



MINUTES
EDC-VC EXECUTIVE COMMITTEE MEETING
May 8 2018

- Location:** EDC-VC, 4001 Mission Oaks Blvd., Suite A-1, Camarillo, CA 93012
- Attendance:** Chris Meissner, *Chair* – Meissner Filtration Products
John Procter – City of Santa Paula
Carmen Ramirez, *Vice Chair* – City of Oxnard
Sim Tang-Paradis – City National Bank
Anthony Trembley – City of Camarillo
Peter Zierhut, *Secretary/Treasurer* – Haas Automation
- Absent:** Haider Alawami– Economic Roundtable Representative, City of Thousand Oaks
Harold Edwards – Limoneira Company
Cheryl Heitmann – City of Ventura
- Legal Counsel:** Nancy Kierstyn Schreiner – Law Offices of Nancy Kierstyn Schreiner
- Guests:** None
- Staff:** Ray Bowman, SBDC Director
Kelly Noble, Office Manager
Bruce Stenslie, President/CEO
- Call to Order:** 8:31 a.m. Chair Chris Meissner thanked everyone for attending the meeting.
- Roll Call:** Bruce Stenslie
- Amendment to the Agenda:** None
- Public Comment:** None
- Approval of Executive Committee Minutes** **Executive Committee Meeting, April 10, 2018**
Chair Meissner requested a motion to approve the minutes from the April 10, 2018 Executive Committee meeting. Tony Trembley moved to approve and file the minutes from the April 10, 2018 Executive Committee Meeting. Sim Tang-Paradis seconded the motion. Carmen Ramirez was not present for this action item. All remaining Executive Members listed in attendance in favor, motion carried.
- Administration** **Consideration of the 2018 Small Business Development Center Network Service Center Agreement, CN 99753.7, in the Amount of \$425,000, for the Term January 1, 2018 – December 31, 2018. Recommendation to Delegate Authority to the President/CEO to Sign.**
Stenslie noted for the Executive Committee that the Long Beach Community College District serves as the regional “Lead Center” for federal Small Business

Development Center services for Los Angeles, Ventura and Santa Barbara Counties. Long Beach secures the core funding from the U.S. Small Business Administration, then sub-contracts to local direct “service centers,” or “sub-recipients,” of which EDC-VC is one.

Our service area is all of Ventura and Santa Barbara Counties. For service delivery in Santa Barbara County, we partner with Santa Barbara City College (SBCC) and its Scheinfeld Center for Entrepreneurship and Innovation.

We have successfully operated this program since 2010, consistently exceeding performance benchmarks, earning contract renewals. For performance in 2017, we exceeded our contract goals for economic performance, achieving 63 business starts versus a goal of 62, and helped our clients secure more than \$68 million in new capital infusion, versus a goal of \$25 million.

Stenslie continued stating that though the contract is coming late for our consideration from Long Beach, we had received in January a letter of commitment. Though we would prefer more timely receipt of the contract, we have been up and running since January 1, based on the letter of commitment. This delay in contract delivery has been constant since we began working with the Lead Center in 2010.

We anticipated the award of these funds and included the revenue and expenditures in our approved budget for this year.

Stenslie reminded the Executive Committee that the contract as delivered requires that we provide 100% in matching funds. Not less than half of the match must be in cash, the other half may be in-kind. We meet the in-kind obligation through such items as waived costs for access to operating and consulting space at SBCC, in-kind marketing, and “waived indirect” costs incurred by EDC-VC for “hosting” the SBDC operation.

The contract as delivered, however, does not include the clarification that \$100,000 of the \$425,000 is to support our work as the lead for international trade activity in all three counties, Los Angeles, Ventura and Santa Barbara. We have separate correspondence from the lead center, which will be amended into the contract, indicating that our required match contribution is \$162,500.

As it may take several weeks to receive the contract amendment on this clarification, we’re recommending that our board take action this month, as without a signed agreement we’re not able to secure reimbursement, already four months into contract performance.

Our budget projects cash match through several sources. Though actuals may vary, we have budgeted at a level that will either allow us to “over-match” our minimal contribution of \$212,500 or match a larger share of SBA funding should it materialize.

- Cuesta College: \$25,000
- Santa Barbara City College: \$15,000
- SBCC Scheinfeld Center: \$ 5,000
- County of Ventura: \$30,000
- Cities of Ventura County, BEP: \$88,000
- GO-Biz \$85,000
- \$248,000**

As noted, these figures may fluctuate, though we have a high level of confidence in securing the cash match. EDC-VC operates, to our knowledge, the only, or one of the only SBDC's in California that are *not* stressed for securing cash match. The other Centers are continually at-risk for leaving SBA funds on the table owing to the lack of matching funds.

Our service delivery is through the provision of direct, one-on-one professional consulting, using a corps of some 30 contract consultants. Our strategy is to develop direct consulting relationships with business clients, customized around specific scopes of work responsive to their needs for growth and profitability.

Our contract goals for the recommended agreement follow below. All outcomes (or "milestones") must be documented by signed agreement from the businesses served.

<u>Performance Goals</u>	<u>Outcome Target</u>
Long Term Clients (5 hours or more consulting):	316
Capital Infusion	\$35,000,000
Business Starts	60

The goals and targets are assigned by the Lead Center. For 2018, as compared to 2017, we are seeing essentially no change for the goals for Long-Term Clients and Business Starts, though an increase in Capital Infusion from \$25 million to \$35 million. The Lead Center's calculations are based on the SBA's expectations for the Lead Center and its three county service area. Our share of the regional obligation is driven by our share of the general population and number of businesses, adjusted per prior year performance. Based on our high-end performance, we are contracted to carry a larger share of the outcomes than is proportional to size of population or numbers of firms.

Chair Meissner requested a motion that the Board of Directors approve and delegate to the President/CEO authority to sign the FY 2018 Small Business Development Center (SBDC) Network Service Center Agreement (CN99753.7), between EDC-VC and the Long Beach Community College District, for \$425,000 in U.S. Small Business Administration funds. Peter Zierhut motioned that the Board of Directors approve and delegate to the President/CEO authority to sign the FY 2018 Small Business Development Center (SBDC) Network Service Center Agreement (CN99753.7), between EDC-VC and the Long Beach Community College District, for \$425,000 in U.S. Small Business Administration funds. Sim Tang-Paradis seconded the motion. All Executive Members listed in attendance in favor, motion carried.

Consideration to Extend the Maturity Date of a \$1 Million Promissory Note with Rabobank, N.A., for 60 Months, to September 11, 2023. Recommendation to Approve.

Stenslie stated that the EDC-VC has operated business loan programs continuously and successfully since 1997, maintaining capacity through a full-time Loan Officer on staff and working in collaboration with banking and finance professionals serving as our Loan Board.

Our sources of capital have long included the U.S. Department of Commerce, matching funds from the cities and county, and federal Community Development Block Grant funds. Currently, these funds are for the most part available for

lending countywide, with the primary objective being job creation. EDC-VC also manages a loan program capitalized through California Proposition 10 Tobacco Tax funds, through First 5 Ventura County, for lending to support the expansion of early child education capacity.

The total amount of loans made from all funds is more than \$17 million, with a current open portfolio of approximately \$6 million. Our loan loss ratio is under 7%, which is extremely competitive in our field considering our niche is lending to firms denied access to commercial credit.

Stenslie added that we first secured the agreement with Rabobank in September, 2013, establishing our first access to private bank funds to augment and complement our public sector loan capital.

The Promissory Note establishes the interest rate for our borrowing at 2.5%. We use the fund to lend to firms unable to secure commercial credit, at six to seven percent, depending on risk and other factors.

The Promissory Note includes an option for two five year extensions, contingent upon our compliance with the covenants. We are in compliance and have had no loan losses in the fund.

The Note is accompanied by a separately signed Investment Agreement, which further defines the purpose of the fund and responsibilities of the parties.

The loan fund and relationship with the bank establishes a benefit both to the borrowers and to EDC-VC.

- Businesses/borrowers are able to secure loan capital at a competitive rate.
- EDC-VC earns income on the portfolio to support our operating costs and capacity for making the loans. Our income is derived by the variance between our rate of securing the funds (2.5%) and what we lend to businesses (six to seven percent), plus a 2% origination fee.

Since establishing the fund in 2013, we have earned a total of \$270,088:

- \$222,902 in interest on loans,
- \$45,450 in origination fees,
- \$1,736 in late fees.

That income is offset by \$79,484, interest payments to Rabobank.

Our net income on the fund is \$190,604. Of that amount,

- \$106,974 has contributed to our operating expense,
- \$67,911 has been placed conservatively in an allowance for doubtful accounts,
- leaving a current cash balance of \$15,719.

More impressively, we have circulated and re-circulated the \$1 million fund into:

- 11 loans,
- totaling \$1,568,758,
- contributing to the creation of 70 jobs, at \$22,411 per dollar loaned.

The recommended action verifies our intent to extend the agreement with Rabobank N.A. for five years and continues our access to this fund for business lending.

Moving forward, we continue to seek additional sources of capital to expand our lending capacity in support of local business and job creation.

With Executive Committee approval, staff will place the recommended extension on the full Board agenda for May 17, assuring that we are providing an early alert to Rabobank, N.A., of our intent to continue the lending relationship.

Chair Meissner requested a motion that the Executive Committee approve and forward to the full Board of Directors:

1. Approve an extension of the maturity date of a \$1 million promissory note with Rabobank, N.A., for 60 months, to September 11, 2023, for the continuing deployment of the fund for business lending in Ventura County.
2. Delegate authority to the President/CEO, subject to legal review, to sign the documents required for securing our option to extend the maturity date.

Carmen Ramirez motioned that the Executive Committee approve and forward to the full Board of Directors:

3. Approve an extension of the maturity date of a \$1 million promissory note with Rabobank, N.A., for 60 months, to September 11, 2023, for the continuing deployment of the fund for business lending in Ventura County.
4. Delegate authority to the President/CEO, subject to legal review, to sign the documents required for securing our option to extend the maturity date.

Peter seconded the motion. All Executive Members listed in attendance in favor, motion carried.

Update and Discussion, Report on Regional Entrepreneurship Ecosystem

Stenslie noted for the Executive Committee that in November 2017 our board approved a contract with Xopolis: Urban Analytics, for the development of an assessment of our regional entrepreneurial ecosystem. There are several elements to the agreement, including:

- contributing expertise toward and producing an objective assessment of our regional entrepreneurial ecosystem, including a ranking system,
- a summary of regional strengths and weaknesses,
- facilitation and development of strategies for improving stakeholder communication and information sharing, and
- providing both assessment tools and a written report.

Stenslie updated the Executive Committee:

1. At last month's Executive Committee meeting, and, separately, at an ad hoc committee guiding our development of a quarterly indicator report, we reviewed in detail the ecosystem measurement and ranking data. Staff will report back on and share the revised matrix.

2. Today's discussion will largely focus on prioritizing our actions for moving forward.
3. Finally, we are looking to schedule a date for Xopolis to deliver the report's findings and recommendations to a gathering of members from our board and the region's players in entrepreneurship.

Our 2017 and 2018 work plans have prioritized the development of a Quarterly Indicator Report. Guided by the work of an ad hoc committee, we are nearly done with the selection of elements to include the report

Our agenda item today will be to share the currently selected elements.

Assuming we get consensus on the elements, the final step will be working out the details with the Ventura County Community College District for its formatting and production.

We anticipate that the first report will be for the quarter ending June 30.

Our purposes in developing the report are several:

- to assure that our work is fully informed by regional economic data and trends;
- to help us identify our comparative and competitive standing relative to our surrounding counties and California or nation as a whole;
- to improve the degree to which stakeholders and partners throughout the region are informed by a common set of information, toward informing our collective action for economic growth and prosperity.

As previously discussed, much of what animates our interest in producing the report and convening discussions on the data may be summarized by an excerpt from "Equity, Growth and Community" (Chris Benner and Manuel Pastor, 2015), with reference to the concept of forming "*diverse and dynamic epistemic communities*":

. . . It's a clunky term . . .but epistemic community actually has an intuitive meaning: *it's what you know and who you know it with*. While the evidence is still tentative . . . our research suggests that such communities—ones that are diverse in their membership and sources of knowledge, and dynamic in their ability to withstand shocks, continuously learn, and adjust over time—can actually help construct and sustain regional social norms that facilitate the achievement of growth, resilience, and inclusion. *In short, our ability to grow together may be fundamentally rooted in our ability to know together.*
[italics added]

Membership Report

Stenslie provided a brief update on current member status and recruitment activity.

Presidents Report

Stenslie provided a brief overview on the status of the CA Competes Tax Credit program and the potential for a new funding allocation from CA in support of small business services.

New or Unfinished Business: None

Executive Committee Comments: None

Adjournment to June 12, 2018 At 10:04 am, Meissner announced that the meeting is adjourned to June 12,, 2018.

Minutes taken by Kelly Noble