



General Board Meeting

Ukiah United Methodist Church Annex

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

Video Conferencing Sites: 416 N. Franklin St. Fort Bragg, CA; 340 N. Main St., #4, Fort Bragg, CA; 541 Winifred St., Fort Bragg, CA

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

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

Meeting ID: 546-450-3098

Thursday, September 14, 2017 2:00 – 4:00pm

AGENDA

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 467-5953.

1. **Call to Order** *Action*

2. **Roll Call of Board Members** *Action*
Present: Dan Hamburg, Robert Hartline, John Goldsmith, Kevin Doble, Jesse Burnett, II, Patty Bruder, Aaron Obenyah, Sattie Clark, Michael Derry, Saprina Rodriguez, Barbara Burkey, Kevin Doble, John Kuhry
Call-in: Kyala Shea, Bernie Norvell and Sarah Bodner
Staff: Diann Simmons, Liz Franzen
Absent: Orion Walker, Jeff Lucas, John McCowen, Teri Ullrich, Mary Anne Petrillo, Jeremy Logan

3. **Changes/Modifications to Agenda** *Action*
We'll move the Mendocino Wool and Fiber Mill presentation to #8 to allow the Gilberts to not have to wait.

4. **Introductions**
Matt and Sarah Gilbert, owners of Mendocino Wool and Fiber – DPO recipients

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 July 13, 2017 Governing Board Minutes



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Motion by Bruder to approve the July 13, 2017 Minutes; seconded by Hartline; Roll Call: Burnett, yes; Bruder, yes; Hartline, yes; Goldsmith, yes; Obenyah, yes, Clark, yes; Bodner, yes, Derry, yes; Shea, yes; Hamburg, yes; Rodriguez, yes; Norvell, yes; Kuhry, yes; Burkey, abstained; Doble, abstained; Motion carried.

Bruder pointed out that businesses were named in the Minutes. When we moved to an on-line application, a release to allow use of business names was taken out. It can be added into our current application. Until then, Simmons will redact the names in Minutes that are publicly posted.

7. Program Director's Report

Diann Simmons

Discussion

There has been a lot of focus by the Executive and Loan Committees to make improvements in our Loan Policies and Procedures and bookkeeping procedures. I've also spent a lot of time on dealing with problem loans, collecting collateral, dealing with changes in CalCAP and addressing the requirements of our new IRP loan allocation etc.

The CalCAP program, which we rely on for loan loss reserve, recently used up all of its federal and state allocations for matching funds. In order to continue funding the program at only half of the match rate, CalCAP will now recapture the fees from loans enrolled for 5 years. The fees for enrolling have also been increased and our borrowers will now have to pay 4% of the loan for us to participate in the program. Senate Bill 551 was recently introduced to move the program to the state iBank, which is felt to be a better match, with better management and the expectation of getting new allocations to return it to the original level of match per loan.

I will start a reduced printing approach with meetings – sending all docs with a dropbox link, before the meeting. Board members can link in on their own devices during meetings or bring their own copies. An option will also be given to let me know before the meeting if you need a printed copy for the meeting.

8. Mendocino Wool and Fiber/DPO Update from owner Matt Gilbert

When the Gilberts signed their contract for construction, they expected to finish at the end of 2016, and begin to start early operations in July 2017. They now expect to be operational by the end of September, so they are only 1 ½ months behind the original schedule. They ran into a number of issues that took longer, which included unexpected modifications to the machinery including rebuilds and redesigns. They are finishing up getting all of their machinery operational and plan to take a couple of items produced on their machinery to the Booneville County Fair.

Money wise (Matt presented financials) construction has cost them about \$50,000 more than they expected and the delay in becoming operation has impacted their cash flow. They were able to save money by doing more of the construction than originally planned. An unexpected expense is putting in an \$18,000 up-to-code sidewalk, which was triggered by the dollar amount of their other



improvements. Another change was the opportunity to buy a high quality loom at a considerable savings, paying it off over 5 years, with the expectation that it will pay for itself.

All equipment has to be operational and safe before they will receive a sign-off from the City. The time-frame realistically is 3 – 6 months and after that they'll be ready for an open house. Long-term they expect to run two shifts with 3-4 employees per shift. That level of productivity is 2 – 3 years out.

ACTION ITEM: It was requested that Simmons continue to update the investors though MailChimp. Kuhry recently talked with some investors and didn't get any complaints about the delayed time-frame.

9. Loan Committee Report

Robert Hartline

Discussion

There has not been any new loan activity since early July. There is one approved loan that hasn't closed due to the contingency of the opening of the motel complex where it will be located.

But there has been a lot of activity elsewhere. The Loan and Executive Committees met and began putting together detailed procedures in light of some of the defaults we've had. They will be followed during underwriting, approval and monitoring processes and will all go into a revised loan policy. The new procedures will be score-card driven. We are working with the CDFI consultant on this.

The rest of our time has been spent on problem loans, particularly [REDACTED], the wood reclamation business. They had a tough winter and we gave them a deferral. Unfortunately, since then payments have been irregular. We met with them in June, when they were \$12,000 behind. They still didn't catch up and we met again, but we are not seeing a change. We found out that they sold a collateral property out from under us soon after their loan closed, before it was recorded. We are requiring them to do a loan modification, which will include replacing collateral, giving us an Assignment of their payments on the collateral property they sold and require them to hire a Risk Administrator to help them put in place the tools they need to turn the business around. The Administrator will report to the Loan Committee. [REDACTED] has agreed to the modification but is concerned about paying for the Risk Administrator. Simmons has concerns about their productivity from a site visit. Kuhry will get involved. The business has potential if they can get organized.

[REDACTED] – the borrower died this spring. We are getting an installment agreement in place for \$6,000 payments for the equipment and are working with an attorney to gain access to the business bank account. We will be receiving about \$30,000 that has accumulated in our CalCAP account to help cover the \$47,000 loss.

10. Executive Committee Report

John Goldsmith

Discussion



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As Hartline mentioned, we have been working together with the Loan Committee to address a number of issues with our #1 priority to get a better understanding of our finances. We are making progress with resolving old bookkeeping issues. Obenyah has been working with our bookkeeper on this. We put a hold on our efforts to search for an Executive Director, to allow us to first have an understanding of where we are financially. We are back to directing our efforts to adding management staff, not necessarily a new ED. We are also looking at other models, one being a Development person who would wear various hats and handle specific responsibilities. Our finances are improving and we may soon be able to afford the type of ED we will be satisfied with, but may move forward on an interim solution.

Another area of concern has been lack of definite processes in number of areas for staff and committees. We are working to create sound procedures in the way we do business.

With this focus on internal work, there is not a lot of new developments as far as projects.

Our presentation to the County with the West Co. didn't work out as hoped but the idea of working with West is still very strong and we are striving to do that in incremental stages. We have been talking with them and there may be developments in the near future of working logistically with them in a co-located space. We will keep you updated on that.

11. Financial Report Liz Franzen/Aaron Obenyah *Discussion*

Franzen has not been in a position before of reporting to a board and would appreciate hearing from the members what would be helpful for her to go over.

Goldberg: It would be helpful if the report was a general look at where we are at with our income and expenses and if there are any idiosyncrasies for the current month vs the prior month.

Obenyah brought up the fact that formally we are on an accrual book keeping system but in practice, as is common in government, we use a combination of accrual and cash. He consulted with our former bookkeeper, Larry Restel, on this. If it was all accrual, it could be misleading and not practical. There was discussion about what parts of the entries should be accrual and which cash. The most significant unknown is the loans, which don't always perform as expected. Currently the expected interest is being recorded on accrual, but for Profit and Loss to be practical, we need to know how much money we actually have to pay expenses. We also rely on "Portfol", an economic development lending software to generate loan reports and projections. It's important to put a budget in place and decide which method to use for it. EDFC has a yearly audit.

12. Approval of August Financials John Goldsmith *Action*

Motion by Kuhry to accept the August Financials; seconded by Clark; Roll Call: Burnett, yes; Bruder, yes; Hartline, yes; Goldsmith, yes; Obenyah, yes, Clark, yes; Bodner, yes, Derry, yes; Shea, yes; Hamburg, yes; Rodriguez, yes; Norvell, yes; Kuhry, yes; Burkey, yes; Doble, yes; Motion carried.



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13. Committee Updates

Discussion

a. Biomass

Michael Derry

The project is moving ahead slowly. They have funding and feed stock but just need the right location. They recently found a site with the right zoning, but it's not a great fit. The ideal location would be between Ukiah and Eureka, zoned industrial, 10,000 s.f. or more with ceiling heights over 18', adequate power and access for trucks. This is not a very lucrative business, so they need to minimize capital costs. Initially they will manufacture wood pellets, with a second phase of producing energy. A location away from the 101 corridor will make hauling too expensive. Kuhry has a suggestion of another site and will share that with Derry.

b. Broadband

Dan Hamburg

The Broadband Alliance bi-monthly Outreach Meeting was held last week at the Community Foundation conference room. The next meeting will be in November and can be joined remotely. There has been a lot of focus on legislation, which is mostly not doing well. It's a David and Goliath struggle. A recently passed bill "Internet for All Now Act" to re-authorize the state broadband fund program that has been important to support development of service in rural areas, ended up being revised through pressure from the big telecoms. The program is funded through a cell phone surcharge that Mendocino residents will continue to pay into but no longer qualify for due to the changes in the bill. But overall, we have changed things for the better on the state level; we've gotten things from the California Public Utilities Commission; raised issues with the big telecoms and also made friends in Sacramento. If you want to get a snapshot of where we are, come to meetings or check out the website for a lot of good information (www.mendocinobroadband.org).

Kuhry is working on four broadband wireless project sites with telecoms on Mendocino Redwood Co. properties. Their properties are ideal for siting towers for wireless. These projects will increase competition and cover some blind spots.

AT&T applied for Connect American funds for rural areas and is reporting to the Board of Supervisors about increased siting and improving of towers around the county, especially in coastal areas. Further Reach has done even more to bring broadband to the coast.

c. Marketing

Diann Simmons

Our current need is to get EDFC's name and services out into the communities better. We need to let people know about the RMAP and IRP funds we have so we can get the money loaned out. I've talked with folks in Willits about a joint effort to have an Entrepreneurs Fair early in 2018. I'd really like the Marketing Committee to work on these types of local presentation around the county. I'm going to be able to get funds from the State Recycling program to print new pamphlets about EDFC and what we offer.

Bodner: Let's have regularly scheduled meetings. The tendency is to start focusing on when we need to go out but it would be better to have a strategy combined with regularity and



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not be reactive. We could possibly meet on the same time slot in the opposite months of the board.

Goldsmith: Are we aware of who is on what committee? Other committees are not currently active and EDFC’s strength comes from good people actively involved bring lots of talent to what we do. Board members input and voices are really important. He encourages everyone not involved in any committee to see if there is one you may be interested in or want to know more about.

ACTION ITEM: Simmons will send the list of committees and members to all the Board members.

14. Old Business Items

Discussion

a. ShareSpace Update

Simmons: The ShareSpace income has never managed to cover the rental costs. By August we were not quite covering the cost of one of the two rooms. Looking forward to the coming months, one of the most consistent users communicated that they are not planning to continue to use the space after Sept. The marketing that we did (mostly on KZYX for a period of months) only drew a few people in. We received several grants that we used for rent, but it wasn’t enough to sustain it over time. The Executive Committee made the decision that we can’t afford to keep it open. We were able to close the second room in early Sept., due to a month-to-month contract and will close the front room at the end of Nov. when that contract is up.

Goldsmith: We may want to try this again in the future at another location.

Burnett: Maybe we need to focus on particular industries where it would make sense for people to work together. We can be on the look-out for ideas for the future and what industry would fit for a co-work space, not only for participants but also the community.

15. New Business Items

John Goldsmith/John Kuhry

Discussion/Action

a. We received a new \$500,000 IRP loan allocation award from USDA. This will expand our loan type from a maximum of \$50,000 with RMAP loans to \$150,000 for the new IRP loans. We have some match requirements to meet to use the IRP funds.

Kuhry: Originally we talked to the county to try to get permanent match money that is needed for the IRP. We also have about \$80,000 of our own loan funds that are currently loaned out. And potentially, we could use the remaining DPO funds. The DPO Agreements with the investors do allow this type of use. In this case, we would be using it on a short-term basis, with the plan to repay it.

We have spoken with Dan Hamburg about receiving the \$75,000 match from the county, as it will leverage \$500,000 in business loans for the county. Kuhry understood the match differently than Simmons reported the loan conditions stating. It was decided that instead



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of moving forward on a vote to use the DPO funds for interim match, Simmons will clarify with USDA. If the match does come up for a vote by the Supervisors, Simmons will inform the Board to allow them to speak in favor of it at the Supervisors meeting. Kuhry proposed approaching the cities for match funds. Doble said it might be possible from Ukiah in the future, but not for this year's budget.

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| 16. Next Meeting Date and Time | <i>Discussion</i> |
| November 9, 2017 - 2:00 to 4:00 pm | |
| 17. Adjourn 4:10 | <i>Action</i> |