

MINUTES
EDC-VC EXECUTIVE COMMITTEE MEETING

June 5, 2019

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| Location: | EDC-VC, 4001 Mission Oaks Blvd., Founder’s Room, Suite A-1, Camarillo, CA 93012 |
| Attendance: | Haider Alawami– Economic Roundtable Representative, City of Thousand Oaks Nan Drake, <i>Vice Chair</i> – E.J. Harrison Industries Harold Edwards – Limoneira Company Cheryl Heitmann – City of Ventura Kelly Long – County of Ventura Chris Meissner– Meissner Filtration Products Carmen Ramirez, <i>Chair</i> – City of Oxnard Anthony Trembley – City of Camarillo |
| Absent: | Peter Zierhut, <i>Secretary/Treasurer</i> – Haas Automation |
| Legal Counsel: | Nancy Kierstyn Schreiner – Law Offices of Nancy Kierstyn Schreiner |
| Guests: | None |
| Staff: | Kelly Noble, Office Manager Bruce Stenslie, President/CEO |
| Call to Order: | 3:38 p.m. Chair Carmen Ramirez thanked everyone for attending. |
| Roll Call: | Kelly Noble |
| Amendment to the Agenda: | None |
| Public Comment: | None |
| Approval of Executive Committee Minutes | Executive Committee Meeting, May 1, 2019 Chair Ramirez requested a motion to approve the minutes from May 1, 2019 Executive Committee meeting. Nan Drake moved to approve and file the minutes from May 1, 2019 Executive Committee meeting. Chris Meissner seconded the motion. All Executive Members listed in attendance in favor, motion carried. |
| Administration | Consideration to Delegate Authority to the President/CEO for approval of a Contract for \$180,000 with the County of Ventura Workforce Development Board, for Business Retention and Layoff Aversion Services, for the Period July 1, 2019 – June 30, 2020. Recommendation to Approve. Stenslie noted that EDC has continuously and successfully provide business retention and layoff aversion services for the local workforce development system since 2002. The core funding for this activity comes through the Workforce Development Board’s annual allocation of federal Workforce Innovation and Opportunity Act (WIOA) funds, |

specifically the category of funding called “Rapid Response.”

Rapid Response funds are used primarily by the local workforce and Jobs Center systems to assist in the re-employment of workers who have been laid off.

A parallel priority and goal—with the service provided by EDC-VC—is referred to as “layoff aversion,” that is, to work with businesses at-risk of decline, to help stabilize them and to keep their workers employed.

As this program is supported with federal funds, the Workforce Development Board and County develop a solicitation for new contractors for this project every three or four years. Accordingly, the County published a Request for Proposals in August 2017. Based on a panel’s scoring of our proposal, our past performance, and given that we were the only applicant, the Workforce Board and County Board of Supervisors approved our continuing service for 2018-19. As we exceeded performance metrics for that period, the Workforce Board has approved our continuing service for 2019-20.

The primary contractual activity for 2019-20 is for the retention of jobs at-risk of layoff. The contract goal is unchanged from 2018-19, to provide layoff aversion services to not less than 24 firms, resulting in 120 jobs retained. This activity is to be supported by \$90,000 in WIOA Rapid Response funding. In support of the overall activity, we pledge \$22,000 of in-kind support, through our Small Business Development Center, using SBDC funds to conduct the initial assessment of all businesses we serve, to determine whether a layoff aversion service is in order.

A second goal—also funded by \$90,000, though for this activity through a Regional Planning Implementation grant from the CA Workforce Development Board—is to work with regional workforce partners to establish cross-organizational training and processes and tools for information sharing on business client needs and partner service offerings, coordination of leads and priorities, outcomes and follow-up needs. The purpose is to help establish a more integrated set of business engagement services for the region. This activity was launched in 2018-19 and is being continued into 2019-20.

An additional goal is to assist firms and workers with securing specific skills training for their incumbent workforce, in such instance that the training is part of a strategy to help the workers and businesses improve their competitive position and the continued employment of the at-risk workers. For this activity we pledge \$70,000 in matching funds contributed toward such incumbent worker training, through non-WIOA funding, such as California Employment Training Panel under our direct management, or through connection to other training funds, such as California Community College resources.

The budget is \$180,000, though may be subject to change based on final allocations of federal funds to the state and county. If the dollar amount changes, there will be a corresponding adjustment to the outcome goals.

It should be noted that this funding was anticipated in our budget adoption for fiscal/calendar year 2019, based on contract performance and on-going discussions about service concentrations. Going forward, we project that approximately 50% of the contract will be drawn down and expensed under this agreement prior to the end of December, with the balance carried forward to our 2020 fiscal year.

Chair Ramirez requested a motion to delegate authority to the President/CEO to sign the contract, though subject to full Board approval at its meeting on June 20. With Kelly Long abstaining, Tony Trembley motioned to delegate authority to the President/CEO to sign the contract, though subject to full Board approval at its meeting on June 20. Chris Meissner seconded the motion. All Executive Committee Members in attendance in favor, motion carried.

Consideration to Delegate Authority to the President/CEO and Chair for Approval of Anticipated Contracts with the City of Ventura, \$175,000 Community Development Block Grant Microlending Program, and \$25,000 for Servicing a Code Compliance and Commercial Rehabilitation Loan Program, for the Period July 1, 2019 – June 30, 2020. Recommendation to Approve.

Stenslie commented that the EDC-VC has managed these loan programs for the City of Ventura since the year 2000. We have made 102 loans over this period, for a total of \$4.2 million, creating 342 sustained jobs, for an average cost per job created of about \$13,000. The recommended actions are to continue this service for another one year period, commencing July 1, 2019.

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.

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 \$150,000 in loan capital, for an estimated two 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 \$500,000 for commercial rehabilitation and \$150,000 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.

The city takes the lead in identifying eligible loan recipients through its economic development program. The EDC-VC partners with the City in this outreach through our Small Business Development Center and 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 \$13,000 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.

Stenslie added that the City of Ventura approved the Community Development Block Grant allocation of funds at its meeting of May 6, 2019. We received a letter on June 5 confirming the fund award. We do not yet have draft contracts in hand.

Our Executive Committee's action today is to forward the recommendation to our full Board of Directors for final approval. We anticipate having contracts to share with full Board prior to its consideration later this month.

Chair Ramirez requested a motion that the Board of Directors authorize, subject to full board approval and legal review, the President's and Chair's signature approvals of two anticipated contracts with the City of Ventura, for the period July 1, 2019 through June 30, 2020, 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 two loans, with loans not to exceed \$50,000 each, out of a loan pool of \$150,000, 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.

With Cheryl Heitmann abstaining, Tony Trembley motioned to authorize, subject to full board approval and legal review, the President's and Chair's signature approvals of two anticipated contracts with the City of Ventura, for the period July 1, 2019 through June 30, 2020, 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 two loans, with loans not to exceed \$50,000 each, out of a loan pool of \$150,000, 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.

Haider Alawami seconded the motion. All Executive Committee Members in attendance in favor, motion carried.

Consideration of an Independent Auditor's Attestation Report, on the Reliability of the Completion of Work and Expenses Reported for the Broadband Consortium of the Pacific Coast, as Funded by the California Public Utilities Commission's California Advanced Services Fund. Recommendation to Receive and File.

Stenslie advised the Executive Committee that the EDC serves as the fiscal agent for the Pacific Coast Broadband Consortium, which represents public and private sector stakeholder interests for improving broadband deployment, access and adoption. We are one of some 15 consortia statewide, funded through a competitive procurement managed by the CA Public Utilities Commission. The funding is through the CPUC's Advanced Services Fund, Rural and Urban Regional Broadband Consortia Grant Program, which is supported by a small surcharge on all CA landline phone bills.

Our first funding for this activity was through a two year grant, July 2014 through June 2016, for \$150,000 annually. We successfully competed for a second two-year round of funding, at \$125,000 annually, for the period February 2017 through January 2019. For this latter grant we secured a no-cost-increase three month extension, through April 30, 2019.

Continuing funding for this activity is now open for competitive bid; we submitted our two-year proposal, for \$150,000 annually, in May. There is no specific timeline for new awards. Over the history of the Consortium funding there have been several month gaps between each of the funding cycles. We are optimistic that we may hear something by the end of the summer.

CPUC Resolution T-17583, December 14, 2017, requires that each Consortium grantee secure an independent auditor's "Attestation Report" on the reliability of the completion of the work outlined in its Quarterly Payment Requests (invoices). This is an unusual requirement, separate from standard audit language, established apparently owing to the fact that some of the consortia, and their fiscal agents, are small and, as such, are not recipients of other assistance and so do not complete annual audits. The attestation report is a more targeted, though still sampled analysis, of financial records for specific activities. The CPUC has been concerned that the consortia be held to high standards, and this was their means for so assuring.

To meet this requirement, we engaged our auditor, Farber Hass Hurley, to complete the Attestation Report. A copy of that Report, providing a clean opinion, is attached. You may see in the 2nd paragraph of the attachment, that the auditor conducted its examination of our records consistent with attestation standards established by the American Institute of CPA's.

Chair Ramirez requested a motion that the Executive Committee approve the Attestation Report, as prepared by Farber Hass Hurley LLP, on the Reliability of the Completion of Work and Expenses for the Pacific Coast Broadband Consortium, as Funded by the CA Public Utilities Commission's California Advanced Services Fund, for the Grant Period February 2017 through January 2019. Cheryl Heitmann motioned to approve the Attestation Report, as prepared by Farber Hass Hurley LLP, on the Reliability of the Completion of Work and Expenses for the Pacific Coast Broadband Consortium, as Funded by the CA Public Utilities Commission's California Advanced Services Fund, for the Grant Period February 2017 through January 2019. Nan Drake seconded the motion. All Executive Committee Members in attendance in favor, motion carried.

Consideration of a Draft Report on Business Migration Patterns

Stenslie passed out a draft report and noted that one of the most common complaints we hear about the “business climate” of California and Ventura County is that the cost and misery of taxation and regulation overwhelmingly drives business out of the state and our region. With that impression in the air, other states and regions—that is, our competitors for share of business and economic investment—routinely tell the story of business flight as part of a strategy to attract or “steal” business from us.

While that story is prevalent there doesn’t appear to be evidence to support it. Given the lack of data on the story, we’ve thought it prudent to look at and analyze the actual data on business migration.

To do this analysis, we have purchased two completely separate data bases, better to assure we’re getting a complete picture:

- Dun & Bradstreet’s National Establishment Time Series (NETS). The data is current only to 2015, though is inclusive back to 1990.
- Data from the Business Dynamics Research Consortium (BDRC), a component of the University of Wisconsin. The BDRC data appears more reliable and is current to 2018.

Both provide enormous annual record sets, including establishment job creation and destruction, sales growth performance, survivability of business startups, mobility patterns, changes in primary markets.

The discussion included several suggestions for adjusting the report that will be included in the final draft.

President’s Report

Stenslie mentioned that EDC presented its annual Film Commission update to the County Board of Supervisors; Stenslie also noted that EDC participated in an update for the County Board on the Economic Vitality Strategic Plan. Kelly Long mentioned that both presentations were well received.

New or Unfinished Business:

None

Executive Committee Comments:

Carmen Ramirez announced that she went to Sacramento to address funding for the Census. Ramirez also mentioned that Bruce attended a CA Public Utilities Commission hearing held at Oxnard City Council and spoke about Broadband.

Adjournment

At 4:58 pm. Chair Ramirez announced that the meeting is adjourned to July 10, 2019.

Minutes taken by Kelly Noble