



General Board Meeting

EDFC

175 E. Church St., Ukiah, CA

Video Conferencing Sites: 329 E. Redwood Ave, Fort Bragg, CA; 541 Winifred St., Fort Bragg, CA; 18300 Old Coast Highway #1, Fort Bragg, CA

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

By Phone - Dial: 408-638-0968

Meeting ID: 546-450-3098

Thursday, July 12, 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 2:10 *Action*

2. Roll Call of Board Members *Action*

Present: John Goldsmith, Barbara Burkey, Patty Bruder, Aaron Obenyah, Michael Derry, John McCowen, Kevin Doble, Sattie Clark, Teri Ullrich, Georgeanne Croskey

By video-conference: Kyala Shea, Sarah Bodnar

Staff: Heather Gurewitz, Diann Simmons

Absent: Madge Strong, Bernie Norvell, Jesse Burnett, Mary Anne Petrillo, Robert Hartline, Orion Walker, Jeremy Logan

3. Changes/Modifications to Agenda *Action*

John McCowen requested that the annual report be moved to earlier in the meeting as he has to leave early; It was changed to # 8.

4. Introductions

None

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 is not allowed.

N/A



- 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 June 14, 2018 Governing Board Meeting Minutes

Motion to approve the June 14, 2018 Board Minutes; seconded

Roll-call: John Goldsmith – yes, Georgeanne Croskey – yes, Barbara Burkey – yes, Sattie Clark – yes, Patty Bruder – yes, Kyala Shea – yes, Sarah Bodnar – abstain, Aaron Obenyah – yes, Michael Derry – yes, John McCowen – yes, Teri Ullrich – yes, Kevin Doble - abstain

- 7. New Business Items** Heather Gurewitz *Discussion/Action*

- a. Review and Acceptance of EDFC 2017-2018 FY Annual Report
 Our total portfolio of 26 loans includes - 83%/1.4M in Mendocino Co. and 17%/\$300,000 in Lake Co. There is a break down by cities. We had 2 loan pay-offs in the FY which decreases interest income. Our percent of loans past 90 days has increased, partly due to the shrinking number of loans.

Our current trend needs to turn around. We need to deploy funds. We have 1.4 Million available to get out in the communities, which is our highest priority now. The sooner we get our lending standards in place, the sooner can do good lending. Our total interest income is down from last year and interest expense is up. Gross profits didn't cover our operating expenses. Next year Gurewitz is diversifying our funding sources and will keep increasing our partnerships.

Riley asked if the board would be willing to make the report public. It was agreed that we will put it on the website and distribute it to all the jurisdictions.

Motion by Ullrich to accept the EDFC 2017-2018 FY Annual Report; seconded by McCowen;

Roll-call: John Goldsmith – yes, Georgeanne Croskey – yes, Barbara Burkey – yes, Sattie Clark – yes, Patty Bruder – yes, Kyala Shea – yes, Sarah Bodnar – yes, Aaron Obenyah – yes, Michael Derry – yes, John McCowen – yes, Teri Ullrich – yes, Kevin Doble - yes

- 8. Executive Committee Report** John Goldsmith *Discussion*

The Executive Committee didn't meet in June. Goldsmith would like to reiterate what Gurewitz talked about. We have close to 1.4 Million waiting to be lent. If anybody knows anyone that would be a good candidate for a loan, please have them get in touch with Gurewitz or Simmons.

Riley: It would be good to get this information out to other points of contact such as planning departments, the staff that issue business licenses etc.

Goldsmith: If we give them information will they keep them on hand to give out?



Economic Development & Financing Corporation

Riley: A flyer would work well. It would be good for board members to try to think of other points of contact in each community. She can take flyers around to staff in the City of Ukiah. **Bruder** is willing to do the same with the City of Willits.

9. Executive Director Report

Heather Gurewitz

Discussion

Gurewitz attended the USDA Relending Microenterprise training earlier this week and found it enlightening. There were several surprises. The RMAP (microloan program) is not the same as IRP but we have been treating them the same. We are not allowed to keep the bonus interest as earned income. It must all be reinvested back into the program. The good news is that USDA personnel said that we don't need to worry about paying back the previous interest we have taken, but to stop and fix it now. This throws a wrench into our budget.

Goldsmith – It's my understanding that this was not easily decipherable in the regulations.

Gurewitz – The regulations are not abundantly clear. They say the interest will be reinvestment in the program, but do not specifically say we can't use interest for operating expenses. Gurewitz feels we'll be ok and is coming up with other income. It's more a thorn in our side. She also learned that we can better utilize technical assistance grant funds by using it more in-house to support people working on loan applications. This will help make up part of our loss. The training was very good and worthwhile.

Last month we finished our brochures and got them printed (500 English and 500 Spanish) with a grant from CalRecycle. We would like to have your help in distributing these. We are signing a contract with Bison Media for our website redesign. The review of proposals included a comparative grid with redacted names that was given to the committee. From that, they selected the best proposal. She's happy to share more information if there are any questions or concerns. We are still working on the full marketing plan. She took the EDFC descriptive words from last month's Board meeting activity and put them in a grid, but she has more to do on that.

She's doing a monthly call-in interview to KGYN in Pt. Arena for "Peggy's Place". She's been working on making good contacts with all the banks, which is going well. Gurewitz and Simmons took a road trip to meet with most of our Lake Co. clients.

The contract with the County for Mendocino County broadband coordination is almost ready to sign, which will give us \$40,000. Diann will lead the broadband project. Heather will support the activities and be in charge of writing the County Broadband Plan.

Next Thursday will be our joint Executive and Loan Committees' meeting to work on loan policy and procedures. The outcome will be a draft to bring to the full board for approvals. This will drive our organizations decisions, etc. This is a very significant piece of being able to do good loans. We are bringing all aspects of lending back in-house. An attorney is drafting template loan docs for us as it's very expensive to outsource.

Burkey – How much does the RMAP interest represent?



Gurewitz - Our profit on that was about \$12,000/yr. It's hard to figure month to month due to loans that are past due.

Goldsmith – I want to reiterate that other things are being discovered to off-set it like in-house use of the technical assistance grant funds.

Simmons – We need to be aware that in the future the TA amount will drop significantly.

Gurewitz – From now on, our RMAP loan funds will be at the bottom of the lending pile. We'll use everything else first in the future. The CDFI funds belong to us and will be the best to revolve. We need to use them wisely. We'll talk at another time about what percent of our interest income to put back into our loan funds as we don't know the future of government lending programs.

10. Financial Report Heather Gurewitz *Discussion*

Gurewitz recommends not accepting this financial report as it needs changes now and also with auditor.

We received two older payments from Mendocino Co. that we had been waiting for. We just sent them the final invoice for the 17-18 FY.

Interest income is totally off on this report, as it's not set-up correctly. Gurewitz is working on recalculating how to set it up, based on fluctuating client payments but consistent payments to USDA.

Expenses: There's nothing unusual this month.

Balance sheet: We still have \$100,000 in the DPO which gives a good cushion for yearly payments to investors or we could make other short term loans with it.

Operating: We got the CDFI administrative funds of \$52,500 that we'll spend down over the next year, so that will drop in the future.

Loan loss reserve: This is now set up correctly.

The DPO is set-up with a slightly different CalCAP program that is just for a specific business at a much higher rate. It goes down each year, reaching zero at the end of 4 years. Because they were late with a payment and technically in default, CalCAP allowed us to freeze that amount as we continue to work with the Gilberts on a solution.

Gurewitz will find out what a minus sign in front of a number means.

Obenyah - Reserve has to have negative amounts.

11. Loan Committee Report Teri Ullrich *Discussion*

A loan review was called to consider an application for a restaurant. The applicants had skill sets necessary to run the business on the retail side but the collateral was very weak. They didn't have much skin in the game. There was a pretty unanimous decision to decline. We gave them good feed-back to try a smaller initial project that won't give them too much debt.

Gurewitz - We are anticipating another application coming in from a different client.

Goldsmith – When we decline an application, are we giving them any suggestions?

Gurewitz – Yes we do give that type of feedback.

Portfolio statistics:



Economic Development & Financing Corporation

- We have 35 loans valued at 1.77 M and 1.37M available for new loans.
- There were 3 inquiries in June and 2 applications refused in June.
- Of our current loans – 1.5M are paying regularly
- The percent of loans that are over 90 days is high
- The June gross profit for the month was \$9,200; 58% of the operating expenses for June were covered by the loan program earned interest.

Gurewitz would like help in deciding what is meaning to report to the board.

Goldsmith would like to get lists of loans and jurisdictions they are in.

Doble brought up the on-going discussion about disclosure of information to the public about the loans we make – giving business names and amounts. He is concerned about transparency of use of public funds. Without this it may keep jurisdictions from increasing their support of our work. Several people responded that disclosing business names and amounts seems reasonable.

Obenyah said that as a business owner, he would be uncomfortable with that.

Clark suggested that we plan a board retreat and include a discussion of our values which would help inform this decision.

Gurewitz – In response to a question whether loans applications that are turned down are given helpful information, she replied that the work being done to develop the score sheet is the kind of thing we can share with clients to help them understand the problem we encountered in their application.

12. Committee Updates

Discussion

- a. Marketing Committee Sarah Bodnar

Bodnar missed the last meeting and was glad to get the list of descriptive words from the brainstorming session Jeremy led. She'll continue with the marketing discovery process each month in bite sized pieces.

This time she'd like to discuss values, which are an important part as branding is rooted in values. She'd like everyone to connect into the identity and personality of the org.

Questions to Respond to:

- What motivates you to put your time and energy into EDFC?
- Are there values that underlie those reasons?

Burkey – She thinks Mendocino Co. is struggling with our economy. Cannabis bottomed out and she wants to be part of the up-swing. A big portion of her values under that is altruism – having a level playing field for all who need assistance. Transparency is very important also. People who participate in this board don't have a personal agenda around what we should do with the loan money.

Goldsmith – He could go on long time as he's been on the board for a long time. His motivation is the belief in economic development. When he joined, there was still actually an economic development coordinator for the county. That went away and he saw even more need for EDFC to pursue good work and to echo part of what Barbara stated.



Economic Development & Financing Corporation

Mendocino Co. is a very dynamic place that is ever changing. It's going through big changes now. He's surprised at the lack of new loans for EDFC. But there is a need for help for entrepreneurs and businesses to succeed. Anything he can do to help stimulate growth is rewarding and he enjoys working with individuals with like feelings. He's not sure what his values are under that but his purpose for being her personally is that it's rewarding to see any success in economic development.

Clark – Economic development is a great way to achieve economic justice. She's here because she believes we need to share resources that some businesses have more access to than others.

Bruder – She believes that we really have the power to make our community what we want it to be by supporting those here, to do their dream. It's a great way to support our economy and to do that locally. Her driving motivation is to help and support people to reach their highest potential.

Obenyah – He's been in the US for 14 years and dealt with a lot of small and big business. It's hard for small businesses to do well. He wants to see small guys come up. Anything he can do to make happen, he wants to be a part of it.

Derry – He is motivated along the same lines as Obenyah. The more economic development, the healthier their businesses; and the better the local economy, the better the community. Q. Define better community. Derry - more opportunity, more jobs, healthier families

McCowen - Discretionary revenue for local government is mostly generated by the local economy and fees for services, etc. A thriving economy allows local government to do local services. He wants to stimulate local small businesses as they are the biggest bang for the buck. If we help small players, the money stays in the community. An example of revenue for services is the recreation program. The programs don't pay for themselves but they do important things. The funds to support them have to come from the general fund. We need economic development to improve the quality of those services. They are important components.

Obenyah - Many young people leave for school and don't come back. He'd like to try to change that.

Croskey – She's seen that many local people dream of owning small businesses but they don't have a good plan. She's looking for a way to be a part of developing the economy. She constantly sees people looking for a way to follow that dream. She gets satisfaction in helping those people and also in keeping our economy providing services and keeping young people here.



Economic Development & Financing Corporation

Shea – Recently there was a state-wide tournament held in Fort Bragg with people from all over state staying in our town. We need to be able to support the ability to service that economy.

Bodnar - Q – Does everyone give me permission to use your quotes on the website. All responded yes.

McCowen. - It helps if the quotes are accurate.

Clark asked that Sarah check with board members first.

Ullrich – She thinks her motivation is - what piece can we play in improving the quality of life in our area, what Obenyah spoke about. How can we improve resiliency and our economy’s ability to take ebbs and flows, along with growing into a bigger economy. We have a robust local community. We need to make it a place where our kids come back to, to help build it to a place people want to come to live and work.

Shea – She feels similarly about economic justice and resources to support all members of the community. What excited her when she joined the board was particularly the types of loans like the DPO - investment options to keep investment money in our community.

Bodnar – We need to deploy the money we have. After hearing all of these things, it makes her feel stronger about getting our loan funds out. She’s an entrepreneur and finds it hard to establish a business and she is trying to help support her generation. She has a peer-to-peer perspective in trying to get loans out and grow businesses. She was able to stay here because she started her own business as there aren’t a lot of jobs. When she originally joined the board it was the DPO that drew her - the idea of changing the world of finances. She wants it to succeed. She’s also rooted in what Shea shared. She wants to improve crafts etc. in county and also wants to see our strategy tied to climate change planning.

She would like to get participation from the board members that are not here today.

In conclusion – at the last meeting we talked about the descriptive words. Next time the question will be:

“How would you define success of our Marketing plan? What would success of a new marketing plan for EDFC look like to you”?

13. Next Meeting Date and Time

Discussion

August 9, 2018

Remember the July 19th Loan Policy work session. People are welcome to participate in part of it. It will all come back to the board for approval.

14. Member Updates

Discussion

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

