



MARBIDCO

Maryland Agricultural and Resource-Based Industry Development Corporation

Minutes of the Open Meeting of the Board of Directors Monday, January 29, 2024 Virtual Zoom

Members Present:

Ms. Mary Shank Creek, Chair, Owner, Palmyra Farm Ayrshires & Holsteins
Mr. John Jastrzembki, Vice-Chair, Regional Business Developer, Davey Business Development Team, The Davy Tree Expert
Mr. Mark C. Krebs, Secretary/Treasurer, Executive Vice President & Chief Financial Officer, Farmers and Merchants Bank
Mr. A.C. Alrey, Director of Business Development, City of Crisfield
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. Victoria Brown, Owner, Shop Cove Aquaculture LLC
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. Steve Connelly, Deputy Secretary of Maryland Department of Agriculture
Mr. Wayne Richard, Regional Vice President for Ag Lending, Horizon Farm Credit

Members Absent:

Ms. Sarah O'Herron, Owner, Black Ankle Vineyards
Mr. Robert Yates Claggett, Jr., Bald Eagle Farm
Mr. Doug Lipton, Senior Research Economist, National Marine Fisheries Service National Oceanic and Atmospheric Administration (NOAA)
Ms. Jinhee Kim, Associate Dean and Associate Director, University of Maryland Extension (UME)

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 10:00 a.m. on January 29, 2024. 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 November 30, 2024, Board meeting minutes. Mr. Krebs noted that a zero was left off bullet point #4 of the FY 2024 YTD Operating Budget Review on Page 3 of the Minutes. It should read "Expenditures are \$512,000".

Action 1: Mr. Krebs made a motion to approve the November 30, 2023, meeting minutes with a correction of adding a zero to "expenditures" on page 3. Ms. Davis seconded the motion. All voted in favor, and the motion carried.

Financial, Budgetary and Legislative Items

• Report of the Audit Committee

Mr. McHenry thanked the Audit Committee (Mark Krebs, Mary Shank Creek, and John Jastrzembski) for their work and for meeting with the auditors from Lindsey and Associates. Mr. Jastrzembski commented that the meeting went smoothly and everything from the financial audit was in good order and the entire Committee agreed.

• FY 2024 YTD MARBIDCO Budget Review

Mr. McHenry gave an overview of the YTD FY 2024 budget as of December 30, 2023. He noted that the Corporation is 50% through the fiscal year.

- Reverted and carryover funds are running higher than originally projected.
- Budgeted \$1.7 million in operating income and have received \$1.06 million so far, which is positive.
- The expenditures are running under budget.
- With respect to the Core loans, having a slower year due to the MRBIFF program being offline in the first quarter due to the staffing shortage (\$1.75 million YTD).
- Expenditures from the specialty loan and grants are also slightly less than projected.
- Total expenditures are at 18% for what was budgeted for the year.

Ms. Wilkins gave the Programmatic Activity Report as of December 2023:

- Core Loans - \$1.75 million (including MRBIFF Loans - \$1.6 million)
- Agribusiness Equipment and Working Capital Loans - \$86,000
- Specialty Loans - \$140,000 (\$120,000 Watermen's microloan and \$20,00 Southern Maryland Revolving loan)
- Specialty Grants - Livestock Processing Equipment Grants - \$199,147; SMADC Equity Incentive Matching Grants - \$5,000 and WPIEI grant funding - \$600,000
- Core Grants - Cold Storage - \$44,030 and Local Government Cost Share - \$14,108
- Next Generation Programs - \$873,201

Additionally, Mr. McHenry explained the loan loss reserve is currently at 2.55%, which is good.

The average loan portfolio interest rate was 3.779%, and this has been inching up as expected. During the pandemic MARBIDCO reduced the interest rate on 128 MRBIFF loans to make them more competitive and provide relief during the pandemic. The loan portfolio interest rate was at about 3.50% last year, and 4.25% when the pandemic began. The Board has set a goal of returning to 4.00% across the entire portfolio.

In FY 2024, we had 18 loan payoffs, three of which paid off early, and since 2010, 240 loans have paid off completely. There were many early loan repayments for MRBIFF loans, especially during pandemic period when interest rates were historically low.

Update on 2024 Legislative Session and FY 2025 State Budget

- Mr. McHenry informed the Board that with all pandemic era federal support winding down, the State is returning to a normal cycle of revenue collections and expenditures increasing.
- MARBIDCO is included in the budget and nearly fully funded at \$4.135 million.
- MARBIDCO is being funded with \$2.3 million for Core programs, \$435,000 for the aggregation grant, \$400,000 for the livestock processing grant program, and \$500,000 for Wood Products Industry Equity Investment Program (WPIEI).
- After FY 2025 MARBIDCO will become self-sustaining for the Core programs.
- By FY 2029 the State of Maryland is projected to have a structural budget deficit of \$3 billion in the general fund. The Legislature will be looking at trimming the growth in some expenditures over the next few years in order to make sure that public education is adequately funded through “The Blueprint”.
- The Mel Nolan Woodland Incentives Fund at DNR had increased to \$1 million last year which is proposed to be reduced to \$500,000.
- The overall news is that MARBIDCO’s programs are well funded, the Rural Maryland Council is level-funded at \$9.1 million, and MDA is rather well funded and most of their programs continue to be level-funded too.

Mr. McHenry said there are three legislative issues he would like MARBIDCO to take a position on. He added that MARBIDCO needs to establish a standing Legislative Committee to address issues that might come up during the legislative session and suggested that the Programs Committee could serve as the Corporation’s defacto “Legislative Committee”.

Action 2: Mr. Connolly made a motion to appoint the Program Committee to also serve as the Legislative Committee to meet when necessary to approve any needed actions on pending legislation. Ms. Davis seconded the motion. All voted in favor, and the motion carried.

Discussion on Legislation Involving or Impacting MARBIDCO

Mr. McHenry explained that legislation has been introduced that affects the Watermen’s Microloan Program eligibility.

- Watermen commercially fishing in the Potomac River are licensed separately from those who hold tidal fisheries licenses from DNR. The proposed legislation (SB 32/HB 120) would allow Potomac River Fisheries Commission licensees to apply for to Watermen’s Microloan Program too. However, the bill is not drafted correctly. Mr. McHenry recommended that the Board approve supporting the bill with appropriate corrective amendments to make those holding a PRFC license eligible along with the TFL holders.
- The Potomac River Fisheries Commission estimates there are 380-400 licensed by them that live in Maryland. The bill, as currently drafted, would not have the watermen with Potomac Fisheries licenses able to apply until October 1, 2025. Mr. McHenry recommends moving the effective date forward to July 1, 2024.
- We are starting to see a drop in demand for the Microloan Program with the \$15,000 cap being seen as being too low (especially for the purchase of workboats). Mr. McHenry suggests raising

that to \$25,000, which will be especially important to *young and beginning watermen* who will become eligible for funding next year.

- The Watermen's Microloan Fund has had 43 loans approved so far (and all have been for "Generational Watermen" who are individuals that earn a majority of their incomes from commercial fishing).

Action 3: Mr. Connelly made a motion to support SB 32 /HB 120 with the following amendments: 1) allow watermen with Potomac River Fisheries Commission licenses to have the same eligibility as Generational and Beginner watermen holding DNR-issued TFLs, 2) move up the effective date of the bill to July 1, 2024, and 3) increase the maximum dollar amount of the microloans to \$25,000. Ms. Davis seconded the motion. All voted in favor, and the motion carried.

Mr. McHenry explained that legislation has been introduced that would address an ongoing concern with property tax assessment increases on agricultural land in recent years:

- House Bill 640 introduced by Delegate Natalie Ziegler (and a companion bill to be coming in the Senate) relates to property tax assessments for improvements on agricultural land. About four years ago, the Department of Assessments and Taxation started assessing certain farm buildings not as agricultural buildings but as commercial ones. Until recently, buildings on farm properties used for agricultural purposes have been assessed at 5% of their value rather than 100%. This has particularly impacted value-added operations and equine enterprises.
- Legislation to address this has been unsuccessfully introduced in two prior sessions.
- Mr. McHenry was asked last fall to join a legislative workgroup chaired by Senator Sarah Elfreth, and some progress was made in discussions with various stakeholders. MDA and farm groups want to restore the assessment process to what was used previously. Mr. McHenry's recommendation is for MARBIDCO to support the farm groups and MDA in this effort since it could impact a number of MARBIDCO borrowers.

Action 3: Mr. Krebs made a motion to give MARBIDCO staff the discretion to support SB 640 in a way that aligns with the agricultural community on this property tax assessment issue. Mr. Rider seconded the motion. All voted in favor, and the motion carried.

Mr. McHenry added that there may be other items that the Programs Committee, acting as a legislative committee, could need to act upon.

Update on Core Loan Programs

- Mr. McHenry informed the Board that MARBIDCO has seven MRBIFF direct loans approved so far this year. He said the Board will see another loan request today.
- Mr. McHenry thanked Wayne Richards from Horizon Farm Credit for his help during the process to change MRBIFF direct loan program to a loan participation program, and for his assistance with the legal consent to get a master loan participation agreement approved internally and by AgFirst (Farm Credit) Bank.
- AgFirst Bank approved the master loan participation agreement recently, as did MARBIDCO's Assistant Attorney General.
- MARBIDCO hopes to roll out the MRBIFF Loan Participation Program within the next three months with commercial lenders targeting the Farm Credit lenders first (Horizon Farm Credit, Colonial Farm Credit and Farm Credit of the Virginias). And later, MARBIDCO would outreach to all of the 26 commercial lenders that MARBIDCO has done business with.

- Mr. Richard added it has taken much longer than expected and is meeting with colleagues later today to work on internal processes and procedures necessary to move forward.

Update on Core and Specialty Grant Programs

- Ms. Kubofcik told the Board that the **Livestock Processing Equipment Grant Program** closed in December 2023 and MARBIDCO approved 9 applications, \$199,147 in total. This program is 50% matching grant up to \$50,000 for USDA inspected slaughter facilities including blue catfish, and 50% up to \$20,000 for other USDA inspected processors, custom exempt, and mobile processing. Of the nine approved, two were USDA inspected slaughter facilities (one of which was blue catfish) and the other seven are other USDA processed, mobile or custom exempt applications.
- For the **WPIEI Program**, we received \$500,000 from the General Assembly to offer the grant program in FY 2024, and DNR provided an additional \$100,000 to be used to fund value-added projects (\$93,000 for grants and \$7,000 for administrative costs). WPIEI provides a 25% matching grant up to \$50,000. The program was oversubscribed this year.
- MARBIDCO received 24 applications. The advisory group recommended approval of 17 of the 19 applications for \$681,241. The DNR funding of \$93,000 was used to supplement seven projects that were value-added and covered about 36% of the grants,
- Mr. McHenry thanked Mr. Rider for his support of the program and for being part of an advisory group at the DNR Forest Service that reviewed the applications and made recommendations to the committee.
- MARBIDCO also approved 26 small **Cold Storage Grants** totaling \$44,030. The maximum grant award was \$2,000.

MDA received \$3.8 million from USDA for Resilient Food System Infrastructure (RFSI) grants. MARBIDCO will be partnering with MDA to allow the Certified Local Farm and Fish Enterprise Food Aggregation Grant Fund Program to be used as the required non-federal matching grant. The effort is being seen by the Local Farm Food/Fish Aggregation Grant Fund Program Review Committee consisting of Dr. Darnall, Ms. O'Herron, Ms. Goeringer, Mr. Alrey, and Karen Fedor (MDA Farm and Food Administrator).

MARBIDCO has the RFSI grant information and application on website and its terms include:

- For historically underserved farmers, ranchers or other businesses that qualify under SBA categories of small, disadvantaged business, women-owned small business, or veteran-owned small business – a grant of up to 100% match, up to a maximum of \$50,000.
- For all other eligible applicants – a grants of up to 50% match, up to a maximum of \$50,000, with this exception: If a unit of local government, rural regional council, or county school system is the applicant, the maximum award could be up to \$400,000.
- Mr. McHenry noted that MARBIDCO is in a good position to help support this program and that these grants are in line with the State requirement of Maryland institutions to buy 20 percent of their food from certified local farmers.

Eligible applicants must be:

- An agricultural marketing group (an LLC), or legally organized farm cooperative including at least 4 Certified Local Farm and Certified Chesapeake Invasive Species Providers.
- A wholesale distributor that is selling to at least one institution and aggregating from at least 4 Certified Local Farm and Certified Chesapeake Invasive Species Providers.
- Public entity (such as a county government, municipality, community college, university,

county school system or rural regional council), either purchasing from or facilitating the aggregation from at least 4 Certified Local Farm and Certified Chesapeake Invasive Species Providers.

- Projects need to be related to wholesale or institutional buyers.
- Eligible Projects must meet all MDA RFSI application requirements.

- On another topic, Mr. Jastrzembski thanked the MARBIDCO staff, Mr. Rider, and others for its report about the WPIEI program. He likes the diversification of the projects receiving funding.
- Mr. McHenry again thanked Mr. Rider who made outstanding efforts to promote the program. He also thanked members of the Food Aggregation Grant Review Committee including Mr. Goeringer, Mr. Darnall, Ms. O'Herron, Mr. Alrey, and Karen Fedor from MDA for their help in developing what was just described.

Mr. McHenry said it was time to consider renewing the annual sponsorship of Maryland Public Television's *Maryland Farm & Harvest* program.

- Mr. McHenry said the response has been quite favorable to the show and that it is the highest rated locally produced television program.
- He said that MARBIDCO has been providing \$35,000 annually to sponsor the program and needs a motion to approve continuation at this amount for the popular program

Action 4: Ms. Davis made a motion to approve the support of MPT Maryland Farm and Harvest program sponsorship in the amount of \$35,000. Mr. Goeringer seconded the motion. All voted in favor, and the motion carried.

Specialty Loan Programs/Related Grants

- Mr. McHenry told the Board that the new Maryland Oyster Shucking House Loan Fund applicants are having some challenges with the requirement that at least one full-time job must be created or retained for each \$25,000 that is borrowed.
- Ms. Kubofcik said that we have received one application, and that another potential project could be coming in. The job requirement related to the loan amount is difficult for those that may be potentially interested.
- Mr. McHenry stated that we have offered up our Agri-Business Equipment and Working Business Capital Loan as an alternative.
- The new Maryland Livestock Processing Loan Program has had some inquiries. MARBIDCO has a \$5 million loan fund available including \$3.8 million from USDA and \$1.3 million from MARBIDCO. Ms. Roe stated there is one application for blue catfish processing in the hopper.

The Next Generation / Rural Land Preservation Facilitation Programs

- Ms. Roe reported that in FY 2024 three Next Generation applications have been processed and two of these were approved. MARBIDCO will be sending the third one to the Board to approve shortly. In total, 36 Next generation projects have closed and six are pending settlement. We have helped to preserve 4,200+ acres of farmland.
- Currently, one SANG application has been received but it is actually eligible for Next Gen easement option purchase program. In total, four SANG projects have closed and 100 acres in Frederick, Montgomery and St. Mary's Counties have been preserved.
- Mr. Rider noted that the program has been popular in Frederick and Washington. Mr. McHenry added that there are outstanding local agricultural land preservation administrators in those

counties. The county administrators have a lot of work to do prior to submitting the application forms to MARBIDCO.

- Mr. Rider added that DNR has an easement program – the Forest Legacy Program – not available everywhere in the State but in priority areas and properties within those areas are eligible.
- Mr. McHenry said the Next Gen Programs are focused on getting beginner farmers onto the land as well as helping to preserve that land at the same time. For the Next Gen programs there also has to be a commercial lender involved with financing the projects, and the county government has to consent to the land being permanently preserved.

Project Acceptance Report

Mr. McHenry reported that there have been 47 projects that were approved since the last Board meeting that need to be put into the official record.

Action 5: Ms. Davis made a motion to accept the 47 loans, grants and easement options projects as presented. Mr. Goeringer seconded the motion. All voted in favor, and the motion carried.

Miscellaneous Updates on Boards, Task Forces, and Special Projects

- Mr. McHenry reported that he has concluded his term as President of National Council of State Agricultural Finance Programs (NCOSAFP) in December. He helped to arrange and attended the organized national conference in North Carolina last October. He is also rotating off the NCO Board of Directors this year as his term is limited.
- Mr. McHenry recently met with the Secretaries of Agriculture in Virginia and Delaware recently about establishing MARBIDCO type loan programming in those states. They are looking at something akin to the MRBIFF loan participation program which would require the least amount of staffing.
- A Pennsylvania statewide public/private partnership organization called “Team PA” also recently invited Mr. McHenry to make a presentation on how MARBIDCO functions as a financial intermediary to support agricultural development. (This organization is co-chaired by Governor Josh Shapiro.) It seems that three neighboring states are interested in replicating at least some of what MARBIDCO does.

Mr. McHenry said that MARBIDCO is close to ending its formal involvement with the Maryland Market Money (MMM) program. MARBIDCO formerly had an intermediary role and created the nonprofit Farms and Food Access for a Resilient Maryland Foundation (FFARM) about a year ago to handle certain financial aspects of the program. There is one remaining contract that ends at the end of February with Montgomery County. Everything has been transferred over now to either MDA or FFARM, and SMADC (Tri County Council for Southern Maryland) continues to administer the program day-to-day. Our time being spent on MMM is winding down and we have left things in a good place. Mr. McHenry, previously the FFARM Board chair, has stepped down from the FFARM Board of Directors and will act as an advisor going forward. Mr. McHenry thanked Mr. Connelly for all that he and his team at MDA are doing to support the MMM program.

Mr. McHenry gave an update on the Maryland Food System Resiliency Council (FSRC). The year before last year he participated in 44 meetings of the FSRC, but thankfully only half that number last year. The Council has now been formally placed under the Maryland Department of Emergency Management. It is heavily focused on food distribution and food waste issues but does delve into ag production and processing topics. Mr. McHenry serves on two FSRC committees as well as the full Council.

MARBIDCO's "Annual Meeting" and Election of Officers

Mr. McHenry stated that the Corporation's bylaws require once a year that the Board must have an annual meeting to elect officers for the coming year and generally review the preceding year and plan for the upcoming calendar year. By developing an operational plan for the coming calendar year, this helps to guide the MARBIDCO staff in putting together the operating budget for the coming fiscal year which begins on July 1st.

During the preceding Board meeting, Ms. Davis (Chair) and Mr. Alrey agreed to serve on a Nominating Committee to recommend a slate of officers for 2024. Ms. Davis reported she and Mr. Alrey met last week and had previously surveyed the officers and their willingness to continue to serve and they recommend retaining the current slate for another term (as all had agreed to return):

- Ms. Mary Shank Creek, Chair,
- Mr. John Jastrzembski, Vice-Chair, and
- Mr. Mark C. Krebs, Secretary/Treasurer

Action 6: Ms. Davis made a motion to accept the current slate of officers to continue their respective positions. Mr. Connelly seconded the motion. All voted in favor, and the motion carried.

Ms. Davis and Mr. McHenry thanked the officers for their continued service to MARBIDCO.

- Mr. McHenry informed the Board that MARBIDCO has welcomed new staff members replacing those that have departed or retired. MARBIDCO had been truly very short-staffed for about the last two years. The new staff are all serving in Financial Program positions: Sierra Criste (who arrived a little over a year ago), Brittany Rawlings (hired early last summer), and Brian Cadden (hired late last summer). He added that they all appear to be very good hires based upon their performances so far.
- He noted that MARBIDCO had a very productive year, and 2023 was another record setting year. MARBIDCO offers 20 programs now, and 18 just the year before.
- MARBIDCO has been having conversations with other regions and counties to consider providing equity incentive matching grants, including the Tri-County Council for Western Maryland and Howard County.

Action 7: Ms. Davis made a motion to adopt the Operational Plan for the calendar year 2024 as presented and Mr. Rider Seconded the motion. All voted in favor, and the motion carried.

Ms. Shank Creek commended the MARBIDCO staff for its dedication and hard work last year. Mr. McHenry thanked the Board for its very fine support of the organization and the MARBIDCO staff.

Miscellaneous Updates

- Mr. McHenry said that the next Board of Directors meeting should be in late May or early June. Staff will again be using doodle poll, as it is the easiest way to determine a date and advised members to be on the lookout for that.
- Mr. McHenry asked if anyone had any announcements? Ms. Brown thanked the staff for attending the 49th Annual East Coast Commercial Fisheries/Watermen's and Aquaculture Expo in Ocean City. Mr. McHenry said being at the Expo was a good outreach experience and MARBIDCO addressed a many inquiries about our programs.

Ms. Shank Creek stated a motion should be made to move into a closed session (pursuant to the applicable provisions of General Provisions article section 3-305(b) of the annotated code of Maryland).

Action 8: Ms. Davis made a motion to go into a closed session 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

D) to discuss the performance evaluation of an employee over whom this public body has jurisdiction.

And to adjourn the meeting thereafter.

Ms. Brown seconded the motion to adjourn the meeting. All voted in favor, the motion carried.

Final adjournment was made at 12:32 p.m.

Respectfully submitted by Jill Zarend
Communications Associate