



General Board Meeting

Ukiah United Methodist Church Annex

205 North Bush St., Room 154, Ukiah, CA

Video Conferencing Sites: 340 N. Main St., #4, Fort Bragg, CA; 1309 Bridgeway, Sausalito, CA 94965;

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

By Phone - Dial: 646-876-9923 or 669-900-6833

Meeting ID: 546-450-3098

Thursday, November 9, 2017 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** *Action*

2. **Roll Call of Board Members** *Action*
Present: Madge Strong, Sattie Clark, Orion Walker, Kevin Doble, Michael Derry, John Kuhry, Teri Ullrich, John McCowen, John Goldsmith, Dan Hamburg
By videoconference: Sarah Bodnar, Kyala Shea
Staff: Diann Simmons

3. **Changes/Modifications to Agenda** *Action*
No changes

4. **Introductions**
David Pai is here today representing the West Co. (in Mary Anne Petrillo's absence). He teaches computer science at Mendocino College and is on the Board of West Co.

5. **Public Comments/Correspondence/Public Expression**
No comments

6. **Consent:** *Action*
 - a. Approval of September 14, 2017 Governing Board Minutes
Motion by Derry to approve the minutes, seconded by Kuhry; Roll Call: Strong – yes, Clark - yes, Walker - yes, Doble - yes, Derry - yes, Kuhry - yes, Hamburg – yes, Ullrich - yes, McCowen - yes, Goldsmith – yes, Bodnar – yes, Shea – yes; motion carried



7. Financial Report

Liz Franzen/Diann Simmons

Discussion

a. Final FY 16-17 Financials

Work has been done to correct how we book loan loss reserves and technical assistance grant income and expenses. We had significant support from our CDFI consultant on best practices for non-profit CDFI's. Our financial status needs strengthening through increasing our net assets and loan loss reserves. Once we close the new IRP and CDFI loans, we will have over \$1,200,000 in loan funds to deploy (including the remaining new RMAP funds). The earned interest from those loans will have a significant impact on our long-term income. We also have 2 good opportunities for technical assistance grants in 2018 that can be used to improve our staffing capacity. We show a small loss for '16 – '17 compared to a small profit the previous year. But '16 – '17 included much higher staff coverage and cost, with both Kuhry and Simmons full-time for most of the year. Approval of FY '16-'17 financials will be brought to the Board when the Audit is completed.

b. October Financials

Goldsmith: Deployment of our new loan funds is very critical. The county has expressed interest in our ability to get involved in the cannabis industry by lending on the processing end. An issue is our federal USDA loan funds, but the DPO is a potential option to consider. Property collateral would be a requirement for this type of loan.

Kuhry: We could re-open the DPO and raise up to \$650,000.

McCowen: The state is trying to figure out cannabis related issues such as banking regulations.

8. Approval of October Financials

John Goldsmith

Action

Motion by Ullrich to approve the October financials; seconded by McCowen; Roll Call: Strong – yes, Clark - yes, Walker - yes, Doble - yes, Derry - yes, Kuhry - yes, Hamburg – yes, Ullrich - yes, McCowen - yes, Goldsmith – yes, Bodnar – yes, Shea – yes; motion carried

9. Program Director's Report

Diann Simmons

Discussion

After an extensive search we hired a new auditor recommended by First 5. Jensen Smith Certified Public Accountants from Lincoln, CA were in our office this week and their thoroughness was evident.

We are asking today for approval to co-locate with West Co. at 175 E. Church St. There has been work on the lease to make it mutually beneficial. I look forward to sharing a combined office space with the West Co. staff and feel it will greatly facilitate increased communication and collaboration.

I attended a workshop in September held by the Lake County Economic Development Corp. featuring the Sacramento based Small Business Development Center State Liaison for our region. He gave an excellent presentation about a range of business funding. He has agreed to work



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with EDFC and West Co. to put on an Access to Capital workshop in Ukiah this winter. This will also fulfill part of our scope of work in the contracts with Ukiah and the County for '16-'17.

On Tuesday evening, Nov. 15, I will be presenting a report of our services and request for funding to the City of Ukiah. The report includes historical information about EDFC's loans to Ukiah businesses, FY '16-'17 activities that impacted Ukiah and details of meeting their contract scope of work. I also will give a brief look at our expected activities in the coming year. I have had several long conversations with Shannon Riley, Deputy City Manager, about the changes in EDFC's goals and activities since its founding by the jurisdictions in 1995. Shannon's perspective is that originally the main focus for EDFC was to serve as the nexus and coordinator for all of the agencies and organizations in the county involved in any type of economic or workforce development and to conduct economic and demographic research and analysis to promote local economic development. Her opinion is that our primary focus on lending has sacrificed that important role and that we may not be addressing the issues that the cities most need our support for. Lack of consistent communication is also an issue and she related that she has heard the same perspective from the staff of the other cities about not receiving the support that they need. A formal and open discussion is needed with the various city staffs and I made a commitment to her to follow up on this in the near future. I also feel that any way Board members can be involved in this process, especially including our Board City Council members, would greatly enhance these conversations and any changes that may come from them.

At the September meeting the Board directed me to send out a DPO Update, which I have not been able to get out. Sarah Bodnar has offered to work with me so it can be sent out in the next few weeks. I appreciate Sarah's support. Look for the update soon.

10. Loan Committee Report

Diann Simmons

Discussion

Loan Closing: We haven't had any loan closing activity since early July. We have a previously approved loan to a new restaurant in Pt. Arena that hasn't closed yet. They were supposed to rent space from [REDACTED], but that project has been delayed significantly. The restaurant will be coming back for re-review due to probable change of location and of adjustment of financials.

Loan Policy and Procedures: We are continuing to work with our CDFI consultant on developing new loan policies and procedures and are making slow but consistent progress. These changes will include a rating system to improve our initial evaluation and procedure with each loan. It will also include a range of interest rates that reflect the risk level of each loan.

Actions on problem loans: The fires interrupted our meeting schedule which has slowed down our progress for an action plan with [REDACTED]. They continue to make payments covering the interest and part of the principal each month. We will be meeting later this month to take action on a final plan.

[REDACTED]: Working with a local attorney, I was able to gain access to the bank account of the borrower and we recovered \$9,780. The total CalCAP payment was \$29,935. We are also selling the used equipment to the bakery that moved into the storefront – recovering



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\$6,000 for equipment that originally cost \$7,230. They will be paying it off in \$1,000 monthly increments with the first payment coming this month. With those payments, our total recovery on this loan will leave only \$2,104 outstanding.

Kuhry: Concerned about lowering our interest rates. If someone can get a better rate somewhere else, they aren't our best candidate. We should compare our rates with Arcata Economic Development.

Strong: Do we have a risk rating system? Answer – it is being developed now.

Kuhry: Any cannabis loans should include high rates due to the risk.

Walker: We need to focus on deployment

Kuhry: It's important to deploy funds quickly, especially revolving funds that we are already paying interest on.

Clark asked if we can help people who lost homes in the fires. Answer - we only offer business loans. But, the fires do show a stronger regional need that is helpful for grant applications.

Walker brought up supporting start-up contractor businesses coming out of the Mendocino College sustainable building program.

11. Executive Committee Report

John Goldsmith

Discussion

Relationship with West Co.: We are bringing a request to the Board to approve the lease to co-locate with the West Co. as a first step in developing a much more collaborative relationship with West. A full merge would make us uncompetitive for further Community Development Financial Institution (CDFI) funding. We feel it is in our best interest to continue to develop this relationship a step at a time, making sure that any changes will be mutually beneficial.

Meeting with County CEO: Last week Patty Bruder, Diann and I met with Carmel Angelo, County CEO and Steve Dunncliff, Deputy Chief Executive Officer, to discuss our developing relationship with West and to also talk about the match that is needed for our new USDA IRP fund. We had a very productive meeting. Both Angelo and Dunncliff are very interested in EDFC and West having a formal alliance, as they feel it will strengthen the work we are doing in the county. Our message to them was that co-location is a first step, with commitment to continue to explore and increase our alliance, making sure any changes are mutually beneficial. Angelo asked us to participate in a workshop in late January, with West Co. and a County committee that is tasked with developing economic development strategies. The initial meeting will be just the three entities, with the plan to invite the cities and other stakeholders into the discussion after the first workshop. The goal will be to create a strategic plan with specific actions that will positively impact economic development long-term, for the whole county.

Angelo also indicated that the County will make efforts to work with us on the \$75,000 incremental match.



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Need for increased staffing: We believe that increasing staffing is vital for our growth. We have a lot of new loan funds to get out along with pre and post loan closing oversight of the businesses we are working with. We have come up with a plan that we'll share more about under New Business

Board participation in Executive Committee meetings: I would like to make sure that all of you know that the Executive Committee meetings are open to every Board member. We have had a number of last minute meetings in the last 6 months that were not always announced to the full Board. We will make an effort to inform the full board of future meeting to allow you to attend.

McCowen commented that he thinks it is good to co-locate with West Co.

12. Old Business Items Diann Simmons *Discussion/Action*

a. Approval of lease to co-locate with West Co. at 175 E. Church St., Ukiah

Rent: The new rent will be \$600/month plus electric and gas. The previous Bush St. rent was a total of \$687 (including separate conference room rent). The Church St. site includes a separate EDFC office, a shared small consulting room for committee meetings and a conference table area in the West Co. office side that we will use for Board meetings.

Motion by Kuhry to approve the lease to co-locate with West Co.; seconded by Clark; Roll Call: Strong – yes, Clark - yes, Walker - yes, Doble - yes, Derry - yes, Kuhry - yes, Hamburg – yes, Ullrich - yes, McCowen - yes, Goldsmith – yes, Bodnar – yes, Shea – yes; motion carried

b. IRP loan match

After our meeting in September, I spoke with our USDA California Economic Development Director about the match requirements. He changed our terms to allow us to make the permanent \$75,000 match in increments each time we request funds for a new loan. USDA also does not require the individual loan match of 25% to come directly from EDFC. We will require that to come from each borrower through equity, cash or a loan from another source, which has been our practice in the past. As mentioned by Goldsmith, the County CEO indicated they will make efforts to work with us on the \$75,000 incremental match. As early preparation for the match requests, we will be scheduling small meetings with all of the Supervisors to discuss the match need and the benefit to the county, to hopefully simplify the process at the time we make requests.

Doble had to leave the meeting early.

13. New Business Items John Goldsmith/Diann Simmons *Discussion*

a. Resignation of Jeff Lucas from Board of Directors

Lucas has decided that his busy schedule does not allow him to participate, along with the conflict of interest of doing both technical assistance and loan underwriting for EDFC.



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b. Search for contractor for Development Services

The Executive Committee has developed a scope of work and will begin advertising for a consulting Development Director for 6 months at half-time. The main responsibilities will be networking to bring in new loans, managing current loans and developing strategies and partnerships to increase access to loan capital and grants. As time allows, the contractor will also assist Simmons in networking and collaborating within the communities and jurisdictions to further accomplish our mission. Goldsmith has had conversations with interested people who are Executive Director caliber. He may have something to bring forward soon.

Strong brought up the concern of the cost to hire a new full-time ED.

Goldsmith replied that it is a concern but we will stay in the range that will work with our budget.

Kuhry brought up that the new loan revenue will also help pay for the new position.

c. Conflict of Interest concerns

EDFC occasionally does business with Board members. Doble previously brought up a concern of conflict of interest in these instances. Simmons asked the new auditor about it. She said that in rural communities "It happens all the time." From an audit standpoint, it isn't considered bad practice, but she recommended getting Board approval before any transaction or consultation. Also included in that would be documenting the process of getting prices from other vendors, to show we are paying a standard rate.

Several people spoke up in agreement to follow these recommended procedures.

McCowen said it could be added in a formal manner.

Kuhry responded that there is already a conflict of interest policy.

It may also be addressed in the By-Laws.

Simmons will search for a separate policy and check the By-laws and bring it back on the next meeting agenda.

d. EDFC's impact on communities and Board involvement

The Marketing Committee suggested that it would be helpful to give an update to the Board on the lending impact that EDFC has had over time and to discuss board involvement

- History
Total loans disbursed since 2000 - \$5,975,033; jobs created: between 250 – 300 jobs.
- Future goals for Board Involvement
During this transition period, members not on the Loan or Executive Committees have been somewhat side-lined. It's very important to bring everyone back into strong participation. EDFC depends on the Board's expertise and resources.



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- **Monthly Meetings:** It was discussed that possibly holding monthly meetings (instead of the current bi-monthly) for a period of time, may be important to more fully involving all of the board in on-going decisions and activities. Various options were discussed including having monthly meetings for a while, but going back to bimonthly when they seem to be adequate; having 10 meetings a year, etc.. Members will consider the options and take a vote on this change at the January meeting.
- **Opportunities to engage:** The Marketing Committee is suggesting that Board members get involved by getting out to individual communities to help find new loans.

Clark: There is a lot of interesting work done by committees. It's important for members to get more involved that way. It's also important to bring some of the committee work back to the full board to help people to better engage. During this transition period, transparency to the whole board hasn't been consistent. It's important to bring the full issues to all of the Board.

14. Committee Updates

Discussion

a. Marketing

Sarah Bodnar

The committee met on Nov. 3rd and talked about distilling EDFC's current priorities and making that the focus of marketing efforts to achieve those goals. It's important to reconnect the board and give them more information to make it possible for them to advocate for EDFC and help build our relationships with jurisdictions and the communities. We need to articulate more clearly what we are contributing by developing materials with our core selling position – what do we do and what do we offer. We need to include success stories and statistics. We'll create a pitch deck and map out our target audiences that will include West Co., local banks etc. who make most of our client referrals. We need to ask them what would help in that process. The committee hasn't set a regular meeting schedule yet.

Walker – As a committee member, we were looking at EDFC's core current top needs/objectives and how can marketing serve those objectives. The most important thing right now is getting loans out the door and marketing to jurisdictions to bring in more support.

Kuhry – The feedback from Ukiah is that all we are is a lending organization and they are asking what is the economic development that we are doing.

Walker – When we were working on the proposal to the county for an alliance with West, we included larger economic development activities in our proposal.

Kuhry – For a model we could emulate the US Economic Development Administration. They don't have much money but are able to leverage their resources very well. One of our assets is the ability to network with various parts of the county. It's an intangible that is cheap and has worked for us in the recent past.

Walker - One of our best resources is our board and their networking capacity.



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Clark – It will help engage the board to have this information in one place.

Kuhry – Development happens here in the board meetings. Where does this board want to work together? Development is impossible if the board is not engaged.

Ullrich – There is a lack of communication and misunderstandings. We haven't communicated well to the cities what and why we are doing.

Goldsmith – Hopefully increasing capacity will open some doors.

b. **Biomass**

Michael Derry

We've been looking in Mendocino County for months for a facility to develop a pellet mill in the region for home heating and BBQ. John Kuhry helped us find site that will work for us, but it's in Humboldt, not Mendocino Co. It's also closer to feed stock supply. We are working on the permits and expect the conditional use permit to take 6 – 8 months. A potential Mendocino site would have cost \$500,000 for a road.

Kuhry – Mendocino Redwood Company just brought on a pellet site in Hopland which is feeding directly to Home Depot.

c. **Broadband**

Dan Hamburg

The Broadband Alliance had a good meeting last Friday that was well attended by people concerned about the impact of the fires. There were new outages including school connectivity down for days along with 911 issues. The main topic was a new survey for fire related outages in Napa, Sonoma and Mendocino, all counties that are part of our consortium. Only Marin wasn't impacted by fires. We've gotten over 1,000 responses so far. When completed, Trish Steel will send it to the California Public Utilities Commission and the supervisors in the four counties. The consortium also put together a letter challenging AT&T and Frontier to give us a full account of what actually happened during this fire and what they will do to make infrastructure more robust so it doesn't happen again. An example of post fire improvement was in San Diego County where the gas, electric and tele-providers did a lot of undergrounding. We just learned last week that organizations like CalFire are looking at things that need to be done so these impacts are not repeated. The conditions are going to be there but natural disasters are also partly caused by humans. An article in the Press Democrat brought up things like the CPUC not requiring PG&E to do fire mapping and take care of infrastructure. There are many wires going through trees that contribute to the fires under the conditions we had. Again we are the Mendo Mouse that Roars – we need better infrastructure!

Goldsmith – On the south coast, Zach Anderson, who is employed by AT&T, is trying to put together a fiber network to homes in Manchester. He wants to apply for the USDA RUS loan that could bring in millions, but the problem is it needs a big match. Do we have anything that could be used? A - IRP is also USDA/federal and the match would need a non-federal match. He needs it too fast to try to do a DPO.



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Kuhry – Jim Persky of Pacific.net thinks the next generation of wireless will be very adequate for the new speeds. I'm working on sites for towers used by incumbents on Mendocino Redwood Co. property that are all targeting the coastal north for 5G service.

15. Next Meeting Date and Time

Discussion

January 11, 2018 - 2:00 to 4:00 pm

16. Member Updates

Discussion

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

Strong: WELL, Willits Economic Localization, had an open house last weekend. We are beginning to put together an entrepreneurs' fair and would like EDFC, West Co., the Chamber and successful start-ups to present. We are interested in information about loans, what to do to launch a new business, what worked and didn't work, for the post-by-pass economy. It will probably be scheduled for February.

Clark: We lost our vineyard and winery in the fire. It has also impacted our lighting business. We are finding the county Planning Department difficult to work with. This is an economic development issue which we as an organization may have some leverage to impact. This isn't the time for an obstructionist attitude from the building inspector, which is interfering with our business getting going again. Is there anything that can be done?

Hamburg: Its not a new problem and there are two sides to every story. The intention from Carmel (Angelo, CEO) to the supervisors on down, is to be business friendly. We need to look at the specific situation and why it's not working. Dan will go above the Planning Director, or the Chief Building Inspector.

Q. How easy is it to get an audience?

A. It's best to go through your own supervisor.

County employee thinks they are doing their job.

The culture seems to sometimes attract people that aren't helpful.

Hamburg - It should be addressed and the Board is the best approach, but go to your supervisor first, who should get back to you within a day.

Walker - Lake County lost 13,000 homes in their fires and to date only 100 homes have been rebuilt. Most of the blame is going to the Planning Dept.

Hamburg – We are trying to learn from Lake Co. They have been concerned about not recreating the conditions that led to the catastrophes.

Walker – I've been thinking about how EDFC could respond to the disaster. In the upcoming meeting with the County CEO could you find time to talk specifically about what our role is? This is an opportunity to respond in times of crises and it's definitely an economic development issue. One idea is for EDFC to support new construction businesses. The Community Foundation has a community engagement committee who's top priority now is to look at recovery. We should be doing something similar.



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Goldsmith – I’m the Vice Chair of the NCO board, which has been very involved in the crises in Mendocino and Lake deploying funds that were raised. We are talking about starting about a new segment of NCO to gear up for these types of events. The more organized we can be the better. I agrees we should be doing it here, although right now we have a staff capacity issue.

Clark – We could get out the message to come to us for a loan if you’re not getting from the Small Business Development Center. Maybe we could have a meeting to see what other communities have done and how we can gear up. We lost 400 homes and 700 structures in the Mendocino fires.

Strong – The City of Willits is going through a major transition due to our City Manager leaving early. It’s the perfect time to make acquaintance with the new mayor. It will also be important to meet with the new city manager when that person is on board. She’ll let us know.

It might be timely press release about helping businesses in recovery.

17. **Adjourn** **4:15**

Action