



General Board Meeting

EDFC

175 E. Church St., Ukiah, CA

Video Conferencing Sites: 541 Winifred St., Fort Bragg, CA; 416 N. Franklin St., Downstairs Conference Room, Fort Bragg, CA; 329 E Redwood Ave, Fort Bragg, 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, February 8, 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 2:12** *Action*

- 2. **Roll Call of Board Members** *Action*
Present: Georgeanne Croskey, Teri Ullrich, Michael Derry, John Goldsmith, Barbara Burkey, Madge Strong, Patty Bruder, John McCowen, Orion Walker
By videoconference: Kyala Shea, Jeremy Logan
Staff: Heather Gurewitz, Diann Simmons
City Staff: Shannon Riley

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

- 4. **Introductions**
N/A

- 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 Comments

- 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 January 11, 2018 Governing Board Meeting Minutes



Economic Development & Financing Corporation

Motion made by Ullrich to approve the January 11, 2018 Board Minutes; seconded by Burkey: Roll call: Croskey - yes, Ullrich - yes, Derry - yes, Goldsmith - yes, Burkey - yes, Strong - yes, Bruder -yes, McCowen - yes, Shea - yes, Logan - yes, Walker – yes; All in favor, motion passed.

7. Executive Committee Report

John Goldsmith

Discussion

Gurewitz has been on-board officially for about 3 weeks. The Committee feels we are off to a good start to the year and on the path to build a stronger internal structure.

The Committee had a phone conference with our CDFI consultant, Veronica Stanford. I wanted to have the conversation to make sure our organization is focused in on any idiosyncrasies of CDFI funding, how to address requirements, what is expected of us, and the impact of decisions and activities on our eligibility and competitiveness. We covered a number of things. Stanford brought up that we are certified to target low-income people in Mendocino Co. We need to supply 60% of our loans here. We can look at certifying for Lake Co. down the road. Stanford emphasized that a variety of actions, activities and new income can positively or negatively impact the ratios that we need to maintain our certification and to be competitive for future funding. We agreed to inform her before taking any action that could impact our financials. Because of the critical need for housing in the county, we asked about being a pass-through for CDFI housing funds. She said those funds are very competitive and there are large very experienced organizations competing for them so it’s unlikely we could win an award. We also discussed creating an IDA or credit builder program. We decided it would be best to start very small and we have the option of using part of our 15% admin from our current CDFI grant.

In the committee meeting, Clark requested that we have a detailed presentation to the Board of all funding sources. We will plan on doing it at the next meeting. We are going to skip the March meeting since Gurewitz will be out of town. It’s vital to have her here. The next meeting will be April 12th.

8. Loan Committee Report

Heather Gurewitz

Discussion

Robert Hartline wasn’t able to be here, so I’m giving the report. If there are any questions I can’t answer, I’ll get back to you on them.

The Loan Committee is still working on the loan policy and we hope to have it done by March 2nd before making the first submittal to CDFI in the application process. I’ve decided to stop using the phrase “lender of last resort” and use “alternative financing”.

We received the pay-off of the [REDACTED] loan, which increased our earned interest for this month. We received several loan inquiries this month. We’ll come back to the [REDACTED] later in the meeting. I had an inquiry from a woman on the coast who wants to start a trips and tours business, along with providing regular transport for elderly people. The current bus that is available is not a positive experience, so I see this as encouraging. The potential borrower needs to do financial projections before we can take a closer look. [REDACTED], the restaurant project in Pt. Arena which we approved in the past, will need to do a new review since they are moving locations.

We currently have five loans out of compliance. [REDACTED] has been consistently paying \$1,200 (of their total \$3,077) per month. But a new development on [REDACTED] that we haven’t talked to the Loan Committee about yet is that we just got a notice that the bank is foreclosing on the [REDACTED] owner’s home, which is our collateral. [REDACTED] in Fort Bragg is late for January. We’ll check in with them. [REDACTED] is very late. He had an accident and was not working for awhile. Part of the new loan policy will be new procedures to ensure we



Economic Development & Financing Corporation

have better follow-through. [REDACTED] has a chronic lateness problem. The owner worked with West in the past and I'm not sure if any technical assistance would be helpful now. [REDACTED] asked for no payments for Jan. and Feb. The Committee agreed, based on her sending her financials along with contact West Co. to work with them. We've contacted her several times and not gotten a response. If that continues we will send her a letter saying she is out of compliance.

Goldsmith - What is the ratio of difficult loans to total number of loans? Has the Loan Committee formalized action on these situations?

Gurewitz - We haven't finished the procedures yet and maybe can finish what is left by email vote. We had an important piece to add to a section that we weren't able to review before the meeting. But by March 2nd we need to have all these things lined up, so it's a priority to get it finished. In the future we can provide more on the loan analysis side.

Goldsmith: Since our committees are also subject to the Brown Act and the Loan Policy will need to be approved for the Board, will it work to have it ready by March 2nd.

Staff will find out if we need the Loan Policy approved before March 2nd.

At the last meeting, Kuhry requested a report of the deadlines we have for our new RMAP and IRP loan funds:

- RMAP – Loan closed Feb. 22, 2017 – any funds not used within 36 mos. (Feb 22, 2020) are cancelled. We currently still have close to \$300,000 new funds available, with \$50,000 of that committed but not disbursed.
- IRP – We haven't closed the \$500,000 loan yet and have a year from the approval letter date – Sept. 12, 2017 - to close, although there is flexibility with that. It will close when we have our first loan lined up and are ready for a first disbursement. Once closed, we have 36 mos. from Loan Agreement date to utilize the full amount.

Bruder suggested sharing some of the positives about our loans/businesses we serve, along with the issues we are dealing with.

9. Executive Director Report

Heather Gurewitz

Discussion

Gurewitz handed out copies of a chart she just started working on of all our sources of income and loans. She's also working on a draft budget, and using it and the chart to begin to get a better sense of everything for the CDFI Financials she's working on for the application. She'll plan to get the budget out to the board by the end of Feb.

Previously we haven't had well developed MOU's and West and CDS are asking for them. We do have one with West, but it needs more detail and updating. Gurewitz is working on a chart to list clients we are sending them, how much time we want put into them, etc. She's been having conversations with Jeff Lucas and getting clearer about our process with them and will develop a good professional services agreement with CDS. On Feb. 22nd Gurewitz, Simmons and Burnett are going to CDS for a little workshop Jeff is giving us about how to put together a good loan package for their underwriting process. We also need a services agreement with Franzen. Obenyah is a huge asset for accounting. We need to make sure we can keep using him within the new By-laws and procurement changes.

Goldsmith – The By-laws Committee is aware of these issues and is addressing it in their work.



Economic Development & Financing Corporation

CDFI – We’ve been working on the matching funds chart for the new application and we have \$300,000 for match. Stanford recommends using \$400,000 as the match, as there may be more funds coming in we don’t have committed right now. She says CDFI is quirky. If we over request and not end up with the match for their initial award, they’ll just bring down the amount of the award. Gurewitz is uncomfortable putting anything in she isn’t certain of now. But we are paying Stanford to be our consultant. Gurewitz would like some guidance on this.

Goldsmith, Strong and McCowen agreed that we are paying her to be our consultant and if she assures us there will not be any negative fall-out if we end up with less match, we should follow her recommendation.

Community Foundation Grant – We submitted an application for the Mayfield fund for \$5,000. Gurewitz initially wanted to work with several north county partners including one in Willits, to submit for their projects through EDFC, but Megan Allende said EDFC couldn’t act in that role and the other groups should apply themselves. There is a total of \$10,000 available and West Co. is also applying for \$5,000. Our application is for a program that will fold into the new contract with the county. The CF program would be developing an economic summit bringing together many partners.

In a recent meeting with County CEO Carmel Angelo and Deputy CEO Steve Dunicliff, Gurewitz was asked to create a base economic data report. She’s using the economic data that is linked into our website. She’s still working on it but feels this information is not what the county needs to really understand our economy. She is also getting a strong message from Angelo that EDFC and West need to re-write our contracts and agreements to become a combined economic development entity for the county. Gurewitz feels that we have different missions and expertise and that EDFC is more able to take the lead in that role. Gurewitz feels the approach the CEO was advocating for would put EDFC and West in competition for county funds.

There was discussion and some agreement with Gurewitz’s concerns.

Walker spoke about EDFC’s and West’s combined proposal to the county in June, where together we presented an idea very much like this to the county. He suggested working with West’s CEO and Board, to define the role, focus and responsibilities of each separate organization, to define our relationship and the various ways we contribute to economic development. Once there is agreement between the two organizations, then we can present it to the CEO. It’s a process of laying out clearly how we can work more effectively without duplicating each other’s role.

Gurewitz asked that the Board take the lead on this process. **Goldsmith** said that the Executive Committee will begin work on this.

Next week Gurewitz is attending the CAMEO (California Association for Micro Enterprise Opportunity) Microlender Conference at no cost. She also received a scholarship to the CALED (California Association for Local Economic Development) conference in mid-March

PG&E – Thanks to Walker for referring the PG&E Energy Watch Program Manager to EDFC. She is looking for an organization with relationships with jurisdictions to help coordinate energy improvement plans. Initially we didn’t feel we would have time to take it on, but when we found out her budget for a contract with us is between \$100,000 and \$400,000, we realized it would allow us to hire another person to do the work. Gurewitz is going to meet with the Program Manager in person when she’s in San Francisco for the Cameo conference. She’ll keep the board posted.



Economic Development & Financing Corporation

Walker - He worked with this program in the past at CDC and can be a resource for engaging with PG&E. He thinks for what they are looking for, we are the best fit.

Gurewitz will be on vacation March 7 – 13 and at the CALED Conference March 14 – 16. She'll be available on her cell phone. She looks forward to talking with all the board members.

10. Financial Report

Heather Gurewitz

Discussion

We got our draft audit. The Management Letter brings up some issues with the lack of documented accounting/bookkeeping policies and procedures. Franzen and Simmons have a good system but it's not documented. We've gotten templates to help develop these. There were other issues in the letter that Obenyah thinks were not fair. We plan to have a conference meeting with the auditor. Stanford was not overly concerned about its impact on our CDFI application. She said as long as we address the issues before the application, it's not a big problem

We are showing a positive profit right now for the year. The significant sum in IRP 4 is an inflated number due to the pay-off of the loan. If you amortize it out, we have a year to date profit of \$45,000. We need to stop taking the DPO interest and leave it all in the account due to a large amount of the funds not being deployed and not earning any interest, plus paying multiple interest to USDA and the investors on part of the funds. Gurewitz is working with Franzen to return the interest we have previously taken out.

Strong asked why some of the DPO hadn't been deployed.

Gurewitz thought it was to avoid the risk of putting all of the DPO funds into one business. We'll ask Matt Gilbert, Mendocino Wool and Fiber owner, to give a report at the next meeting.

Another change that is needed is to separate out the EDFC revolving loan funds that are currently kept in the Operating account to keep from spending them down. There's some confusion in the bookkeeping in the local government support – matching the invoices with what we have received. Franzen is working on that. We also have a lot of accounts receivable that are connected to the way the local government support has been classified. The Balance Sheet balances – it shows more assets than liabilities.

Bruder – What is our plan for the bad loans?

Gurewitz - That is in the loan policy. She is trying to understand the risk rating system in the new loan policy. As loans get less risky, their loan loss reserve will be adjusted.

Walker - The Loan Committee has smart people and several banking professionals and we're coming up with a good policy. When it's complete, we need to give a presentation to full board.

Goldsmith – If its formalized soon, it could it be presented in April.

11. Acceptance of January Financials

John Goldsmith

Discussion/Action

Motion made by Derry to accept the January Financials; seconded by Burkey: Roll call: Croskey - yes, Ullrich - yes, Derry - yes, Goldsmith - yes, Burkey - yes, Strong - yes, Bruder -yes, McCowen - yes, Shea - yes, Logan - yes, Walker – yes; All in favor, motion passed.

12. New Business Items

Heather Gurewitz/John Goldsmith

Discussion/Action

a. Developments with County

1. Developing relationship with County
2. New County contract – “Mendocino County State of the Economy Report



Economic Development & Financing Corporation

& Proposed Economic Development Strategy”

West had been in communication with the county to do some work the county had previously contracted out. Angelo said to wait for EDFC. Petrillo’s plan was to project manage a state of the economy report and hire Robert Eyer at Sonoma State to do the work. Before the meeting on Jan. 25th, Gurewitz created a proposal to do the report ourselves followed by establishing goals and strategies. Executive county staff is very enthusiastic about doing this planning. Gurewitz’s proposal is a much more in depth report that will include getting business license data from the cities and county. It may include a labor market survey with a focus on living wage jobs. The Community Foundation application would dove-tail into this work for the county. The CF program would be preliminary to the county program and would establish a collaborative relationship with community partners. Petrillo and Gurewitz sorted out the budget, with most of the work and \$20,000 of the \$30,000 contract coming to EDFC. Angelo said she could approve it, but Gurewitz wasn’t sure if it should first go to the Supervisors on the consent calendar. She hasn’t heard anything from the Executive Office about where the contract process is. She asked McCowen and Croskey for guidance on this. McCowen’s opinion is if this is beyond the normal terms of our contract with the county, he would like to see it presented to the Supervisors. It’s important to the Board and the community to know what EDFC does and why they give us money. Croskey agreed. McCowen asked Gurewitz to email Angelo, copying McCowen and Croskey, asking for clarification on the issues.

b. Approval of remainder DPO funds for a short term loan

██████████, the owner of ██████████, and a partner, bought the ██████████ and are shy of finishing the renovation. He asked us for a loan for \$500,000, but we told him the only possibility is \$150,000. He currently has \$200,000 in IRP loans and we could give him another \$50,000, reaching the IRP max to one borrower. The rest of the loan would be from the DPO funds that are still available. He assured us that \$150,000 will allow them finish and open for the season. The Loan Committee has a lot of questions and sees it as high risk. ██████████ told us he has a Small Business Administration loan approval, but we found out that isn’t accurate. Gurewitz is concerned that ██████████ may be over leveraged. He didn’t give us any information on current loans on the project. We need more documentation. The question today is, If the Loan Committee decides to proceed, can we use our DPO funds for this project? The DPO Offering document indicates that the Board would need to make a determination if it can be lent out for a different project. ██████████ says he would pay it back in 6 mos. but Gurewitz doesn’t expect to see it then, probably in 2 years.

Riley – The quorum has been lost for this meeting (Croskey had to leave) so the earliest it could be approved by the Board would be April. The tourism season is May to October. If he misses this year, it’s unlikely he’ll pay it back this year.

Strong – We can’t act today; we need more information.

13. Committee Updates

Discussion

a. By-Laws Committee

Teri Ullrich

The Committee has started looking at the By-laws. We plan to meet 1 to 2 more times and will bring back recommendations. We are also looking at the Procurement Policy and local preference (from Ukiah)

Riley – the County also has a local preference policy.

b. Marketing Committee

Heather Gurewitz



Economic Development & Financing Corporation

We have a meeting scheduled for Feb 23rd. The state RMDZ program has awarded us \$1,160 to create a new brochure. (The draft was passed around). After weeks of not being able to access our website, we finally got in and took down the ShareSpace page and got some other things updated.

c. Biomass Michael Derry
Not much new is happening now. We are working on permitting issues and filing with the bank. In Dec. a company came to the Tribe wanting to show us their biochar system but we didn't feel we had the time to look at another system.

d. Broadband Georgeanne Croskey
Croskey had to leave early, so McCowen gave the report. AT&T has received a significant amount of money to further deploy Broadband and they have identified sites for new cell tower locations, but it is still in the county review process. One of the sites is in Booneville and they are encountering small but vocal opposition. There is concern that too much opposition may make AT&T decide it is too much trouble. McCowen knows that some people are concerned that technology causes health problems.

Goldsmith – Rather than laying new lines, I'm understanding that cell towers are the future.

McCowen – Yes, towers and small cells are what we are going to get. There is an effort to try to identify new locations in several places. Land owners who are willing to provide new sites can contact Trish Steel of the Broadband Alliance. AB 1665 was gutted by the telco's before it was passed and has done damage to our state broadband infrastructure program. Trish Steel was interviewed by the LA times. She was able to get across part of the rural story and the impact of 1665 on the loss of funding for infrastructure, but the article touted more of the telco storyline about how great 1665 is. Frontier bought out Verizon's land line infrastructure 2 years ago, which covers much of the service in District 3. They are now putting up the assets for sale, which means they are in a financial bind and could go into bankruptcy and their Connect America Funds plans may go completely out the window. Previously they have not been willing to share their plans. Trish is wondering who will want to purchase these assets when land line subscriptions and infrastructure are all declining and is concerned they may not be able to find a buyer. There are 2 California Senate Bills (460 and 822) that would re-instate Net Neutrality protections at the state level that were rescinded at the federal level. One of them, SB 822, has a chance to survive the expected strong legal challenges.

Riley is working with Verizon to deploy small cell towers in Ukiah. The City owns the poles. Some will also go on structures. Verizon is over extended in this area. But a small cell can be shared by multiple providers. Verizon is the first, but behind them other small cells can be attached for other providers.

Derry – The Tribal land next to the landfill is available for a cell tower. Simmons will connect him with Trish Steel.

Walker – The City of Sacramento is working on a partnership with Verizon. They are making a 100,000 million investment in Sacramento to roll out 5G.

14. **Next Meeting Date and Time**
April 12

Discussion

15. **Member Updates**

Discussion

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



Economic Development & Financing Corporation

Strong - On Feb 25th there will be a special event in Willits – “Turn Your Passion Into Profit or How to Make Willits Thrive”. Presenters will include EDFC and West Co. along with the new Willits Tourism Board, the City, the Chamber of Commerce and 4 business people talking about their experiences. It will be followed by a public forum.

Riley - She expected to see the new Ukiah draft performance agreement today for Board approval.

Gurewitz - Because it didn't substantially change, we'll take it to the Executive Committee for approval.

Riley needs it soon to take to the City Budget Committee.

16. Adjourn at 4:04

Action