



MARBIDCO

Maryland Agricultural and Resource-Based Industry Development Corporation

Minutes of the Open Meeting of the Board of Directors

Tuesday, February 7, 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. Wayne Richard, Regional Lending Manager, Horizon Farm Credit
Dr. Doug Lipton, Senior Research Economist, National Marine Fisheries Service (NOAA)
Mr. Berran Rogers Jr., Project Director/Small Farm Coordinator, University of Maryland Eastern Shore
Mr. John Jastrzembski, Vice-Chair, Regional Business Developer – Northern Virginia, Davey Business Development Team, The Davy Tree Expert
Mr. Steve Connelly, Deputy Secretary, Maryland Department of Agriculture
Dr. Faith Elliott-Rossing, Director of Economic Development and Agriculture (Retired)
Dr. Jinhee Kim, Associate Dean & Associate Director, University of Maryland Extension (UME)

Members Absent:

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

Other Attendees:

Dr. Kevin Atticks, Secretary of Agriculture Designee

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
Ms. Jill Kubatko, Communications Associate

Call to Order

Chair Creek called the meeting to order at 10:06 a.m. on February 7th.

Mr. McHenry welcomed Dr. Atticks and new member Dr. Kim. Introductions of the Board members and staff were made. A roll call of Board members indicated that a quorum was present.

Minutes

Chair Creek asked for consideration of the September 27, 2022, Board meeting minutes and supplemental minutes.

Action 1: Ms. Elliott-Rossing made a motion to approve the September 27, 2022, meeting minutes as written. Mr. Goeringer seconded the motion. The motion passed unanimously.

Audit Committee Report

Members of the Audit Committee (Mr. Krebs, Ms. Creek, and Mr. Jastrzembski) reported that they had met with representatives of Lindsay & Associates to discuss the FY 2022 financial audit and once again no issues were found, and no concerns reported.

Mr. McHenry stated that every three years the Corporation sends out a Request for Proposal to hire an outside auditor. The RFP was sent out in November to several Maryland auditing firms. The current auditor, Lindsey & Associates, was the only respondent and bid that the firm would continue to keep their rates the same as under the just expired three-year contract. The cost would be \$12,060 in Years 1 and 2, and \$13,180 in Year 3. If a Federal Single Audit were also required, the cost would be an additional \$3,060 in Years 1 and 2, and \$3,210 in Year 3.

Action 2: A motion was made by Mr. Krebs to approve the proposal from Lindsey & Associates, Ms. O'Herron seconded the motion. The motion passed unanimously.

MARBIDCO Financial Update

Mr. McHenry provided an update on the operating budget stating that the Corporation is 58% through FY 2023. All State appropriations have now been collected. Core loans are running at 60% of what was budgeted, specialty loans at 35%, specialty grants at 31%, and core grants at just 6%. MARBIDCO has seen its Core loan demand double over the last year and has been averaging about \$1 million per month in new MRBIFF loan approvals due to the high commercial loan interest rate environment, and this will likely continue for a while as the Federal Reserve continues to raise its key interest rate.

MARBIDCO's mandatory core programs funding is set to expire in FY 2025. The Governor has put \$2.3 million in the FY 2024 budget and is required to put another \$2.3 million in the FY 2025 budget. MARBIDCO is required to be self-sustaining after FY 2025 with its core programs. While MARBIDCO was on course to meet that requirement, given core program lending has been double what was anticipated, MARBIDCO should make a request to the Governor and General Assembly for supplemental funding to meet this unexpected high new loan demand.

FY 2023 Legislative Update and FY 2024 State Budget

Mr. McHenry provided an overview of the Governor's FY 2024 budget. Regarding MARBIDCO, there is \$2.3 million in core funding, \$435,000 for the Certified Local Farm Enterprise Food Aggregation Grant program, \$10 million for Next Generation program funding (4 years of \$2.5 million funding that is being accelerated), \$500,000 for the Watermen's Microloan program, \$500,000 for Livestock Processing Grant funding, \$500,000 for the Wood Products Industry Equity Investment program fund and \$1 million for a new Oyster Shucking House Loan Program.

Additional funding is the State Budget that will be of interest includes \$300,000 for the Maryland Market Money program (MDA), which is a \$200,000 increase. The Rural Maryland Council is fully funded at \$9.1 million and SMADC is fully funded at just over \$900,000.

Mr. McHenry reminded the Board that, during last year's legislative session, that legislation was passed providing MARBIDCO with \$10 million in a lump sum for the two versions of the Next Generation program. He recommended to the Board that MARBIDCO ask the General Assembly to allow the Corporation to use \$6 million of this funding to go to core loan programs, such as the MRBIFF program. This amount would add \$4 million to an estimated \$3 million in available funding for the Next Gen program, which would cover two years of anticipated programming need. MARBIDCO would then seek to have the \$6 million restored as soon as possible in future State Budgets.

Action 3: A motion was made by Mr. Jastrzembski to approve the recommendation of asking the Maryland General Assembly to allow \$6 million of Next Generation Program funding to be used for core loan programs. Ms. Elliott-Rossing seconded the motion. The motion passed unanimously.

Mr. McHenry reviewed three bills relevant to MARBIDCO and asked for the Boards' support:

1. HB 63/SB 386 (Del. Charkoudian and Sen. Hester) – altering the Certified Local Farm Enterprise Program to be the Certified Local Farm and Chesapeake Invasive Species Provider Program and include species such as the blue catfish as part of the State's mandated 20% government purchase of local foods.
2. HB 152 (Del. Wells) – establishing a statewide grant program for commercial and noncommercial urban farmers at \$250,000 for FY 2025, 2026, 2027, 2028 and 2029.
3. SB 433 (Sen. Klausmeier) – establishing the Woman– and Minority–Owned Shellfish Aquaculture Enterprise Fund as a special loan fund to assist woman– and minority–owned businesses entering into or expanding in the shellfish aquaculture industry. MARBIDCO's Assistant Attorney General has advised that SB 433 was constitutionally insufficient (as violating the Equal Protection Clause). MARBIDCO would work with the sponsor on amendments to develop a program that could be successfully administered and pass constitutional muster.

Action 4: A motion was made by Mr. Jastrzembski to support the three bills above with the necessary amendments on HB 152 and SB 433, and to approve supporting HB 63/SB 386. Mr. Connelly seconded the motion. The motion passed unanimously.

Programmatic Updates and Project Acceptance Report

Mr. McHenry reviewed the Project Acceptance Report and also noted that In FY 2023, MARBIDCO has approved the following:

- Core loans – 15 projects funded just under \$6 million.
- Specialty loans (programs funded by other agencies) – 25 specialty loans, all of which were Watermen Microloans.
- Specialty grants (programs funded by other agencies) – 11 grants were approved including Certified Local Farm Enterprise Food Aggregation Grant Fund at under \$700,000.
- Core program grants – 20 grants approved of about \$20,000.
- Next Generation – 4 projects approved at a little over \$1 million.

Action 5: A motion was made by Ms. O'Herron to accept the Project Acceptance Report. Ms. Davis seconded the motion. The motion passed unanimously.

Discussion of New Programs

Mr. McHenry reported the Corporation has been short-staffed since the pandemic ended and informed the Board that finding qualified staff to fill vacancies has been difficult. He also noted that another staff member will be retiring later this year. He said that MARBIDCO seriously needs to look at another model of how we partner with commercial lenders to jointly offer loans to agricultural enterprises that need economic development support.

Mr. McHenry has researched two such models from Kentucky and Minnesota that could be adopted here in Maryland. The Board was provided with summaries of the two programs which have been very successfully implemented for many years. He reported that the Programs Committee and Loan Review Committee have recommended that a MRBIFF “Loan Participation” model be substituted for the Direct Loan model, where the partnering commercial lenders would close and service all the jointly funded project loans. Mr. McHenry reported in detail on the programs offered by the Kentucky Agriculture Finance Authority and the Minnesota Rural Finance Authority.

The proposed MRBIFF Loan Participation model would:

- Have the financing split at 60% bank/40% MARBIDCO for every project.
- Charge a flat 4.00% that is fixed for the term of the loan (Compared to the current program interest rates: 4.25% for the first 3 years, 4.50% for the next 3 years and 5.75% for the remaining term of the loan.)
- Require every project to have a 10-year balloon payment.
- Feature two (or more) loan notes but just one deed of trust, held by the partnering bank.
- Have MARBIDCO charging no application, loan origination, or loan servicing fees.
- MRBIFF Loan amounts would remain at \$300,000 for acquisition of capital equipment and fixed assets; \$600,000 for real estate purchases and \$900,000 for large-scale food/fiber processing projects.
- Result in quicker loan turnaround times.
- Offer a possibly of government loan guarantees (including from the Farm Service Agency – FSA)

After a discussion, the Board decided to take defer action on this and to request the Programs Committee do more work on designing the details of the program.

Mr. McHenry reported on 2022 legislation establishing an Oyster House Shucking Program with funding of \$1 million to finance the cost of eligible seafood projects to help increase the amount of oyster shells that can be returned to the Chesapeake Bay. This program will be developed and available for discussion during the next Board of Directors meeting in May/June 2023.

Updates on USDA Grant Applications

Mr. McHenry told the Board that MARBIDCO has applied for USDA’s Meat and Poultry Intermediary Lending Program Grant (MPILP) for a grant of \$3.8 million, with a MARBIDCO match of \$1.3 million, to set up a revolving loan fund to expand Maryland’s livestock processing capacities. Blue catfish processing facilities could also apply under this program. Mr. McHenry recommended that the Corporation use \$500,000 of its livestock processing grant fund as a grant incentive as part of the program.

Action 6: A motion was made by Mr. Jastrzembski to approve the use of \$500,000 of the livestock processing grant fund to support the MPILP if MARBIDCO should be awarded the grant. Mr. Darnell seconded the motion. The motion passed unanimously.

In addition, a USDA Partnership Grant was submitted by Future Harvest CASA as the lead entity requesting \$2.5 million that includes a MARBIDCO participation. The grant would be used to increase farmland, capital, and market access. MARBIDCO's portion (\$350,000) would focus on urban/disadvantaged farmer land access on less than 10 acres, somewhat like the SANG Next Gen program, including utilizing urban land trusts as easement holders. Some funds would be used for private land ownership opportunities by increasing the amount available in our Urban Ag Lending Incentive Grant Program from \$10,000 to \$35,000. No word yet on whether USDA will fund this request.

Update on Maryland Market Money Program (MMM)

Mr. McHenry provided an update on the Maryland Market Money program (MMM) and the formation of the new Farms and Food Access for a Resilient Maryland Foundation (the "FFARMD Foundation"). MARBIDCO has partnered with SMADC/TCCSMD to take over the MMM program from the now defunct Maryland Farmers Market Association for the last 2.5 years. Currently, 47 farmers' markets participate in MMM which helps Marylanders experiencing food insecurity, providing a dollar-for-dollar match for purchases made using federal nutrition benefits at participating Maryland farmers markets, farm stands, and CSAs.

Because SMADC's reach is only in five counties, it is not legally allowed to do outreach to the entire State, and because MARBIDCO does not have IRS 501(c)(3) status and cannot apply for several federal grants, the "FFARMD Foundation" has been established as a nonprofit organization to support SMADC/TCCSMD in raising funds for the MMM program. A bank account (etc.) has been established and the federal 501(c)(3) designation paperwork has been started. The new foundation will also hire a part-time financial administrator. The FFARMD Foundation's Board of Directors currently includes:

- Chair – Steve McHenry (MARBIDCO)
- Vice Chair – Open (for a new director to be appointed from the anti-hunger community)
- Treasurer – Kurt Fuchs (Horizon Farm Credit)
- Secretary – Shannon Dill (University of Maryland Extension)
- Member – John Torres (Maryland Farm Bureau)

Annual Meeting / Election of Officers

Ms. Davis, the Nominating Committee Chair, reported that all current officers of the Board have agreed to continue to serve in their positions. These include Ms. Creek as Chair, Mr. Jastrzembski as Vice-chair, and Mr. Krebs, as Secretary/Treasurer.

Action 7: A motion to approve the slate of officers was made by Ms. Davis. Ms. Elliott-Rossing seconded the motion. The motion was approved by the entire Board.

Review of the Calendar Year Operational Plan

Mr. McHenry presented information on various activities that MARBIDCO plans to undertake in the coming year which also provides guidance on how the FY 2024 operating budget should be constructed.

Action 8: A motion to adopt the CY 2023 Operations Plan was made by Mr. Krebs. Mr. Jastrzembski seconded the motion. The motion was approved unanimously.

Other Items / Announcements

Mr. McHenry reported that the MARBIDCO-commissioned BEACON (Salisbury University) County-by-County Economic Impact Report of Resource-Based Industries is now available on MARBIDCO's website.

Mr. McHenry reported that the Food Systems Resiliency Council continues to meet and is taking a tremendous amount of MARBIDCO staff time. Legislation has been introduced this session to continue the Council permanently (under the Maryland Department of Emergency Management).

Mr. Connelly informed the Board that legislation is pending (SB 34/HB 389) that will enable MDA to hire a new ombudsman who will assist farmers interested in value added processing as well as other issues related to county, state, and federal regulations that they face.

New board member Dr. Jinhee Kim, Associate Dean & Associate Director, University of Maryland Extension (UME) was welcomed to the Board. Dr. Kim introduced herself and provided remarks to the Board.

Next Meeting

Mr. McHenry suggested that the next Board meeting take place in May or June (near the end of the fiscal year). He said a Doodle Poll will be sent to members to help choose a date.

At 11:56, Ms. O'Herron made a motion to close the meeting pursuant to the applicable provisions of General Provisions Article Section 3-305(b) of the Annotated Code of Maryland) as follows:

Motion: To consider matters that concern:

- ***proposals for a business or industrial organization to locate, expand or remain in the State;***
- ***to consider the investment of public funds;***
- ***to consult with staff, consultants, or other individuals about pending or potential litigation;***
and
- ***to discuss the performance evaluation of an employee over whom this public body has jurisdiction.***

And that the meeting be adjourned at the conclusion of closed session.

Action: The motion to go into closed session was made by Ms. O'Herron and seconded by Ms. Elliott-Rossing. The motion passed unanimously.

During the closed meeting, the following Board members were present: Ms. Mary Shank Creek, Mr. Mark C. Krebs, Dr. Donald Darnall, Ms. Charlotte Davis, Mr. Paul Goeringer, Esq., Ms. Sarah O'Herron, Mr. Wayne Richard, Dr. Doug Lipton, Mr. Berran Rogers Jr., Mr. John Jastrzembski, Mr. Steve Connelly, Dr. Faith Elliott-Rossing, and Dr. Jinhee Kim.

The following Board members were absent: Mr. Robert Yates Claggett, Jr.

The following MARBIDCO staff were present for most of the meeting (until the discussion of the performance evaluation of an employee over whom this public body has jurisdiction): Stephen McHenry, Stacy Kubofcik, Jill Kubatko, and Tina Wilkins.

Topics Discussed:

- A. Approval of the previous Closed meeting minutes of September 27, 2022
- B. Consideration of new loan projects
- C. Consideration of the investment of public funds
- D. Consideration of delinquent loan accounts
- E. Annual performance evaluation of the Executive Director

Respectfully submitted by
Jill Kubatko
Communications Associate