



Economic Development & Financing Corporation

175 E Church St.
Ukiah, CA 95482
(707) 234-5705

General Board Meeting

EDFC

175 E. Church St., Ukiah, CA

Video Conferencing Sites: 329 E Redwood Ave, Fort Bragg, CA; 18300 Old Coast Highway #1, Fort Bragg, CA; 541 Winifred St., Fort Bragg, CA; 2920 Clark Rd. #E3, Butte Valley, CA;

Video conference link: <https://zoom.us/j/5464503098>

By Phone - Dial: 408-638-0968

Meeting ID: 546-450-3098

Thursday, May 10, 2018 2:00 – 4:00pm

MINUTES

For information, or if you need disability modification or accommodation in order to participate in this meeting, please contact EDFC office 48 hours before the meeting at 707-234-5705.

1. **Call to Order** *Action*

2. **Roll Call of Board Members** *Action*
Present: Sattie Clark, John Goldsmith, Teri Ullrich, Jesse Burnett, Madge Strong, Barbara Burkey, Orion Walker, Michael Derry, Georgeanne Croskey, John McCowen, Jeremy Logan, Sarah Bodnar, Bernie Norvell
Staff: Heather Gurewitz and Diann Simmons

Not Present: Mary Anne Petrillo, Patty Bruder, Robert Hartline, Aaron Obenyah, Kevin Doble, Kyala Shea

3. **Changes/Modifications to Agenda** *Action*
None

4. **Introductions**
Kevin Michel, West Co. board member, is representing West Co., as a non-voting substitute for Mary Anne Petrillo and David Pai, alternate, who are both unable to attend.

Shannon Riley is present representing the City of Ukiah.

5. **Public Comments/Correspondence/Public Expression**
The Governing Board welcomes public input. This agenda item is limited to matters that are under the jurisdiction of the Governing Board and are not listed elsewhere on this agenda. Comments are limited to three minutes per person, and 10 minutes per topic. Action on these matters are not allowed.

No public present

6. Consent:

Action

All consent items are acted upon by a single vote with no discussion, unless pulled from Consent and placed on the agenda as a regular item.

- a. Approval of April 12, 2018 Governing Board Meeting Minutes

Motion by Ullrich to approve the April 12, 2018 Board Meeting Minutes; seconded by McCowen; Roll-call: Sattie Clark – yes; John Goldsmith – abstain; Teri Ullrich –yes; Jesse Burnett – yes; Madge Strong – yes; Barbara Burkey –yes; Orion Walker – yes; Michael Derry –yes; Georgeanne Croskey – yes; John McCowen – yes; Jeremy Logan – yes; Sarah Bodnar – yes; Bernie Norvell – abstain; Motion passed

Kevin Michel: Has EDFC adopted Brown Act procedures?

Gurewitz: Yes, it is in our By-Laws.

7. Executive Committee Report

John Goldsmith

Discussion

Last month Heather sent an email to the Board about our need for infrastructure and spoke about it at the meeting. She has been reaching out to outstanding experts in organizations like CAMEO, Cutting Edge Capital and The Aspen Institute. She'll be forwarding a video on portfolio management that the committee is requesting that each of you carve out time to watch before next month's meeting. We will devote time at the next meeting to discuss it and see how we can use it to develop our own management plan. Heather will give more information on this. We have had an increase in defaults and near defaults and are struggling to find new qualified loan clients. We are on course to fund over \$1,000,000 in loans over the next year and we have some drop-dead dates for using those loan funds. Heather has identified a new strategy that will create a shift in how we approach our future financial stability. The Executive Committee wants to emphasize the positive that we believe we have the foundation to get through this transition and move into strong sustainability, while getting important work done for our community. We have asked Heather to stay in frequent touch with Mendocino Wool to help develop a new business plan.

We want to urge all Board members reach out to own network and communities to let people know we are here and network to find new loan clients and put them in touch with staff.

The By-laws revisions from the last meeting are still in the works and not ready today.

I'm happy to announce that Barbara Burkey has decided to join the Executive Committee and I encourage anyone else to please come to a meeting or join also.

8. Executive Director Report

Heather Gurewitz

Discussion

After today's meeting, I will be sending out the webinar link on portfolio management. When you get the email, look to see where to start past an ad. This was sent to me by a very high level CDFI consultant who has already been very helpful. The Aspen Institute developed the system. It is very important information and will help us with our plan for getting our infrastructure in order. I handed out a list of what we already have and what need. I want the board to understand the process and purposes of this list that the webinar will cover. The Executive and Loan Committees

will initially take an afternoon to work on a draft plan and then bring that to the board for discussion and approval at the June meeting. If anyone else not on those committees is interested in being involved in the initial process, they are welcome to join.

I have started checking into CDFI consultants. We decided that we needed to apply for an expansion of our target market, as we have to maintain 60% of our loans in our target market. Diann and I worked on it with free consulting input from Barbara Eckblad, the CDFI consultant and got it submitted.

We received \$1,500 from the Community Foundation's Technical Assistance Fund and will use it for website improvement. I've been talking with PG&E about the previous years' commitment of a \$2,500 grant but am now expecting \$12,500 for this year.

We had planned to submit an application to the USDA Rural Business Development Grant program, but didn't have time and a solid project. In a conversation with Susan Brown, CAMEO consultant, she said that CAMEO was applying for that program and could add extra to their request to fund future consulting time with EDFC. CAMEO is the industry organization for the state, providing networking and technical assistance to member organizations, and so far they have been able to offer us free consulting but that is limited. Her support so far has been very helpful and she has more she can offer EDFC in our infrastructure building process. Susan's advice was to forego any lending until we have our policies and processes in place, but I don't feel we are in a position to do that.

Clark: If we exist solely on our loans, that puts a burden on our borrowers. Our loans have high rates and only desperate or very committed business owners would be willing to pay those rates. Maybe we want to have lower interest rates to serve the greater purpose.

Gurewitz: She feels there has been pressure to lend, to increase our income, so we have made some riskier loans. She has talked with other alternative lending organizations and our interest rates are in the same range as those organizations. She is concerned about being a part of people taking on debt they can't handle. But, she has found out that typically the highest percent of operating income that other similar organizations rely on their loan interest for is 65%. The largest lender in California only gets 50% of their operating costs from their portfolio interest income. Heather is working on figuring out other sources for us. Our new fiscal year is coming up and we need commitments from our government partners. We need someone looking out for us in each of the jurisdictions. Heather is also working with most of the jurisdictions.

McCowen asked that Heather keep him and Croskey in the loop on the county process.

Gurewitz: The federal Economic Development Administration representative was in town to discuss economic recovery for areas around the fires. There is 92 million available. Normally we aren't competitive for EDA funds because the match is 100%. But due to the disasters that affected our communities, the match is only 20%, so we have a good shot.

Clark: What would qualify? Could it be used for home losses in the fires?

Gurewitz: No, it's for business related hard infrastructure types of projects that create jobs. Factory Pipe, with a County partnership, is submitting an application for infrastructure. We'll have to compete throughout the state for the 92 million. The match can't be federal except for CDBG. She'll bring ideas she's working on to the board at a later date. If the county wins the money it will be used for the wider community, not specifically the fire areas.

McCowen: If we can ID projects anywhere that will create jobs, we can go after that. The Factory Pipe project is at the top of the County's list. County was working on it prior to the disaster funds.

9. **Financial Report**

Heather Gurewitz

Discussion

We received the CDFI \$350,000 from our first round and deposited it into our account. We're opening a new account for it. We get to keep \$52,500 for administration and will spread it out over 14 mos. in the budget. This is a grant, not a loan so there's no repayment. The rest is for lending. See the balance sheet and income statement. The way the financials are presented today are with the names of the loans collapsed, as we still need to sort out privacy issues. There was confusion with the CDFI consultant who asked for changes which meant that line items showing loans receivable that weren't accurate. It may have been done to balance out the loan loss reserve. So with Obenyah's agreement, we made the change so that the balance sheet and Portfol, the loan software, match. You see that revision on the balance sheet today. On the P&L you see increased income due to the CDFI money. For April we had a loss due to big expenses for consulting fees, which is under legal and professional.

Strong: Why are salaries \$0?

They were moved to payroll expenses – # 6560.

McCowen: Why are the employee salary costs separated? He suggested showing more clearly what we are actually paying employees.

Gurewitz will get more info from our bookkeeper. When it was changed from salaries to payroll this year, the payroll taxes are included in the payroll amount.

Strong: What types of loans can we do with the CDFI grant funds?

Gurewitz: We will loan as we normally do. But if a loan defaults, we don't have federal debt.

Kevin Michel: He questioned where the CDFI funds were shown.

Gurewitz: Our accountant said to do this at this point. We've had issues in the past showing income as accrual. We'll show it on our balance sheet as restricted funds and will put it in a separate account.

We are almost at the end of the funding year. Please look at the draft operating budget and if you have any thoughts or see anything I missed, let me know. We have a net loss projected over the next year. This is a conservative budget. It does show increasing loans, but we need other sources of funds. I wondered about throwing in another grant, but I'm waiting to see what other things open up before showing another grant.

We have a new system of tracking inquiries. We have some potential loans out there, but it takes time to rebuild the pipeline. It can take clients awhile to get ready, once they start thinking about applying for a loan. This is a fairly conservative projection of what will be coming in. Loan income changes, so she used round numbers and based it on average loan income.

Goldsmith: This is an assumption that the loan portfolio will stay near the same, correct?

Gurewitz: Yes

Strong: Did you separate the DPO out?

Gurewitz: No, she can't do that.

Ullrich: How do you forecast bad loans?

Gurewitz: It shows on the second page, the second line – the cost of bad loans. Right now it's based on what we don't expect to be repaid. If we put aside the principal and USDA interest for these bad loans, it will mean setting aside \$1,000 /mo. for 20 years.

One of the bad loans is an EDFC funds loan from a business that is paying us \$250/mo. They'll continue that and never pay their off their total loan, but that is our money and not debt we have to pay back. Diann set up another account specifically for the EDFC funds that previously was being kept in Operating and not being tracked separately. So we've been spending that principal. We've now transferred the loan payments since July 2017 into the account and will continue to keep it separate.

The budget will change over time but this gives us a sense of understanding. The way we've been putting income in to the P&L, we actually been double billing ourselves, and not taking enough. Our bookkeeper has been moving our own interest income into operating. Shown on income but not showing interest income payable to USDA. But on expense side, it is showing both. That is getting fixed.

Strong: Do we have to adopt the budget in June?

Gurewitz: That is a good requirement to have.

Goldsmith: Then let's assume that the budget will be approved by the Executive Committee first and put on the June agenda for final approval.

Gurewitz: The whole year of USDA payments is included to make sure there is enough set-aside. Heather is really enjoying working with our bookkeeper Liz. She's very adaptive with the changes we are making and Aaron is very helpful!

Strong: The loss we are showing is not a lot.

Gurewitz: But if we don't show a profit, there's nothing to reinvest. She's happy that we've made the progress we have

Bodnar left the meeting due to technical difficulties in participating remotely.

- 10. Acceptance of April Financials** Heather Gurewitz *Discussion/Action*
Motion by Goldsmith to accept the April financials; seconded by Burkey;
Roll-call: Sattie Clark – yes; John Goldsmith – yes; Teri Ullrich –yes; Jesse Burnett –yes; Madge Strong – yes; Barbara Burkey –yes; Orion Walker – yes; Michael Derry –yes; Georgeanne Croskey – yes; John McCowen –yes; Jeremy Logan – yes; Bernie Norvell – abstain; Motion passed
- 11. Loan Committee Report** Heather Gurewitz *Discussion*
- a. New Member Pamela Patterson
Gurewitz announced that Pamela Patterson, previously on the EDFC Board and retired West Co. CEO, has agreed to serve on the Loan Committee, approved by Chair, John Goldsmith. She will be an asset to this committee. We could use more new members on this committee.
 - b. Committee Report
Gurewitz: The Committee hasn't met for a while as we haven't had any loans to review. She is working on developing and implementing a Portfolio Management System. Gurewitz presented her new Loan Portfolio Report, built on information in the video discussed earlier, to more carefully track month-to-month loan status and interest income (see attached). We have 2 loans that need to be written off – all the collateral available has been collected. We currently have 3 loans in the next category of over 90 days delinquent. We also have several

other “troubled loans”. We don’t have written policy for the procedure of “writing off” a loan so she’s talking to banking partners to see if they will share information on that process and in turn they will receive CRA/community reinvestment act points for helping train us.

Strong: It’s important that we know what our collateral for each loan is worth. If we are leaning on people we are more likely to get payments.

Goldsmith: It’s important to make sure the board is aware of it’s exposure and collateral is a piece of that pie.

Gurewitz: That is another piece we are working on. We are also doing a better job of tracking loan inquiries.

Kevin Michel asked several questions about how loan loss reserve is shown in the financials.

12. Old Business Items

Teri Ullrich/Diann Simmons *Discussion/Action*

a. Approval of Revised Procurement Policy

Ullrich: This policy has been brought before the board the last two meetings. We aren’t ready to vote on the By-Laws revisions as we are still refining parts of it. The changes to this Procurement Policy were minor. We added a local preference.

Kevin Michel had a question about #2 which concerns Executive Director spending procedures. He asked if it was saying the ED has exclusive ability to spend up to \$10,000 without approval. He suggested adding “per authorized”

Gurewitz: This policy isn’t about authority – it’s about the procurement process. Authority guidance is in the “Accounting Policy and Procedures” which gives authority to the ED for up to \$1,000. We can add that to this to connect them.

Motion by Burnett to approve the revised Procurement Policy with the additional amendment to 2. “Authority of Executive Director” to clarify the limit of the ED to spend only up to \$1,000 without Chair approval; seconded by Croskey;

Roll-call: Sattie Clark – yes; John Goldsmith – yes; Teri Ullrich –yes; Jesse Burnett –yes;

Madge Strong – yes; Barbara Burkey –yes; Orion Walker – yes; Michael Derry –yes;

Georgianne Croskey – yes; John McCowen –yes; Jeremy Logan – yes; Bernie Norvell – yes;

Motion passed

b. EDFC Loan Programs Presentation Diann Simmons

See attached slide show which was followed.

A description was given of the details of our basic loan requirements and for the individual four loan programs: USDA RMAP/Rural Microentrepreneur Assistance Program and IRP/Intermediary Relending Program, DPO/Direct Public Offering and the new CDFI/Community Development Financial Institutions Grant.

13. Committee Updates

Discussion

a. Marketing Committee

Heather Gurewitz

The Marketing Committee will be meeting May 21st, from 2:00 – 3:30, to work on focus. Sarah Bodnar has offered free consulting time. We’ve mentioned before and handed out flyers for the Access to Capital event on the 17th. It’s important and we need bodies in the room so please network. The marketing piece for this event is that a recording will go on our website. Please look at the final copy of our brochures and let us know if you have any feedback, as we can still incorporate changes.

b. Broadband Diann Simmons

I received an email from Trish Steel, the Chair of the Broadband Alliance who most recently has been working under a contract with the County to lead their broadband activities. She will be leaving the position in the next weeks and is hopeful that the County will decide to hire a replacement for her position. She just completed an extensive outage report for last year's disasters, with Sonoma County. She has also been working with the Broadband Working Group on the Mendocino Broadband Plan, which needs to be completed this year. The four county consortium will be ending at the end of 2018, so the structure of activities will be changing. Overall, there is good awareness of the importance of improved broadband for economic development.

Discussion centered on the excellent job Steel has done and the need for the position to continue in some way, as broadband is a significant piece of improving the county's economy.

14. Next Meeting Date and Time

Discussion

June 14, 2018

15. Member Updates

Discussion

For members who have discussion items – limited to two minutes per topic

Strong: Downtown Willits and Sherwood Rd. is undergoing a huge Caltrans construction project. They are trying to minimize disruption, but its significant. Caltrans is putting in conduits for irrigation and internet fiber.

Measure B: The Board of Supervisors is looking at the old Howard hospital building to house a new mental health facility, but the neighborhood is upset and doesn't want it located there. The City Council just passed an ordinance to nudge vacant commercial property owners to register and get inspections to increase fire safety and discourage vagrants in the buildings. The fees will increase the longer they remain vacant. Owners are required to advertise their buildings for rent. Out-of-area owners, are required to have a local representative to make sure the buildings are being managing. This is a cutting edge approach to dealing with vacant commercial buildings and only covers buildings, not vacant lots. Initially it is not very punitive, but the longer a building stays vacant, the higher the tax.

Croskey: To clarify, the Board of Supervisors is not looking at the old Howard Hospital at this time. We are just looking at the needs assessment recommendations. People are concerned that we are going forward with Howard, but we currently aren't looking at anything. The Howard Foundation on its own looked at the cost to renovate the building for this use, but that was not done at the request of the County or the Supervisors.

McCowen: There are a lot of misconceptions. People think that the Measure B Oversight Committee will make the decisions. Actually they will make recommendations to the Supervisors who will make the actual decisions. If the committee has a strong opinion, that can carry weight with the Supervisors. The Supervisors haven't considered a site yet. The Supervisors originally felt that a needs assessment should have been done before the vote, but it didn't happen that way. Then County staff went ahead with the needs assessment before coming to the

Supervisors, by tagging it onto another contract, but the Supervisors intervened and separated the two contracts/assessments.. We found a good consultant, who had worked for us before, who is doing the assessment. There may be one locked facility, but there will be more than one site, with crisis units in various areas, with much lower cost for those units. Right now we are looking at the gaps, how fill them and what is economically feasible. McCowen has wondered why members of the Willits City Council are against using the Howard site when it would bring many job opportunities.

16. Adjourned at 4:12

Action

