

**COLUMBIA RIVER GORGE NATIONAL SCENIC AREA
OREGON INVESTMENT BOARD**

*******Wednesday, April 14, 2021*******

****** 10:00 A.M. ******

Remote Only

Call 541-296-2266 or email jill@mcedd.org for remote access

<u>Topic</u>	<u>Time</u>	<u>Item</u>
Call to Order, Introductions	5 minutes	Information
Minutes <i>March 9, 2021</i>	5 minutes	Approval
Financials	10 minutes	Approval
FY22-24 OIB Contract	10 minutes	Approval
Conflict of Interest	10 minutes	Approval
Funded Loans Updates <i>Seufert Enterprises</i>	10 minutes	Information
<i>Executive Session per ORS 192.660 (f) (Exempt Documents)</i> <i>Regular Session Reconvened</i>		
Loan Action	5 minutes	Approval
Other New Business, Good of the Order		
Adjournment		

The meeting location is accessible to persons with disabilities. If you have a disability that requires any special materials, services or assistance please contact MCEDD at (541) 296-2266 at least 48 hours before the meeting so arrangements for appropriate accommodations can be made.

Executive Session Protocol Oregon Investment Board

After discussion agenda items are presented in open session by OIB staff, the OIB Chair will state the following: "Pursuant to ORS 192.660(f), Exempt Documents, I call the Executive session of the Oregon Investment Board to order"

OIB Chair asks all non-staff and non OIB members to leave the meeting. Staff will explain to visitors where they can wait and that they will be invited into Executive Session when their agenda item will be discussed.

For each discussion item on the agenda for Executive Session, the OIB Chair will follow the following procedural steps:

1. Invite the loan applicant (or their representative) into the Executive Session for the presentation of their loan request. OIB Chair requests a brief presentation from OIB staff on a summary of the loan proposal or other discussion item.
2. After presentation of information by staff, the OIB Chair asks if there are any questions for the loan applicant or OIB staff.
3. Following questions and discussion by the OIB, the loan applicant (and/or their representative) is asked to leave Executive Session with instruction that they will be invited into the Open session when Executive Session is adjourned.
4. OIB Chair asks OIB members if there is any discussion related to loan request that needs to take place before inviting the next loan applicant or other persons in to Executive Session for the next discussion item.
5. Additional discussion between the OIB members takes place then Steps 1-5 are repeated for each following discussion item for Executive Session.

At the end of discussion, the OIB chair will close the Executive Session. The OIB moves back to open session. At this point, the OIB Chair can ask for a motion of the decision items in open session. Open session is when the OIB can make decisions on agenda items.

**COLUMBIA RIVER GORGE NATIONAL SCENIC AREA
OREGON INVESTMENT BOARD**

Wednesday, March 10, 2021
Remote Only – Zoom Meeting

ATTENDANCE

OIB Members: Jorge Barragan, Doug Roof, Jill Amery (chair), Tammy Miller, John Kasberger

Staff: Jessica Metta (Executive Director), Israel Ayala Guevara (Loan Fund Manager), Ami Beaver (Assistant Project Manager), Jill Brandt (Administrative Assistant), Dana Woods (Finance Officer)

Guest: Michael Held

CALL TO ORDER

Jill Amery called the meeting to order at 10:06 a.m. Quorum was present. A round of introductions took place.

CONFLICT OF INTEREST POLICY AND INTRODUCTIONS

Jill Amery requested that board members disclose any conflict of interest for any of the topics to be reviewed. None were noted.

MINUTES

Tammy Miller motioned to approve the minutes from the February meeting. Doug Roof seconded the motion. The motion passed unanimously.

FINANCIALS

Dana Woods summarized the Financial Statement. She noted the Balance total of \$1,501 206. Dana pointed out that the loans receivable balance was down considerably from last year. Doug Roof noted that there were no current liabilities listed, and he was concerned that this might be a problem. Dana responded that having no liabilities was not unusual.

Tammy Miller motioned to approve the financials as presented. John Kasberger seconded the motion. The motion passed unanimously.

FY22 OIB BUDGET

Jessica Metta introduced this topic with a brief explanation on the timing of bringing the budget to this month's meeting. She explained that the OIB budget is incorporated into MCEDD's budget, and approval of this Board's budget at today's meeting was planned to fit into the larger budgeting process currently in progress. Dana Woods reviewed which items needed clarification in order to finalize the OIB budget. Dana noted information presented was taken from last year's budget, and not the actuals, in keeping with prior practice.

Dana Woods pointed out that this budget includes balloon payments scheduled during the next year although it is likely the clients will request an extension. Loan fees and filing fees were calculated based on anticipated payments. Legal fees are budgeted consistent with budgets from years past; actual expenses have been lower but the budget will be sufficient to cover for any situations that arise.

Discussion: Doug Roof noted that the marketing line item was put back to \$0 in this proposal. Staff noted the funds in this year's budget were for the video project but prior years had no funds allocated to this line.

Dana noted that another decrease in this budget as compared to last year was in the grants distributed. This number was calculated based on OIB income of interest and fees for the year. Dana also pointed out that she used a four-year projected average to estimate new loans for this budget, and that in the past this has been a three-year average. Dana asked if the Board had a preference using four-year or the three-year average.

Discussion: Tammy Miller asked for clarification if spreadsheet Line 29 was based on budgeted or actual amounts. Dana stated that actual numbers were used. Doug Roof commented that since OIB loan activity is currently down, perhaps budgeting for \$0 for marketing this year is not the best idea. Doug asked if we should focus on advertising to get more money flowing. Jessica replied that these videos just made will give the OIB usable material that can be reused and recycled throughout next year. She added that bank referrals are OIB's usual source for new clients, and that this is no-cost outreach. Jessica recommended continuing to utilize the no-cost sources for new clients.

John Kasberger pointed out that OIB's loan portfolio is at a critical point and insisted that the OIB needed to grow the amount of loans in order to grow revenues. If revenues do not increase, then expenses will have to be cut. John concluded that he felt that a focus to increase loan volume was the most important goal for FY21-22. Jessica Metta mentioned that historically bank referrals and SBDC efforts have been the main source of income for the OIB. John stated that OIB should reach out to these folks. John felt that the OIB should focus on growing the portfolio up to \$2 million. Jessica Metta responded that inquiries continue to come in, and that Israel Ayala sends all applicable clients to OIB for consideration. Jessica Metta added that Ami Beaver's responsibilities at MCEDD have been refocused on the loan program, and perhaps Ami can assist with more outreach, helping Israel to contact every bank on the Oregon side of the Gorge to create and/or refresh awareness of the OIB's program to the bankers in the region. Jessica thanked Doug Roof for the invitation to speak to Lions Club for an outreach activity.

John Kasberger questioned the legal expense item in the budget and offered an alternative structure to the loans that incorporated an allowance for possible legal expenses into the terms of the loan agreement. John added that if loans were structured this way, the budget would not show a large legal expense. He added that this is the way that financial institutions structure their loans. Israel Ayala noted that currently who will incur the legal fees depends on what the judgment specifies. Dana Woods agreed that periodic allowance for loan loss makes the balance sheet smoother and more balanced. She added that periodic adjustments at 10% to keep more regular might be beneficial, and asked for direction from the Board as to how often to make those adjustments. John offered that financial institutions generally adjust annually. John Kasberger noted that loan loss OIB allowance in this proposed budget is \$148,000, and stressed the critical importance of ensuring that there are enough funds there.

Jill Amery asked John for his perspective on current activity in the financial industry. John responded that the US government has pumped so much money into the economy that most people/ businesses have the highest account balances ever. He has not seen a noticeable

increase in defaults since the pandemic. John stressed the importance of having a good business plan for the OIBs loan applicants. His experience has shown that the clients who did not have good business plans ended up as the bad loans.

Jessica Metta then asked for board input on the grant level to be put into the budget. She noted that the money in the proposal is for the CGCC grant that was approved but has not yet been funded. Doug Roof asked about the scheduled balloon payments that the OIB expects to request a refinance to extend the payments and if it be taken out of the budget. Jessica Metta replied that the approval of an extension is not ensured, and that the budget must assume that the balloon payments are coming per the current contract in force. Jill Amery asked if it was possible to budget a portion of the balloon and accept a partial extension. Israel Ayala requested discussion of this topic in the executive session.

John Kasberger noted that the budget shows new loans at \$560,000. Jessica Metta clarified this number, stating that the current loans average was entered as \$280,000, plus the pilot program's average loans of \$280,000 have been added to get the number \$560,000 seen in the budget. Doug Roof asked if the OIB wants to increase the contractual percentage, currently at two percent, to go up to four percent. Jessica Metta affirmed that the two percent will cover any expenses incurred over the next year. Doug Roof asked if last year was the only year with no increase. Jessica responded that some years are flat and some years increase.

Jorge Barragan asked about the projected interest rate of 7.75%. Jorge asked if the board should consider lowering the interest rate to make funding more attractive to applicants. Israel Ayala noted that the pilot program has a competitive rate of 4.25%. Doug Roof commented that in the past the big concern was default of payment on loans, but that has changed to the current need which is to get the funds out there into use. Israel noted the rate is determined as a result of the review of credit score and the collateral presented. He added that MCEDD's loans range from 7 to 11.5 percent. Jessica Metta added that the OIB policy states that loan interest rates cannot be lower than 2- 4.5 % over Wall Street Journal prime. There is an exception for the pilot program. WSJ is 3.25% now. Jorge asks about lowering standard loan interest rates to five and a half percent. John Kasberger stated that it is the Board's mission to provide funds to companies who cannot get lending from regular banks and 7.5% is needed to cover expenses. He added that if the OIB kept the same loan balance, then it would be losing money. Results of that may include the cutting FTEs if revenues are not high enough to cover expenses. Israel added that the higher interest rates ensure that clients have incentive to move on to other financing. Jorge asked if there was any way to lower costs. Jessica Metta noted that the expenses written into this budget are the cost of MCEDD's staffing contract.

Jill asked if the Board was comfortable with keeping the budgeted grants at \$10,000. No objections were noted. She asked about the item on MCEDDs contract 2% increase. No questions noted. The line for Marketing funding to remain at zero for the upcoming year. The Board agreed to continuing marketing with the videos in production and to continue to pursue non-pay marketing options. Jorge Barragan suggested leaving \$1000 for marketing incidentals that may come up. Doug Roof asked Jessica about the possibility of promotional efforts that might incur expenses. Would these efforts be funded from the communications budget or MCEDD's expense budget. Jessica answered that it would depend on the scope of the project

undertaken. Costs for a small effort would be absorbed by contract. A larger effort might require separate designation under a marketing line expense. Doug supported keeping \$1000 in the budget for this expense. The Board agreed. Jill asked the Board if they were comfortable with \$6000 for legal fees in this year's budget. There were no objections.

Jorge Barragan motioned to approve the budget with the amendments discussed and agreed upon. John Kasberger seconded the motion. The motion passed unanimously.

FUNDED LOANS UPDATES

Staff noted an update on funded loans for Root and Cane Vineyards and Seufert Enterprises.

EXECUTIVE SESSION

Executive Session entered per ORS 192.660 (f) (Exempt Documents) at 11:05 a.m.

Regular session reconvened at 11:18 a.m. No actions were taken.

GRANT AND LOAN DATA

Jessica Metta introduced the grant and loan data charts in packets to see trends over time. Ami Beaver compiled this information at the Board's request. Ami explained the different views of information presented.

Discussion: Doug Roof noted the lack of data between 1991 and 1997. Ami explained that she did not find any data to report for that time period. Ami offered to do more research if needed and noted these charts can be updated annually if the board finds it helpful to look at comparison information.

Jill Amery thanked Ami for putting these charts together. Doug Roof asked if the numbers on the chart refers to dollars or number of loans issued. Ami confirmed that the dollar amount is shown, but the grant and loan numbers appear off to the side. Doug agreed that the data is useful, and there was general agreement that the information provides good background to measure the Board's current performance in all these areas of lending in relation to previous years.

OTHER STAFF UPDATES

Jessica shared updates for the Board:

- Jessica has started work with Business Oregon on a contract extension for the April meeting.
- The Governor's office has put out a recommendation for the Multnomah County seat on the Board, but final approval has not come through yet.
- Tammy Kaufman from the Gorge Commission will be replaced by Roger Nichols as the new Wasco Co representative.
- John Kasberger will be leaving the board in June, so the search for a new Hood River County representative has been posted on the OIB website.

OTHER NEW BUSINESS/ GOOD OF THE ORDER

No items were noted.

ADJOURNMENT: Meeting was adjourned at 11:24 a.m.

Respectfully submitted by Jill Brandt, Administrative Assistant

OIB FINANCIAL SUMMARY

REPORT PERIOD: February 2021

	TOTAL YEAR TO DATE	PREVIOUS REPORT	CURRENT ACTIVITY
CASH BALANCE AS OF 06/30/20	1,357,731		-
Less Payables	(1,314)		-
Plus Accounts Receivable	11,612		-
Plus Interest Receivable (Less Unrecorded Accr'd Int)			-
ADJUSTED CASH BALANCE 06/30/20	1,368,029	-	-
INCOME			
Interest	63,559	55,952	7,607
Loan Processing & Fees	3,875	1,839	2,035
Loan Late Fees	195	101	94
Other Revenue	-	-	-
Invested Interest	388	353	35
TOTAL INCOME	68,018	58,246	9,772
PRINCIPAL REPAYMENTS	201,956	146,314	55,642
REVENUE BEFORE DISBURSEMENTS	269,974	204,559	65,414
EXPENSES AND PAYMENTS			
Grants Disbursed FY21	-	-	-
Loans Disbursed	93,350	-	93,350
Converted to Principal		-	-
Bank Service Charges	65	57	8
Professional Services	70,375	62,186	8,189
TOTAL EXPENSES AND PAYMENTS	163,791	62,243	101,547
ADJUSTED CASH BALANCE	1,474,212	142,316	(36,133)
LESS:			
Approved Grants not Disbursed	-		
Encumbered Pilot Program Funds	(280,000)		
Approved Loans not yet Disbursed	-		
Interest Receivable at Period End	5,628 *		
AVAILABLE TO GRANT/LOAN	1,199,840		
LOANS RECEIVABLE BALANCE	1,445,745 ^		
PROOF:			
Cash Balance After Reconciliations - February 28, 2021	1,476,782 ^		
Less Payables	(8,197)		
Plus Interest Receivable	5,628		
ADJUSTED CASH BALANCE	1,474,213		

Mid-Columbia Economic Development District Balance Sheet - OIB

February 28, 2021

ASSETS

Current Assets

Checking/Savings

1000 · Bank Demand Deposits

1070 · National Scenic Fund

1,476,781.89

Total 1000 · Bank Demand Deposits

1,476,781.89

Total Checking/Savings

1,476,781.89

Other Current Assets

1200 · Receivables & Accruals

1202 · Accounts Receivable

1222 · Year or Grnt End Receivables

1260 · Accrued Loan Interest

5,628.33

Total 1200 · Receivables & Accruals

5,628.33

1300 · Loans Receivable

1370 · OIB Loans Receivable

1,445,744.60

Total 1300 · Loans Receivable

1,445,744.60

1475 · OIB Holding

1500 · Allowance for Doubtful Loans

1575 · OIB Allowance

-148,149.53

Total 1500 · Allowance for Doubtful Loans

-148,149.53

Total Other Current Assets

1,303,223.40

Total Current Assets

2,780,005.29

TOTAL ASSETS

2,780,005.29

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

2010 · A/P General

8,197.37

Total Accounts Payable

8,197.37

Total Current Liabilities

8,197.37

Total Liabilities

8,197.37

Equity

3100 · Fund Balances

2,560,916.75

Pilot Program Fund Balance

280,000.00

Net Income

-69,108.83

Total Equity

2,771,807.92

TOTAL LIABILITIES & EQUITY

2,780,005.29

Mid-Columbia Economic Development District
Profit & Loss
February 2021

	<u>Feb 21</u>
Ordinary Income/Expense	
Income	
4600 · Loan Interest	7,606.94
4700 · Loan Processing Fees	1,990.43
4705 · Loan Filing Fees	45.00
4710 · Loan Late Fee	94.27
4750 · Investment Interest	35.35
	<hr/>
Total Income	9,771.99
	<hr/>
Gross Profit	9,771.99
Expense	
6400 · Professional Services	
6410 · Legal Services	195.00
6450 · Contractual	7,994.17
	<hr/>
Total 6400 · Professional Services	8,189.17
6900 · Other Materials & Supplies	
6931 · ACH Collection Fees	8.20
	<hr/>
Total 6900 · Other Materials & Supplies	8.20
	<hr/>
Total Expense	8,197.37
	<hr/>
Net Ordinary Income	1,574.62
	<hr/>
Net Income	<u><u>1,574.62</u></u>

Memorandum

To: Oregon Investment Board
From: Jessica Metta, OIB Staff
Date: April 5, 2021
Re: OIB Contract

Overview

At the March OIB Meeting, the Board approved the FY22 budget for OIB including a discussion about contractual services from Mid-Columbia Economic Development District. The OIB is not an entity. MCEDD contracts with the State of Oregon to provide service to the OIB and all accounts are housed at MCEDD. It is time for the biennial contract renewal and staff has started the process with the state team to move forward with the contracting process. The FY22 budget approved in March allowed for a 2% increase in FY22. We would propose holding FY23 at a level amount. These amounts are provisional upon the totals in the OIB fund. Board approval of the contract is required by the state.

Request

Approve the biennial contract between MCEDD and State of Oregon as presented.

Memorandum

To: Oregon Investment Board
From: Jessica Metta, OIB Staff
Date: April 5, 2021
Re: OIB Conflict of Interest

Overview

My spouse is a potential applicant to the OIB for a loan. I have been reviewing if this would be allowed and discussed the matter with OIB Board Chair Jill Amery. I also reviewed the MCEDD Conflict of Interest Policy which specifies:

Lending Activities

The following conflict of interest policy shall apply specifically to MCEDD's direct loan programs:

No personal or private loans may be made by the District to its Board members or their families as provided in ORS 61.170. No member of the Board or their families may be an officer, director or owner of a small business concern receiving financial assistance from the District. Former Board members, Loan Administration Board members and staff are ineligible to apply for or receive loan funds for a period of two years from the date of termination of their services.

The OIB does not have a separate Conflict of Interest policy, but as a Board of the State of Oregon, is subject to the requirements of the Oregon Government Ethics Laws. I spoke with Monica Walker of the Oregon Government Ethics Commission about the matter. Her guidance is that I can declare the actual conflict once my spouse applies, and the Board could decide to move forward with other staff directed to the review of the application.

Request

Board feedback on how to handle this potential conflict is requested.