VERMONT ECONOMIC DEVELOPMENT AUTHORITY

ASSET LIABILITY COMMITTEE

Minutes

December 16, 2022

A video conferencing meeting of the Members of the Vermont Economic Development Authority's Asset Liability Committee (ALCO) and VEDA Management convened on December 16, 2022 beginning at 8:02 a.m. Those Members of the Committee present were: T. Gallagher, Chair, C. Carpenter, J. Goldstein and S. Voigt. Excused: B. Pearce. Also present via video conferencing: T. Foster, Board Member. Staff Members present were: 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 and H. Hook, Senior Accountant.

Minutes of July 29, 2022

On a motion by S. Voigt, seconded by C. Carpenter, the minutes for the July 29, 2022 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 November 30, 2022. T. Richardson indicated that balance sheet was strong and room to grow without stressing out policy limits. SSBCI plays a big part in not having to increase debt limits. SSBCI will continue adding to VEDA's capital as qualifying loans are originated. S. Voigt asked what is a middle of the road scenario for net interest margin? T. Richardson: We are projecting to remain over 2%, however the SSBCI loan rates are discounted by 2% and can have a negative short-term impact depending on the level of contribution to new loan volume. We are balancing mission with being sustainable. J. Goldstein asked if the 2% discount is required to continue throughout the program; T. Richardson responded that we can adjust this as necessary to ensure we maintain an acceptable margin. Efficiency ratio is higher than in the last couple of years due to pressure on net interest income as well as lower fee income. The investment portfolio has gained back nearly half of what had been lost this year with longer rates declining. $15MM of term debt maturities are approaching in February 2023 and we are evaluating options for renewal. All debt covenants are well within compliance. S. Voigt asked if there was any concern about the lower NIM from our commercial paper provider; T. Richardson answered that there is no immediate concern given VEDA's overall strength and the security provided by the moral obligation pledge from the state.

Board Financial Summary

T. Richardson notes SSBCI loan volume was low in November, just based on timing. There are approximately $9MM of total SSBCI loans, of which approximately $4MM have closed. Expenses for the year are under budget, largely due to staffing. We are now fully staffed and will start to level out that expense. Investment income is on budget. Loan interest was above budget in November due to growing loan balances and should regain lost ground from the first part of the year. Interest expense will likely remain above budget due to rates increasing faster than projected early in the year. Several large loans have put us over budget for volume and portfolio size, and the pipeline continues to look strong. S. Voigt asked if there were any updates on selling energy loans to CoBank. No movement has happened in this regard, and the portfolio balance has stabilized, reducing the earlier concern about concentration risk to the solar industry. T. Richardson explained the yield curve change YTD and what VEDA has experienced in the past year. We are largely keeping up with the increases in market rates, while making efforts to reduce the strain to our borrowers where possible. If rates stabilize as expected, the interest rate risk looking forward should decrease.

SSBCI Update

T. Richardson explains approximately $5MM of approved loans are expected to close in the second half of FY23. With the first equity fund nearing completion, funds should begin flowing on the investment side, and once we reach 80% of the first tranche VEDA can request the next draw. There is no indication that we won't be able to have a smooth transition between tranches. We have also begun initial discussion around the 'venture debt' asset class to gauge the need in the market and VEDA's potential ability to provide this type of financing, with

SSBCI as a potential funding source. The first set of quarterly compliance reporting to US Treasury is due January 31, 2023, and the annual report through March 31, 2023 is due April 30, 2023.

Other Discussion

T. Gallagher inquired about the status of organic dairy farmers in our portfolio after losing the buyer; P. Samson replied that we have not seen any credit quality concerns yet, and most, if not all, have identified new purchasers.

There being no other business to properly come before the Committee, on a motion by S. Voigt, seconded by C. Carpenter, the meeting adjourned at 8:42 a.m.

ATTEST: Asset Liability Committee

By:____________________________________

Thaddeus G. Richardson, Chief Financial Officer