

VERMONT ECONOMIC DEVELOPMENT AUTHORITY

ALCO COMMITTEE

Minutes

March 29, 2024

A video conferencing meeting of the Members of the Vermont Economic Development Authority's Asset Liability Committee (ALCO) and VEDA Management convened on March 29, 2024 beginning at 8:00 a.m. Those Members of the Committee present: T. Gallagher, Chair; C. Carpenter; J. Goldstein (designee for L. Kurrle) and S. Voigt. Also present via video conferencing: K. Hale and T. Foster, Board Members. Staff Members present: C. Polhemus, Chief Executive Officer; P. Samson, Chief Lending Officer; T. Richardson, Chief Financial Officer; R. Grzankowski, Chief Operating Officer; C. Houchens, Chief Risk and Resource Officer; H. Hook, Senior Accountant and A. Wright, Executive Assistant and Facilities Manager.

Minutes of December 15, 2023

On a motion by J. Goldstein, seconded by S. Voigt, the Minutes of the December 15, 2023 ALCO meeting were approved by those Members of the Committee present by a vote of 3 to 0 with the Chair abstaining.

ALCO Committee Memo

T. Richardson provided Members with the ALCO Dashboard as of February 29, 2024. T. Richardson indicated VEDA continues to maintain a healthy balance sheet with strong capital and liquidity to support anticipated cash needs for the foreseeable future. SSBCI has helped by providing zero cost long term funding, with this benefit being passed along to Borrowers as a rate discount. The SSBCI 3<sup>rd</sup> and final tranche has been submitted.

T. Richardson noted asset quality, although stable, had slipped a bit in the prior quarter and with \$6MM of payoffs, the non-performing balance has increased as a % of total portfolio. Closing volume has slowed in calendar 2024 despite a strong pipeline, as projects have been delayed for various reasons.

Net interest margin remains challenged but is expected to flatten out as funding costs have stabilized, and the existing portfolio continues to gradually reprice upward from low initial rates in the past several years. The year-to-date ROAA figure remains slightly ahead of budget with strong SSBCI utilization early in the year, while the ROAA net of SSBCI remains below budget.

C. Polhemus noted the SSBCI venture capital RFP process that has a deadline of April 1, and the potential for repurposing a portion of those funds to lending if the response is lower than hoped.

Discussion ensued regarding forecasted changes in the federal funds rate and the unknown interest rate environment ahead. Any decreases in the fed funds rate would have a positive impact to VEDA, however as seen in the gap analysis, there is a relatively close match of repricing assets and liabilities in the near term.

#### Board Financial Summary

T. Richardson noted that the net interest margin was low in February due to the short month earning less interest income, a significant loan payoff and several payments adjustments, and the payment of annual USDA guaranty fees recorded as a reduction of loan yield. Expenses continue to track slightly below budget.

The focus in the months ahead will be preparation of the FY25 budget and funding for discussions around the best use of VEDA's strong capital position.

#### Other Business

C. Polhemus thanked T. Richardson for his Memo, noting it is great groundwork for a strategic conversation with the full Board in April about how VEDA can best utilize its strong financial position to support the mission of the organization and the strategic plan.

There being no other business to properly come before the Committee, on a motion by S. Voigt, seconded by J. Goldstein, the meeting adjourned at 8:44 a.m.

ATTEST:

Asset Liability Committee

By: \_\_\_\_\_

Thaddeus G. Richardson, Chief Financial Officer

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