



General Board Meeting

EDFC

175 E. Church St., Ukiah, CA

Video Conferencing Sites: 329 E Redwood Ave, Fort Bragg, CA; 760 B Stewart St., Fort Bragg, CA; 18300 Old Coast Highway #1, Fort Bragg, CA; 98001 Mina Rd., Covelo, CA

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

By Phone - Dial: 408-638-0968 or 669-900-6833

Meeting ID: 546-450-3098

Thursday, April 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 the EDFC office 48 hours before the meeting at 707-234-5705.

1. Call to Order

2. Roll Call of Board Members

Action

Present: Sattie Clark, Barbara Burkey, Jesse Burnett, Teri Ullrich, Madge Strong, John McCowen, Patty Bruder, Kevin Doble, Georgeanne Croskey, Robert Hartline

Remote: Jeremy Logan, Sarah Bodnar, Kyala Shea, Mary Anne Petrillo (joined late)

Staff: Heather Gurewitz and Diann Simmons

Not Present: Orion Walker, John Goldsmith, Aaron Obenyah, Michael Derry, Bernie Norvell

Strong made an announcement that Saprina Rodriguez is stepping down as the Willits Council representative on our Board and Madge is stepping back into the regular representative position.

McCowen asked that we acknowledge John Goldsmith, who is out due to a procedure to his shoulder, and send him good thoughts. He would like the Executive Director to send him a card with good wishes for his recovery and thanking him for all the effort and good work he’s been doing for EDFC.

There was agreement and Gurewitz will send a card right away.

3. Changes/Modifications to Agenda

Action

Gurewitz made various changes of the order of items on the agenda to bring all action items to the earlier part of the meeting to make sure they are covered before people need to leave and quorum might be lost. She also will give her Executive Director Report before the Loan Committee Report.

4. Introductions

None



5. Public Comments/Correspondence/Public Expression

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 February 8, 2018 Governing Board Meeting Minutes

Motion by McCowen to approve the February 8, 2018 Governing Board Minutes; seconded by Doble; Roll-call: Sattie Clark – yes, Barbara Burkey – yes, Jesse Burnett – yes, Teri Ullrich – yes, Madge Strong – yes, John McCowen – yes, Patty Bruder – yes, Kevin Doble – yes, Georgeanne Croskey – yes, Robert Hartline – yes, Jeremy Logan – yes, Sarah Bodnar – yes, Kyala Shea – yes; All in favor, motion passed.

7. Executive Committee Report

Jesse Burnett

Discussion

The Committee worked on our contract with the City of Ukiah and requested a change in wording in reference to our assistance in identifying grants. It’s important on all of our contracts to not over promise, but to include what we are able to do that has value to both sides. We do act as a loan fund for the cities, which we think is a fair exchange. The City is giving us \$12,000 and we thank Kevin Doble for the City support.

Doble: The Council is supportive of what EDFC doing.

The Committee also reviewed a revised MOU with West Co. that more clearly defines roles and responsibilities within our current relationship. Heather, having served with both organizations, was perfect to make those changes.

We’ve been working on dealing with some troubled loans that could involve legal actions etc. Because of legal issues we are dealing with, we are looking for a new attorney. If anyone has a recommendation, please let us know.

Bodnar: What kind of expertise do they need?

Gurewitz: We need someone with experience with nonprofits, real estate and collections.

Bodnar: Have we considered reaching out to Cutting Edge (the firm that handled the legal issues for the DPO)?

Gurewitz hasn’t talked to them about general legal work, but they are very pricey and she’s not sure they are expert in this end of a loan deal. She’ll check to see if they have a referral.

Ullrich: Check Arcata Economic Development Corp. We may need to go out of area due to conflict of interest with many local attorneys.

Clark resigned from the Executive Committee due to responsibilities for her business from the fire. She had great input and we miss her. We are recruiting a new Executive Committee member. If anyone is interested, please contact staff. It will be easy for anyone from the coast to tune in remotely.

The committee appreciates the extra work Simmons did during the period when we had no ED.



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We also appreciate Gurewitz for all the work she is doing and dealing with so many things.

8. Executive Director Report

Heather Gurewitz

Discussion

Gurewitz sent out an email to the Board about our need for more organizational infrastructure and hopes everyone had time to read it. She doesn't want the Board to feel discouraged about the issues we are currently working on and others we still need to deal with. She feels very optimistic about EDFC.

She got the CDFI application submitted. It was the most challenging she's ever done. She and Simmons worked on it together as a good team.

An "Access to Capital" event is scheduled for May 17th, 2:30 – 5:00, that we haven't done for several years. It will be at the Grace Hudson Museum with two discussion panels - one on what it's like to get financing and the other on how to be successful in a business. The Fort Bragg site will have a remote interactive live stream that West Co. will facilitate. We are also partnering with the Ukiah and Fort Bragg Chambers that both have mixers that night, following our event. The Ukiah Chamber mixer will also be at the Grace Hudson and we are working with the Fort Bragg Chamber to also use the same facility. A major goal with this event is to get it recorded with good quality sound so we can put it on our website for people to access anytime. Gurewitz wants it to be available for business owners in perpetuity and to also lead people back to EDFC. There is a nominal fee to attend the event due to past experience that if you don't charge, people don't come. It will be free to chamber members and our board members. Please take the flyers and put them up and share them on facebook, etc.

Gurewitz got a phone call from Ben Stone and Steve Sharpe at Sonoma Economic Development Board/Sonoma Mendocino Economic Development District (SMEDD). They want more collaboration with Mendocino Co. in the future and would like us to increase our level of participation in the combined district. EDFC no longer has a representative on the SMEDD board, but Gurewitz is not sure she's the best to serve on it and is wondering if any board member would be interested. McCowen asked if Gurewitz would be willing to be our representative on the SMEDD board and she said she would be willing to.

Currently she is engaging in the Poverty Action Team, working on building collaborations. She is interested in using a small part of the \$350,000 CDFI grant that is coming, to support very small microbusinesses in the Latino community through the ARC Family Resource Center in Ukiah

Mary Anne Petrillo just joined the meeting.

We paid our first DPO interest payments to the investors who invested in 2015. They all got a letter and a check. The people who invested in 2016 will get their first payments in February 2019.



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Simmons will be our liaison to the Broadband Alliance and the County Broadband Working Group.

Gurewitz met with AT&T and PG&E recently. They are both giving us the \$2,500 grants we have received for several years, with no strings attached. The larger PG&E contract, to facilitate their Energy Watch program locally, has been delayed until June, if it still happens, but Gurewitz is still engaging with them. Bodnar asked if she had reached out to Sonoma Clean Power for a grant. Gurewitz will do that.

We did not get a Community Foundation grant, but they do have a technical assistance grant program that we could use for marketing, although it's not enough for full rebranding. Gurewitz will apply for it with input from the Marketing Committee. Community Foundation also has money in their "Save the Day Fund" that Megan Allende said they could give us to provide funding for one of our activities. Gurewitz is thinking it would be good to use it for underwriting documents. She's looking for direction on that.

The County has not signed the contract for our additional work. Gurewitz is still meeting with them and the project is still up in the air. There are issues to work out and Gurewitz is confident they'll be able to do that.

Feedback, thoughts, feelings etc. are very important to hear from Board members. If anyone is uncomfortable with what Gurewitz is doing, please bring it up at a meeting or call her individually.

The Marketing Committee is giving great feedback. Ullrich and the By-Laws Committee is doing great work. The Executive Committee is invaluable. She needs that input and appreciates it all. McCowen: Even though some of these issues aren't significant, it is very encouraging to see how much Gurewitz is digging in and finding and starting to deal with these issues.

9. Loan Committee Report

Heather Gurewitz

Discussion

Simmons brought up that due to privacy issues, previous county counsel to EDFC stated that all borrower loan and payment information that is printed out and distributed to board and committee members during meetings, needs to be left in our office when meetings end. Doble asked about privacy when the money borrowers are receiving is public money. The answer is that the information we are referring to is still confidential. Doble pointed out that because we are discussing and naming specific borrowers during meetings, without a closed session, it can become public information. Ullrich said that we need to research what can be taken into a closed session under the Brown Act. It was mentioned that it may only be closed for employee discussions/action or litigation. McCowen and Croskey suggested listing the loans by number but in meetings there can be a verbal naming of the borrower, especially if the information is



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confidential. We need to make a good faith effort to protect the information and strike a balance.

First the good things:

██████ has been making regular payments and their food quality has become consistently good. ██████ paid off their second loan. Simmons has been collecting on the loan where borrower died. In the end we will only have a total loss of \$2,000. ██████ is shaky and ██████ will be here later to talk about where they are at. Gurewitz is trying to work with them in some way to help get them up and running. They have \$350,000 of our money which for EDFC is a huge chunk of money. They are the flagship of the DPO idea, so it's very important that this succeeds.

Doble has communicated with ██████ about issues with final sign-off on the construction from the City of Ukiah. At one point they were signed off but another inspector required them to change all their light switches. Gurewitz asked if the Building Dept. can make a change after signing off. Doble said that the inspectors are all state licensed, so the City can't intervene in their decisions and the issue was valid as it was needed to meet accessibility requirements. McCowen asked what our collateral is on the business. Gurewitz - broken equipment and property.

Doble mentioned that ██████ expressed that he is trying to do it all himself, but sometimes expert help is needed. Gurewitz said that ██████ has been very receptive to ideas and brainstormed with her about how to address the issues they are facing that are keeping them from starting operation of the mill.

██████ has been underwater about a year. Simmons found unrecorded deeds of trust for our liens soon after she started. She got them recorded and then found that a property had been sold out from under us between our loan closing and the recording date. We recently went to an attorney who found another UCC filing, done 4 days before ours, by ██████. Gurewitz called them and found out they have already settled with ██████ owner. Because UCC filings are broad and not specific to items purchased with a loan, we don't have special claim to the equipment our loan paid for. The other property we hold a deed on is being foreclosed as far as we know, but we are in 3rd position and 1st position is putting it up to auction, which probably means it will not be sold at market rate with enough left to cover all the lien holders. These are issues of lack of due diligence by staff. ██████ currently owes us \$136,000. If we fore closed it would cost us high legal fees to get a judgement and then collection could cost \$10,000 to \$30,000. Concern is that the hardwoods company may get the inventory and equipment. Currently we have \$10,000 built up in our CalCAP account and potentially we could take it and use it to pay an attorney. At this point, Gurewitz is going to see the owner every time he needs to give us a check. We need to make sure we have a plan for this default.

Ullrich: What would the court judgement be on? Gurewitz: His Personal Guarantee, but if he declares bankruptcy we're out.



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██████████: We just increased their loan to \$50,000. Adding an additional amount costs us time, effort and money. In the future, we'll ask people to request the full amount they may need and then only draw what and when they need it.

We just reviewed one application but uncovered that the applicant lied about criminal history. Gurewitz first spent about 16 hrs. reviewing and then found the issue late in the process. We plan to do back-ground checks in the future, before doing extensive reviews. Another applicant decided to self-finance. ██████████, a loan that was actually approved last summer by the Loan Committee, is still in process, due to issues with their location.

We do need to write off ██████████. We are still getting small checks from ██████████.

The Loan Policy got put on hold during the CDFI application process. Gurewitz is looking at it again and working to complete it.

There was a discussion of adding character references and background checks to the application process. There was a concern voiced about fairness. Hartline said that in banking they look at the 3 C's – capital, capacity and character. We will be discussing this more in the future about how to balance our risk with fairness. Relying on collateral collection as our back-up plan is a very iffy.

10. Financial Report

Heather Gurewitz

Discussion

Looking at our quarterly net income, these numbers are on the accrual basis. But Gurewitz is looking at it as a cash basis, as it can seem that we have a lot of cash, but a lot of it is working assets that are receivables that we cannot use for operating costs. If you look at our operating checking, at the end of March it showed \$68,540. In theory, we should have at least 3 months of operating costs in reserves. Our costs range between \$13,000 to \$30,000 per month. We are doing ok but she would like 6 months in reserve.

She ran the 4th quarter projections on a cash basis. It's confusing doing it as accrual when we actually haven't gotten payments that we've invoiced for, which we are experiencing with the county. We are adding a statement to our invoices to the county, to clarify to them what we have and haven't been paid. We are hoping that we'll soon get paid from the County, CDFI and the City of Ukiah. Also included in the projection is the grants from PG&E and AT&T and potentially the Community Foundation. We just paid some big bills, such as \$12,000 to the CDFI consultant. Right now we are looking at a total cash profit of \$75,000 at the end of the fiscal year. Hopefully it will all come in. But the CDFI grant is a one time shot. We'll be taking 15% of it for admin costs, as allowed.

We got our 990 federal tax return and audit back from our CPA. The 990 you were sent to review, accurately reflects our financials.



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a. Vote to accept the EDFC 2016 Tax Return

Motion by Burkey to accept the EDFC 2016 Tax Return; seconded by Ullrich; Roll-call: Sattie Clark – yes, Barbara Burkey – yes, Jesse Burnett – yes, Teri Ullrich – yes, Madge Strong – yes, John McCowen – yes, Patty Bruder – yes, Kevin Doble – yes, Georgeanne Croskey – yes, Jeremy Logan – yes, Sarah Bodnar – yes, Kyala Shea – yes, Mary Anne Petrillo – yes; All in favor, motion passed.

b. Vote to accept the EDFC Audited Financial Statements for June 30, 2017 (previously sent to all members for review)

Motion by Ullrich to accept the EDFC Audited Financial Statements for June 30, 2017; seconded by McCowen; Roll-call: Sattie Clark – yes, Barbara Burkey – yes, Jesse Burnett – yes, Teri Ullrich – yes, Madge Strong – yes, John McCowen – yes, Patty Bruder – yes, Kevin Doble – yes, Georgeanne Croskey – yes, Jeremy Logan – yes, Sarah Bodnar – yes, Kyala Shea – yes, Mary Anne Petrillo – yes; All in favor, motion passed.

c. Approval of Accounting Policies and Procedures (previously sent to all members for review)

Motion by McCowen to approve the new Accounting Policies and Procedures; seconded by Croskey; Roll-call: Sattie Clark – yes, Barbara Burkey – yes, Jesse Burnett – yes, Teri Ullrich – yes, Madge Strong – yes, John McCowen – yes, Patty Bruder – yes, Kevin Doble – yes, Georgeanne Croskey – yes, Jeremy Logan – yes, Sarah Bodnar – yes, Kyala Shea – yes, Mary Anne Petrillo – yes; All in favor, motion passed.

d. Acceptance of 3rd Quarter/March Financials Heather Gurewitz

Motion by Ullrich to accept the 3rd Quarter/March Financials; seconded by Burkey; Roll-call: Sattie Clark – yes, Barbara Burkey – yes, Jesse Burnett – yes, Teri Ullrich – yes, Madge Strong – yes, John McCowen – yes, Patty Bruder – yes, Kevin Doble – yes, Georgeanne Croskey – yes, Jeremy Logan – yes, Sarah Bodnar – yes, Kyala Shea – yes, Mary Anne Petrillo – yes; All in favor, motion passed.

11. Old Business Items

Heather Gurewitz

Discussion/Action

a. DPO Status and Activity – Approval of Plan for Remaining DPO Funds

EDFC actually only lent out \$254,000 of the DPO funds. We still have \$100,000 that has not been lent out. Based on the term of a normal loan, trying to lend it out now is difficult, but Gurewitz would like to try. But, we can't sit on the money forever due to the cost of interest we'll pay to the investors. Gurewitz is asking for action today, for approval to allow her to try to lend the \$100,000 out by end of calendar year – 12/31/2018. If she isn't able to, then we'll return the money to the investors based on how much they invested. Right now it is losing us money and would cost us \$4,000 to let it set until the final investor pay-off. Any thoughts are welcome. The interest rate to the investors is 2%. We are limited to charging no more than 6.5% to a new borrower.

There was discussion as to how long it would take to ID a new project and close a loan.



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Any new loan will need low risk and a pay-back by 2021 to be available to re-pay the investors.

Motion by Strong to approve staff to seek a suitable borrower for the remaining DPO funds, that will allow a loan to be secured by December 31, 2018. The ED can come back to the Board for an extension if there is an eminent closing by that date; seconded by Bruder; Roll-call: Sattie Clark – yes, Barbara Burkey – yes, Jesse Burnett – yes, Teri Ullrich – yes, Madge Strong – yes, John McCowen – yes, Patty Bruder – yes, Kevin Doble – yes, Georgeanne Croskey – yes, Jeremy Logan – yes, Sarah Bodnar – yes, Kyala Shea – abstain, Mary Anne Petrillo – yes; one abstained, 12 in favor, motion passed.

b. Report from Matt Gilbert of Mendocino Wool

The person [REDACTED] bought the machinery from wasn't honest and sold them very damaged machinery. Big parts were missing and lots didn't work correctly. They've been spending a lot of time rebuilding machinery. They hired a mechanic to help who ended up not being trustworthy. Looking at the business planning numbers, operations should have started in August 2017 and the trajectory for now would have \$100,000 in the bank, but they have \$50,000. They will need \$70,000 to get through the first year of operation. At this point, because some of the machinery isn't running at all or not well, they still need to buy more and they can't keep going the way they are now. Several weeks ago [REDACTED] started looking for work. Up to now they haven't drawn any money from the business to live on. They are currently in a chaotic transition and trying to figure out how to make a functional business. [REDACTED] just went out to New York to visit a mill and she's getting information that will help them get up and running. That mill is training [REDACTED] as they have more business than they can handle and some of it is on the West Coast. They could funnel their West Coast business to [REDACTED]. Right now [REDACTED] have lots of questions. They have had problems of inconsistency with the City staff to get their final sign-off on the building. They've had to re-do things many times as different staff has been interpreting the code differently. It has cost a lot of time and money.

Burnett: Moving forward, when you are dealing with any agency, make sure to get everything in writing.

[REDACTED] said he did that, but it didn't help. One inspector put into writing the height of the light switches. Then another inspector told them to take them all out and move them down to meet accessibility requirements. He finally found out that the first person didn't tell them the measurement was to the top of the switch plates.

Strong: If you are seeking other employment – how can the work get done and the business up and running?

[REDACTED] are talking to someone who knows the machines about coming to help get them going. [REDACTED] is getting information in New York to help get some of the machines operating. In 6 months they hope to start functioning as a business. [REDACTED] will handle the day-to-day operations. When she is back, [REDACTED] will have a much better idea of timing and



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how they are going to move ahead. He is going back to work to conserve capital and to have resources to move forward.

There were suggestions about ways to get an intern type person, at low cost, to help run the machines under [REDACTED], such as FFA, County homeless children job training program, the School of Adaptive Agriculture in Willits. West Co. could help set it up and train the new person. Matt is interested but also concerned about spending a lot of time training someone who wouldn't stay very long.

Doble was aware of the issues with the inspections and spoke to the City Manager about the need for consistency. But, they are not able to over-ride the staff that has been designated by the state as licensed inspectors.

There was an inquiry about [REDACTED] taking another loan but they are not interested in increasing their debt. They do have some wool blankets for sale on their website: www.mendowool.com

c. EDFC Loan Programs Presentation

Due to lack of time, the presentation will be on next month's agenda

12. By-Laws Committee

Teri Ullrich

The By-laws revisions were sent out previously for board members to review.

McCowen is not in favor of changes to the Secretary's responsibilities. He would like the list kept with it changed to oversight instead of actually doing it. He would like the committee to go back and re-work that section.

Doble, a member of the committee, would like to get more feedback from other Board members, on issues such as such as definitions of ad hoc and standing committees. There are also questions about confidentiality, especially for the Loan Committee.

McCowen: 6a. seems incomplete, concerning "an interested person"

Both items will be continued to next month

- Approval of Revised By-Laws
- Approval of Revised Procurement Policy

13. Committee Updates

Discussion

a. Marketing Committee

Heather Gurewitz

This report will be delayed to next month due to lack of time.

b. Broadband

Georgeanne Croskey

At the last Broadband Alliance meeting in March, we looked at a big map of the outages during the fire. There was good response to the outage survey and Trish Steel is working on the county outage report. AT&T is looking for new sites for cell towers in Willits, Anchor Bay and Gualala. Two new areas, one in the 3rd and one in the 5th District, will be receiving fixed wireless service from two different providers. The North Bay North Coast Broadband



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Consortium (Mendocino is a member) submitted comments to the California Public Utilities Commission on the Broadband adoption fund. When Trish is back from her travels, she'll start working with the County Broadband Working Group to come up with the County Broadband Plan.

14. Next Meeting Date and Time
May 10, 2018

Discussion

15. Member Updates

Discussion

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

Strong: On May 3rd, Willits will have an event called Retail Revolution with a national marketing consultant giving a presentation from 8:00 – 9:30 am followed by one-on-one consulting throughout the day. West Co. is participating in this and the City is donating to make it happen. The same event will take place in Ukiah on May 4th.

Bodnar: She just moved her business to a new location in Fort Bragg across from the Mendocino Coast Botanical Gardens. She's having an open house/ribbon cutting on Thursday, April 26th from 5:00 – 7:00pm. Her new space has a conference room, although it is not big enough for our board meetings. It is also a quiet space for people to work when they are on the coast.

16. Adjourn 4:00

Action