



***Maryland Agricultural and Resource-Based Industry Development Corporation***  
***Minutes of the Open Meeting of the Board of Directors***  
***Thursday, November 30, 2023***  
***Virtual Zoom***

**Members Present:**

Ms. Mary Shank Creek, Chair, Owner, Palmyra Farm Ayrshires & Holsteins  
Mr. Mark C. Krebs, Secretary/Treasurer, Executive Vice President & Chief Financial Officer, Farmers and Merchants Bank  
Dr. Donald Darnall, Executive Director, Maryland Food Center Authority  
Ms. Charlotte Davis, Executive Director, Rural Maryland Council  
Mr. Paul Goeringer, Esq., Senior Faculty Specialist, Department of Agricultural and Resource Economics, University of Maryland  
Ms. Sarah O'Herron, Owner, Black Ankle Vineyards  
Mr. John Jastrzembski, Vice-Chair, Regional Business Developer – Northern Virginia, Davey Business Development Team, The Davy Tree Expert  
Dr. Jinhee Kim, Associate Dean & Associate Director, University of Maryland Extension (UME)  
Ms. Victoria Brown, Owner, Shop Cove Aquaculture LLC  
Mr. A.C. Alrey, Director of Business Development, City of Crisfield  
Mr. Berran Rogers, Project Director/Small Farm Coordinator, University of Maryland Eastern Shore  
Mr. Dan Rider Forest Stewardship & Utilization Program Manager, Maryland Department of Natural Resources Forest Service  
Mr. Doug Lipton, Senior Research Economist, National Marine Fisheries Service, National Oceanic and Atmospheric Administration (NOAA) Office of Science & Technology  
Mr. Steve Connelly, Deputy Secretary of Maryland Department of Agriculture  
Mr. Wayne Richard, Regional Vice President of Ag Lending, Horizon Farm Credit

**Members Absent:**

Mr. Robert Yates Claggett, Jr., Bald Eagle Farm

**MARBIDCO Staff:**

Mr. Stephen McHenry, Executive Director  
Ms. Stacy Kubofcik, Senior Programs Manager  
Ms. Tina Wilkins, Senior Accounting Coordinator  
Ms. Allison Roe, Financial Programs Officer/ Program Coordinator  
Ms. Jill Kubatko, Communications Associate  
Ms. Sierra Criste, Financial Programs Associate  
Ms. Brittany Rawlings, Financial Programs Specialist  
Mr. Brian Cadden, Financial Programs Specialist

### **Call to Order**

Chair Creek called the meeting to order at 10:03 a.m. on November 30, 2023, and welcomed all the attendees. Mr. McHenry introduced new Board members Dan Rider and A.C. Alrey. A roll call of Board members indicated that a quorum was present.

### **Approval of Previous Board Meeting Minutes**

Chair Creek asked for consideration of the July 14, 2023, Board meeting minutes.

***Action 1: Mr. Krebs made a motion to approve the July 14, 2023, meeting minutes as written. Mr. Paul Goeringer seconded the motion. All members voted in favor and the motion carried.***

### **Staffing Updates**

Mr. McHenry stated that two senior loan officers had retired over about the last year-and-a-half and MARBIDCO had been understaffed, which has been difficult especially given the heavy Core loan program and other demands. Despite this, the Corporation continues on a good pace of productivity in FY 2024, after having a record-setting year last year. In the last year, MARBIDCO hired Sierra Criste as a Financial Programs Associate in 2022, and more recently, Brittany Rawlings and Brian Cadden as Financial Program Specialists. MARBIDCO is fully staffed today with 9.8 FTEs.

### **FY 2023 Operating Budget and Programmatic Activities Update (finalized results)**

Mr. McHenry provided a summary of MARBIDCO's FY 2023 operating budget.

- The programs were fully funded.
- Total income was \$21.5 million and total expenditures were just over \$15.4 million.
- In Core Loan programs, MARBIDCO approved/funded 24 loans for \$8,958,700
- MARBIDCO approved/funded 40 Specialty loans at \$861,541 with most of that being in the Watermen's Microloan Program.
- MARBIDCO funded 31 core grant requests at \$72,077 and 23 specialty grants at \$1,190,444.
- Through the Next Generation Programs, including the original Next Gen and Small Acreage Next Gen programs: 9 projects were funded for \$3 million.
- In summary, MARBIDCO approved over \$14 million in funded projects in FY 2023 (with about \$4.8 million left to disburse at year-end.)
- Looking back at the last 8 years, FY 2023 was record-breaking year in terms of all loans in terms of loan volume and dollar amount with 64 loans funding at \$9.8 million.

Mr. McHenry gave an overview of the independent financial audit report. The condensed financial statement shows that the cash position is healthy but a little lower than the previous year (current assets are \$16.9 million). Total assets were higher than the previous year by about \$5 million and net position is improving which is important since MARBIDCO will be self-sustaining after FY 2025. Total liabilities are \$117,000 and the Corporation has net position of almost \$49.4 million.

Mr. McHenry reviewed the Schedule of Revenues, Expenses and Changes in Net Position. Total operating revenues were \$1.43 million and total operating expenses were \$1.99 million (a decrease from the prior year). State appropriations were \$1.5 million greater than the year before due to the funding for three new specialty programs.

Mr. McHenry reviewed loans receivable: \$34.3 million in booked MRBIFF loans and smaller amounts in a number of other programs totaling \$36.6 million with an allowance of \$1.3 million loan losses.

Mr. Krebs asked about MARBIDCO's ability to become self-sustaining. Mr. McHenry replied that we analyze this by looking at revenues generated from interest income from loans, program income and miscellaneous income, plus any percentage share of specialty program income that is used to cover administrative expenses. In FY 2023, this amounted to \$1.579 million.

#### **Appointment of the Audit Committee**

Mr. McHenry asked for volunteers to serve on the Audit Review Committee. Mr. Krebs, Mr. Jastrzembski, and Chairwoman Creek volunteered to serve on the committee.

***Action 2: Mr. Rider made a motion to accept the volunteers for the audit committee and Ms. O'Herron seconded the motion. All voted in favor and the motion was carried.***

#### **FY 2024 YTD Operating Budget Review**

Mr. McHenry gave an overview of the FY 2024 operating budget to date. MARBIDCO was appropriated \$8.3 million in FY 2024 for the Core programs and has received half of that was received in that category. MARBIDCO was originally supposed to receive \$10 million in Next Gen funding this year, advance funding the program through FY 2027, but because of the volume of new Core loan activity, the General Assembly approved moving \$6 million of Next Gen funding to the Core program funding. MARBIDCO has an additional \$6 million for core loan funding to fund the large loan demand and help with future self-sustainability. Mr. McHenry predicts MARBIDCO will use between \$6-8 million of the Core programs funding by the end of the fiscal year, but it has \$11 million budgeted for these programs. Additionally:

- \$1.58 million was budgeted as Reverted and Carryover Income but due to early loan payoffs and loans approved that were withdrawn, by October, MARBIDCO has received \$3.14 million.
- Loan repayments are running a little ahead of what was planned, while income interest from loan is right on budget at 33% now.
- Operating income is \$764,000, which is 45% of what was budgeted for the fiscal year.
- Expenditures are \$512,00 today, or 32% of what is budgeted for the fiscal year.
- Only 14% of Core loan funding has been expended primarily due to the MRBIFF program being closed for the first quarter of the fiscal year.

#### **Updates on the Loan Loss Reserve and the Average Loan Interest Rate**

Mr. McHenry said that MARBIDCO's loan loss reserve is 2.58%, but actual loan losses are less than 2%. Well managed small business revolving loan funds typically experience losses in the 5% to 7% range. The average interest rate that the loan portfolio is paying out is 3.68%. The Board set the target rate at 4.00%.

Mr. Rider asked how the loan loss is trending? Mr. McHenry responded that it is trending in the right direction, which is downward. Mr. McHenry commented that a related question is: are we taking enough credit risk? Based on prior Board discussions, the conclusion was that we are. Today, MARBIDCO does not approve a loan where the collateral exceeds 100% loan to value. Because we are lending "in the equity space", we could consider going to 105% LTV. Mr. Rider commented that he is concerned about the future status of the program when we are self-sustaining. Mr. McHenry asked Mr. Richards if Horizon Farm Credit would bring additional deals to MARBIDCO with 105% LTVs. Mr. Richards responded that he did not believe it would make much difference and we should stay where we are.

#### **Update on Early Loan Repayments**

In FY 2022 - during the pandemic period with low interest rates - borrowers refinanced at lower rates. In FY 2022, 25 loans paid off early and in FY 2021, it was 17 loans. This is higher than previous years.

Interest rates now are quite high and in FY 2023 only eight loans paid off early and two loans so far in FY 2024. It is difficult to predict how much will be paid off early in the future. Mr. McHenry reported that 115 MRBIFF loans have paid off and that 58 Shellfish Aquaculture loans have paid off so far.

#### **FY 2024 YTD Programmatic Activities Review**

Mr. McHenry stated that as of the end of October, there has been \$1.8 million in requests in the Core loan programs. The Watermen's Microloans are still coming in at a fairly good pace, and we had one Southern Maryland Revolving loan approved for \$20,000.

#### **Looking Ahead to the 2024 Legislative Session**

Over the last couple of fiscal years, the State Government had received significant federal pandemic-era funding, which helped to provide the State with a solid fiscal situation. This year there is more demand for spending than projected revenues available. While FY 2024 is projected to end with a surplus, a budget shortfall is projected in FY 2025 and future years. By FY 2028 the State could be \$2 billion short in its General Fund. The State will likely be able to manage in the short term with some budget trimming, but there is a longer-term concern.

MARBIDCO's FY 2025 budget is anticipated to be \$4.235 million to fund the Core programs at \$2.3 million, the Local Farm Food Aggregation Grant program at \$435,000, and the Watermen's Microloan, Livestock Processing Grant and WPIEI Grant programs at \$500,000 each.

Mr. McHenry noted that this session, a recently approved Constitutional Amendment allows the General Assembly to move money around in the budget. In prior years they could only cut line items in the budget, not add to them. This may create an interesting new dynamic.

Ms. Davis asked if any new programs were anticipated. Mr. McHenry responded that MARBIDCO is not anticipating new programs being originated from the introduction of legislation.

#### **Update on Core and Specialty Loan Grant Programs**

Mr. McHenry and Staff provided an update on the loan and grant programs:

- Five MRBIFF loan applications received, four approved.
  - Mr. McHenry gave an update on the progress of implementing the Loan Participation Program. Through conversations with Horizon Farm Credit legal counsel, the model moving forward will see the partnering bank doing the loan closing and servicing on behalf of MARBIDCO. Loans will originate with a 10-year maturity with the option to automatically refinance for an additional 5 years. Horizon provided MARBIDCO with a Master Participation Agreement to review which is being reviewed by MARBIDCO staff and its legal counsel. The plan is to work with Horizon to get the model in place sometime in the new year.
- One Agribusiness Equipment and Working Capital loan approved.
- WPIEI Grants – Three applications received so far, two pending and one denied. There have been several inquiries ahead of the December 15th deadline.
- Livestock Processing Grants – Five applications received, one withdrawn and four pending.
- Cold Storage Grants – 35 applications were received, 22 approved, two denied and 11 pending. This program is now closed.
- Local Government Cost Share Grants – Three grants received and approved.
- Watermen's Microloans – 13 applications received, five approved, and four denied.
- Oyster Shucking House Loan Program – a statutory program that requires the loan amount to be

based on the number of full-time jobs created or retained (at \$25,000 per job). Because this might be an impediment, MARBICO is offering to pair this program with its Agribusiness Equipment and Working Capital Loan Fund program. The advantage of the Oyster Shucking House Loan is the borrower can be credited by DNR for debt forgiveness for every bushel of oysters returned to DNR. MARBIDCO is working with DNR to set up how to handle the credit for the bushels. No applications have been received yet.

- Livestock Processing Loan program – The program is open, loans between \$250,000 and \$2.5 million along with an equity incentive grant of up to 10% (using the Livestock Processing grant funds). Blue catfish processing is eligible.
- Local Farm Enterprise Food Aggregation – The program is currently on hold until MDA opens its new Resilient Food Systems Infrastructure (RFSI) grant program. MARBIDCO is anticipating that its grant funds can be used to complement the MDA program for wholesale and institutional market development aggregation efforts. MDA is negotiating with USDA to finalize their grant agreement to receive the \$3.8 million in funding.

### **The Next Generation / Rural Land Preservation Facilitation Programs**

Ms. Allison Roe gave an update on the Next Generation Programs:

- To date in FY 2024 – two applications have been processed that need to be voted on to approve. In total, we have funded 40 projects in the original program, of which 36 have closed and four are pending settlement. Through this program, nearly 4,000 acres have been preserved.
- In the SANG program, in FY 2024, one application has been received but has not yet been processed. In total, four projects have closed preserving a little over 100 acres.
- A total of 44 Next Gen Program projects have been approved.

### **Discussion of MARBIDCO Project Review Committees**

Mr. McHenry provided an update on MARBIDCO's four active project review committees.

#### *Loan Review Committee*

- The Loan Review Committee currently has four members, including Mr. Rider and Mr. Connelly, along with Joe Chisholm and Pam Saul. Mr. McHenry would like to add two additional members. All core loans and grants not assigned to another committee go to this committee for review and approval.

#### *Local Farm Food Aggregation Grants Committee*

- The committee includes Board Members Mr. Darnall, Mr. Goeringer, and Ms. O'Herron, along with Karen Fedor from MDA. New Board member Mr. A.C. Alrey has volunteered to join this committee. They will be meeting once MDA has approved its grant program to approve a complementary MARBIDCO offering.

#### *Shellfish Aquaculture Financing Fund Review Committee*

- The committee includes Shannon Dill, Senior Ag Educator (University of Maryland Extension), Dr. Matt Parker, Aquaculture Business Specialist (University of Maryland), and Becky Thur who oversees a component of the shellfish aquaculture leasing program at Maryland Fisheries Service (DNR).

#### *Next Generation Programs Review Committee*

- The committee includes Michelle Cable (MALPF/MDA Executive Director), Stacy Kubofcik who replaced Betsy McKeenan, Tom McCarthy (formerly with the DNR Rural Legacy Program, now

working in the private sector), Patrick McMillian (retired MDA Assistant Secretary and former MARBIDCO Board member), Bruce Yerkes (retired Farm Credit loan officer) and new member Jenniefer Perkins, who previously administered the farm preservation program in Virginia (VDACS) and is now employed by the American Farmland Trust working in Maryland.

Mr. McHenry asked the Board to vote to approve or reapprove these committee members and reaffirm a decision previously made for the Loan Review Committee to extend to all committees: when there are six members serving on the committee, a project can move forward with three affirmative votes if there are no dissenting votes. If there is a dissenting vote, four affirmative votes are needed.

**Action 3:**

***Ms. Davis made a motion to approve the members of the four committees as recommended and to approve the following policy related to committees with six members: A project may move forward if three of the six members of the committee vote in the affirmative and when there are no dissenting votes. If there is a dissenting vote, four affirmative votes are required. Ms. O'Herron seconded the motion. All voted in favor, and the motion carried.***

**Project Acceptance Report**

Mr. McHenry presented the Project Acceptance Report representing projects approved from July 1, 2023, to November 14, 2023.

**Action 4:**

***Mr. Krebs made a motion to approve the Project Acceptance Report, for all projects approved since last meeting, and Mr. Goeringer seconded the motion. All voted in favor, and the motion carried.***

**Board Officer Nominating Process for the "Annual Meeting" held in Jan/Feb 2024**

Mr. McHenry said that every January or February the Board holds its annual meeting to elect officers for the upcoming calendar year. Currently Ms. Shank Creek serves as the Chair, Mr. Jastrzembski as Vice Chair and Mr. Krebs, as Secretary, each having served at least two terms in their current roles.

Mr. McHenry stated that the Board needs to form a committee to recommend candidates at the next Board meeting. The policy of the Board has been that the Chair and Vice Chair come from among the gubernatorial appointees. Mr. McHenry requested Board members to volunteer to serve on the Nominating Committee.

Ms. Davis and Mr. Alrey agreed to serve on the committee with Ms. Davis as chair.

**Action 5:**

***Mr. Jastrzembski made a motion to accept the appointment of the members of the Nominating Committee. Mr. Rider, seconded. Motion carries. All voted in favor, and the motion carried.***

**Miscellaneous Updates**

- Mr. McHenry discussed the Farms and Food Access for a Resilient Maryland Foundation, Inc. (FFARMD). MARBIDCO created this non-profit organization and has recently hired Vanessa Finney as its Chief Administrative Officer. FFARMD was created to take on the functions that MARBIDCO had previously had the fiscal intermediary of the Maryland Market Money (MMM) program, which is operated on day-to-day basis by SMADC/TCCSMD. However, because SMADC, a unit of the Tr-County Council for Southern Maryland, cannot legally run statewide programs, and because a private nonprofit cannot serve as the fiscal agent to SMADC/TCCSMD, MDA has taken on that role.

The nonprofit has been successfully launched and is raising money from some public entities for MMM now, and soon will be from private foundations and corporations as well. Mr. McHenry has stepped down from the FFARMD Board of Directors but remains an active advisor. MARBIDCO's last MMM funding contract with Montgomery County ends in February 2024.

- Maryland Food System Resiliency Council continues to meet with regularity. Mr. McHenry serves on the Council and two of its subcommittees. The Council is now permanently under the Maryland Department of Emergency Management.
- Mr. McHenry is now a participant in a legislative workgroup chaired by Senator Sarah Elfreth looking at legislative changes related to property tax assessments for value-added ag processing facilities. MDA, the Maryland Farm Bureau, farm alcohol groups, local government organizations, and the Department of Assessments and Taxation are also participants in the workgroup..

#### **Various Outreach Activities this Fall and Winter**

MARBIDCO is very busy with outreach activities this fall and winter including having exhibit booths at conferences held by the Rural Maryland Summit, Maryland Farm Bureau, and UMES's first Agritourism Conference.

#### **Next Meeting – Doodle poll to be sent out in early January**

Mr. McHenry suggested that the Board schedule the Annual Meeting around February 1<sup>st</sup>, when we will know what is contained in the Governor's submission of the State Budget. Look for a doodle poll right after the New Year.

There were no other items or announcements.

#### **Action 6:**

***Ms. Davis made a motion to move into closed session, in order to consider matters that concern:***

***A) proposals for a business or industrial organization to locate, expand or remain in the State;***

***B) to consider the investment of public funds;***

***C) to consult with staff, consultants, or other individuals about pending or potential litigation; and, and to adjourn the meeting thereafter.***

***Ms. Herron seconded the motion. All voted in favor, and the motion carried..***

Final Adjournment was made at 12:02 p.m.

Respectfully submitted by  
Jill Kubatko, Communications Associate  
MARBIDCO