

VERMONT ECONOMIC DEVELOPMENT AUTHORITY

Minutes

January 25, 2019

A meeting of the Vermont Economic Development Authority convened at the offices of the Vermont Economic Development Authority, Montpelier, Vermont on January 25, 2019 beginning at 9:35 a.m. Those Members of the Authority present were: J. Snow, Chair; S. Voigt; D. Kurzman and E. Delhagen (designee for J. Tierney). Those Members of the Authority present via phone were: L. Graves; T. Gallagher and D. Kittell. Staff members present were: C. Polhemus, Chief Operating Officer; D. Carter, Chief Financial Officer; R. Grzankowski, Director of Operations; S. Isham, Director of Agricultural Lending; L. Anair, Director of Loan Closing Department; C. Houchens, Chief Compliance and Loan Review Officer; T. Porter, Director of Commercial Lending; J. Kimberly, Deputy Director of Agricultural Lending; Senior Loan Officers: S. Croft; S. Buckley and A. Curler; Loan Officers: E. Denny; C. Leonard and A. Wood; P. Fitzgerald, Director of Loan Resolution; C. Blais, Commercial Credit Analyst; C. Brown, Office Manager and R. Pallottini, Receptionist/Front Office Administrative Assistant. Those Staff Members present via phone were: Sr. Loan Officers J. Conklin and M. Dussault and Loan Officer E. Paradee. Member B. Pearce joined the meeting via phone later. Also present was C. Purvis of the Vermont Public Service Department.

Meeting Attendance

J. Snow noted the difficulties Staff sometimes has in obtaining a quorum for some scheduled Board meetings. He asked all Members to look at their schedules and report any conflicts to Staff. He also noted the new Governance Committee should be starting soon and, it is anticipated, will develop expectations for Member attendance at board meetings going forward.

At 9:36 a.m. B. Pearce joined the meeting via phone. Those Members present constituted a quorum.

VEDA Minutes – January 25, 2019

Next, discussion ensued regarding offsite board meetings during legislative session. It was suggested any offsite meetings be held after the legislative session ends. It was also suggested stakeholders from the various regions be invited to these meetings.

Minutes of December 7, 2018 and January 11, 2019

J. Snow noted the vote to enter Executive Session for the January 11, 2019 minutes indicated the vote was unanimous but failed to indicate the Chair abstained. On a motion by S. Voigt, seconded by D. Kurzman, the minutes for the December 7, 2018 and January 11, 2019 meetings were approved by those Members of the Authority present, with the change noted above, by a vote of 7 to 0 with the Chair abstaining.

Member Area Review

J. Snow asked if the government shutdown was causing issues for VEDA. T. Porter stated the shutdown has made it difficult to submit SBA 504 applications and get questions answered. C. Polhemus stated the greatest impact is on the farming community with the shutdown of FSA. S. Isham continued, stating the FSA shutdown has made it such that farmers cannot get a mortgage release or funding – they are unable to get guarantees, concurrences or even submit guaranteed loan applications. Discussion ensued regarding complications arising from the continued government shutdown. J. Snow stated the Board should monitor how this shutdown might impact VEDA's ability to meet its goals for the year. If those goals have been negatively impacted, it is up to the Board to consider and understand what can be done from a fiduciary point of view.

D. Kurzman then inquired how banks were handling this situation. T. Gallagher responded it has negatively affected Border Patrol employees and others in his region. He noted Peoples Trust Company has been proactive and is offering customized services to those affected.

C. Polhemus Recognition

J. Snow offered formal congratulations to C. Polhemus as she has accepted the position of CEO.

CEO's Report

Legislative Initiatives

Broadband – C. Polhemus explained there would be a guest speaker today, Clay Purvis from the Vermont Public Service Department, presenting information regarding broadband. She noted VEDA has been working with T. Brady at the Agency of Commerce and Community Development (Agency) to draft legislation for the Broadband Program. B. Pearce noted the program will require additional Moral Obligation. She does not anticipate any issues; however, noted this will require legislative approval.

Employee Stock Ownership Plans (ESOPs) – Next, C. Polhemus explained there is currently language within the statute addressing employee-owned businesses. She noted these loans contain some risk and difficulties to collateralize in VEDA's traditional manner, but these companies are important to the Vermont economy.

Industrial Park (Subchapter 3) Program

C. Polhemus continued the report stating draft language in Act 194 charges the Agency with developing recommendations for industrial park siting and considering incentives for these projects and directed the Agency to look at some of the barriers to developing these important economic development resources. She explained VEDA was asked to provide input and one of the potential recommendations was to allow private developers to access VEDA's Subchapter 3 funding.

Staffing Updates

C. Polhemus explained L. Anair, Director of Loan Closing Department, will retire as of March 15, 2019. Next, C. Polhemus noted VEDA's Loan Workout Consultant P. Fitzgerald has been hired as the Director of Loan Resolution.

Building Updates

Cross House – Next, C. Polhemus noted C. Brown is working with VEDA's architect and structural engineer on needed renovations to the Cross House. These renovations include a new foundation. C. Brown has notified the tenants of lease terminations effective March 31, 2019. Staff is hopeful the renovations can begin by the end of April.

Middlebury – C. Polhemus finished the report stating C. Brown and J. Kimberly are working with Champlain Valley Equipment on the possibility of an office in a building to be constructed.

Broadband Presentation

E. Delhagen introduced C. Purvis, Director of Telecommunications and Connectivity with the Vermont Department of Public Service. C. Purvis made a presentation to the Members regarding broadband throughout Vermont, including those areas underserved. He explained broadband technology, myths and market trends. He reviewed current federal and state broadband programs. He noted schools generally have great broadband, the issue is with small businesses and residential areas. The Members thanked Mr. Purvis for his presentation.

At 10:41 a.m. C. Purvis left for the remainder of the meeting.

Board Financial Summary

D. Carter stated loan approvals for the first half of FY2019 totaled \$26.510 million, \$15.74 million below budget and \$30.78 million below the same time period in FY2018. Loans closed for the first half FY2019 totaled \$24.129 million; \$37.522 million below budget and \$113.68 million below the same period in FY2018.

D. Carter continued his financial report, explaining Net Operating Income before fair value adjustment for the first half of FY2019 was unfavorable to budget by \$200.9 million. Investment Income was favorable to budget by \$8.8 million. Other Income was unfavorable to budget by \$242.1 million.

Credit Risk Classification Report – 2nd Quarter FY2019

C. Polhemus reviewed Staff's Credit Risk Classification Report recommendations for the VEDA loan portfolios for the 2nd quarter of fiscal 2019 (ended December 31, 2018) which included recommended loan loss reserves in the amount of \$3,726,300.

After discussion regarding the reserves and changes recommended thereto, on a motion by B. Pearce, seconded by D. Kurzman, the recommendations were approved by those Members of the Authority present by a vote of 7 to 0 with the Chair abstaining.

Solar Discussion

T. Porter explained staff is recommending the Members reconsider and either eliminate or increase the current cap on total exposure to solar borrowers from \$5 million to \$10 million. B. Pearce noted her concern with concentration risk and the state's Moral Obligation. J. Snow suggested taking an interim step, changing the cap from \$5 million to \$8 million. On a motion

VEDA Minutes – January 25, 2019

by B. Pearce, seconded by S. Voigt, those Members present voted to increase the Solar loan limit cap from \$5 million to \$8 million by a vote of 7 to 0 with the Chair abstaining.

Board Loan Committee – Approvals

The following loans have been approved by the VEDA Board Loan Committee.

Name	Town	Program	Loan Amount
Long Falls Paperboard, LLC	Brattleboro	Subchapter 5	\$1,500,000
Brattleboro Development Credit Corp	Brattleboro	Subchapter 3	\$ 500,000
Hirchak Group LLC	Morrisville	Subchapter 5	\$1,000,000
State Street Hospitality, LLC and MCB, LLC (Hampton Inn Montpelier)	Montpelier	Subchapter 5	\$1,500,000

Staff Authority – Other Business

Staff presented the Members with the Internal Other Business memo.

Staff Authority – Other Affiliate Programs – Loan Approval

Pursuant to Affiliate Program agreements and memorandums of understanding, Staff has recommended the following loan. (Note BRF – Brownfields Revitalization Fund; DWRS LF – Drinking Water State Revolving Fund; WCEDP – Windham Community Economic Development Program)

Name	Town	Program	Loan Amount
Randolph Area Community Development Corporation	Randolph	DWSRLF	\$254,000

There being no other business to properly come before the Authority, on a motion by D. Kurzman, seconded by S. Voigt, the meeting adjourned at 11:20 a.m.

ATTEST:

Vermont Economic Development Authority

By: _____
Cassandra F. Polhemus, Chief Operating Officer