

VERMONT ECONOMIC DEVELOPMENT AUTHORITY

ALCO COMMITTEE

Minutes

April 25, 2025

A meeting of the Members of the Vermont Economic Development Authority's Asset Liability Committee (ALCO) and VEDA Management convened on April 25, 2025, beginning at 8:30 a.m. Those Members of the Committee present in VEDA's office: T. Gallagher, Chair; J. Goldstein; K. Hale and S. Voigt. Member attending the meeting later via phone: M. Pieciak. Those Members present represented a quorum. Staff Members present: C. Polhemus, Chief Executive Officer; P. Samson, Chief Lending Officer; T. Richardson, Chief Financial Officer and R. Grzankowski, Chief Operations Officer. Staff present via phone: H. Hook, Controller. Invited guest present: L. Kurrle, Secretary of the Vermont Agency of Commerce and Community Development.

Minutes of December 20, 2024

On a motion by S. Voigt, seconded by J. Goldstein, the Minutes of the December 20, 2024 ALCO meeting were approved by those Members of the Committee present by a vote of 3 to 0 with the Chair abstaining.

ALCO Dashboard Review

T. Richardson presented the ALCO Dashboard as of March 31, 2025, noting strength in all areas with improvement in margins and overall asset quality.

Next, T. Richardson noted the improvement to net interest margin with loans adjusting from low initial fixed rates seen in 2020, to current market rates. P. Samson noted that our initial discounts also go away after the initial 5-year period.

T. Richardson provided an update on funding; with SSBCI funds nearly fully drawn we are back in a borrowing mode to fund new volume. The CoBank line has been increased from \$15MM to \$25MM to provide additional capacity if needed. Discussion ensued around the ag portfolio support of this line and impact of the FSA guaranteed portfolio declining over time.

T. Richardson mentioned the \$10MM funding from CGC and \$10MM USDA RESP borrowings that will be available for energy projects, however there is still uncertainty about the CGC funding, and the RESP facility has yet to close.

(M. Pieciak joined the meeting via phone at 8:54 a.m.)

T. Richardson noted the repricing gap is moving to a liability sensitive position as variable rate borrowings increase and a \$40MM maturity with TD is now within 12 months. The group discussed the impact of rate decreases on the portfolio; with bank liquidity stressed and relatively low VEDA fixed rates the potential for widespread refinancing is much lower than in 2020-21 when VEDA saw a large wave of payoffs.

T. Richardson indicated all lending covenants are comfortably in compliance with low leverage and significant excess capital.

S. Voigt asked about loan loss reserves as we head into year-end; T. Richardson responded that VEDA has been intentionally conservative with reserve levels in recent years, as losses were artificially low, driving the policy-prescribed ratios below historical levels. We maintain nearly twice the policy levels and have seen losses realized this year in the commercial portfolio that justify the higher reserves.

Board Financial Summary

T. Richardson presented the Members with the Board Financial Summary for the period ending March 31, 2025 noting that the quarterly trend of operating losses due to large provision charges continued. Net of provision expense, however, operating income is well above budget with strong net interest income and expenses under control.

T. Richardson noted closing volume was strong through Q1 where historically this has been a slow period. Portfolio balances are also up significantly with continuing draws on construction loans.


T. Richardson noted a new chart in the report showing the total loan loss reserves by portfolio, outlining the significant increase in the commercial portfolio while the VACC portfolio has seen a notable decrease. Further discussion continued about credit quality in certain industries including travel & tourism and manufacturing. P. Samson noted the low overall loss levels in hospitality and the need to continue communicating with borrowers to gauge the impacts of the changing economic environment.

Other Business

There being no other business to properly come before the Committee, on a motion by K. Hale, seconded by J. Goldstein, the meeting adjourned at 9:10 a.m.

ATTEST:

Asset Liability Committee

By: 

Thaddeus G. Richardson, Chief Financial Officer

Video transcripts of all meetings will be made available here -
<https://www.youtube.com/@VEDAMeetingArchive>

