



## General Board Meeting

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### EDFC

175 E. Church St., Ukiah, CA

Video Conferencing Sites: 329 E. Redwood Ave, Fort Bragg, CA; 541 Winifred St., Fort Bragg, CA; 416 N. Franklin St, Fort Bragg, CA

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

By Phone - Dial: 408-638-0968

Meeting ID: 546-450-3098

**Thursday, August 9, 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 at 2:15** *Action*
  
2. **Roll Call of Board Members** *Action*  
**Present:** John Goldsmith, Jesse Burnett, Madge Strong, Sarah Bodnar, Sattie Clark, Michael Derry, John McCowen, Georgeanne Croskey, Patty Bruder, Robert Hartline  
**By videoconference:** Jeremy Logan  
**Absent:** Bernie Norvell, Kyala Shea, Kevin Doble, Barbara Burkey, Orion Walker, Teri Ullrich, Aaron Obenyah  
  
**Staff:** Heather Gurewitz, Diann Simmons  
**Public:** Shannon Riley, City of Ukiah
  
3. **Changes/Modifications to Agenda** *Action*  
Gurewitz – We will only review the July financials as the FY 17-18 financials are not ready.
  
4. **Introductions**  
NA
  
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*



# Economic Development & Financing Corporation

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 July 12, 2018 Governing Board Meeting Minutes

*Motion by McCowen to approve the July 12, 2018 Board Minutes; seconded by Strong;*

**Roll-call:** John Goldsmith – yes, Jesse Burnett – yes, Madge Strong – yes, Sarah Bodnar – yes, Sattie Clark – yes, Michael Derry - yes, John McCowen – yes, Georgeanne Croskey – yes, Jeremy Logan – yes, Patty Bruder – yes

**Motion passed**

## 7. Executive Committee Report                      John Goldsmith                      Discussion

**USDA 502 Program:** The Committee approved the costs for Gurewitz to attend a training program for the USDA 502 Home Loan Program for low income home-buyers with no down payment and very low interest rate. If we take this on, EDFC would market and package the loans, for a fixed fee that would be worth the effort. It would fill a local gap for home-buyers.

**DPO update:** We gave input on the update that is in the packet today. It will be the first since we learned of the significant problems that the start-up is having in becoming operational. We were concerned about transparency. We talked about positive and negatives to give them a realistic understanding, along with expressing hope that it thrives.

**Gurewitz over-night compensation:** The Committee decided to offer Gurewitz \$40/night compensation for her weekly overnight costs as she can't commute daily to her home in Fort Bragg. She has been paying this out-of-pocket. It felt especially fair to do given that when she was hired, her income was set higher than we could start her at and she continues to work at the lower salary level.

**Potential building:** There is an initial consideration of the potential for EDFC to purchase a building from the City of Ukiah to create an Economic Development Center. Several of us joined Gurewitz and Simmons to tour the building. This project could only be considered if a disaster relief grant was available from the Economic Development Administration. There are many questions at this point and we are not sure we will move forward. The building would require a lot of renovation. We'll keep everyone apprised of any developments but this is very preliminary.

**Shannon Riley:** The location is very good, but the City Council would have to sign off on it before any serious negotiations could take place. It is currently being used for storage.

**Loan Policy workshop:** The Loan and Executive Committees held an afternoon workshop to work with Gurewitz and a consultant on aspects of our loan policy and procedures. There was a lot of good discussion with the goal a definitive and systematic based approach to lending. There is still much to cover, which we'll gradually attack at subsequent meetings.



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## 8. Executive Director Report

Heather Gurewitz

*Discussion*

Good things are in the works. All contracts are in place with the cities and counties. We also have an additional broadband contract for \$40,000 with the county. Trish Steel, former County Broadband Coordinator, was doing some activities that were beyond the CPUC and county contract, but we don't have staff to do all of that. We met with the Community Foundation, which wants to continue the Broadband Alliance of Mendocino County/BAMC. They asked us to coordinate BAMC. We gave them a proposal and they are giving us a grant to do that. We'll contract the BAMC Coordinator position out. This is in addition to the 40,000 county BB contract. We have some leads and the RFP will go out for a full procurement process. We'll send the RFP to the board. Community Foundation people will be on the panel to pick the contractor.

Last year Diann discovered that the County had not paid our 2014-15 contract payment. We went through a long process with county staff and it appears that the invoice was lost. It was taken to the Supervisors on their consent calendar and we are going to be receiving the full \$29,000. We appreciate John McCowen's help in this process.

The County submitted an application to the EDA/Economic Development Administration for a grant of a joint proposal between the County, EDFC and West Co. We don't have a review period completion date. If awarded, it will be an additional \$50,000 per year for the next 2 years. We also responded to an RFP for outreach work in Mendocino Co. for SMEDD. If we receive the award, that will be another \$10,000.

We submitted a grant application to NALCAB/The National Association for Latino Community Asset Builders, for \$40,000 to create an economic inclusion plan working with the Poverty Action Team/Healthy Mendocino. There is currently a plan for a community market project. At this point they are doing it without funding, so this grant would bring funding to the project. \$16,000 would go to the ARC. One of the requirements of the grant would be to attend their conferences, which offers a lot of sessions for CDFI's to work in low income communities.

**McCowen** – In an effort to pull together a new Latino community-based advocacy group, EDFC is a natural partner.

**Gurewitz** - There are two professional Latino groups that she has interacted with, including the Latino Business Forum. The other is Ukiah Vecinos en Accion (UVA), which is the one more community families are engaged with and are working to develop a community market.

PG&E project follow-up; It seem to no longer be working for PG&E to continue the Energy Watch outreach program, with the potential of EDFC to serve as the liaison in Lake and Mendocino to promote green energy programs with the jurisdictions. She's not sure but they may have closed it, but she'll continue to try to get information about what is happening. But, we did get a \$12,500 grant from PG&E for this year.



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She reached out to Sonoma Clean Power concerning a grant but found them hard to get through to. She submitted a request on-line but got a letter back that they are not interested in donating to EDFC.

**Bodnar** – The Farm Fund had a good response from Sonoma Clean Power. SCP has a similar green program.

**Croskey** - Dan Hamburg is very involved with Sonoma Clean Power. She'll get a contact from him.

**Gurewitz** plans to contact the Kauffman Foundation.

We are cleaning up the financials including completing old write-offs from previous years. We are also working on our loan servicing policy and working with an attorney to create our own loan docs, which are expected in September. Simmons got all of the loan files organized which has been very helpful.

## 9. Financial Report

Heather Gurewitz

*Discussion*

**P&L** - You'll see an increase due to the back-payment that came from the county for \$29,000 for missed 14-15 FY payment – one time only.

Interest income is dropping due to no new loans and older loans with interest dropping every month as our portfolio degrades. We'll see it balance out when new loans are made.

We haven't billed yet for the jurisdiction contracts. That income is amortized so it looks like a big loss. The SMEDD contract is in the budget, although it has not been officially confirmed yet.

RMAP TA – USDA is encouraging us to do more in-house for potential loan clients. The amount earned hasn't been reimbursed yet.

The professional services we used in July haven't been invoiced to us yet, so you'll see a large amount for them in Sept. – the auditor and the CDFI consultant.

Insurance is not billed to us monthly.

**Croskey** – It would be helpful to have short notes of explanation where there is an issue to zero in on.

**BALANCE SHEET** – We received a late payment from Mendocino Wool and used it as an opportunity to put it in default status which allowed us to freeze the CalCAP account. It decreases each year over 4 years to a final zero. So, that frozen amount is in our books along with a negative/contra account for it. Their CalCAP account is a special collateral program specific to a one business. We used our larger small business account accumulated funds to pay for two other losses.

#5140 in accounts payable reflects that Liz was out of town at the end of June and in July backdated checks to June. But, the auditor is having her back them out to July, which is a glitch that needs to be fixed.

**Strong** asked where the remaining DPO money is.

**Gurewitz** - It's the \$100,000 CD. Also, the amount owed to the investors is under Liabilities. The interest is separate.



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- 10. Acceptance of July and 17-18 FY Financials** Heather Gurewitz *Discussion/Action*  
*Motion to accept the July financials by Strong; seconded by McCowen;*  
**Roll-call:** John Goldsmith – yes, Jesse Burnett – yes, Madge Strong – yes, Sarah Bodnar – yes,  
Sattie Clark – yes, Michael Derry - yes, John McCowen – yes, Georgeanne Croskey – yes,  
Jeremy Logan – yes, Patty Bruder – yes  
**Motion passed**

- 11. Loan Portfolio Report** Heather Gurewitz *Discussion*  
Our total current portfolio is \$1,745,887 and the total available for lending is \$1,370,000.  
Our deployment ratio is 56%. It's not good to have money we are paying interest on but that  
isn't lent out and returning interest. She'll find out what a good deployment ratio is for our type  
of organization.  
We had 7 new loan inquiries and 1 application, but she had to terminate it during review as the  
partner wouldn't share financial information, and there appeared to be deeper problems.

Hartline joined at 3:00.

**Delinquency report:** The past due amount is \$228,731. The general industry perspective is that  
when loans go over 90 days, most are not collectable. One of those loans is consistently paying  
\$250 monthly. Two more are very shaky, with occasional payments, and one is working on  
catching up. Another is in foreclosure and we are trying to sell the collateral. The best case  
scenario is that we'll get \$10,000 for the equipment.

Hartline thinks we should bite the bullet on the large loan that we are receiving \$250/month and  
write off the balance and put the monthly payments in income as collections. We know we will  
never recover the full amount.

There are various important measures to use as metrics to judge our program, but we are  
starting with only two. We are setting a goal for 18-19 to get our at-risk loans down to 11% from  
47%. Right now we are going the wrong direction, but hopefully we'll see improvement in a  
year. The other goal is long term to bring our write off ratio goal to 5% a year.

**Loan program income.** Our gross loan program profit was \$7,091 but we are removing DPO from  
that and keeping all of it in the account for investor payments. We cannot take out RMAP  
interest, according to the regulations. Our final \$6,028 loan program profit is for operating, but  
our expenses are higher. July's expenses were \$11,675. Most micro lending orgs have a low  
coverage rate of loan interest to operating expenses.

Currently we are not setting aside anything for reserves and we need to address that. This report  
will change over time. This is our starting point. EDFC's focus for a period was to have our loan  
interest cover 100% of operating, but that was not realistic, nor the industry standard. The  
pressure to make loans over extended our credit risk.



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## 12. Old Business Items

Heather Gurewitz

*Discussion/Action*

- a. Review and approve currently completed Loan Policy and Procedures items:
  1. Underwriting Criteria
  2. Portfolio Standards – Performance Report
  3. Credit Memo

**Gurewitz** - We decided to use middle ground standards from other orgs. She's not able to give a detailed explanation before vote, but she hopes to present it in smaller bites at future meetings so everyone really understands all of the new policies and procedures.

**Burnett** – We had a really great turn-out of board members for the work session on July 19<sup>th</sup>. Everyone was fully engaged and we saw how these policies will work and what the criteria was to develop them. I encourage others to go through the emails sent out about all of this and ask questions. The policy and criteria has to do with equity, creating something to meet all needs of the community across the board. It's our responsibility to participate in this process. We need a basic level of understanding by board members. Check out the videos Heather sent links for.

**Goldsmith** – This was a beginning. There will be subsequent meetings scheduled and we appreciate any one attending. Participating in a work session gives one a better understanding and appreciation of the process.

**Strong** – Could you summarize the top three or four items that need to be fixed?

**Gurewitz** – One is the performance standards that the board is looking at every month to watch program. Another is underwriting standards. There hasn't been a formal structure. Other piece is the underwriting grid. It has several categories by size of loan. The idea is that the criteria increases as get loans get larger. But meeting the grid standards doesn't mean for sure an applicant will be given a loan as there are other considerations. A fourth is the credit memo which sets specific criteria that we need to see met.

**Goldsmith** – The biggest take-away is that there a much more definitive detailed process to review applications will now be in place. And it is repeatable - anyone new can follow this.

**Hartline** – The process is circular. It starts here and gives Heather and the Loan Review Advisory group guidance. Before we had general guidelines and much more was up to the ED. What we didn't know became problematic. It was interesting at the work session to go through it with other board members that are not a part of the loan advisory group and all express the same expectations.

**Strong** – This is a huge jump forward!

**Goldsmith** – It's also all amendable, if needed.

*Motion by Derry to approve the three Loan Policy and Procedures items as completed;  
seconded by Croskey;*

**Roll-call:** John Goldsmith – yes, Jesse Burnett – yes, Madge Strong – yes, Sarah Bodnar – yes, Sattie Clark – yes, Michael Derry - yes, John McCowen – yes, Georgeanne Croskey – yes, Jeremy Logan – yes, Patty Bruder – yes, Robert Harline – yes

**Motion passed**



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## **More discussion:**

**Gurewitz** – This will be refined over time. The reason for more relaxed requirements under Credit Builder is to help people start to build credit and grow through the process.

**Goldsmith** – There can be exceptions to this. If someone is not fitting a category but there's a good reason for the Ad Hoc Loan review committee to make an exception, they'll do it consciously.

**Sattie** - Under job creation, she would like to see it better defined using things like level of wages etc., if we are going to use it as a criteria.

**Gurewitz** – These are predictors of re-payment, so those things probably shouldn't qualify a application. If someone can't repay a loan, it's not good for them, for us to loan to them.

The Credit Memo is a working document for Gurewitz to give to the Loan Review Committee. If she's not willing to consider a loan, she needs to clarify to them why not. We include public benefit on it because funders want us to create jobs.

**Hartline** – When there are exceptions, we need reports of what they are and to be able to take it to the board for monitoring.

**Burnett** – Our old system was computerized. Now we are creating our own criteria. The predictors of repayment are specific to our area. We'll probably discover new predictors of repayment. We are creating a living thing that will evolve.

**Gurewitz** - These are the bare essentials to start with.

**Hartline** - These are benchmark standards in any lending institution. The risk profile changes depending on what the entity wants to be.

b. Update on DPO - Mendocino Wool and Fiber

An email update was sent out to all the investors and board members. It was clarified that EDFC has a legal commitment to repay the full amount to all investors, no matter whether the Gilberts succeed or not. Later, we will approach the investors with a request to turn their investment into a donation. But, we will need a new loan agreement to do that, that will be drawn up by an attorney. Gurewitz also plans to contact a foundation that made a substantial investment to see if they are willing to convert it to a donation.

c. Discuss loan review ad hoc committee process to meet Brown Act – next steps

Staff will send out an email to the full board to see who is interested in being in a pool of members who would be willing, either frequently or occasionally, to be a part of the ad hoc loan advisory committee.

## **13. Committee Updates**

*Discussion*

- a. BB update on comments                      Diann Simmons





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The four county broadband consortium – NBNBCB - worked for several weeks on and submitted comments to the CPUC for Rules for the new CASF/California Advanced Services Funds for Infrastructure. Dan Hamburg reviewed and approved the comments for Mendocino County. The comments were in response to 6 specific questions put forth by new CPUC Commissioner Martha Guzman, who is proving to be willing to stand up to the big telecoms and consider local needs. If these comments get incorporated into the procedures for staff in reviewing grant applications, it may be more likely that the funds could be utilized by Mendocino. We'll see what the outcome is.

- b. Marketing Committee Sarah Bodnar  
Marketing Plan Update and Brainstorming Session  
Our marketing plan is making incremental progress. We discussed at the last board meeting that we are opening up the process for more board input. There's a lot of steps to get through. We are designing an interactive survey that Jeremy started. Our goal is to finish it at our next marketing meeting and send it out to the board. As we set goals and decide what tactics we will use, from the beginning we want it to be collectively developed. We want to incorporate things to be able to know if our marketing is successful. We are also looking at qualitative and quantitative approaches. For example, a past discussion brought up that many of the committee members had a shared discomfort of describing EDFC as a "lender of last resort" We came up with other ideas like "creative gap financier", "alternative lender" etc. This is a qualitative shift. A quantitative element would be setting a goal of a certain number of loans per month. It is hard for everyone to take time to work on this. But, the outcome will be very valuable. We hope to have the survey completed and summarized by next board meeting. The Committee will meet on the 23<sup>rd</sup> and we'll get the survey out before the next meeting. At the next board meeting, please put this marketing activity time earlier in the agenda and allow more time.

14. **Next Meeting Date and Time** *Discussion*  
September 13, 2018

15. **Member Updates** *Discussion*  
*For members who have discussion items – limited to two minutes per topic*

**Strong** - Work on Main Street is ahead of schedule and going well. Some businesses haven't survived but most have. They took out a lot of trees. We have a new commercial ordinance that vacant spaces must report to the Planning Dept. The good news is that sales tax revenues didn't go down as much as expected. There is a lot of enthusiasm to re-paint storefronts and bring in artists. The Wild Willits Fest is scheduled for Oct.

**Bruder** – Things are very difficult in Lake Co. So far there isn't any FEMA support due to less houses burning, as there is a threshold, but that may change. There's so much trauma and





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resources scarce and no places for people to go. Those in shelters have no other resources. We've opened a fund again for collecting donations.

**Riley** – Tomorrow is the last day to file to run for the Ukiah City Council and we have 3 open seats. So far Kevin Doble hasn't turned in papers. Mulhern and Brown's seats are open but they have turned in papers.

**16. Adjourn AT 4:05**

*Action*