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**DRAFT**

**Local Investment Advisory Committee (LIAC)**

**2/14/2024**

**LIAC Members Present:**

MIKE PIECIAK, Vermont State Treasurer

CASSIE POLHEMUS, Vermont Economic Development Authority

MICHAEL GAUGHAN, Vermont Municipal Bond Bank

PETER WALKE, Efficiency Vermont Representative

TOM LITTLE, Vermont Student Assistance Corporation Designee

MAURA COLLINS, Vermont Housing Finance Agency

**Also Attending:**

Ashlynn Doyon, Office of the Vermont State Treasurer

Jeremiah Breer, Office of the Vermont State Treasurer

Nick Koleszar, Office of the Vermont State Treasurer

George Steelman, Office of the Vermont State Treasurer

Peter Samson, VEDA

Scott Baker, Office of the Vermont State Treasurer

**CALL TO ORDER:**

**Treasurer Picciak called the meeting to order at 1:04 p.m.**

**ITEM 1: Approval of November 16, 2023 Minutes**

**Mr. Little made a motion to approve the minutes from November 16, 2023. Mr. Walke seconded the motion. The Committee approved the motion to approve the minutes unanimously.**

**ITEM 2: Updated Cash Analysis Presentation from Treasury Operations**

Mr. Breer reviewed the office's most recent cash analysis projections. He noted that the average daily cash balance for the year of 2023 was \$2.3 billion, which was a \$200 million increase over the previous year, but that they do want to account for the spend down of federal funds and weaker tax receipts in

future projections. The current forecast is that the cash will land between \$1.25 and \$1.5 billion. Treasurer Pieciak opened the discussion to questions from the committee about the cash analysis.

Mr. Gaughan reiterated that there is a deadline on the \$700 million of federal funds and that the committee should focus on the cash balance net that number. Treasurer Pieciak emphasized that most of this money is anticipated to be spent by the State at the end of 2026.

Ms. Polhemus stated that she would like to focus on the more conservative, \$1.25 billion number and asked if this analysis means that the committee should raise its \$100 million cap.

### **ITEM 3: Interest rates and credit facility cap for the upcoming year**

Treasurer Pieciak said that yes, his recommendation for the committee is going to be to raise the cap to \$115 million, which he feels would still be reasonable and conservative, but also provide for \$29 million in capacity for new projects.

Mr. Little asked how the \$15 million suggested increase was arrived at. Treasurer Pieciak replied that it seemed like a balanced number that allowed for a substantial increase in new projects but did not push the envelope in terms of funds outstanding.

Ms. Polhemus asked a question about the interest rates we are currently earning on cash and how that is built into the model. Mr. Breer replied that while interest rates are a factor in cash flows, they are not the largest factor.

Ms. Collins asked about the historical experience of state deposits in a recession. Mr. Breer replied that we have historical cash balance data going back to 2004 and that during the last recession there was a slight dip in cash balances prior to the receipt of federal funds where the balances then leveled off and began to grow again. Ms. Collins added the State also expects to receive additional federal funds in future years such as the BEAD funding or monies from the Greenhouse Gas Reduction Act.

The committee discussed some of the credit facilities that are expected to amortize soon, or where there are requests for renewal, and noted that for some entities such as NeighborWorks, VEDA, and Champlain Housing Trust, the newer requests are for the same amounts that are expected to be paid back in the near term.

Ms. Collins asked for the committee to document the discussion in order to document the thinking and factors that go into the \$115 million recommendation. Treasurer Pieciak asked Mr. Breer and the Treasury Operations team to augment the cash analysis with this description.

**Mr. Little moved to adopt the Treasurer's recommendation for the 10% analysis to be set to \$115 million, provided the day's discussion of the recommendation is documented in the cash analysis document.**

**Mr. Gaughan seconded the motion. There was no further discussion and the committee voted unanimously to adopt the recommendation.**

Treasurer Pieciak noted that his second recommendation with respect to interest rates is to leave the formula where it is currently at for 2024 and to reevaluate in early 2025. He stated that interest rates remain high and that the LIAC creates almost a kind of counter cyclical program where in when interest rates are high, we want to be particularly low and as interest rates come back to a more normal state, we

may want to be talking about potentially raising rates. They may always be less than commercial rates, but there may be less of a need for the lowest interest possible in a more normal interest rate environment.

**Ms. Collins moved to accept the Treasurer's interest rate recommendation. Ms. Polhemus seconded the motion. There was no further discussion and the committee approved the motion unanimously.**

#### **ITEM 4: Consideration of VHFA Request**

Ms. Collins presented that when looking at all of the projects that applied directly to the Treasurer's Office, they whittled it down to 4 projects deemed to be housing projects with a priority economic development distinction. VHFA is looking to expand the initial credit facility to meet these needs with the same terms, backed fully by their balance sheet.

Mr. Gaughan asked a due diligence question about whether the needs still exist for the original allocation, or if there is an opportunity to reallocate some of that capital. Ms. Collins replied that there are still many unmet needs that are out there and that VHFA feels that this expansion would continue to help to hit those.

Ms. Polhemus clarified that the recommendation would raise the number of what VHFA has already been awarded from \$50 million to \$56 million. Mr. Breer further clarified that there is one master agreement between VHFA and the Treasurer's Office and that each tranche of draw down has a separate promissory note attached to it defining the specific interest rate and maturity that is negotiated.

**Ms. Polhemus made a motion to approve the VHFA request at terms favorable to the Treasurer. Mr. Gaughan seconded the motion. There was no further discussion and the committee voted unanimously to approve the motion, with Ms. Collins abstaining and Mr. Walke temporarily absent for this vote.**

#### **ITEM 5: Consideration of VEDA Request**

Treasurer Pieciak gave an overview of the Benn High project, which would provide 38 new units of housing, 100 new childcare slots, and other commercial spaces such as for Meals on Wheels. This project requires funds from both VEDA and VHFA to move forward.

Mr. Samson laid out the potential risks of the project, but also noted that the supply demand is so out of balance with the need for quality affordable rents, and the long-term lease agreements, that he does not foresee a lot of operational risk. The request is for a \$3.9 million loan from LIAC at a 20-year term, which would be a 2% interest rate. He noted that VEDA will have assignments of positions until the refinance and then in the refinance, will have a mortgage. There are 26 funding sources for the entire project.

Ms. Collins asked a question about whether LIAC can do interest-only loans. Mr. Samson replied that the interest-only component is for the first two years.

Mr. Baker interjected that some of the older LIAC credit facilities were interest-only but the new ones are all amortizing.

**Mr. Little moved that the committee approve the VEDA request at terms acceptable to the Treasurer. Ms. Collins seconded the motion. There was no further discussion and the committee approved the motion unanimously with Ms. Polhemus abstaining.**

**Mr. Gaughan asked to make an addition to the minutes that the approvals were also subject to the committee's previous analysis of both VHFA and VEDA's financials and creditworthiness.**

**ITEM 6: Discussion of Framework for 2024 Investments**

Mr. Baker provided the committee with an update on the deployment of the previously approved credit facilities. Treasurer Pieciak noted that he intends to hold another LIAC meeting later in the Spring to receive project updates and consider additional project proposals for the year.

**ITEM 7: Public Comment**

There was no public comment entered.

**ITEM 8: Adjourn**

**Mr. Little made a motion to adjourn. Mr. Gaughan seconded the motion. The committee unanimously agreed to adjourn at 2:47 p.m.**