



**MINUTES**  
**EDC-VC BOARD OF DIRECTORS MEETING**  
**October 20, 2016**

- Location:** 1601 Carmen Drive, Suite 204, Camarillo
- Attendance:** Mary DiCesare – Mayerson Marketing & Public Relations  
Nan Drake – E.J. Harrison Industries  
Scott Eicher – Chambers of Commerce Alliance  
Rebekah Evans – VCLA (liaison)  
Amy Fonzo – California Resources Corporation  
Ron Galaviz – Lead Builders, Inc.  
Greg Glover, City National Bank  
Cheryl Heitmann, Vice Chair – City of Ventura  
Chris Meissner – Meissner Filtration Products  
Roseann Mikos, Treasurer – City of Moorpark  
Michael Morgan – City of Camarillo  
Susan Mulligan – Calleguas Municipal Water District (liaison)  
Rick Neal – City of Fillmore  
Linda Parks – County of Ventura  
John Procter – City of Santa Paula  
Richard Rush – CSUCI  
Jim Scanlon – Gallagher, SBG-NIA  
Laurel Shockley – Southern California Edison  
Sim Tang-Paradis – City National Bank  
Maria Ventura – Southern California Gas Company  
William Weirick – City of Ojai  
Celina Zacarias – California State University Channel Islands  
Peter Zierhut, Chair – Haas Automation
- Absent:** Al Adam – City of Thousand Oaks  
Gerhard Apfelthaler – California Lutheran University  
Kristin Decas – Port of Hueneme/Oxnard Harbor District  
Henry Dubroff – Pacific Coast Business Times  
Harold Edwards – Limoneira Company  
Brian Gabler – City of Simi Valley, Liaison, ED Managers Roundtable  
Kathy Long – County of Ventura  
Keith Mashburn – City of Simi Valley  
Carmen Ramirez – City of Oxnard  
Sylvia Muñoz Schnopp – City of Port Hueneme  
Cari Shore – Rabobank  
Tony Skinner – IBEW Local #952  
Sandy Smith – VCEDA  
Hannah Wirz – Monsanto/Seminis
- Legal Counsel:** Nancy Kierstyn Schreiner, Law Offices of Nancy Kierstyn Schreiner
- Staff:** Marvin Boateng, Loan Officer

Ray Bowman, SBDC Director  
Shalene Hayman, Controller  
Kelly Noble, Office Manager  
Bruce Stenslie, President/CEO

**Guests:** Jason Barnes, Congresswoman Julia Brownley Field Representative

**Call to Order:** Chair Peter Zierhut called the meeting to order at 4:05 p.m.

**Roll Call:** Kelly Noble. A quorum is present.

**Amendment to the Agenda:** None

**Public Comment:** None

**Minutes:** Chair Zierhut asked if there were any comments on the September 15, 2016 minutes. With none, Zierhut requested a motion to approve the minutes from September 15, 2016. Nan Drake moved to approve and file the minutes September 15, 2016. Cheryl Heitmann seconded the motion. All Remaining Board members listed in attendance in favor, motion carried.

**Financial Report:** **September 2016 Financials**  
Hayman provided an overview of the September 2016 financials, concentrating on variances from prior year.

Chair Zierhut asked if there were any questions. With none, Zierhut requested a motion to approve and file the financials from September 2016. Rick Neal moved to approve and file the financials from September 2016. Laurel Shockley seconded the motion. All Board members listed in attendance in favor, motion carried.

**Administration:** **Loan Program Overview and Update, Marvin Boateng, Program Manager and Loan Officer**  
Stenslie stated that EDC-VC has provided business loan services since shortly after our establishment in 1996. We provide updates to the Board on the program generally twice each year. Today's update will be provided by our Loan Program Manager and Loan Officer, Marvin Boateng.

Marvin Boateng went through his presentation including:

- a general overview of our role and priorities in business lending;
- a summary of the several loan programs;
- a summary of borrower characteristics, including area and industry sector distribution, FICO scores, etc.;
- a discussion of priorities for moving forward.

Key features of our lending programs include:

- We lend only when the business has been turned down for commercial credit (there are rare exceptions). We are neither organized nor capitalized to compete with commercial lenders. One of our essential goals is to assist firms in becoming (and continuing to be) bankable.

- We seek first to identify other conventional or non-conventional sources of capital for our clients, intending to identify the optimal match of capital to need (and preserving our capital for such cases where other resources are wholly unavailable).
- We seek to lend in the context of partnerships. For example, we frequently fund loans to businesses referred to us by local banks. These are clients that banks like but won't lend to owing to various scoring ratios or other factors we're able to look past or remediate through concentrated consulting attention on the business plan.
- We couple our lending with our small business consulting and continuous follow-up. We seek to assure that we are bringing our full capacity and resources to the benefit of the businesses, best toward assuring their success.
- Our objective is job creation, at least one job for each \$25,000 loaned. We may occasionally consider at-risk jobs retained, though only in small number relative to jobs created. (For our child care lending, however, the objective is the expansion of the number of licensed child care slots.)
- Consistent with the points above, we seek to lend to firms that, except for some credit blemish, for example, have strong character and a solid business plan, will contribute to the local economy and have the real potential through our assistance to become bankable through commercial lenders. We serve an economic development agenda of fueling growth when other accelerants are not available or reachable.

Lending Guidelines and Process: In addition to the points above, following are some additional policy guidelines:

- EDC-VC staff makes loan recommendations to a Loan Board, which for every program and every loan has final decision authority. This assures that we have professional oversight, that we're making arms-length transactions, and using expert and independent counsel in helping to craft lending decisions.
- Interest rates vary by fund source and other considerations over the history of our lending. For example, prior to the recession, rates were generally around prime plus 2%. With the prime rate running low since the recession, the spread has widened. We have also in the last two to three years moved to a model of rates adjusted to risk by each borrower. Currently most of our loans are at around 7.25%. As noted above, however, rates vary by program and policy priorities tied to the funds. Loans capitalized by the City of Ventura, particularly through its Community Development Block Grant funds, are lower in rate, currently around 5.5%. Our child care loans, capitalized by First 5 Ventura County, are generally at 4.5%.
- Our loan application process is rigorous, requiring three years of financials/tax returns, three years of projections, extensive business plan documentation.
- We primarily lend for working capital and for the purchase of fixed assets, equipment and inventory. We may loan for leasehold improvements. We occasionally lend for debt consolidation, when it results in increased operating cash to the business, invested in hiring. With a couple of significant exceptions (child care lending and a building rehabilitation and code compliance fund from the City of

Ventura) we avoid construction lending, in order to stay clear of complexities in Davis Bacon and environmental review.

- We do require guarantees and collateral; our staff and Loan Board exercise craft and creativity in structuring security.
- Our maximum term is seven years, with some exceptions by fund source; our average loan is around six years.
- We look for one dollar of the business owners' money invested for each of ours.
- Our overall default rates have been running around six to seven percent, extremely competitive relative to other revolving loan funds and demonstrating conscientious practice through the recession.

Following discussion Board Members thanked Marvin for his work and the presentation.

### **Small Business Development Center 3<sup>rd</sup> Quarter Report on Outcomes and Activities**

Stenslie stated that today's report addresses outcomes for January through September of 2016, or for nine months, 75% of the program year.

Stenslie noted 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 \$425,000 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 \$325,000 from SBA, which must be matched 100%, half in cash, half in-kind. The cash portion comes from the cities (except Oxnard for the last two years) and County of Ventura, and for Santa Barbara County from Santa Barbara City College and Scheinfeld Center for Entrepreneurship and Innovation. We also receive \$65,000 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.

We also 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.

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 \$190,000, 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 significantly, from 206 to 310; our target for Capital Infusion was increased by \$5,000,000, from \$20 million to \$25 million; and our target for Business Start-ups was increased by twenty, from 40 to 60. These increases reflect the lead center's drive to improve outcomes region-wide.

The outcome data displayed below is only for the period January through August 2016, or 67% of the contract term, with the "outcome target" number representing the full year goal. (As of this writing the September data was not yet available, though should be updated at the time of our meeting.)

Attached is the Report Card displaying our results through September on one page and the larger LA region on the following page. The reports continue to demonstrate a high level of performance.

<b><u>Performance Goals</u></b>	<b><u>Outcome Target</u></b>	<b><u>Outcomes thru June</u></b>
<b>Long Term Clients (5+ hours)</b>	310	205
<b>Capital Infusion</b>	\$25,000,000	\$32,023,650
<b>Business Start-ups</b>	60	46

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

Through this nine month period we have already exceeded the twelve month capital infusion goal and are on-track to meet our goal for business starts. We are just short on the "process measure" long-term clients, though we're up by 16% year-over-year (with a much higher goal this year than the prior year).

As we have for the last several years, we've included a report, attached, that addresses in more detail our large contribution to the three county region outcomes.

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. Attached with this report are displays of businesses served by region and industry sector, both for this year only through Q3, and for the last three years, also through Q3, to show trends over time.

EDC-VC Serves as the Three County Regional Lead for International Business Consulting. For the period January through October 12. These outcomes are in addition to what we generated for our two county region alone, as noted above and in separate attachment. It's worth noting that this volume of economic activity is essentially equivalent to what is generated by the average full small business center in the region. We are reaching this level, however, on only a \$100,000 budget and no matching fund requirement. In other words, it is highly productive and cost-effective.

#### **Planning for EDC-VC's 20<sup>th</sup> Annual Meeting, January 19, 2017**

Stenslie advised the Board that our Annual Meeting for 2017 is scheduled for

January 19. Following are some considerations for planning the event. See attachment and handouts at the time of our meeting for the Save the Date flyer.

We are confirmed for Spanish Hills Country Club. We continue to receive very favorable rates on the venue and catering. We anticipate we would again hold a brief “business” board meeting at 3:00, with the larger, public event starting at 4:00 and winding up by 5:10. The event closes with a buffet dinner.

We have done very well in each of the past several years in sponsorships and paid attendance and holding down expense. For the 2016 annual meeting we finished with \$20,745 in net income (\$48,145 income offset by \$27,400 expense). This was down from a high mark in net income of \$25,316 in 2015 but in line with or just above our prior year averages.

This year’s event will mark our 20<sup>th</sup> anniversary. Toward celebrating and memorializing that milestone we anticipate some higher expense this year in planning and development, so will need to be more aggressive in securing sponsorships and attendance to maintain the net income level.

For the event this year we have commissioned the development of a video featuring both our history of leadership as well as clients served. We also anticipate a strong outreach effort and invitations to our prior years’ leadership and clients served.

We have a faithful following of attendees, primarily the “usual” audience of local leadership. Attendance has generally been close to 200. We hope to add some additional attendance this year as we do have room to include more and still be accommodated by the facility.

That noted, ticket sales are not the primary revenue driver, rather, the larger share of revenue is in sponsorships.

As noted above, we plan to memorialize our 20<sup>th</sup> anniversary, though we are also concentrating dialogue this year on sustainable water solutions. Final details on speakers and format are still in development.

Our plan is to keep the program relatively short, not more than an hour and ten minutes in total.

### **President’s Report**

There was a brief discussion about EDC-VC becoming more involved in publishing and commenting on the region’s economic indicators. One option is to become more involved with the Ventura County Civic Alliance, which every other year publishes a State of the Region report. Staff will follow up with additional information at a subsequent meeting.

## **Committee Reports**

### **VCEDA**

Nan Drake mentioned that the Business Outlook Conference this year was very successful. Drake thanked Bruce for speaking. She stated that the Conference opened up conversation for networking together as a County.

### **Economic Developers Roundtable**

None

### **Ventura County Lodging Association**

Rebekah Evans informed the Board that Bruce will be speaking at the Oxnard Chamber Business Outlook on November 5<sup>th</sup>. Evans informed the Board of plans for a Bike Tourism "Cycle California Coast". Evans stated that there will be more information to come.

**Calleguas Municipal Water District**

Susan Mulligan stated that the County local lakes are still dry. Keep praying for rain and keep conserving. Stop using water as a luxury is the new thing.

**New or Unfinished Business:**

None.

**Board Member Comments:**

None

**Adjournment:**

Meeting adjourned at 5:25 p.m. to November 17, 2016.