption of the following year's meeting schedule expected.

Staff advised that the winter pool schedule may be accelerated so approvals could occur earlier and a financing could enter the market in late January or early February, when reinvestment demand has historically been stronger.

Adjournment

Motion; Mark.Foley.moved·John.McSoley.seconded.a.motion.to.adjourn; The.motion.
passed.unanimously;

The meeting adjourned at 11:30.

These Minutes were approved by the Board of Directors at a duly warned meeting

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