



GOVERNMENTAL UNIT MONITORING POLICY

Adopted: February 3, 2013

Revised: November 4, 2019

Scope: This policy covers the credit monitoring of governmental units (GUs) in the Vermont Municipal Bond Bank's ("Bond Bank's") loan programs.

Purpose

The purpose of the monitoring program is to protect the credit quality of the Bond Bank's loan pooled programs through early identification and resolution of issues that may hinder a borrower's ability to make timely payments.

Goals

The goal of the monitoring program is to ensure access to low cost capital for governmental units ("GUs") across the state of Vermont by ensuring the credit rating of the Pooled Loan Program is maintained and revolving loan payments are made into the SRF fund.

Methodology

The Bond Bank's monitoring program broadly consists of the following:

- Top 25 borrowers by total loan amount
- Borrowers designated on the "Watch List" at the time of loan award
- Borrowers added to the "Watch List" after reporting or observance of factors negatively impacting credit quality
- All borrowers executing a loan agreement after January 1, 2019
- Borrowers applying for financing either through Pooled Loan Program or through SRF program

The Bond Bank expects that the above activity, alongside additional selective monitoring, will allow 100 percent monitoring of the Pooled Loan Program portfolio over time.

The "Watch List" includes the top twenty-five GUs by outstanding loan balance in the Pooled Loan Program as of December 31 of each year. The list will additionally include GUs with one-time or on-going credit considerations as identified during the loan application or through on-going portfolio review.

Examples of credit considerations include wide variances in budgeted to actual spending, qualified audit opinions, unfunded pension liability, start-up risks associated with new entities or new programmatic activity, ratepayer concentration, and/or significant management changes and performance. This is not an exhaustive list and may be dependent on facts and circumstances at the time of the Bond Bank's review.

Practically the Watch List serves as a means by which the Bond Bank can prioritize its review of borrowers. Inclusion of a GU on the list because does not preclude financing through the Bond Bank or entail the receipt of differentiated loan rate. Inclusion on the list does represent a determination by the Bond Bank, in the exercise of its obligations under applicable law and policies, that it is necessary to monitor the performance or status of the identified GU.

Only the Board may add or remove borrowers to the Watch List at the time of a duly warned and public meeting.

Borrowers may be notified of its inclusion on the Watch List through a letter from the Bond Bank if the identified credit concern threatens access to future financing from the Bond Bank.

Management

The Executive Director and staff will manage the monitoring process, through review of financial and other information as well as contact with the borrower as appropriate. The Executive Director will update the Board no less than annually as to the status of the matters that to such GU being placed on the monitoring list.