

VERMONT ECONOMIC DEVELOPMENT AUTHORITY

Minutes

April 24, 2020

A telephonic meeting of the Vermont Economic Development Authority (VEDA) originated at the offices of the Vermont Economic Development Authority, Montpelier, Vermont on April 24, 2020 beginning at 9:30 a.m. Members present via phone were: T. Gallagher, Chair; A. Eastman (designee for A. Tebbetts); A. Gagner; D. Kurzman; E. Delhagen (designee for J. Tierney); J. Goldstein (designee for L. Kurrle); L. Graves; M. Snyder; M. Tuttle; R. Shippee; S. Voigt; T. Foster and T. Collier. Staff members present in VEDA's offices were: A. Wright, Executive Assistant. Staff members present via phone were: C. Polhemus, Chief Executive Officer; P. Samson, Chief Lending Officer; T. Richardson, Chief Financial Officer; R. Grzankowski, Chief Operations Officer; C. Houchens, Chief Risk and Resource Officer; T. Porter, Director of Commercial Lending; S. Isham, Director of Agricultural Lending; Senior Loan Officers: J. Conklin; A. Wood and S. Croft; Loan Officers: C. Leonard; E. Paradee and M. Corbett and C. Morris, Communications Manager. Member B. Pearce joined the call later. Those Members present constituted a quorum.

Minutes of March 27, 2020

On a motion by T. Collier, seconded by M. Tuttle, the minutes for the March 27, 2020 meeting were approved by those Members of the Authority present by a vote of 12 to 0 with the Chair abstaining.

At 9:36 a.m. B. Pearce joined the call.

CEO's Report

Paycheck Protection Program (PPP)

C. Polhemus opened her report by reviewing the Authority's continued work in the PPP loan program, noting this has been the focus for staff over the past month. She explained VEDA has successfully processed 107 loans totaling \$6 million. She noted there were some challenges, including a \$250,000 maximum loan limit and difficulties accessing the SBA portal to complete loan applications. She further noted there were significant demographics unable to apply for

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PPP funds during the first week, including sole proprietors and independent contractors. As Congress works to provide additional funds for another round of PPP loans, VEDA has 20 applications ready to submit.

Financial Impact Update

Next, C. Polhemus explained staff has been working to provide more forward-looking analysis than usual due to a high volume of payment deferrals in April, and the anticipated deterioration in the dairy portfolio. She noted T. Richardson has prepared cash flow projections to incorporate these events and has updated VEDA's stress test. M. Tuttle commended staff on providing helpful additional financial information for the meeting today.

Non-COVID Related Reports

C. Polhemus closed by explaining reports which would typically be presented to the Members have been set aside due to this time of upheaval. These reports include the Enterprise Risk Management Report (ERM), on-going Loan Review reports and presenting the draft of VEDA's Strategic Plan. C. Polhemus assured the Members staff is guided by the existing framework in the ERM during this time of increased risks across the spectrum. A shortened update to the ERM is planned for next month.

Board Financial Summary

T. Richardson stated direct approvals through March 31, 2020 totaled \$28.1 million, \$8.7 million below budget and \$9.4 million below the same period of FY2019. Loans closed through March 31, 2020 totaled \$21.4 million, \$9.4 million below budget and \$21.1 million below the same period of FY2019.

T. Richardson continued his financial report, explaining Net Operating Income after fair value adjustment through March 31, 2020 was unfavorable to budget by \$59.8 thousand. Net Interest Income was unfavorable to budget by \$0.9 thousand. Other Income was unfavorable to budget by \$45.5 thousand.

At 9:53 a.m. M. Tuttle disconnected from the call for the remainder of the day.

Credit Quality Report

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

Top Ten Borrower Analysis

P. Samson explained as VEDA's portfolio risk analysis is refined, staff has worked to compile a relationship concentration. P. Samson then reviewed VEDA's top 10 commercial relationships, which are in Energy, Local Development Corps. and commercial real estate developers. He also reviewed VACC's top 13 relationships which include the top 10 dairy exposures.

Supplemental Financial Analysis in Response to Pandemic

VEDA Policy Limits, Debt Covenant and Borrowing Base Analysis

T. Richardson presented the Members with an overview of VEDA's internal policy limits, external lending covenants, and lender borrowing base formulas. The overview was presented to show the adequacy of capital, liquidity, and borrowing capacity needed to support the financial stress on the Authority projected from the current environment.

Discussion ensued regarding outside debt covenants, Commercial Paper and VEDA's policy limits.

VEDA's Response – COVID-19 Related Concerns Regarding Cash Flow, Collateralization and LLR

Next, T. Richardson shared a letter from VEDA to the Vermont State Treasurer's office which addressed a request for financial information with data to support current projections. He explained VEDA continues to operate with the mission of supporting Vermont's economy to the greatest extent possible while maintaining a solid sustainable financial position. The letter outlined VEDA's actions to balance the needs of customers with its own financial stability.

Discussion ensued regarding VEDA stress tests, seasonal industry needs, the potential for a VEDA emergency loan program and continuing analysis for the remainder of the year. T. Richardson stated financial analysis will be continually updated as events evolve in this current economic environment.

Credit Risk Classification Report – 3rd Quarter FY2020

P. Samson reviewed Staff's Credit Risk Classification Report recommendations for VEDA loan portfolios for the 3rd quarter of fiscal 2020 (ended March 31, 2020) which included recommended loan loss reserves in the amount of \$1,829,600. P Samson explained the reduction in total reserves is due to a charge-off taken during the quarter for one loan which had a specific reserve of \$691 thousand.

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After discussion regarding the reserves and changes recommended thereto, on a motion by S. Voigt, seconded by T. Collier, the recommendations were approved by those Members of the Authority present by a vote of 10 to 2 with the Chair abstaining and B. Pearce and T. Foster voting in the negative.

Update to CRCR – April 15, 2020

P. Samson explained staff will be monitoring the adequacy of the loan loss reserves with greater frequency in order to better reflect the rapidly changing environment caused by the COVID-19 crisis. The Members were presented with a report representing the changes made between the quarter end cut-off date of March 31 and April 15, 2020. He further noted this report will be reviewed monthly. The April 15th analysis reflects a significant increase to the VACC unallocated reserves to account for the expected credit deterioration as a result of very low milk prices and other COVID-19 related risks in this portfolio.

VEDA Employees During COVID-19 Pandemic

C. Houchens provided a memo to update the Members on the well-being of VEDA Staff during this emergency time and to provide some details on support being offered to employees. She then explained employee communication including working remotely, new or changed laws and employee wellness. She also described employee access to professional counseling and employee recognition, including providing employees \$100 to spend at one of VEDA’s borrowers in the next 60 days.

Families First Coronavirus Response Act

Next, C. Houchens provided a summary to the Members of the new Families First Coronavirus Response Act which was signed into law on March 18, 2020. She explained prior to this act VEDA did not fall under the Family and Medical Leave Act and outlined six scenarios with employee and employer incentives.

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 |
|----------------|-------------|-------------------|--------------------|
| P&F Solar, LLC | Orwell | Commercial Energy | \$286,000 |

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Staff Authority – Other Business

Staff presented the Members with the Internal Other Business memo.

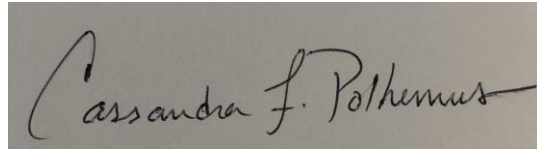
Staff Authority – Other Affiliate Programs – Other Business

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 A. Eastman, the meeting adjourned at 11:23 a.m.

ATTEST:

Vermont Economic Development Authority

A rectangular box containing a handwritten signature in black ink that reads "Cassandra F. Polhemus".

By: _____

Cassandra F. Polhemus, Chief Executive Officer