



MINUTES
EDC-VC BOARD OF DIRECTORS MEETING
February 15, 2018

- Location:** Meissner Filtration Products, 1001 Flynn Road, Camarillo 93012
- Attendance:** Al Adam – City of Thousand Oaks
Haider Alawami – City of Thousand Oaks, Liaison, ED Managers Roundtable
Will Berg – City of Port Hueneme
Gary Cushing – Chambers of Commerce Alliance
Mary DiCesare – Mayerson Marketing & Public Relations
Amy Fonzo – California Resources Corporation
Cheryl Heitmann, Chair – City of Ventura
Chris Meissner, Vice Chair – Meissner Filtration Products
Susan Mulligan – Calleguas Municipal Water District (liaison)
Marissa Nall – Pacific Coast Business Times
Carmen Ramirez – City of Oxnard
Jim Scanlon – Arthur J. Gallagher and Co.
Alex Schneider – The Trade Desk
Laurel Shockley – Southern California Edison
Paul Stamper – County of Ventura
Tony Trembley – City of Camarillo
Vlad Vaiman – California Lutheran University
Alexandria Wright – Ventura County Community College District
John Zaragoza – County of Ventura
- Absent:** Dee Dee Cavanaugh – City of Simi Valley
Kristin Decas – Port of Hueneme/Oxnard Harbor District
Victor Dollar – VCLA (liaison)
Nan Drake – E.J. Harrison Industries
Harold Edwards – Limoneira Company
Ron Galaviz – Lead Builders, Inc.
Roseann Mikos – City of Moorpark
John Procter – City of Santa Paula
Cari Shore – Rabobank
Tony Skinner – IBEW Local #952
Sandy Smith – VCEDA
Trace Stevenson – AeroVironment, Inc.
Sim Tang-Paradis – City National Bank
Ysabel Trinidad – California State University Channel Islands
William Weirick – City of Ojai
Peter Zierhut – Haas Automation
- Legal Counsel:** Nancy Kierstyn Schreiner, Law Offices of Nancy Kierstyn Schreiner
- Staff:** Marvin Boateng, Loan Officer
Shalene Hayman, Controller
Kelly Noble, Office Manager
Bruce Stenslie, President/CEO

Guests: Clare Briglio, EDC-VC
Vanessa Bechtel, VCCF
Andrew Munson, Assembly Member Jacqui Irwin Office
Jess Solorzano, County of Ventura

Call to Order: Chair Chris Meissner called the meeting to order at 4:13 p.m. Meissner welcomed everyone to Meissner Filtration and had everyone introduce themselves.

Roll Call: Kelly Noble

Amendment to the Agenda: None

Public Comment: None

Minutes: Meissner asked if there were any comments on the January 16, 2018 minutes. With none, Meissner requested a motion to approve the minutes from the January 16, 2018 meeting. Tony Trembley moved to approve and file the minutes from the January 16, 2018 meeting. Laurel Shockley seconded the motion. Board members listed in attendance in favor, motion carried.

Financial Report: **November & December 2017 Financials**
Shalene Hayman explained that she will be reviewing the current financials from January 2018 only. We'll be addressing the year end data as part of our budget presentation later on the agenda, and through our annual audit later in the spring.

January 2018 Financials
Hayman presented the January 2018 Financials. Meissner asked if there were any questions. There was a discussion about considering interest bearing accounts for a share of cash on hand. Staff will explore the option, still considering our need for liquidity. Meissner requested a motion to approve and file the November 2017, December 2017 and January 2018 Financials. Al Adam motioned to approve and file the November 2017, December 2017 and January 2018 Financials. Cheryl Heitmann seconded the motion. All board members listed in attendance in favor, motion carried.

Administration **Consideration of an Agreement with Pacific Western Bank, \$250,000 to Capitalize a Loan Fund for Businesses Impacted by the Thomas Fire and Disaster. Recommendation to Approve.**

Tony Trembley recused himself from this motion and left the room.

Stenslie explained that 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.

At our Annual Meeting in January our Board approved an agreement with the Gene Haas Foundation, through which we secured an initial \$200,000 for disaster assistance lending. Today's action is to augment that fund, plus add some additional flexibility in lending, by allowing through the Pacific West Bank contribution loans up to \$50,000, versus the \$15,000 limit we established for the Gene Haas Foundation fund.

Stenslie continued saying that a more thorough estimate of the fire's impact to business will be difficult and will take some time to generate. For a quick and informal estimate, however, citing data primarily for just Ventura County, consider the following:

- We experienced an unprecedented holiday season business interruption, especially in Retail & Other Services but also extending to supply chain disruption across all sectors and potentially extreme impact to the Agricultural sector.
- The National Retail Federation reports that fire zone and adjacent retailers may lose more than 20% of their annual revenue in 2017, with continuing impacts into 2018.
- Retail & Other Services sectors alone represent some 14% of the fire zone jobs, with more than 10,000 workers potentially impacted in west Ventura County alone.
- The more recent debris flows in Montecito completely shut down that region's business community, with closures extending from Montecito to Carpinteria, and still no certain dates for re-opening for many of them.
- Extrapolating from regional economic data for Ventura County, the loss in Retail and Other Services sales in the fire impacted areas could be as much as \$175 million.
- For the Ojai Valley specifically, the Accommodation and Food Services sector represents 31% of all jobs, with Private Education accounting for more than 16% of local jobs. Both sectors have been severely impacted, resulting in retail sales and commerce across all sectors in the Valley at a near complete standstill, with the city's lost tax revenue impacting the community in 2018 and beyond.
- An informal calculation of Ojai Valley *lost hotel room rental income* may be more than \$3.5 million, with the Ojai Valley in closed for over a month (re-opened on January 11) and the Oaks at Ojai still closed.
- Per the Agriculture Commissioner's office the impact to the local Farm economy is at least \$171 million.
- Owing to the nature of the disruption, the employment impact is nearly impossible to measure. For example, Retailers generally don't lay off workers, rather they assign reduced days & hours, so lost incomes are not widely reflected in unemployment insurance claims data. Similarly for Agriculture, workers kept out of the fields for several days owing to unsafe air quality likely did not produce significant claims for unemployment insurance.
- *Ventura County is not well positioned to absorb the impact, with 0% GDP growth over the last four years and a minus 2.7% in 2016. Looking at GDP alone, Ventura County's economic performance is in the bottom 10% nationally of all the nation's Metropolitan Statistical Areas.*

While as noted, we don't know the full impacts of the fire, we are seeing interest and demand for access to capital as a form of recovery assistance.

The recommended action establishes our access to additional funds dedicated to

assisting businesses impacted by the fire.

Moving forward, we will continue to be vigilant on the following:

- seeking additional funds from local banks and other potential contributors, helping to assure we have adequate capital to support the full array of demand for alternative lending,
- seeking contributions to a loan loss reserve for what we perceive may be higher risk lending than our general portfolio,
- seeking first to assist clients to access commercial credit or other state or federal assistance that might be optimally suited to their circumstance.

Meissner requested a motion that the Board approve a Loan Agreement and Note with Pacific Western Bank, in the amount of \$250,000, for a four year term, to capitalize a loan fund for businesses impacted by the Thomas Fire. As well as delegate authority to the President/CEO, subject to legal review, to sign the Agreement and Note and any related documents required to secure the loan fund contribution for business recovery from the Thomas Fire from Pacific Western Bank. Carmen Ramirez motioned to approve a Loan Agreement and Note with Pacific Western Bank, in the amount of \$250,000, for a four year term, to capitalize a loan fund for businesses impacted by the Thomas Fire as well as delegate authority to the President/CEO, subject to legal review, to sign the Agreement and Note and any related documents required to secure the loan fund contribution for business recovery from the Thomas Fire from Pacific Western Bank. Amy Fonzo seconded the motion. With the exception of Trembley's recusal, all board members in favor, motion carried.

Consideration of an Agreement with the County of Ventura to Administer a Disaster Loan Fund for Cattle Businesses, \$100,000 in Loan Capital, \$10,000 for Administration. Recommendation to Approve.

John Zaragoza and Paul Stamper recused themselves for this motion and left the room.

Stenslie noted 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.

In response to the impacts to businesses from the Thomas Fire we have been working to secure dedicated loan capital for augmenting resources available through the US Small Business Administration and other resources. We previously secured \$200,000 from the Gene Haas Foundation and, elsewhere on today's agenda, are recommending approval of an additional \$250,000 through Pacific Western Bank. Both funds are primarily for businesses that did not suffer a direct impact from the fire and its aftermath, rather are for response to "economic injury," or the loss of sales.

Following is a summary of the issues which have led to the County's consideration for establishing this loan fund. As of this writing, the fund has not been approved by the County Board of Supervisors, though is scheduled for hearing on Tuesday, February 13. .

- Ventura County has a still active but small cattle industry, for which the economics are marginal. That is, there is little room in the yearly profits to withstand serious disruption like the Thomas Fire, which destroyed nearly all of the region's grazing land.
- There are few reserves or assets in these businesses to fall back on in the case of disaster. The ranchers' wealth is generally in the land or the stock. There are

few liquid assets. Many are leasing the land as well, further diminishing the pool of cattle business assets.

- The costs and logistics of insuring rangeland as an asset are a significant challenge, and not a common or regular practice for the scale and nature of these operations.
- USDA and/or SBA may have some resources to address the needs, but we are discovering that accessing such resources requires examination on a case-by-case basis.
- Several of the ranchers are not only struggling to cover the cost of feeding their cattle, but also struggling with cash flow to restore other damage by the fire, to fence lines, other infrastructure and equipment.
- The most significant impact to the cattle business is the loss of its means of production; what they need in response to that loss is a short-term cash infusion or related support for replacing that resource while the grazing fields naturally regenerate.
- Whether owned or leased, the grazing land is unsuitable for other agricultural activity. Without the active grazing, the properties—mostly near to the urban areas—become overgrown, increasing their volatility for wildfire.
- The ranching operations aren't just contributing to the owners' and regions' economy, but are also contributing significantly to our region's land stewardship and resource management.
- There are some 15 or 16 small to mid-size cattle operations that are at enormous risk of failure, owing to loss of grazing land (that is, their means of production) to the Thomas Fire. While the resource will recover, it will take time—at least 60 days by professional estimates—more time than the ranchers' can afford to sustain operations through their individual purchase of hay, for which they don't have the cash flow.

Stenslie noted that the County's action is also to dedicate the \$100,000 fund to remain available through EDC-VC for response to any future disasters. After any loans are made and repaid to this fund, EDC-VC will accordingly hold the funds in a separate account.

The recommended action, if also approved by the County, establishes our access to additional funds dedicated to assisting businesses impacted by the fire.

Meissner requested a motion for the board to approve agreement with the County of Ventura to secure \$100,000 in loan capital for lending to cattle businesses impacted by the Thomas Fire and \$10,000 to administer the fund as well as delegate authority to the President/CEO, subject to legal review, to sign the agreement and any related documents required to secure and maintain the County's contribution for responding both to current and any future declared disasters. Tony Trembley motioned to approve agreement with the County of Ventura to secure \$100,000 in loan capital for lending to cattle businesses impacted by the Thomas Fire and \$10,000 to administer the fund as well as delegate authority to the President/CEO, subject to legal review, to sign the agreement and any related documents required to secure and maintain the County's contribution for responding both to current and any future declared disasters. Will Berg seconded the motion. With the exception of the recusals, all board members listed in attendance in favor, motion carried.

Consideration of a Draft Memorandum of Understanding with the Ventura County Community College District, for the Development and Operation of a

Center for Competitive Economies and Workforce Innovation. Recommendation to Approve.

Stenslie noted that over the last year, and also embedded annually in our organizational Business Plan, we have had a priority to play a strong regional role for commenting on, interpreting and sharing information on the Ventura County economy.

As we have worked this past year on the development of a Quarterly Indicator Report (anticipated to be brought to the Board for approval in March), and through our development of the user's guide for business in accessing career education resources, we have been working closely with the Ventura County Community College District (VCCCD) as a partner providing technical expertise.

In consideration of the value of that partnership, we jointly developed a Memorandum of Understanding (MOU) with VCCCD that puts some structure to how we work more together and for what purposes. The draft MOU, along with a summary statement on a jointly managed Center for Competitive Economies and Workforce Innovation, is attached.

Among EDC-VC's responsibilities is to pay not less than \$10,000 annually to VCCCD, for VCCCD's delivery of research products as identified annually by EDC-VC. This year's contribution is anticipated to be through funds secured through the California Stewardship Network and Morgan Family Foundation. Our application for funding is pending with the Morgan Family Foundation. If approved, the project would be a next step toward improving the connection of industry demand to Career Education curriculum development.

The term of the MOU is through December 31, 2019, though may be modified by mutual consent of the parties. The MOU is designated "at-will."

The Executive Committee has reviewed and recommends approval of the MOU and Summary for the Center for Competitive Economies and Workforce Innovation.

Meissner requested a motion that the Board approve a Draft Memorandum of Understanding with the Ventura County Community College District Workforce & Economic Development Division for the development and operation of a Center for Competitive Economies and Workforce Innovation. Al Adam motioned to approve a Draft Memorandum of Understanding with the Ventura County Community College District Workforce & Economic Development Division for the development and operation of a Center for Competitive Economies and Workforce Innovation. John Zaragoza seconded the motion. All board members listed in attendance in favor, motion carried.

Consideration of 2018 EDC-VC Budget. Recommendation to Approve.

Stenslie explained to the board that our bylaws call for the board's annual adoption of a budget, which, given our January to December fiscal year, would better have been approved prior to the end of 2017, though staff has delayed its presentation to early in the year the last six years, better to capture year-end information and a cleaner read on revenue and expense projections. In the absence of a regular December meeting, and the busy Annual Meeting agenda in January, the recommendation has fallen to our February board meeting.

The Executive Committee reviewed the draft budget at its meeting on February 8 and recommends the full Board's approval.

Stenslie stated that while 2017 closeout figures remain preliminary, we are projecting year-end net income at approximately \$24,000, or about \$3,000 less than budgeted.

Our goal annually is to finish the year at around this level, assuring some margin for error in closeout, contributing to our balance sheet, but not leaving any significant service capacity uncommitted.

We are projecting a very small increase in both revenue and expense for 2018, over 2017, still with a moderate net income for 2018 of approximately \$25,000. Total operating budget income is estimated at \$1.84 million.

Stenslie advised the board that the plan for continuing Policy and Governance Considerations for 2018:

- **No Recommended Changes to Membership Dues:** Membership Dues were last increased, in 2015, by 10%. No additional changes are recommended for 2017. Private sector dues are set at \$6,750 annually. Dues for the cities are on a sliding scale, ranging from \$1,100 for the smallest city (Ojai) to \$9,900 for the largest (Oxnard). The County's dues are set at \$27,500 annually. Prior to 2015, our last *private* sector dues increase was in 2008, when we moved it from \$6,000 to \$6,250, and our last *public* sector dues increase was in 2006.
- **In-kind Membership Dues Continued for Three Members:** Our bylaws stipulate that the Board may allow for not more than *five* members to be relieved from the payment of dues, in lieu of their providing in-kind services to the EDC-VC, at a value of at least two times the donation for voting Board membership (Article VI, Section 6.2). As noted in recommendation #3, we have three in-kind members renewing in 2016: Mayerson Marketing and Public Relations, Chambers of Commerce Alliance of Ventura and Santa Barbara Counties, and the Pacific Coast Business Times.

Our new Program and Revenue Considerations for 2018:

- **Layoff Aversion:** This is a contract funded by the County Workforce Development Board and County Board of Supervisors. The Workforce Board has approved a baseline continuation of \$95,000, and is recommending a \$100,000 augmentation, through one-time funds from the CA Workforce Development Board for regional planning improvements. Our proposal for the additional \$100,000 is to concentrate on improved regional business outreach coordination, communication and collaboration.
- **Small Business Development Center:** While we are recommending essentially no net change in our 2017 to 2018 SBDC revenue, it is important to disclose that the Governor's proposed budget for the state's FY 2018-19 includes a new \$20 million contribution to the support of organizations serving small business. In the past several years, the Governor's Office has approved some \$3 million annually statewide. The proposed \$20 million is a significant increase, though other small business serving entities will also be eligible to benefit from this fund. That noted, the proposal creates the possibility that we may have access to an increased pool of revenue sometime mid this year. Aside from that, the final federal budget remains an unknown. Accordingly, we have budgeted with modest revenue; it is possible under any final budget agreement that we may see an increase in SBA funds.

Our 2017 budget included a placeholder for adding a new full time staff member. Owing to uncertainties early and through the middle of the year in the federal budget, we did not add a new staff person until we received new funding for Thomas Fire disaster response. Moving forward, we are continuing to recommend a budget including six

regular, full-time staff (up from five the prior several years).

We are projecting a small decrease in office overhead, largely owing to a decrease in rent expense, budgeting only six months of rent as we move into the new office. That savings is offset by costs in office supplies, marketing and advertising materials, and other expenses tied to the move. We'll see more of the office move savings in 2019.

As noted in prior years, we continue to manage a demand driven service delivery model that is highly dependent on professional consultants. That is, rather than staffing up with several generalists in business assistance, we keep our staff small and maintain some 30 consultants on contract, deployed in business technical assistance as business need and circumstance warrant.

Stenslie ended this discussion stating that we continue to trend in the right direction with healthy net income, managing expenses within prescribed limits and maintaining stable and growing revenue. All revenue sources remain dedicated to our core functions in economic development services. We are vigilant for new program and income opportunities consistent with our mission. We also remain cautious around the discretionary nature of our funding. Full detail will be provided prior to and in the course of our meeting.

Meissner mentioned how great it is that the EDC-VC is able to rapidly adjust to the economic changes and use consultants to match industry demand. Kudos to our president.

Meissner requested a motion that the Board of Directors:

1. Review and approve the EDC-VC 2018 budget;
2. Approve the renewal of board memberships as noted for dues in Sections 4200 and 4300;
3. Approve the renewal of in-kind memberships for Mayerson Marketing, Chambers of Commerce Alliance and Pacific Coast Business Times as allowed per our bylaws, Section 6.2.

Tony Trembley motioned to:

1. Review and approve the EDC-VC 2018 budget;
2. Approve the renewal of board memberships as noted for dues in Sections 4200 and 4300;
3. Approve the renewal of in-kind memberships for Mayerson Marketing, Chambers of Commerce Alliance and Pacific Coast Business Times as allowed per our bylaws, Section 6.2.

Laurel Shockley seconded the motion. All board members listed in attendance in favor, motion carried.

Small Business Development Center 4th Quarter Report.

Stenslie stated that the program is funded by the US Small Business Administration (SBA), through an annual national appropriation of approximately \$115 million. Our SBA-contributed funding of \$460,000 is secured through a contract with Long Beach City College, which serves as the "lead center" for Los Angeles, Ventura and Santa Barbara counties.

Our core program service area is all of Ventura and Santa Barbara Counties. Funding for that activity is \$360,000 from SBA, which must be matched 100%, half in cash, half in-kind. The cash portion comes from the cities and County of Ventura, and for Santa Barbara County from Santa Barbara City College and Scheinfeld Center for

Entrepreneurship and Innovation and from Cuesta College in San Luis Obispo, for assistance throughout the region.

State Contribution for Matching Funds: We also receive funding from the Governor's Office of Business and Economic Development, targeted to facilitating business access to capital. This fund may also be used as a match to the SBA contribution. The Governor's Office contribution is on the state's fiscal year basis. For the period ending June 30, 2017, the amount was \$45,000; the period ending June 30, 2018 it is \$105,000. The state contribution has been uncertain in past years, wholly controlled in the Governor's budget process. As noted separately on today's agenda for the budget discussion, we are optimistic that the California contribution going forward may be larger.

Regional Lead for International Business: We receive an additional \$100,000 in SBA funds, to serve as the international business lead for the entire LA region. That portion of our contract does not require a match. We will continue this function in 2018, though as of this writing, it is not precisely certain at what level and by what match obligation.

Stenslie continued saying that the baseline SBDC program is focused on delivering specific economic outcomes (summarized below, concentrated on new capital infusion, new jobs created) with small business clients, generally defined as any firm with fewer than 500 employees. Most clients we serve employ fewer than 30 workers, though there is wide distribution by size.

The primary service activity is direct, professional client advising and technical assistance, organized around scopes of work focused on assisting businesses achieve positive economic outcomes. To deliver that service we maintain some 30 consultants on contract, available to business at no cost. The total direct services consulting budget for the core program is approximately \$246,000, or some 40% of the cash available in the total contract.

Per SBA regulations, there are three contractual performance goals, concentrating on long-term client engagement, capital infusion and business start-ups. Our outcome targets are prescribed by our SBDC lead center in Long Beach.

For this year, our target for Long-Term Clients was increased marginally, from 310 to 320; our target for Capital Infusion was unchanged at \$25 million; and our target for Business Start-ups was increased very marginally, from 60 to 62. We have absorbed higher increases in years' past, and now are set with contractual goals at the top end for our region. In 2016, we exceeded all our outcome measures. In 2017 we are short only in the long-term client category, which is a process measure, not an economic outcome. The federal legislation prioritizes long-term client engagements, recognizing a correlation between hours dedicated and outcomes. While we appreciate the correlation, it's not a causal relationship, and we don't manage to it.

The outcome data displayed below is preliminary, or "unofficial," for the period January through December 29, *with the "outcome target" number representing the full year goal.* We may have the final data by the time of our meeting, including the full context of data for the Los Angeles region.

<u>Performance Goals</u>	<u>Outcome Target</u>	<u>Outcomes thru December</u>
Long Term Clients (5+ hours)	320	291
Capital Infusion	\$25,000,000	\$68,248,346
Business Start-ups	62	63

Stenslie reminded the board that we continue to track client activity by region served and by industry sector. For industry sector, our primary interest is to assure a distribution that is heavily aligned with the industry sectors with the greatest likelihood for generating significant economic activity. Our service to 107 Manufacturing firms, to 35 Wholesale Trade firms and to 70 Professional, Scientific and Technical sector firms is a strong indicator that we are on track for that priority.

The total number of clients from throughout the three county area that we consulted on international trade issues is 139, twenty-two of which are based in Ventura and Santa Barbara counties.

Outcomes from international trade consulting include \$29,453,845 in capital infusion, 9 new business starts, with 45 long-term clients

Stenslie added that while it remains too early to predict the total impact on client volume, activity is up significantly since mid-December, with some 71 new client intakes/scopes of work, plus another 40 that we're currently working on securing appointments and additional information. Nearly all of these clients suffered losses in sales, not in property or inventory.

President's Report

Stenslie noted that City National Bank is holding their Economic Forecast on 02/21.

Committee/Liaison Reports:

VCEDA

No New Report

Economic Developers Roundtable

No new report.

Ventura County Lodging Association

No new report.

Calleguas Municipal Water District

Susan Mulligan handed out and went over a report on the water situation.

New or Unfinished Business:

None

Board Member Comments:

Gary Cushing mentioned that Start Up Weekend will be held in Camarillo on April 20-22.

Adjournment:

Meeting adjourned at 5:34 p.m. to March 15, 2018, PM, Conference Room 4001 Mission Oaks Boulevard, Camarillo 93012.