

**MINUTES OF THE JUNE 18, 2020 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Violette called the June 18, 2020 meeting of the Finance Authority of Maine to order at 9:07 a.m. This meeting was conducted virtually through Zoom. Provisions were made for the public to attend. This method was deemed necessary and appropriate due to the COVID-19 pandemic, and were determined authorized by PL 2020 ch 617, section G (**1 MRSA §403-A**).

Executive Assistant, Kim Bard noted for the record that the members had received an Agenda and Notice of Meeting (*see Certificate of Mailing attached as Appendix 1*), and that notices of the meeting had been published in certain newspapers throughout the state (*see Affidavits of Publication attached as Appendix 2*).

A. CALL TO ORDER

Ms. Bard called the roll of the members and noted that there were sufficient members present for the purpose of beginning the meeting.

Those members present were as follows:

James Violette, Chair
David Daigler, Vice Chair
Rebecca Asen
Henry Beck
Dustin Brooks
Heather Johnson
Blue Keim
Timothy Nightingale
Christopher Pierce
Richard Trafton
Cheri Walker

Those members absent:

Omar Andrews
Amanda Beal
Lee Webb

Staff present:

Bruce Wagner, Chief Executive Officer
Christopher Roney, General Counsel
Lisa Brown, Human Resources Manager
Jennifer Cummings, Director of Business Programs
Shelly Desiderio, Chief Accounting Officer

Eva Giles, College Savings Program Manager
Jonathan Harvell, Chief Information Officer
Martha Johnston, Director of Education
Carlos Mello, Chief Risk Officer
William Norbert, Governmental Affairs and Communications Manager
Scott Weber, Senior Credit Officer
Kim Bard, Executive/Legal Assistant

A: CALL TO ORDER

A1: Ascertainment of Quorum

A2: Approval of May 21, 2020 Board Meeting Minutes

A3: Approval of May 21, 2020 Executive Committee Meeting Minutes

A motion was made by Mr. Trafton and seconded by Mr. Daigler to approve (1) the minutes of the May 21, 2020 Board meeting and (2) the minutes of the May 21, 2020 Executive Committee meeting. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-06-18-20-01

B: CHAIR'S REPORT

B1: Acceptance of the Report of the Advisory Committee on Education Savings Meeting of February 25, 2020.

A motion was made by Mr. Beck and seconded by Ms. Asen to approve the Report of Advisory Committee on Education Savings meeting of February 25, 2020. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-06-18-20-02

C1: CEO's Report 9:16 a.m.

Mr. Wagner reported FAME staff are safe and COVID free. There will be a partial return to office beginning on June 23, 2020 after a deep clean on June 22, 2020. Ten additional associates will be returning to the FAME building and will be following safety protocol.

Ms. Vanderweide shared the customer satisfaction report status. The goal of 4.67 was met although with fewer responses. The staff has maintained high levels of service during this time.

Ms. Johnson exited the meeting at 9:20 a.m.

Mr. Wagner referenced the NextGen Program Management Agreement.

Mr. Brooks moved to enter into Executive Session to discuss records designated confidential by statute (1 MRSA §402(3)(A)). The motion was seconded by Mr. Daigler and approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session No. 1 at 9:22 a.m.

Members exited Executive Session No. 1 at 9:45 a.m.

Mr. Wagner reported FAME is following through on discussions with the Harold Alfond Foundation. We have been working closely with them with the help of Martha Johnston to write a joint business plan that expands our account opening capabilities. The intent is to deliver the plan to the Harold Alfond Foundation board on July 15th for them to consider adding funding to the FAME effort.

Mr. Nightingale asked a question about the status of the Loan Commitment to Saddleback.

Mr. Daigler moved to enter into Executive Session to discuss records including any financial statement or tax return obtained or developed by the Authority in connection with any monitoring or servicing activity by the Authority pertaining to any financial assistance provided or to be provided by or with assistance of the Authority (10 MRSA §975-A(2)(D)). The motion was seconded by Mr. Trafton and approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session No. 2 at 9:51 a.m.

Members exited Executive Session No. 2 at 9:53 a.m.

C1a: Articles of Interest

The articles of interest can be found in the Board packet. There were no questions or comments.

C2a: CLI Snapshot 9:55 a.m.

Mr. Weber reported not much has changed since 03/31/2020. He reviewed the portfolio size, insurance types, FAME exposure as well as industry concentration. Pro Rata insurance accounts make up the majority of the portfolio balance at 86%. A detailed outline of the snapshot can be found in the board packet.

C2b: ERLP Snapshot

Ms. Cummings reported FAME is proactively reaching out to lenders to make sure they are communicating with borrowers regarding terms and concessions. Overall, we are still in the deferment phase. The second wave of requests is starting to come from borrowers wanting interest only or payment deferrals.

Mr. Weber reviewed portfolio activity, risk rating, exception totals, expected loss/write-offs, and delinquencies. The WatchDesk was also included in the documents detailing the previously mentioned categories.

C2c: COVID-19 Relief Programs Update

Mr. Weber noted this was covered in the previous reports on CLI and ERLP.

BREAK: 10:15 to 10:25 a.m.

D1: Approval of NextGen™ Program Modifications 10:25 a.m.

Mr. Beck moved to enter into Executive Session to discuss records designated confidential by statute (1 MRSA §402(3)(A)). The motion was seconded by Mr. Trafton and approved by a vote of 10 in favor, 0 opposed and 0 abstentions. Mr. Keim was absent.

Members entered Executive Session No. 3 at 10:28 a.m.

Members exited Executive Session No. 3 at 10:30 a.m.

A motion was made by Mr. Trafton and seconded by Mr. Beck to approve the NextGen Program Modifications as presented. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-06-18-20-03

D2: Approval of FY21 Budget Package 10:33 a.m.

Ms. Desiderio reported on Fiscal Year 2021 Budget including FY 2021 Operating Budget (includes Comparison of FY19 Actual, FY20 Budget, FY20 Forecast, & FY21 Budget), FY 2021 Capital Expenditure Budget, Forecasted Balance Sheet, FY 2021 Contributions, Sponsorships, & Memberships, FY 2021 Budgeted Employee Travel, Fund Balance Forecast & Budget, and Historical Financial Performance: FY12-FY21.

Ms. Desiderio walked board members through the documents included in the board packet.

Mr. Mello addressed the commercial provisions. The board was provided with a document (not in the board packet) containing a table that provides the total FAME insured exposure by risk rating and allocated insured loan loss reserve as of May 31, 2020.

Another table provided the total FAME insured exposure, weighted average risk rating and allocated loss reserve by NAICS code as of May 31.

It was reported that the COVID-19 pandemic is anticipated to have a significant adverse impact on Maine's tourism industry. Tourism is the major source of revenue for FAME's two largest

insured industry exposures (Retail Trade and Accommodation & Food Service), as well as the Art, Entertainment & Recreation sector.

For these industry sectors, FAME staff calculated the reserve requirement assuming a one (1) risk rating downgrade and a two (2) risk rating downgrade for each insured loan, which provides the magnitude of a potential global downgrade in credit quality across these three sectors.

- One (1) risk rating downgrade: \$2.3 million
 - o Retail Trade 0.9 million
 - o Accommodation & Food Svc. 1.1 million
 - o Art, Entertainment & Rec. 0.3 million
- Two (2) risk rating downgrade: \$6.2 million
 - o Retail Trade 2.8 million
 - o Accommodation & Food Svc. 2.8 million
 - o Art, Entertainment & Rec. 0.6 million

However, FAME staff does not believe additional insured loan loss reserves are warranted at this time. As noted above, the existing reserve substantially exceeds historical loss rates, which include the Great Recession of 2008 and 2009. Over the past years, FAME has maintained a very conservative loss reserve, rather than recognizing in earnings a credit for potential excess reserves. This conservative positioning has provided FAME with a strong reserve and capital position as we enter this national and State economic downturn, as a result of the current COVID-19 pandemic.

Ms. Cummings added three of the top ten are within the industry sectors that are considered higher risk at this time. She noted it takes a long time for claims to be processed and it is unlikely losses would be paid by 6/30/21.

Discussion ensued surrounding other expenses including the incentive plan. Board members had the opportunity to ask the staff questions.

A motion was made by Mr. Daigler and seconded by Mr. Howard to approve the FY21 Budget Package. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-06-18-20-04

D3: COVID Loan Programs 11:30 a.m.

Ms. Cummings reported in response to COVID-19, FAME adjusted some of FAME's traditional product offerings to provide assistance to businesses in Maine affected by the pandemic. This included changes to the OLA product and the FAME Direct Loan, and also included fee concessions. FAME did continue to provide regular product offerings as well.

Given there has been limited traction for the Covid-19 OLA product, and based on feedback from our lending partners, FAME is requesting that we increase the bank loan exposure limit for

COVID -19 OLA submission from \$100,000 to \$250,000 to better serve the Maine businesses that need help.

FAME staff is also proposing to increase the current insurance percentage limit from 40% to 50% on existing lender debt being refinanced. These refinance requests would only be received through the traditional application process, so they have the benefit of being manually underwritten.

They will also require the following stipulations be met:

- First on collateral
- Adequate cash flow to service existing debt in 2019 (in excess of 1:1 DSC ratio)
- Adequate collateral coverage
- Appropriate capitalization
- Business was viable and will be viable on an ongoing basis
- Pass credits that were affected by COVID
- Best interest of the borrower, should result in a reduction in debt service
- Reduce commitment fee from 1% to .50% which can be capitalized into the loan.

Recommendation for approval:

- To approve the increase in our COVID designated OLA limits from \$100,000 per lender loan to \$250,000 per lender loan.
- To approve an increase in our refinance of existing debt program from 40% to 50% (COVID affected loans only) using our paper application process only, and also citing the specific criteria outlined.

A motion was made by Mr. Brooks and seconded by Mr. Trafton to approve the increase in the COVID designated limits from \$100,000 per lender loan to \$250,000 per lender loan, and approve the increase of the current percentage limit from 40% to 50%. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-06-18-20-05

COMMISSIONERS' AND TREASURER'S UPDATE

None given.

A motion was made by Mr. Daigler and seconded by Mr. Trafton to adjourn and was approved unanimously.

The meeting adjourned at 12:00 p.m.

Respectfully submitted,

James Violette, Chair