VERMONT ECONOMIC DEVELOPMENT AUTHORITY

ASSET LIABILITY COMMITTEE

Minutes

April 28, 2023



A meeting of the Members of the Vermont Economic Development Authority's Asset Liability Committee (ALCO) and VEDA Management convened on April 28, 2023 beginning at 8:01 a.m. Those Members of the Committee present via teleconferencing: T. Gallagher, Chair; C. Carpenter, J. Goldstein (designee for L. Kurrle) and S. Voigt. Member joining the meeting later via teleconferencing: M. Pieciak. Also present via teleconferencing Board Member: T. Foster. Staff Members present via teleconferencing: 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 Office Manager.

Minutes of December 16, 2022

On a motion by J. Goldstein, seconded by S. Voigt, the minutes of the December 16, 2022 Asset Liability Committee 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 provided Members with the ALCO Dashboard as of March 31, 2023, indicating that the balance sheet remains solid with strong capital and liquidity to support future growth.

At 8:03 a.m. M. Pieciak entered the meeting via teleconferencing.

Next, T. Richardson indicated that the SSBCI program continues to provide significant low cost funding which is being passed along to Borrowers as an initial 2% rate discount. The investment portfolio has stabilized in recent months as yields have backed off on the long end. Unrealized loss is currently at \$1.5MM from a high of \$2.2MM. VEDA's overall debt load has decreased with excess cash flow from loan repayment. T. Richardson noted VEDA remains sustainable as we look to grow the portfolio to best utilize excess capital available. If volume continues to exceed expectations, VEDA could potentially add over $10MM of permanent capital in FY23 from the SSBCI program, as well as a like amount in FY2024.

ALCO Policy Review

T. Richardson started discussion with Members stating the policy was put into place about three years ago and that there are no material changes. References to the former Investment Committee now reflect ALCO. T. Richardson noted the Contingency Funding Plan (CFP), and that Risk Management process continues to build up.

On a motion by M. Pieciak, seconded by C. Carpenter, the ALCO Policy Review was approved by the Members of the Committee by a vote of 4 to 0 with the Chair abstaining.

Contingency Funding Plan Overview

T. Richardson explained that annually the Chief Financial Officer updates the Contingency Funding Plan (CFP) to identify sources of funding and how these could be accessed during a period of severe stress on cash flow to ensure the ability to continue operations. Additional liquidity sources such as VEDA's real estate, excess Moral Obligation (MO), and the sale of guaranteed loans to generate additional cash were outlined to Members. T. Richardson noted there was a reduction from the CoBank line of credit this year from $40MM to $15MM, as the line of credit is not projected to be needed and the cost of maintaining said credit was viewed to be excessive. The level of anticipated loan growth is sustainable, with no stress to liquidity after considering available funding from SSBCI and USDA IRP. Actual cash balances have remained stable with a net reduction in borrowings year-to-date. Overall, VEDA is well positioned to withstand any realistic liquidity events for an extended period.

Discussion ensued regarding cash flow, moral obligation, loan demand and growth, and the rising rate environment. J. Goldstein suggested that the ALCO Committee meet again before the scheduled July 28th meeting. T. Richardson indicated a June meeting would be scheduled.

FY2024 Budget Assumptions

T. Richardson opened his report looking back to last year, and the uncertainty of rates at the time the budget was developed. The actual increases far surpassed what was projected, having a material impact on results for FY23. There are no significant program changes expected for FY24 and loan volume is expected to provide modest growth to the portfolio. Increased Commercial loan sizes for VEDA and the IRP programs should continue to present new opportunities, Energy will continue to see moderate demand, VACC remains muted as industries consolidate and face operating challenges, and Broadband will see minimal demand amid state & federal project funding. Funding costs should stabilize with the Federal Reserve Bank expected to pause hikes in Quarter 1 of FY2024, as well as a potential cut later in the year. Budget is for rates to remain flat at current levels.

Discussion ensued regarding efficiency ratio, non-interest income, and the increasing costs of health insurance as well as the cost of living.

Board Financial Summary Discussion

T. Richardson noted the Board Financial Summary this quarter included a significant impact to interest income from several non-accrual loan payoffs, and the negative impact of two large relationships falling into doubtful status and requiring large reserves.

There being no other business to properly come before the Committee, on a motion by S. Voigt, seconded by M. Pieciak, the meeting adjourned at 8:56 a.m.

ATTEST: Asset Liability Committee

By:________________________________________

Thaddeus G. Richardson, Chief Financial Officer