



## General Board Meeting

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### EDFC

175 E. Church St., Ukiah, CA

Video Conferencing Sites: 541 Winifred St., Fort Bragg, CA; 329 E. Redwood Ave, 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, September 13, 2018 2:00 – 4:00pm**

## MINUTES

1. **Call to Order** *Action*
  
2. **Roll Call of Board Members** *Action*  
**Present:** John Goldsmith, Michael Derry, Sarah Bodnar, Robert Hartline, Madge Strong, Jesse Burnett, Teri Ullrich, John McCowen, Georgeanne Croskey, Kyala Shea  
**Not Present:** Patty Bruder, Sattie Clark, Bernie Norvell, Aaron Obenyah, Barbara Burkey, Orion Walker, Jeremy Logan, Kevin Doble,  
**Staff:** Heather Gurewitz and Diann Simmons  
**City Staff:** Scott Perkins representing the City of Fort Bragg
  
3. **Changes/Modifications to Agenda** *Action*  
As we initially do not have a quorum, we will move the non-voting items forward until we have a quorum. Bodnar also requested that the Marketing SWOT be moved closer to the beginning of the meeting.
  
4. **Introductions**  
Scott Perkins, a former Fort Bragg City Planner who is now the Special Projects Manager including Economic Development. He's trying to get more time to spend on Economic Development. Bernie Norvell asked the City Manager to assign Scott to our board, as it is more aligned to Scott's duties. The City Council will formally appoint him and then he will be an official member.
  
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.*  
No Public Comments



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## 6. Executive Committee Report

John Goldsmith

*Discussion*

**Broadband Alliance:** The Committee discussed and approved the hire of Jeff Tyrrell to fill the part-time contractual position, supported financially by the Community Foundation, for admin support for the Broadband Alliance. Goldsmith has worked closely with him for a number of years and expects he will do a great job.

**Loan Servicing Policy:** The committee reviewed and made comments on the new Loan Servicing Policy. We recommend that the Board approve it at this meeting.

**Housing 502 Update:** Gurewitz reported back to us on her training with USDA for a home loan program for low-income people, that offers very low interest rates and no down payment. EDFC's role would have been to recruit and package home loans for a set fee. But unfortunately, after the training, which Gurewitz did at the strong urging of USDA, she found that due to the high cost of residential housing in Mendocino Co., the program will not work here.

**EDA/IRP RLF Grant Application:** For several weeks the committee has been in discussion with Gurewitz, sorting out the details of her plan to be able to apply for this fire disaster grant opportunity through the Economic Development Administration. With the help of the regional EDA representative, Gurewitz was able to put together a complex match for the grant that allows us to use part of our new IRP loan, while meeting the federal regs for both EDA and IRP. Initially we had some concern, but most of the committee feels comfortable about how it will work and are glad to find an opportunity to create a \$1M RLF that will be ours to keep, as the majority of it will be a grant.

## 7. Executive Director Report

Heather Gurewitz

*Discussion*

**Sonoma Mendocino Economic Development District - SMEDD:** Gurewitz participated in her first SMEDD board meeting – and sees many areas to collaborate. Sonoma is applying for an EDA RLF also and will need someone to manage their loan fund. We may be able to service that and help improve our capacity.

**PG&E –** We received a \$12,500 grant, an increase of \$10,000, to do an economic summit visioning event for community partners. The target date is end of January, in Willits.

**North Bay Alliance Advisory Board/Workforce Development Board –** Gurewitz missed the first meeting and was given seat on the Regional Policy Committee.

**New Office:** Our current office space is not working well due to the size and set-up and lack of security for our files. The idea of purchasing a building was discouraged by EDA. We were hoping to move to a new building across Main St. with West, but they are not interested in moving now. EDFC's lease is up at the end of Nov. and staff has looked at various locations including the new MPIC building, which isn't a fit for us and also the Ukiah Conference Center. That site would co-locate us with the Chamber, LAFCO, Main St. Program and State congressional representatives. Our goal would be to eventually have 2 offices. The extras including lots of meeting room space, would be a positive change. Other tenants talked about the great exposure there, which would be a good benefit. We are looking at it seriously.

**NALCAB Grant:** We didn't get an award but still working with partners at the ARC, the Poverty Action Team and West Co. around the Latino Community Market project. The grant would have



allowed us to offer more leadership time. Burnett went to the most recent meeting for Gurewitz and presented.

**Mendocino Latinx Alliance:** Gurewitz was asked to be on the Steering Committee and a request was made for EDFC to serve as the group’s fiscal sponsor. As it was a very last minute request, Gurewitz took it to the Executive Committee for approval. The group is made up of professional Latinos getting together monthly to improve their involvement with the community.

**8. 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.

**Approval of August 9, 2018 Governing Board Meeting Minutes**

*Motion by John McCowen to approve the August 9, 2019 Board Meeting Minutes; Seconded by Robert Hartline;*

*Roll-call: John Goldsmith, Michael Derry, Sarah Bodnar, Robert Hartline, Madge Strong, Jesse Burnett, Teri Ullrich, John McCowen, Georgeanne Croskey, Kyala Shea*

**Motion passed**

**9. Marketing Plan Development Session (Old Business b.)**

Sarah Bodnar

*Discussion*

**SWOT Process – Strengths, Weaknesses, Opportunities, Threats**

Strengths and weaknesses are focused internally. Opportunities and threats are more about outside our organization. Threats aren’t necessarily gloomy, they can be things competing with us. In the bigger picture, it could be things like a decline in state and federal funding for economic development.

**Internal Strengths: infrastructure, internal skills and resources**

Board, leadership, a lot of money to deploy, diversity, experience and perspectives of the board; work we are doing is making us more transparent and better able to explain our processes and policies along with helping to communicate what we have to offer;

**What we offer:** More flexibility than a bank; niche lender; unique organization; if we have a good marketing program our efforts to deploy will be less onerous.

**Threats/Our competition:** On-line lenders - they aren’t subject to banking laws so don’t have to disclose full terms (pending legislation to change); we can fund start-ups in a responsible manner; Arcata Economic Development Corp. lends in Mendocino Co.; local jurisdiction’s CDBG loans (lower interest rates but long process to apply)

**Strengths**

**Physical infrastructure:** Co-location with West Co.; our office is located in the highest density/county seat making it more accessible to more potential clients.

**Social and political capital of the people involved in the org:** Having elected officials and other representatives from our local jurisdictions on the board; we are truly a collaborative of our jurisdictions and communities; mix of other fields represented in the board members; Native American representative; a lot of people bring a tremendous amount connectivity, optimism



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about changing our community and commitment to a higher vision; they keep showing up to work for the betterment of our community.

## **Weaknesses**

Infrastructure; skills resources; social political capital; marketing needs a lot of work; Board doesn't know who our competition is; lack of Latino and agriculture representation on the board; better technology integration needed; back-door login on website needed for Board members; better on-line presence/more visibility needed; lack of continuity/understanding of EDFC previous projects with jurisdictions due to turn-over in staff, Board of Sups and City Councils; internal perspective – board members consistently named the DPO as best project, as it is failing, but our long term loan portfolio has had much more impact – we aren't doing a good job of telling the long-term story; we need to develop a booklet for our new board members to give historical context of what EDFC has accomplished over the years. We need to show successes and case studies; lack of marketing budget/ the DPO was the only loan program with a real marketing budget and that may be one reason it is perceived as so successful; need more pictures of businesses we've worked with; no current projects for board members to participate in, which was a tremendous strength in the past; lack of staff capacity to increase our activities in various ways including more outreach to groups and industries, which would also help spread the word about what we offer.

**Gurewitz** responded that she has been working very hard on attending a wide variety of meetings – chambers of commerce, Rotary, MPIC, etc. and also meeting with all the bankers. It's beginning to pay off with some banks referring potential borrowers.

**Bodnar** – We are already seeing a change from a year ago when the Marketing Committee discussed the total lack of contact with local organizations and banks.

**Gurewitz** was asked to give the board a list of all the groups, industries, banks etc. she is working with or meeting with. Gurewitz has connected with Devon Jones, Executive Director of the Farm Bureau. She'll reconnect after harvest season. It may be good to get someone from the Farm Bureau on our board, maybe from the wine industry. We may want to consider the fishing industry also. All of the areas are prime for loans.

## **Opportunities and threats**

Presentations to groups; press releases; we have a lot to lend out; sharing information with the Farm Bureau; getting out the historical context of EDFC.

Some of these are internal

**Opportunities are external** – growing trends; cannabis industry as a part of agriculture; funding sources we haven't already accessed: Economic Development Administration (EDA) disaster funds; Community Foundation; Federal Home Loan Bank's AHEAD grant; Rural Business Enterprise grant; CDFI TA grant program.

**Threats:** Similar lending programs; on-line loans.



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**Weakness:** Only 2 staff members - vulnerability if one is not available – would impact continuity; Are other lenders a threat because not enough business to go around? SBA is a threat; historically there has been a significant amount of private cash available from the black market cannabis industry, which has impacted people needing loans but in future, that may be drying up; CDBG offered by jurisdictions has very low interest but very onerous application process; RMAP TA’s future is not guaranteed; online loans are the antitheses of what we offer; at this point not all of us are very clear on what our needs are and able to communicate that. Clarifying could help our sales and outreach.

- 10. **Financial Report** Heather Gurewitz *Discussion*  
 We are currently above water and have enough cash to get through for most of the year. The Budget to Actuals is sort of a hybrid. We are doing better this month than the budget because of the county payment. If you take it out, we are a bit low. Earlier Gurewitz didn’t totally understand the interest income but she is re-working it.  
**Strong** – With the DPO – not being able to pay it back as anticipated, how much stress is that on our budget?  
**Gurewitz** – We were able to freeze the CalCAP Collateral Program account of \$130,000. We also have \$100,000 in a CD that wasn’t lent out. Gurewitz is working on a pay-back plan and will talk more about it in next months.  
**Goldsmith**- This organization is committed to meeting it’s obligations; there is some stress associated with that but we feel we can find a way to meet that.  
**Hartline** – Why are there 3 different year-to-date incomes?  
**Gurewitz** – They are intentionally different. One is amortized payments from jurisdictions; one is accrual and one leaves out the SMEDD contract because it wasn’t committed in writing.  
**Goldsmith** recommends footnotes be added to the reports to explain idiosyncracies.

- 11. **Acceptance of August Financials** Heather Gurewitz *Discussion/Action*  
*Motion by Strong to accept the August Financials; Seconded by Ullrich*  
**Roll-call:** John Goldsmith, Michael Derry, Sarah Bodnar, Robert Hartline, Madge Strong, Jesse Burnett, Teri Ullrich, John McCowen, Georgeanne Croskey, Kyala Shea  
**Motion passed**

- 12. **New Business** Heather Gurewitz *Discussion/Action*
  - a. **Discuss and approve completion and submittal of EDA grant application for RLF**  
 This is a great opportunity to apply for a permanent loan fund. It’s unlike other funds that have an end to them. We’ll apply for an \$800,000 grant. The downside is that we will have to report forever! The match will be made using part of the new IRP loan fund - \$170,000. In order to use that we must match the IRP at 15%, so we will use \$30,000 of our own funds that we will take from the back payment from the county (missed 2014 payment of \$29,000) and some of our own EDFC RLF. All of the \$200,000 match will be required to stay permanently in the new EDA RLF which will total \$1M. We’ve been sitting on the IRP fund for a year due to lack of a match. This will allow us to significantly leverage the IRP funds. A downside to this is that the IRP re-



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payments of \$7,216 annually for 28 years to USDA, cannot come from the EDA RLF. We'll be paying it out of our own income from the jurisdictions or a non-federal grant. But it will work because we can use income from the EDA RLR to pay for operating costs, staffing etc. involved with managing the EDA RLF. We are taking advantage of a special low match opportunity for the EDA RLF, that is available due to the federal disasters in Mendocino County in 2017. Normally the match is 50%.

**Gurewitz** showed her modeling of the costs and income and conservatively we will come out about the same as we would using just the USDA loan funds. But, the difference is that this loan fund will be permanent.

**Bodnar** asked if any of these funds could be used for marketing.

**Gurewitz** - No, it is only available for loans.

This fund could generate from \$10,000 to \$20,000 per year in interest. Once we are finished with our policies and procedures, loan docs and marketing plan, staff will have more time to focus on marketing and networking to get out the loan funds.

**McCowen** – There is still the question of “is there a market” and “what if we end up with more bad loans”?

**Bodnar** – This is a good question, but it seems separate from this question of applying for the grant.

**Gurewitz** - We would absorb additional costs by going for grants. We can also look at specific grants for marketing funds. But we need to make a commitment to the marketing to get these funds out.

**Burnett** – Under IRP we are not building an asset for EDFC but under EDA we are! If we end up with more money than we can loan, we can give back the USDA money and keep lending the EDA funds.

**Gurewitz** – It's not without risk, but it's an acceptable level of risk.

**Croskey** has confidence that Gurewitz has the capacity to make this work.

*Motion by Croskey to approve submittal of the EDA RLF grant application; Seconded by Derry  
Roll-call: John Goldsmith, Michael Derry, Sarah Bodnar, Robert Hartline, Madge Strong, Jesse Burnett, Teri Ullrich, John McCowen, Georgeanne Croskey, Kyala Shea*

**Motion passed**

### 13. Old Business (Continued)

- a. **Discuss/approve Loan Servicing Policy** Heather Gurewitz *Discussion/Action*  
No questions

*Motion by McCowen to approve the Loan Servicing Policy; Seconded by Ullrich;*

*Roll-call: John Goldsmith, Michael Derry, Sarah Bodnar, Robert Hartline, Madge Strong, Jesse Burnett, Teri Ullrich, John McCowen, Georgeanne Croskey, Kyala Shea*

**Motion passed**





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- b. **Discuss and approve revised Bylaws** Teri Ullrich *Discussion/Action*  
**Ullrich** - I hope everyone had a chance to review the changes that were made per McCowen's request to improve the duties of Secretary and Treasurer from the previous revision. I found a few more minor changes that needed up-dating.  
**Hartline** – When we have major changes, maybe we need more meetings to go over it.  
**Goldsmith** – If you need more time to review them, we can wait to vote.  
**Hartline** – Yes, I would like more time to review the changes.  
**Ullrich** - We will wait to vote on this at the next meeting.

14. **Loan Portfolio Report** Heather Gurewitz *Discussion*  
Gurewitz briefly went over the information in the one page Loan Portfolio Report. Our current portfolio is \$1,717,170 with \$1,370,000 available for lending. Our current YTD interest income is \$18,349 and total Interest expense \$5,396. Interest income FYTD is covering 29% of operating expenses. Our current portfolio at risk ratio (60 days past due + TDR) is 11% and a write-off ratio for 17-18 of 5%.

15. **Ad Hoc Loan Committee Update** Jesse Burnett *Discussion*  
**Term Sheet:** The committee reviewed the Term Sheet document, a disclosure summary of the loan documents without all of the legal language, that will be a part of the loan docs  
**EDA/IRP RLF grant application:** The Loan Committee also reviewed the EDA grant scenario and everyone on the committee supported Gurewitz moving forward on the application, as it will create a sustainable loan fund for EDFC, which we have tried to come up with for a long time.  
**New loan approval!** We approved the first loan for Gurewitz and of the year - \$11,000 for a start-up for a nutritional supplement company at 10% interest.  
  
**Hartline** – Now that have an ad hoc loan committee, he suggests that at each meeting the group votes on a person to lead that meeting and do a report to the board.

**Simmons** asked if any more members of the board would be willing to be added to the pool of potential ad hoc loan committee participants. Volunteers: Ullrich, Goldsmith and Derry.

16. **Next Meeting Date and Time** *Discussion*  
October 11, 2018

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

Strong shared that the Willits “Paint the Town” project is successfully underway.

18. **Adjourn 3:52** *Action*