

Vermont State Hospital Futures Project In Patient Service Capitalization Framework

The 2010 Capital Bill requires the following.

Sec. 32

(c)(1) The department of mental health, in collaboration with the joint fiscal office, the treasurer's office, and the Vermont educational and health buildings finance agency, shall obtain an accounting and financial analysis of any proposed bonding structure, including costs of capitalization, to determine whether a financing arrangement that places no debt capacity burden on either the state or on Rutland Regional Medical Center (RRMC) is reasonably feasible for a new psychiatric wing at RRMC to replace and expand the existing psychiatric unit.

(2) The joint fiscal office may contract with an independent consultant to provide additional analysis, if needed, for the analysis required under subdivision (1) of this subsection. Upon request of the joint fiscal office, the commissioner of the department of buildings and general services shall transfer up to \$25,000 of unexpended funds appropriated to the department of buildings and general services in prior capital construction acts for Vermont state hospital planning to the joint fiscal office for this purpose.

(3) No later than October 1, 2009, the treasurer's office and the joint fiscal office shall provide a report to the mental health oversight committee and the joint fiscal committee describing the financing arrangement for a new psychiatric wing at RRMC and the results of the accounting and financial analysis, including their conclusions as to whether the financing arrangement is reasonably feasible.

(4) After receipt of the report and no later than November 1, 2009, the mental health oversight committee and the joint fiscal committee may object at a joint meeting of the two committees to the financing arrangement proposed by the department for a new psychiatric wing at RRMC. A quorum shall be a majority of the combined membership of the committees and, for voting purposes, a majority of those present shall be authorized to act. If the committees object, the department shall discontinue planning for a new psychiatric wing at RRMC.

Next Steps

Prospectus:

DMH, in consultation with the Treasurer's Office and with feedback from the Joint Fiscal staff, will develop a draft prospectus outlining the proposed new psychiatric inpatient service and facility. The prospectus will describe the structural, economic, financial aspects of the project. The purpose of this document is to provide potential letter of credit banks with sufficient information to evaluate whether or not they may be interested in providing investment capital for the project. The prospectus should be as complete as possible and fully disclose all relevant information.

Accounting and Financial Analysis:

The Joint Fiscal Office, in collaboration with the Treasurer's Office, will develop a report that addressing the following points:

- 1) The economic risk / benefits to the State of contracting with a general hospital for VSH-replacement services.
- 2) A description of the alternatives for capitalizing the development of new facility(s), and the risk / benefits of each. The major approaches are:
 - variable rate debt instrument backed by a letter of credit bank and held by an independent 501 C3
 - a private developer
 - State financing
- 3) An analysis of whether the proposed structure for the RRMC project can work. This will also include a risk assessment of using variable rate debt.
- 4) A summary of the preferred scenario and its relative likelihood of success.

Proposed Schedule

June 18	Initial meeting with JFO Staff and Treasurer's Office
July 14-15	Follow-up meetings with JFO Staff and Treasurer's office to discuss outline of the prospectus and report
July 16	Initial Briefing JFO Committee
Aug 5 th	DMH make preliminary report to Joint Fiscal Oversight Committee on project background and basic proposal.
Aug 15 th	Draft prospectus completed
Sep 1 -15 th	PFM ¹ and Treasurers Office meet with Letter of Credit Banks
Sep 10 / 11	Joint or overlap meeting of the Joint Fiscal and Mental Health Oversight Committees: <ul style="list-style-type: none">▪ Review of alternatives,▪ Presentation of the prospectus▪ Draft accounting and financial analysis.
Oct 1	Accounting and Financial Analysis report to JFO and MHOC
By Oct 15 th	JFC and MHOC hold joint special authorization meeting based on report

¹ Public Financial Management, Inc.