

VERMONT ECONOMIC DEVELOPMENT AUTHORITY

Minutes

May 29, 2020

A telephonic meeting of the Vermont Economic Development Authority (VEDA) originated at the offices of the Vermont Economic Development Authority, Burlington, Vermont on May 29, 2020 beginning at 9:31 a.m. Members present via phone were: T. Gallagher, Chair; T. Foster; M. Tuttle; R. Shippee; D. Kittell; D. Kurzman; S. Voigt; E. Delhagen (designee for J. Tierney); J. Goldstein (designee for L. Kurrle) and L. Graves. Staff members present in VEDA's offices were: C. Polhemus, Chief Executive Officer. Staff members present via phone were: P. Samson, Chief Lending Officer; T. Richardson, Chief Financial Officer; R. Grzankowski, Chief Operations Officer; C. Houchens, Chief Risk and Resources Officer; T. Porter, Director of Commercial Lending; S. Isham, Director of Agricultural Lending; Senior Loan Officers: S. Croft; M. Dussault; J. Conklin and S. Buckley; Loan Officers: E. Paradee and M. Corbett; C. Morris, Communications Manager and K. Kilpatrick, Administrative Assistant. Also present: J. Tierney, Commissioner of the Department of Public Service. Members B. Pearce, T. Collier, A. Eastman (designee for A. Tebbetts) and M. Snyder and Senior Loan Officers E. Denny and A. Wood joined the call later. Those Members present constituted a quorum.

Minutes of April 24, 2020

On a motion by M. Tuttle, seconded by D. Kurzman, the minutes for the April 24, 2020 meeting were approved by those Members of the Authority present by a vote of 9 to 0 with the Chair abstaining.

Member Area Review

Agency of Commerce and Community Development (ACCD)

J. Goldstein explained Governor Scott's recently announced recovery plan had been submitted to the Legislature, noting the ACCD has been very involved in the COVID-19 response. She explained a group at the ACCD had been reorganized into a response unit to offer guidance and communicate with businesses impacted by the pandemic.

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At 9:35 a.m. B. Pearce, T. Collier, A. Eastman, M. Snyder, E. Denny and A. Wood joined the call.

J. Goldstein continued, explaining the ACCD was using survey responses from business owners regarding impacts of the pandemic. She continued with a description of funds to be distributed to the Department of Taxes, the Agency of Agriculture, Food and Markets, VEDA and funding for local and regional revolving funds. She further noted funds need to be distributed by December 2020. She continued, with a description of possible ways to use grant funds – including technical support, software development, housing assistance (including assistance for landlords unable to collect rents and/or evict tenants) and to help find a permanent solution for those who are homeless. Next, J. Goldstein explained short-term and long-term loans for broadband investment, housing, and seed capital.

At 9:45 a.m. J. Goldstein disconnected from the call for the remainder of the day.

Department of Public Service (PSD)

J. Tierney continued the Review with a description of the Emergency Broadband Action Plan currently proposed by PSD, noting the principal concern regarding broadband was for those students at home without remote learning as well as for telehealth. She then described the three phases associated with the plan as well as some of the associated challenges. Discussion ensued regarding connectivity, hotspot availability and crowd safety limitations due to COVID-19.

At 10:06 a.m. J. Tierney disconnected from the call for the remainder of the day.

Department of Forests, Parks and Recreation (FPR)

M. Snyder explained the FPR has two broad areas of work: focusing on economic development through outdoor recreation and the forest economy of the State. He then described limitations his department faces due to COVID-19 effects including the inability to hire seasonal workers in early spring and have state parks open in May. He continued with a description of the impacts on the service economy including impacts on Vermont landowners, loggers, truckers, sawmills, and others. He described the impacts of supply chain issues and the difficulties suppliers had in offloading products. The focus for the FPR at this time is rebuilding the state's recreational assets and forest infrastructure.

CEO's Report

Governor's Economic Recovery Plan

C. Polhemus explained Governor Scott announced the Economic Recovery Relief Package, noting VEDA would receive \$80 Million in funding to administer one of three financial assistance programs, as well as an allocation for subsidizing interest rates on VEDA's existing portfolio. She noted the plan is subject to legislative approval. Next, C. Polhemus explained the VEDA grant/loan program ("Vermont Economic Injury Disaster Loan Program" or "VEIDL") is designed to provide a grant based on three months of expenses, with a maximum of \$62,500. Financial needs over this amount can be met with a loan. Borrowers will be able to apply for just the grant, a grant/loan combination, or just a loan. She explained applicants can only receive one grant from the Governor's Recovery Plan. She continued, noting the capital needs to be deployed by the end of the calendar year and the operational challenges this presents are significant. VEDA has implemented many efficiencies and workflow changes with the PPP program and the high volume of loan deferrals; staff will need to continue to build on these efforts to effectively process the volume of requests the VEIDL will bring to VEDA.

PPP Update

Next, C. Polhemus explained the second round of PPP has been slower than the first and the average loan size has been smaller. She explained this is consistent with the national trend, noting the constant rolling out of guidance from the treasury and SBA is causing applicants some pause.

Other News

Return to In-Office Mode: C. Polhemus explained the decision of when to safely move back to the offices is proving more difficult than the decision to move out. Despite the gradual opening of part of the economy, VEDA will remain in remote mode at least through the end of June. The Governor continues to encourage remote work where possible and staff has adjusted well to working remotely. She noted working remotely has afforded many employees needed flexibility for day care during this time. Management will continue to re-visit the timing for return to in-office mode.

Retirements: Next, C. Polhemus explained two employees retired from VEDA recently: Margaret Baird, Agricultural Loan Assistant with 17 years of service to VEDA and Carolyn Ridpath, Loan Review and Compliance Specialist with over 7 years of service to VEDA. Both employees have contributed a great deal to VEDA and will be missed.

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Middlebury Office: C. Polhemus closed her Report noting construction on the new Middlebury office is essentially complete and will be move-in ready by early June. Negotiations are currently underway regarding the final term and start date of the lease; a mid-June to early July date is likely.

Board Financial Summary

T. Richardson stated direct approvals through April 30, 2020 totaled \$38.0 million, \$2.8 million below budget and \$2.7 million below the same period of FY2019. Loans closed through March 31, 2020 totaled \$29.8 million, \$4.4 million below budget and \$18.9 million below the same period of FY2019.

T. Richardson continued his financial report, explaining Net Operating Income after fair value adjustment through April 30, 2020 was favorable to budget by \$282.8 thousand. Net Interest Income was unfavorable to budget by \$100.0 thousand. Other Income was unfavorable to budget by \$55.0 thousand.

Update to Cash Flow Projections

T. Richardson provided the Members with an Update to Cash Flow Projections – including both moderate and adverse scenarios.

Credit Quality Report

P. Samson provided the Members with the Credit Quality Report.

Update to Loan Deferrals

P. Samson reported on loan deferrals to the Members – describing the breakdown of deferrals and noting the expectation is to extend the majority of deferrals as the state is just opening now and businesses have not yet had time to begin to recover.

Analysis of Hospitality/Travel & Tourism Industries

Next, P. Samson provided an Analysis of the Hospitality/Travel & Tourism Industries, noting these industries make up a large part of the VEDA portfolio. The Analysis reviewed the top 20 accounts with P. Samson noting a majority of the borrowers in these trades have some sort of payment deferral due to COVID-19 constraints. Staff remains optimistic this situation will change once the State is allowed to reopen its economy.

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Discussion ensued with T. Porter explaining these industries generally see a slowdown of business in the spring, noting a recovery may be felt in the summer and fall and M. Dussault observed some of these loans have an SBA guarantee which may allow borrowers to keep up with payments. P. Samson noted Staff is feeling adequately reserved at this point and will continue to closely monitor this sector.

Enterprise Risk Management (ERM) Program

C. Houchens explained the ERM system includes polices which guide management and staff execution of responsibilities in accordance with the risk parameters contained within each document. She stated an updated ERM Program was being provided to the Members for their review and approval. She explained there were no significant changes made – changes consisted of updated job titles or simplified wording to provide increased clarity to the content.

On a motion by T. Collier, seconded by A. Eastman, the Enterprise Risk Management Program was approved as presented by those Members of the Authority present by a vote of 12 to 0 with the Chair abstaining.

Compliance Management System (CMS) Policy

C. Houchens explained the CMS Policy is the governance document for the management of compliance risk. She noted an updated policy was being provided to the Members for their review and approval. She explained there were no major changes to the policy, with minor changes being made to simplify the wording, to provide increased clarity to the content, or to update a job or department titles.

On a motion by M. Tuttle, seconded by L. Graves, the Compliance Management System Policy was approved as presented by those Members of the Authority present by a vote of 12 to 0 with the Chair abstaining.

Information Security Policy

R. Grzankowski explained the Information Security Policy is designed to preempt information security breaches through rules and best practices employed to safeguard VEDA's network, systems, applications, devices and the data contained. She noted an updated policy was being presented to the Members for their review and approval. She noted the policy changes were limited to minor updates required to adopt current roles and job titles.

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On a motion by L. Graves, seconded by T. Collier, the Information Security Policy was approved as presented by those Members of the Authority present by a vote of 12 to 0 with the Chair abstaining.

Information Security Incident Response Plan (ISIRP)

R. Grzankowski explained the ISIRP defines a security incident as an unauthorized acquisition of confidential information and scopes Personally Identifiable Information (PII). The plan also outlines the necessary incident response, should there be reasonable belief such data has been breached. She noted minor updates include the adoption of current roles and job titles, and the scope of PII was broadened beyond the “traditional four” to comply with changes in Vermont law regarding security breaches.

On a motion by T. Collier, seconded by L. Graves, the Information Security Incident Response Plan was approved as presented by those Members of the Authority present by a vote of 12 to 0 with the Chair abstaining.

Mansfield Community Fiber, Inc., Leslie E. Nulty and Timothy E. Nulty – Cambridge – BBLP – \$837,000

S. Buckley explained Mansfield Community Fiber, Inc. (MCF), et al., of Cambridge are requesting a \$837,000 Broadband Expansion Loan Program loan. The loan will be secured by a security interest in all the borrower’s business assets (with the exception of uninstalled fiber which serves as security for Union Bank), collateral assignment of all necessary contracts and lease agreements necessary for MCF to conduct business and joint and several guaranties of Timothy and Leslie Nulty.

On a motion by L. Graves, seconded by T. Collier, the above loan request was approved by those Members of the Authority present by a vote of 12 to 0 with the Chair abstaining.

MHG Solar LLC, Peter D. Giese and Thomas J. Hand – Manchester – LOC Renewal – \$2,000,000

S. Buckley explained MHG Solar LLC, et al., of Manchester are requesting a \$2,000,000 line of credit renewal. The LOC will be secured by a security interest in all now owned and hereafter acquired business assets of the borrower, collateral assignment of the Act 248 Certificate of Public Good, collateral assignment of the Interconnection Agreements with Green Mountain Power, collateral assignment of the Solar Participation Agreements (aka the Net

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Metering Agreement), collateral assignment of the Engineering, Procurement and Construction Agreement, and all other contracts involved with constructing, operating, monitoring, and maintaining the project facility including the construction contracts and subcontracts with the installing companies, collateral assignment of real estate lease agreements, as applicable, and a security interest in the project proceeds escrow account into which all proceeds from the sale of the project arrays will be deposited, and joint and several guaranties of Thomas J. Hand and Peter D. Giese.

On a motion by T. Collier, seconded by A. Eastman, the above loan request was approved by those Members of the Authority present by a vote of 12 to 0 with the Chair abstaining.

Freedom Properties, LLC, Freedom Foods LLC and Catherine L. Bacon – Randolph – Subchapter 5 – \$824,000

S. Croft explained Freedom Properties, LLC and Catherine L. Bacon of Randolph are requesting a \$824,000 Subchapter 5 loan. The loan will be secured by a mortgage on project land and buildings owned by Freedom Properties, LLC and located in Randolph, Vermont, and a security interest in all now owned and future equipment which include but is not limited to various commercial cooking equipment, freezers and refrigeration systems, filling lines, etc.

On a motion by T. Collier, seconded by L. Graves, the above loan request was approved by those Members of the Authority present by a vote of 12 to 0 with the Chair abstaining.

After thoroughly reviewing the loan request, VEDA staff has made the following determinations per 10 V.S.A. § 262:

- (1) The project is within the scope of this chapter and will increase or maintain employment and expand the economy of the State;
- (2) The project plans comply with all applicable environmental, zoning, planning, and sanitary laws and regulations of the municipality where it is to be located and of the State of Vermont;
- (3) The making of the loan will be of public use and benefit;
- (4) The proposed loan will be adequately secured by a mortgage on real property or equipment, or both;
- (5) The principal obligation of the Authority's mortgage does not exceed \$1,500,000.00 which may be secured by land and buildings or by machinery and equipment, or both; unless an integral element of the project consists of the generation of heat or electricity employing biomass, geothermal, methane, solar, or wind energy resources to be primarily consumed at the project, in which case the principal obligation of the Authority's mortgage does not exceed \$2,000,000.00, which may be secured by land and by buildings, or machinery and equipment, or both; such principal obligation does not exceed 40 percent of the cost of the project; and the mortgagor is

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able to obtain financing for the balance of the cost of the project from other sources as provided in the following section;

(6) The mortgagor is responsible and able to manage its responsibilities as mortgagor and owner of the project;

(7) The mortgage has a satisfactory maturity date, in no case later than 20 years from the date of the mortgage;

(8) The mortgagor is unable to finance the project upon reasonable terms without the assistance of the requested loan from the Authority, or in the alternative, the granting of the loan will serve as a substantial inducement for the establishment or expansion of an eligible project within the State;

(9) The mortgagor has made adequate provision for insurance protection of the project while the loan is outstanding; and

(10) The loan will be without unreasonable risk of loss to the Authority. Such findings when adopted by the Authority shall be conclusive.

Enterprise Risk Assessment Report

C. Houchens explained an updated Enterprise Risk Assessment Report assessing risk as of March 21, 2020 was being presented for review by the Members. She explained the report evaluates seven overall metrics: Credit Risk, Interest Rate Risk, Liquidity Risk, Operations Risk, Compliance Risk, Strategic Risk and Reputation Risk. Overall evaluation rates were then reviewed for each of the metrics. Discussion ensued regarding each of the seven risk areas and increased risk assessments/ratings made in most areas due to the current COVID 19 pandemic and resultant impact on the economy.

Small Business Loan Review

C. Houchens then presented the Loan Review Report for the Small Business loan portfolio to the Members. She explained the review pulls from loan groups held by VEDA, VSBDC and Vermont 504 Corporation and contains findings, recommended actions and management responses. She noted after the review is complete, she performs root cause analysis and works with managers on training, updating forms, etc. in to address procedural improvements and reduce repetitive findings.

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Staff Authority – Loan Approval

Pursuant to a resolution passed by the Members of the Authority at the July 29, 2016 meeting staff has approved the following loan:

Name	Town	Program	Loan Amount
Crestone, LLC	Waterbury Center	Commercial Energy	\$206,000

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; CWSRF – Clean Water State Revolving Fund; DWSRLF – Drinking Water State Revolving Fund; WCEDP – Windham Community Economic Development Program; CEDF – Clean Energy Development Fund)

Name	Town	Program	Loan Amount
Murray Hill Home Owners Association, Inc.	Montpelier	LASRF	\$41,300

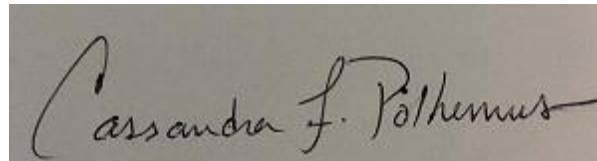
Staff Authority – Other Affiliate Programs – Other Business

Staff presented the Members with the Internal Other Affiliate Programs Other Business memo.

There being no other business to properly come before the Authority, on a motion by T. Collier, seconded by R. Shippee, the meeting adjourned at 12:02 p.m.

ATTEST:

Vermont Economic Development Authority



By: _____
Cassandra F. Polhemus, Chief Executive Officer