



EDUCATIONAL FACILITIES TESTIMONY

MARCH 14, 2018

Statehouse

What We Are

Purpose & History

- The Vermont Municipal Bond Bank was created by the Vermont legislature in 1969 to assist governmental units access public financing markets
- The VMBB has provided over \$2.3 billion in loans for local infrastructure projects across Vermont through its pooled loan program
- The Bond Bank also co-manages the State's Revolving Funds with the Department of Environmental Conservation. Loans are issued for the planning and construction of municipal drinking water and clean water projects

Board

The Bond Bank is governed by a five-member Board of Directors with four appointed by the Governor and the State Treasurer as an ex-officio member.

- David Kimel, Chair
- Deborah Winters, Treasurer
- Kathryn Boardman
- David Coats
- Beth Pearce

Mission

To assist Vermont's municipalities and other qualified public bodies in gaining access to affordable, innovative and appropriate financing to meet their capital needs

Vision

To support Vermont's municipalities and other qualified bodies in making informed and knowledgeable financing decisions for present and future generations

How We Work

Individual Investors from Vermont and elsewhere

Institutional investors

State Funds via Revolving Loan Programs



Towns, Villages, & Cities

School Districts

Fire Districts and other public bodies

Facilitates capitalization of related loan programs

Receives and reviews applications for financing

Underwrites and makes loans to local communities for social and physical infrastructure projects

Research and identify new sources of capital such as green bonds, environmental impact bonds, and other capital markets innovations

Evaluate cost of implementation for new sources of capital

Provide technical expertise in deal structuring and disbursing proceeds

Approach to Borrowers

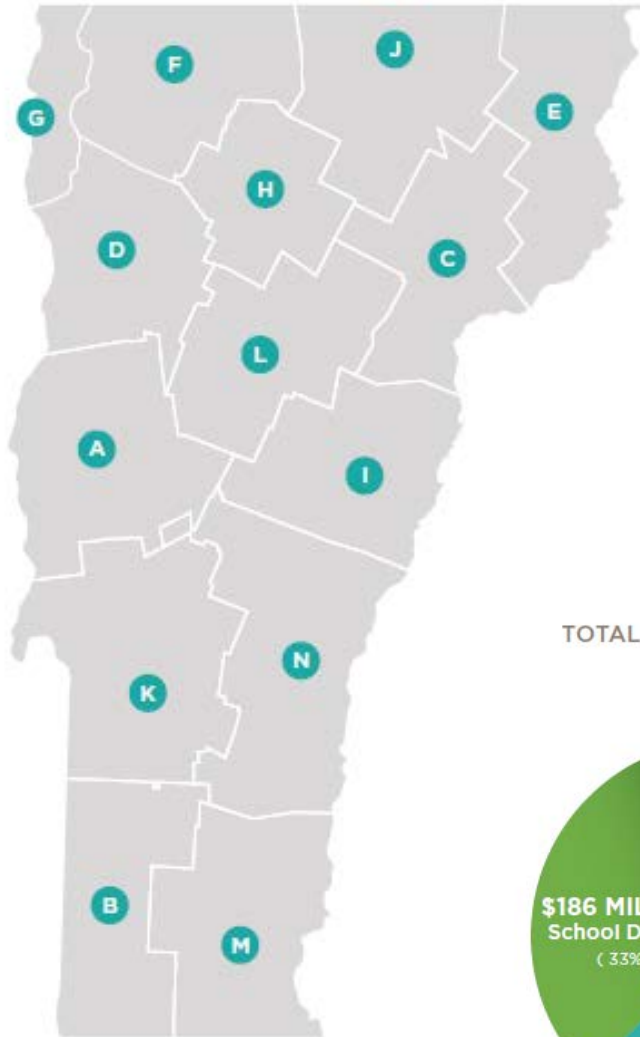
Bond Bank is a “mission driven” lender providing both access to capital and cost effective capital

In touch with borrowers to understand on-going developments and understand their story prior to and at the time of application for financing

Provide technical assistance related to capital finance and planning

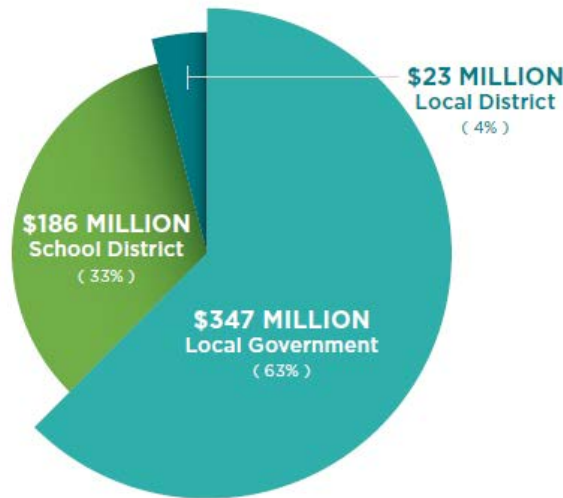
Bond Bank is a “high touch” servicer in regular contact with borrowers for repayment and disbursement

Who We Serve

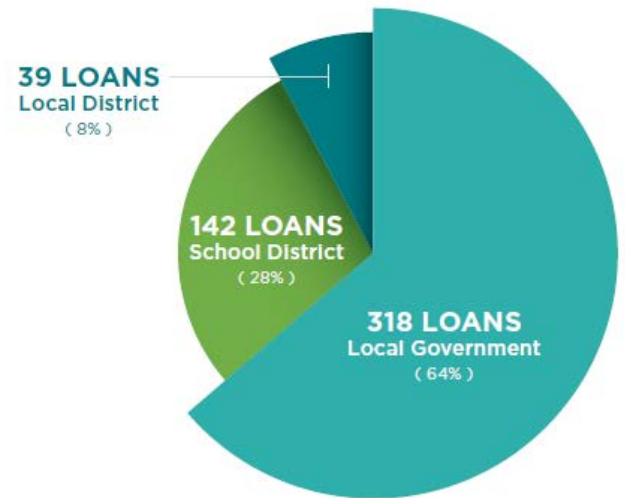


- A ADDISON** 6.7%
15 borrowers
- B BENNINGTON** 4.46%
10 borrowers
- C CALEDONIA** 4.91%
11 borrowers
- D CHITTENDEN** 13.84%
31 borrowers
- E ESSEX** 0.89%
2 borrowers
- F FRANKLIN** 7.14%
16 borrowers
- G GRAND ISLE** 1.79%
4 borrowers
- H LAMOILLE** 3.57%
8 borrowers
- I ORANGE** 6.7%
15 borrowers
- J ORLEANS** 5.36%
12 borrowers
- K RUTLAND** 11.61%
26 borrowers
- L WASHINGTON** 10.71%
24 borrowers
- M WINDHAM** 10.27%
23 borrowers
- N WINDSOR** 12.05%
27 borrowers

TOTAL AMOUNT OF LOANS
\$556 MILLION



TOTAL LOANS
499 LOANS



Our Impact (in 2017)



Over 500,000 KWh of Renewable Energy Produced or energy savings realized



7 Acres of Park Land



Nearly 130,000 Square Feet of Public Facilities Upgraded or constructed



3 Fire Trucks



Nearly 4 Miles of Streetscape or other road improvements



3 Bridge Construction or rehabilitation projects



Over 2,300 Student Seats Enhanced



Over \$100 of Per Capita Interest Savings for the Median Borrower (in 2017 dollars)



Town of Norwich, 2017 Project



Brandon School District, 2016 Project



Hyde Park School District, 2017 Project

2017 Impact Highlight

Hyde Park School District

LAMOILLE COUNTY

POPULATION & LOCATION

Hyde Park Elementary School serves approximately 220 students in pre-school through 6th grade in north central Vermont.

ISSUE

The long serving home for the elementary school was constructed in the late 19th century with additions added over the course of the 20th century. The multiple buildings were showing signs of age as the facilities developed problems with ceiling integrity, roof replacements, and temperature regulation. Following voter approval, the District required financing for the repairs to the multiple structures.

BOND BANK SOLUTION

The Bond Bank approved a loan in the amount of \$9.8 million. The financing will allow the District the ability to draw down on the funds as construction on the project proceeds until an anticipated completion date in spring 2018.



State of Vermont Support for VMBB

Legislative History

- VMBB formed in late 1960s after confluence of significant school construction and wastewater treatment borrowing
- Local banks held significant amounts of BANs although majority of borrowers had market access difficulties

Legislative Legal Protections

- 24 V.S.A 4652 – “...that governmental unit is deemed to agree that on the failure of that governmental unit to pay interest or principal on any of the municipal bonds or revenue bonds owned or held by the bank when payable, all defenses to nonpayment are waived...if funds are not available in its treasury to make payment...shall forthwith assess a tax on the grand list of the governmental unit...All of the bonds of...governmental unit on which there is nonpayment...deemed due and thereon, and cause the tax to be collected within 60 days”

Moral Obligation

- Moral Obligation provided in the form of DSRF make-up subject to appropriation
- 24 V.S.A 4675 – “The Chair shall annually, on or before February 1, make and deliver to the governor or to the governor-elect, his or her certificate stating the sum required to restore the fund to the amount aforesaid, and the governor or governor elect shall...submit a request for appropriations”

State Intercept

- State Treasurer has authority to intercept funds by VMBB notice
- Original authorization modified in 2016 to allow funds to be passed directly to trustee
- Procedures for receiving intercepted funds outlined in MOU dated January 26, 2017
- 24 VSA 4555 – “Any monies in the custody of the State Treasurer... to assist any governmental unit in payment of its municipal bonds or revenue bonds acquired or held by the Bank”

Estimated Financial Benefit of Bond Bank

Financial Considerations

without Bond Bank

- Opportunity cost of accessing capital markets and unknown ability to access market
- Potential for higher costs of issuance
- Autonomy in debt management
- Estimated rating of “A” for median school borrower



with Bond Bank

- Technical expertise and steady access to capital markets
- Economies of scale on costs of issuance
- On-going refunding monitoring
- Confirmed rating of “AA+” / “Aa1”

Illustrative Example

- \$1,000,000 borrowing
- 25 year term / amortization
- Rates as of February 13, 2018 (last borrowing)
- Estimated rate differential of 0.40% (low range)
- \$40 thousand in present value savings
- \$55 thousand in gross savings

Cashflow Comparison – Interest Rate Considerations Only –

without Bond Bank (NIC = 4.04%)			with Bond Bank (NIC = 3.64%)			Comparison	
Principal	Interest	Series D/S	Principal	Interest	Series D/S	Gross	PV @ 3.64%
1,000,000	555,537	1,555,537	1,000,000	500,525	1,500,525	(55,011)	(40,174)

NIC = Net Interest Cost

