



MINUTES
EDC-VC BOARD OF DIRECTORS MEETING
July 20, 2017

Location: Hampton Inn, 50 West Daily Drive, Camarillo

Attendance: Dee Dee Cavanaugh – City of Simi Valley
Gary Cushing – Chambers of Commerce Alliance
Kristin Decas – Port of Hueneme/Oxnard Harbor District
Nan Drake – E.J. Harrison Industries
Amy Fonzo – California Resources Corporation
Cheryl Heitmann, Chair – City of Ventura
Kelly Long – County of Ventura
Nancy Mayerson – Mayerson Marketing & Public Relations
Chris Meissner, Vice Chair – Meissner Filtration Products
Roseann Mikos – City of Moorpark
Marissa Nall – Pacific Coast Business Times
John Procter – City of Santa Paula
Carmen Ramirez – City of Oxnard
Laurel Shockley – Southern California Edison
Sandy Smith – VCEDA
Jim Scanlon – Arthur J. Gallagher and Co.
Cari Shore – Rabobank
Trace Stevenson – AeroVironment, Inc.
Sim Tang-Paradis – City National Bank
Tony Trembley – City of Camarillo
John Zaragoza – County of Ventura
Peter Zierhut – Haas Automation

Absent: Al Adam – City of Thousand Oaks
Haider Alawami – City of Thousand Oaks, Liaison, ED Managers Roundtable
Gerhard Apfelthaler – California Lutheran University
Will Berg – City of Port Hueneme
Harold Edwards – Limoneira Company
Rebekah Evans – VCLA (liaison)
Ron Galaviz – Lead Builders, Inc
Susan Mulligan – Calleguas Municipal Water District (liaison)
Tony Skinner – IBEW Local #952
William Weirick – City of Ojai
Celina Zacarias – California State University Channel Islands

Legal Counsel: Nancy Kierstyn Schreiner, Law Offices of Nancy Kierstyn Schreiner

Staff: Marvin Boateng, Loan Officer
Ray Bowman, EDC SBDC Director
Shalene Hayman, Controller
Kelly Noble, Office Manager
Bruce Stenslie, President/CEO

Guests: Michel Abedian, CPA, Partner, Farber Hass Hurley LLC
Aaron Filene, CPA, MPA, Farber Hass Hurley LLC
Alexandria Wright, VCCCD, Director of Economic & Workforce Development

Call to Order: Chair Cheryl Heitmann called the meeting to order at 4:06 p.m. Heitmann welcomed everyone and had everyone introduce themselves for the Auditors.

Roll Call: Kelly Noble

Amendment to the Agenda: None

Public Comment: None

Minutes: Chair Heitmann asked if there were any comments on the June 15, 2017 minutes. With none, Heitmann requested a motion to approve the minutes from the June 15, 2017 meeting. Sandy Smith moved to approve and file the minutes from the June 15 2017 meeting. Nan Drake seconded the motion. All board members listed in attendance in favor, motion carried.

Financial Report: **June 2017 Financials**
Shalene Hayman presented the June 2017 Financials. Chair Heitmann asked if there were any questions. With none, Heitmann requested a motion to approve and file the June 2017 Financials. Kelly Long motioned to approve and file the June 2017 Financials. Laurel Shockley seconded the motion. All board members listed in attendance in favor, motion carried.

Consideration of the Draft Financial Statements and Audit for the Year Ended December 31, 2016. Recommendation to Accept.

Stenslie commented for the Board that as per our bylaws, Section 7.2, we contract annually for an independent audit of our corporate accounts, financial statements and internal controls. That audit and related materials—recently completed in draft by Farber Hass Hurley LLP, for our FY 2016—has been included with today’s meeting materials.

Along with the financial statements, the auditor’s report includes a “single audit” report on internal control over financial reporting and compliance for our U.S. Department of Commerce funded revolving loan program, as required by OMB Circular A-133.

As you may recall, after several years of audit work by Poindexter and Company, we put the service out to bid for the 2016 audit, selecting Farber Hass Hurley LLP.

We made the switch partly out of an interest to bring in a different set of eyes on our financials and control processes and also because Mr. Poindexter had indicated he did not plan to continue the certifications necessary to complete single audits.

The audit provides an unqualified opinion for the representation of our financial statements (see Independent Auditor’s Report, p. 1).

There are no findings reported for 2016, and no findings from prior years requiring tracking.

Chair Heitmann introduced Michel Abedian, Partner at Farber Hass Hurley overseeing the audit, and Aaron Filene CPA MPA, noting that they had also presented the audit earlier today to the Executive Committee. At that meeting they had provided extensive detail on the reports.

Michel Abedian provided an overview of the audit reports and 2016 Financial Statements.

Following the presentation and short discussion, Heitmann requested a motion to approve the FY 2016 draft Auditor's Report and Financial Statements for December 31, 2016 as prepared by Farber Hass Hurley LLP. Peter Zierhut moved to approve the FY 2016 draft Auditor's Report and Financial Statements for December 31, 2016 as prepared by Farber Hass Hurley LLP. Roseann Mikos seconded the motion. All board members listed in attendance in favor, motion carried.

Administration

Consideration to Delegate Authority to the President/ CEO and Vice-Chair for the Renewal of Anticipated Contracts with the City of Ventura, \$194,000 Community Development Block Grant Microlending Program, and \$25,000 for Servicing a Code Compliance and Commercial Rehabilitation Loan Program. Recommendation to Approve.

Chair Heitmann recused herself and passed the gavel to Vice Chair Peter Zierhut.

Stenslie noted that the EDC-VC has managed these loan programs for the City of Ventura since the year 2000. We have made 92 loans over this period, for a total of \$3,945,065, creating 301 sustained jobs, for an average cost per job created of \$13,107. The recommended action are to continue this service for another one year period, commencing July 1, 2017.

The programs' purposes are to advance the city's strategy for investing in business growth in its downtown and other commercial neighborhoods, to spur economic growth by assisting business owners to overcome some of the hurdles to successful entrepreneurship, and to add to the city's employment pool. A summary of the loan program parameters is attached.

The two contracts serve different lending goals for the City and augment our countywide lending resources.

- The Microloan contract is funded by Community Development Block Grant funds, is directed to small business entrepreneurs, and is intended to support job creation for low and moderate income workers. This year's contract establishes our access to \$172,500 in loan capital, for an estimated four loans, not to exceed \$50,000 each.
- The Rehabilitation and Code Compliance Loan contract is funded by city general funds, and is intended to support the creation of businesses and jobs by lending to firms that are rehabilitating properties or addressing property code compliance issues. The total pool of funds available for lending includes an estimated \$504,868 for commercial rehabilitation and \$156,806 for code compliance. Commercial rehabilitation loans may range from \$10,000 to \$50,000; code compliance loans may range from \$10,000 to \$25,000. Exceptions on the lower end of the ranges may be considered by the City.

In both contracts our services are to:

- provide technical assistance to loan applicants,
- develop and fund new loans in the number prescribed, and
- service the existing portfolio.

The over-riding consideration in all activities is to support job creation and retention.

City economic development staff and EDC-VC work together in outreach for identifying eligible loan recipients. EDC-VC provides all loan underwriting, servicing and general

loan administration.

Maximum loan terms are seven years. Loans are currently being made at 5.50%, facilitating affordable capital through this program to the city's small business owners and entrepreneurs. Additional detail on allowable uses of funds is outlined in the attachment to this memorandum.

The goal of the lending programs is to create at least one job for each \$25,000 loaned. As noted above, the cumulative performance is one job created per every \$13,107 loaned, far exceeding our baseline goals. Along with the job creation, the lending has also contributed to the retention of more than 100 additional jobs.

The loan program has also performed well in managing risk, with less than 5% of the loan fund charged off by the loan board. Considering all loans both charged-off and at-risk of non-payment, the rate increases to 5.75%. The contracts specify that underwriting standards must be tightened if more than 25% of the loans are in collection or liquidation, with such a high ceiling reflecting the loan pool's purpose to facilitate access to capital for the purpose of job creation and for businesses unable to secure commercial credit.

We last presented comprehensive summaries of our total lending activity at our meetings in October 2016 and March 2017. We provide such an update not less than annually. Members may request a copy of the loan portfolio at any time.

Peter Zierhut requested a motion that the Board of Directors authorize, subject to legal review, the President's and Vice-Chair's signature approvals of two contracts with the City of Ventura, for the period July 1, 2017 through June 30, 2018, for the management and administration of the City's:

1. Microloan Program, \$25,000 for business technical assistance and underwriting services to fund a minimum of four loans, with loans not to exceed \$50,000 each, out of a loan pool of \$169,000, and for servicing the existing loan portfolio.
2. Rehabilitation and Code Compliance Loan Program, \$25,000 for underwriting services to fund a minimum of two commercial rehabilitation loans not to exceed \$50,000 each and two code compliance loans not to exceed \$25,000 each, and servicing of the existing loan portfolio.

Nan Drake motioned to authorize, subject to legal review, the President's and Vice-Chair's signature approvals of two contracts with the City of Ventura, for the period July 1, 2017 through June 30, 2018, for the management and administration of the City's:

1. Microloan Program, \$25,000 for business technical assistance and underwriting services to fund a minimum of four loans, with loans not to exceed \$50,000 each, out of a loan pool of \$169,000, and for servicing the existing loan portfolio.
2. Rehabilitation and Code Compliance Loan Program, \$25,000 for underwriting services to fund a minimum of two commercial rehabilitation loans not to exceed \$50,000 each and two code compliance loans not to exceed \$25,000 each, and servicing of the existing loan portfolio

Carmen Ramirez seconded the motion. All board members listed in attendance in favor, motion carried. [Chair Heitmann returned to the meeting after this action.]

2nd Qtr Small Business Development Center Report

Stenslie noted that 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.

The outcome data displayed below is preliminary for the period January through June 2017, or 50% of the contract term, with the "outcome target" number representing the full year goal. See attached for the reports for the full Los Angeles region, for our two county area, and for our work for the whole LA region in international trade. The reports continue to demonstrate a high level of performance.

<u>Performance Goals</u>	<u>Outcome Target</u>	<u>Outcomes thru June</u>
Long Term Clients (5+ hours)	310	148
Capital Infusion	\$25,000,000	\$67,611,846
Business Start-ups	60	43

All outcomes are documented by signed agreement from the businesses served.

Through this six month period we have already exceeded the twelve month capital infusion goal and we are on-track to exceed our goal for business starts. We are just short on the "process measure" long-term clients. We anticipate exceeding all the measures by year end.

In addition to tracking economic outcomes, we also pay close attention to the distribution of our services by region and industry sector. We continue to have an extremely diversified industry mix. The summary reports, comparing current year to the prior two years, are attached.

The statewide SBDC network recently developed new "results" reports for sharing with the California legislature and executive office. While the districts don't line up perfectly with our service area, we have attached the reports for the districts most served by our Center:

- Monique Limón, Asm District 37, southern Santa Barbara County, part of Oxnard, Ventura, Santa Paula, Fillmore, Piru.
- Jacqui Irwin, Asm District 44, most of Oxnard, Port Hueneme, Camarillo, Moorpark, Thousand Oaks.
- Hannah-Beth Jackson, Sen District 19, Santa Barbara County, Oxnard, Port Hueneme, Ventura, Santa Paula, Fillmore, Piru.
- Henry Stern, Sen District 27, Moorpark, Simi Valley, Thousand Oaks (and Westlake Village, Agoura Hills and western San Fernando Valley).
- We are also tracking the reports for Asm District 38, Dante Acosta, which includes Simi Valley, but which is primarily the Santa Clarita area, so the data for that district is primarily driven by the Center at College of the Canyons, and for Asm District 35, Jordan Cunningham, which includes north Santa Barbara County and all of San Luis Obispo County, so the data for that district is driven primarily by the Center at Cuesta College.

Looking at our region's performance on a comparative basis confirms our position as one of the state's highest performing centers, particularly considering that our density or concentration of business is not among the highest in the state and certainly not for our peers in the LA region.

President's Report

Stenslie noted for the Board that Ventura County Civic Alliance 2017 State of the Region Report is released, copies are available through the Alliance and EDC-VC. We have copies for anyone who would like them.

Stenslie also noted that the California Economic Summit is on November 2-3 in San Diego, Registration is open with early registration, through August 31, getting a 20% discount, or \$400 for the two days, or \$200 per day.

As a participating organization through the California Stewardship Network, we get the benefit of one free registration for every five registrants that use our unique registration code (VENTURA17). The registration link is in your packet. We distributed the invitation to board members earlier this week, and will re-send again later in July and in August.

Stenslie mentioned that the Pacific Coast Times Spirit of Small Business event is coming up on August 24th. This is a great event to attend.

Committee/Liaison Reports:

VCEDA

Sandy Smith mentioned that the Business Outlook Conference is at the Ronald Reagan Library on October 20th. The conference is on reliable, sustainable energy this year. VCEDA will have an insert in the Pacific Coast Business Times this Friday, please be sure to read.

Economic Developers Roundtable

No new report.

Ventura County Lodging Association

No new report.

Calleguas Municipal Water District

No new report.

New or Unfinished Business:

None

Board Member Comments:

Kristin Decal mentioned that the Port will be having its Banana Fest on September 30th. Kristin also noted the Port is experiencing a 133% increase in export traffic, for extraordinary economic benefit to the region.

Closed Session, Real Property Negotiations Pursuant to Government Code Section 54956.8

Property: 4001 Mission Oaks Blvd, Camarillo, CA 93012
Entity Negotiators: Bruce Stenslie, Nancy Kierstyn Schreiner
Negotiating Party: Ventura County Community Foundation
Under Negotiation: Terms and Payment

Staff exited the room. The Board of Directors went into closed session at 5:00 p.m. Carmen Ramirez recused herself and left the meeting, noting she serves on the VCCF Board of Directors.

Report Out of Closed Session, If Any

The Board of Directors came out of closed session at 5:15 p.m. It was reported that the Full Board delegated authority to the Executive Committee to approve a lease agreement, should it be prudent and necessary to act prior to the next regularly scheduled board of directors meeting.

Adjournment:

Meeting adjourned at 5:16 p.m. to September 21, 2017.