

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
EXECUTIVE COMMITTEE MEETING
WEDNESDAY, JANUARY 4, 2017
4:00 p.m.
MCEDD Office and Teleconference

ATTENDANCE:

In Person: Bob Hamlin, Bob Benton, Bill Schmitt and Eric Proffitt

Teleconference: Jan Brending, Rod Runyon, and Bob Benton,

Absent: Rex Johnston and Ken Bailey

Staff: Sherry Wickert, Sherry Bohn and Amanda Hoey

CALL TO ORDER:

Jan Brending called the meeting to order at 4:02 p.m. A quorum was present.

EXECUTIVE COMMITTEE MINUTES:

Bob Hamlin moved to approve the November 2, 2016 Executive Committee meeting minutes as presented. Eric Proffitt seconded the motion. Motion carried unanimously.

FINANCE REPORT:

Sherry Wickert presented the November financial reports. Sherry reported that MCEDD's operational cash has decreased due to the usage of reserved match funds. The overall cash for the loan fund program continues to increase, because of loan payoffs and fewer new loans made, and is reflective by the lower Loans Receivable balances. Sherry reported that Accounts Payable currently has a negative balance, which is due to a credit on a credit card purchase. She also reported that the current accrued loan payment includes principal and interest for the five IRP loans, while the prior year's balance has an interest only payment for IRP-WA.

Sherry reported that November's Operations Budget vs. Actual report includes differences between several revenue and expense categories. The variance for Federal revenue is due to higher billings for several special projects than was budgeted for the timeframe and that Total Loan Fund Revenue, excluding the Housing RLF funds, is below projections by \$4,567. Sherry reported that Personnel costs are below budget, primarily due to staffing changes and that Event Services costs are above budget due to the categorization of expenses that were included as contractual expenses.

Bill Schmitt joined at 4:05 p.m.

Bob Hamlin moved to accept financials as presented. Bill Schmitt seconded the motion. Motion carried unanimously.

RLF REVENUE/EXPENSE STATUS

Amanda Hoey reported that MCEDD's business assistance division continues to experience challenges in meeting revenue targets due to an increase in early loan payoffs and a corresponding decrease in new loans and deals in the pipeline. Amanda noted that in September, the Executive Committee discussed the situation and approved proceeding with the following staff recommendations:

- Hold tight and continue to control expenses as closely as possible, recognizing that we may need to cover some expenses with carryforward revenue or general fund.

- Analyze the program at the end of quarters two and three for potential adjustments to expenses, if revenue does not turn around.
- Direct the Loan Administration Board to analyze MCEDD's position in the market and any modifications to the program that may ensure it continues to serve its intended purpose.

Amanda reported that the following actions have taken place:

- The MCEDD Loan Administration Board met to recommend modifications for program policies. The proposed modifications are not anticipated to have an appreciable revenue or expense impact, however.
- The MCEDD Loan Fund Manager began increasing some outreach.

Amanda reported that we have now completed quarter two with a better view into the likely revenue forecasts through the end of the fiscal year. She noted that the trend continues for loan payoffs and an increasing balance of funds available. Amanda provided the available to loan amounts, projected loss and a review of the pipeline of prospects.

Amanda requested the Executive Committee review the financial projections of the program and make a recommendation to the full board to be presented at the February meeting. She presented options for the Executive Committee to consider, including:

- Option 1: Adjust anticipation of legal expenses (reduction of \$2,000) to account for the two quarters of legal expenses that we have not yet needed to access. The remaining amount allows us to still responsibly pursue defaulted loans, if needed. Amanda noted that no formal action for this option would be needed, but future estimated profit and loss projections would incorporate this reduction in anticipated expenses. Amanda noted that this is a staff recommended option, in combination with another one of the options presented below
- Option 2: Make no further changes at the current time and wait another quarter to determine if any of the following factors significantly change MCEDD's financial picture: 1) Attainable Housing program new loans. 2) Influx of new business lending. Amanda noted that this item is unlikely to have significant revenue implications given the pipeline of active inquiries and likely timing of any resulting new loans. Amanda reported that selecting this option the Executive Committee would need to recognize that MCEDD may need to cover financial losses
- Option 3: Reduce expense in personnel assigned to the program. Amanda noted that no other substantial expenses beyond personnel can be reduced as they are fixed costs such as audit. a) Partially transfer staff to other program areas. Amanda noted that there are limitations to the extent that MCEDD can effectively transfer and retain staff to have a revenue impact (estimated impact of \$6,000). b) Pursue a partial reduction in force. Amanda suggested reconvening the budget committee if pursuing this option.
- Option 4: Provide additional investment into new staff to support further program outreach. Amanda reported that given conversations with other lenders, this does not appear to be a situation unique to MCEDD so the return will not likely match the investment. She noted that this option is not recommended by MCEDD staff leadership.
- Option 5: Pursue new revenue generation. Amanda reported that staff would prefer this route but do not have any identified tangible options beyond the activities we currently pursue.
- Option 6: Explore early payback for one of our USDA IRP loans. Amanda explained that IRP is the Intermediary Relending Program which provides low interest loans at 1% over

a 30 year term. She noted that the bulk of MCEDD's capital for the business assistance division originated from this source and that due to recent payoffs, MCEDD essentially has the full amount of the smallest IRP loan in a bank account, earning minimal interest. Amanda reported that electing to payback the funds is a permanent decision and that obtaining new capital occurs through a competitive process. She noted that it would be a difficult prospect to get funds back into MCEDD's accounts through a new IRP loan. Amanda noted that this option should not be pursued if the lack of new lending appears to be a short term issue rather than long term trend.

Discussion: Amanda reported that she had spoken to Ken Bailey as he had let staff know he would be unable to attend this meeting. She reported that Ken expressed the need to continue to look at the long term. Bob Hamlin asked what other sources of new revenue were available. Amanda responded that there were no viable new sources currently identified, but reviewed past explorations, including community reinvestment funds. Eric Proffitt stated that, with Options 1 and 3 the program would still end up with a projected loss. Jan Brening noted the new grant administration project and asked if loan staff could be allocated to that activity. Amanda reviewed the skill sets necessary and program learning curve. Sherry Wickert explained the project and its requirements, noting that it replaces a denied project so already has Project Management staff dedicated to serve the project. Eric Proffitt asked if MCEDD had any projected carry over. Amanda Hoey and Sherry Wickert discussed both prior and current status. Jan Brening asked about Beginning Cash. Amanda Hoey explained that MCEDD could cover the projected program loss but that it was larger than any previous program loss in her history and could not be sustained. Jan Brening asked Amanda for her recommendation. Amanda Hoey suggested a combination of options 1 and 3.a. Eric Proffitt asked about Option 3.b. Amanda Hoey explained the issues with Option 3.b. Sherry Wickert noted that the loan program requirements would still need to be met. Bill Schmitt noted that more loans could not be found and processed if loan fund personnel hours are reduced. Jan Brening asked if there were any other early payoff indicators and if loan requirements were causing problems. Amanda stated that there were none staff was aware of at the current time. Bob Hamlin asked if there was a pattern to the quality of new loan applications. Amanda Hoey explained that they have been similar to those in the past. Eric Proffitt asked what the worst case loss figures were if using the suggested option of 1,2 and 3.a. Amanda Hoey stated it was about \$19,000. Bob Hamlin asked if a delay could cost more. Amanda Hoey responded that there would be more limited options for the Committee and Board to pursue that would have measurable impact on the net loss. Eric Proffitt stated that he would be more comfortable waiting if there was more in the pipeline. Jan Brening stated that she supported Options 1 and 3.a, with some tough decisions made in the next budget cycle. Bob Benton asked how much would need to be loaned out in order to cover the loss. Amanda Hoey stated that the dashboard reflects that for the original budget, but it would need to be recalculated for the current situation. Bob Benton suggested that the figure be recalculated and then set as a target for loan staff. Sherry Wickert stated that there would be a need for more loans due to the fact that there would only be processing fees received and little or no interest given the short time left in the fiscal year.

The committee consensus was to proceed with options 1 and 3.a, with a revised target used as a goal for loan staff. The issue will be again revisited following the conclusion of quarter three.

DEPUTY DIRECTOR POSITION

Amanda reported that the Executive Committee discussed establishment of a Deputy Director position to address continuity of MCEDD's activities while she was out of the office with the Marshall Memorial Fellowship Transatlantic exchange and to provide for continuity at any other point in the year when she needed to be out of the office.

Amanda reported that the establishment of a Deputy Director position would allow for promotion of an existing qualified employee, as per MCEDD's personnel policies. She noted that she did not propose adding an additional staff member as MCEDD does not currently have the budget or resources for an additional FTE. Amanda noted that the Deputy Director would continue to fill the role in which they currently serve, with the additional responsibilities of the Deputy Director. Amanda noted that in reviewing staff qualifications and capacities, MCEDD's most senior Project Manager Jessica Metta (currently part-time) is proposed for the role.

Amanda addressed compensation for the position by proposing a scale that utilizes the Project Manager steps but starts on a higher rate for step 1.

Amanda proposed modifying the Project Manager Job Description, by adding the following specific items related to Deputy Director role:

- Act as a thought partner to the Executive Director to pace and drive organizational development and meet core strategic purposes.
- Serve as the delegated authority on behalf of the Executive Director in the Executive Director's absence.
- Add the Deputy Director as an authorized signer on MCEDD accounts.

Discussion: Amanda Hoey noted that Ken Bailey has stated that he thought it was a good idea, but if the committee was not fully comfortable proceeding, he could also support an informal role with a formal role to be adopted in the next fiscal year. Eric Proffitt asked if the Project Manager continue with their other duties as well. Amanda noted they would and the position would include a slight increase in hours to cover additional responsibilities, primarily a month before and after the fellowship and during the fellowship. Bob Hamlin asked if this was a recommendation to the full board. Jan Brening asked about the total proposed FTE change and temporary versus permanent nature of the change. Amanda explained that Jessica is proposed to move to full time while Amanda is out of the office (approximately 0.2 FTE increase). The time increase would be temporary for that juncture, but the change in position would be permanent. Rod Runyon asked what was the longest time Amanda had been away from the office. Amanda Hoey explained that this will be the most extended period of time out of the office continuously and the most significant difference is that with other prior paid time off, she has been available by both phone and email. She stated that with the Marshall Memorial Fellowship transatlantic exchange, that connection will be much more limited, if at all. Sherry Wickert noted that there is a lot of planning before when Amanda is out of the office for an extended time. Jan Brening expressed her support for the idea based on planning for possible succession.

Eric Proffitt moved to recommend to the MCEDD Board the approval of the Deputy Director position with the relevant compensation scale and the addition of the Deputy Director as an authorized signer on MCEDD accounts. Bill Schmitt seconded the motion. Motion carried unanimously.

LOCAL FUNDS ASSESSMENT

Amanda Hoey reported that last year, in considering a recommendation for local assessments, the Executive Committee decided to recommend no change to local assessments but to signal a potential for an increase in FY18 to better cover the need for matching funds and maintaining service levels. Amanda noted that the Committee requested to begin the review early in 2017 in order to be prepared for a recommendation for the MCEDD budget process. She presented the current assessment schedule and various comparisons. Amanda asked if there was any additional information that the Executive Committee needed for their deliberations and requested the Executive Committee to provide the general direction they wanted staff to explore.

Discussion: Amanda Hoey stated that Ken Bailey had expressed the need to look at exploring a slow increase over time. Bob Hamlin expressed the need to let entities know when and how the assessment would increase. Jan Brending noted that a large increase would be shocking to most entities and the need to allow entities the ability to build increases into their budgets. Eric Proffitt discussed connecting increases to some sort of index after reaching the needed level of matching funds. Jan Brending discussed some challenges with indexes. Bob Hamlin asked about the history of assessing ports at a flat fee. Amanda Hoey noted that there is limited history on that particular decision, so it could be explored again. Bill Schmitt noted the income levels between ports are quite different. Jan Brending suggested looking at different strategies with revenue levels and exploring adding an increase based on a percentage.

Committee consensus was to explore options for an increase in local assessments over a period of time and then to provide increases generally based on inflation and annual review. In addition, staff was requested to review the Ports assessment and provide options to determine if it is appropriate to continue at a flat rate or to revise to a graduated scale to account for the difference in the economies and incomes of the Ports.

EXECUTIVE DIRECTOR REPORT:

Amanda reported on the work with Sherman County to support a housing incentive fund. Amanda reported that there is interest in contracting with MCEDD for management of the Sherman County housing incentive and loan fund and asked the Executive Committee to discuss the opportunity.

Eric Proffitt moved to authorize staff to move forward with contracting MCEDD for management of the Sherman County housing fund. Bill Schmitt seconded the motion. Motion carried unanimously.

Amanda reported that the Gorge Technology Alliance plans to update its strategic plan and has submitted an initial inquiry to The Ford Family Foundation to explore an opportunity for a grant to support the work. MCEDD would need to be the applicant.

Bob Hamlin moved to authorize staff to apply to the Ford Family Foundation. Bill Schmitt seconded the motion. Motion carried unanimously.

Amanda Hoey also noted the following from the Executive Directors report:

- The status of Oregon and Washington Board funding.
- The MCEDD Loan Administration Board approved new loans to Freeborn Designs, LLC \$12,000 loan for startup of a high fashion apparel business in Hood River, Oregon and Daniel Talley and Jeremy Mark \$157,000 loan for construction of a single family

dwelling in Moro, Oregon. The project will be funded through the Attainable Housing Development RLF account.

- Comprehensive Economic Development Strategy (CEDS) process is scheduled for two meetings in January.
 - January 19, 2017 in Bingen. The topic is finalizing the strategies and action plan. Amanda reported that space is limited.
 - January 26, 2017 in The Dalles. This is a rescheduled meeting that was postponed due to weather.
- The Gorge Commission will be going through its Management Plan review and is currently in the scoping stage. Amanda requested direction on how MCEDD staff should engage in the conversation, messaging about alignment with our regional economic development strategy and if we should encourage a conversation at a future MCEDD Board meeting with Commission staff.

Discussion: Jan Brending expressed her support of aligning this with the CEDS and receiving future updates about the Management Plan at a future MCEDD Board meeting.

- City of The Dalles staff contacted MCEDD to discuss a contract to support grant administration and labor standards review for their Wastewater Plant project. The City applied for a \$2M Clean Water State Revolving Fund loan from DEQ in support of an \$11M project to upgrade their wastewater treatment plant. The funds require compliance for all components with federal standards. Construction on the project is planned to occur from January to December 2017.
- MCEDD received the forecasted allocation for 2017-2019 activities to support Hood River Drive Less Connect.
- CDBG interpretations made by the State of Washington Department of Commerce have recently had a negative impact to MCEDD programs. The first deals with program income and the second deals with procurement. Amanda requested direction on further pursuing conversations with the Department to clarify and resolve these issues.

Discussion: The committee's consensus was to proceed.

- Gorge Web Design (Dee Holzman) was selected for the MCEDD website design
- MCEDD is processing the paperwork to receive a \$500 donation from Key Bank Foundation. Northwest Natural will be providing a \$500 sponsorship to further support of 2017 MCEDD events.
- Agora: new projects are being uploaded and the Executive Committee is encouraged to log in and review new projects.
- The next full board meeting is scheduled for February 23, 2017 in The Dalles.

ADJOURN: Meeting adjourned at 5:22 p.m.

*Respectfully submitted,
Sherry Bohn, MCEDD Office Administrator*