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DRAFT

Local Investment Advisory Committee (LIAC)

1/18/2023

LIAC Members Present:

MIKE PIECIAK, Vermont State Treasurer

CASSIE POLHEMUS, Vermont Economic Development Authority

MAURA COLLINS, Vermont Housing Finance Agency

MICHAEL GAUGHAN, Vermont Municipal Bond Bank

PETER WALKE, Efficiency Vermont Designee

LIAC Members Not Present:

TOM LITTLE, Vermont Student Assistance Corporation Designee

Also Attending:

Gavin Boyles, Deputy State Treasurer

Ashlynn Doyon, Office of the Vermont State Treasurer

Scott Baker, Office of the Vermont State Treasurer

Jeremiah Breer, Office of the Vermont State Treasurer

Nick Marineau, Office of the Vermont State Treasurer

CALL TO ORDER:

Mr. Pieciak called the meeting to order at 2:05 p.m.

ITEM 1: Approval of June 8, 2021 Minutes

Ms. Collins made a motion to approve the minutes from June 8, 2021. Mr. Walke seconded the motion. The Committee approved the motion to approve the minutes unanimously.

ITEM 2: Committee Member Introductions

As the Committee had not met in some time and has two new members, Mr. Pieciak asked committee members and staff attending from the Treasurer's Office to introduce themselves and identify their roles in their respective organizations. Mr. Pieciak also reviewed the meeting agenda and expressed that the committee may "bounce around" or combine items in its discussion of the listed topics.

ITEM 3: Board Structure and Policies

Mr. Pieciak suggested that the Treasurer's Office staff should take the lead in developing proposals for an investment policy, conflict of interest policy, and a 10% cash analysis. He also explained that statute requires the committee to identify a vice chair and a board secretary. Committee members agreed that Treasurer's Office staff should draft these items for review at the next meeting.

ITEM 4: Review of Current Credit Facilities and Cash Analysis

Mr. Pieciak directed the committee to review the provided chart of current credit facilities (*note: this chart is publicly available in the Treasurer's Annual Report*). He explained that the previous 10% of the State's average daily cash analysis was \$39 million and that the State's current averages are reflecting a lot of federal money related to pandemic relief that has not yet been spent.

Ms. Polhemus clarified that according to the chart, there is currently \$20 million allocated outstanding which means there is still roughly \$19 million of capacity under the current analysis.

Mr. Gaughan suggested that the committee may wish to examine the duration of its economic development financing, particularly as it relates to opportunity cost.

Mr. Pieciak responded that duration is something that could be discussed further and addressed in a new investment policy. The Treasury Operations Division is currently working on updating the cash analysis for the committee.

Ms. Collins asked staff to compile the various pieces of authorizing language for the committee in various legislative acts for review at the next meeting.

ITEM 5: Interest Rate Discussion

Mr. Pieciak noted that previous practice was to have a 2% interest rate floor.

Ms. Polhemus noted that VEDA was caught when interest rates went below the floor and that there is room for improvement in this practice and that this discussion ties into what we want to use the money more – what gaps are we trying to fill, and an access to capital approach.

Mr. Gaughan asked the committee to think about the question of the role of the committee as a fiduciary of the state funds.

Mr. Pieciak stated that he thinks we ought to be below market rate to fulfill the committee's economic development charges, with potentially a loan loss reserve.

Ms. Collins asked what the obligations are of the Treasurer's office – 1) 10% of cash calculation 2) risk as the next guiding principle. She inquired as to whether there were also obligations to equity, geography, climate, etc. Is there an obligation to make a return on cash, and if not, than what are the rates paying for? Could the rates self-fund risk protection?

Mr. Gaughan noted that you do not want real negative returns and need to keep pace with nominal inflation. He also said that the credit review process in the past has been "modestly uncomfortable" and that it would be nice to have a credit memo accompanying each loan review.

Mr. Pieciak said that he supported a policy laying out the types of documentation required in an application and that he does not want it to be onerous, but wants a level of due diligence.

Mr. Walke commented that the committee should think about who actually comes forward for financing and what is going to draw somebody here. Is it the risk tolerance where traditional banking may not be available?

Mr. Pieciak and Ms. Collins agreed that going forward, an annual report to the committee on the status of the credit facilities and the health of borrowers would be important.

ITEM 6: Investment Priorities

Mr. Pieciak identified his investment priorities as housing and climate.

Mr. Gaughan reiterated that housing is high-impact and low risk, with subsidized housing projects.

Mr. Walke agreed that housing and climate makes sense along with anything we can do in the equity space.

Ms. Collins pointed out that you can apply equity principles to both categories because of disproportionate impacts.

Ms. Polhemus stated that VEDA is about supporting the policy initiatives of the State and that housing and energy are very much in alignment.

Mr. Gaughan also mentioned that broadband is a topic area the committee should consider with respect to helping CUDS access capital markets.

Mr. Pieciak also suggested looking at areas of small business entrepreneurship.

Mr. Walke asked how federal funds and opportunities play into the committee's priorities and also mentioned workforce gaps that affect the feasibility of doing this kind of work.

ITEM 7: Meeting Frequency and Other Business

Mr. Pieciak said that he would like to include ACCD and someone from the banking industry at meetings going forward, especially as the committee gets to the next step of identifying investments.

Ms. Collins also suggested ANR.

The committee agreed to meet again on February 21st, 2023 at 2:00 p.m.

ITEM 8: Public Comment

N/A

ITEM 4: Adjourn

Mr. Walke made a motion to adjourn. Mr. Gaughan seconded the motion. The committee unanimously agreed to adjourn at 3:09 p.m.