

**JEB SPAULDING**  
STATE TREASURER



**ABANDONED PROPERTY DIVISION**  
TEL: (802) 828-2407

**RETIREMENT DIVISION**  
TEL: (802) 828-2305  
FAX: (802) 828-5182

**ACCOUNTING DIVISION**  
TEL: (802) 828-2301  
FAX: (802) 828-2884

**STATE OF VERMONT**  
**OFFICE OF THE STATE TREASURER**

**TO:** Joint Fiscal Committee and Mental Health Oversight Committee

**FROM:** State Treasurer's Office and Department of Mental Health

**RE:** Update Regarding the Financing Arrangement for a New Psychiatric Wing at the Rutland Regional Medical Center

**DATE:** January 15, 2010

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The State Treasurer's Office and Department of Mental Health (DMH) are presenting the following update in accordance with the Motion passed at the joint meeting of the Joint Fiscal Committee and the Mental Health Oversight Committee on October 28, 2009.

Specifically, the Motion states that "The committees ask that the Department of Mental Health and the Treasurer's Office to update the relevant standing committees on or before January 15<sup>th</sup> on continued planning as regards this financing arrangement." Sec 32 (c) (1) of the Capital Bill of 2009 describes the financing arrangement as one "that places no debt capacity burden on either the state or on Rutland Regional Medical Center".

On November 30, 2009 representatives of DMH, the Treasurer's Office, the Agency of Administration, Rutland Regional Medical Center (RRMC) and the PFM Group met with a representative of the financial institution that had expressed interest in working with the State and RRMC on the financing arrangement.

Subsequent to the meeting, the representative discussed the financing arrangement with his institution's credit committee, and on December 30 advised that in order for the financing arrangement to be considered for approval, it would need to include both a long-term operating agreement between the State and RRMC, and also guarantees by the State and RRMC. Such guarantees would represent a contingent liability, and thus place a debt capacity burden on the State and RRMC. As such, it is the opinion of the Treasurer's Office that a bank financing arrangement that does not place a debt capacity burden on either the State or RRMC is not feasible at this time, nor can it be ascertained whether such an arrangement will be feasible in the future.

It is the understanding of the Treasurer's Office that DMH and Finance & Management are continuing to review options and models, including a private placement, to provide needed services and will continue to work with both the Mental Health Oversight Committee and Joint Fiscal Committee. If the Treasurer's Office can be of further help in reviewing the feasibility of financing alternatives, we would be pleased to assist.

Should you have any questions regarding the contents of this update, please contact Beth Pearce at 828-5195 or Steve Wisloski at 828-5197 in the Treasurer's Office, or Michael Hartman or Beth Tanzman at DMH at 241-4008.