



MARBIDCO

Maryland Agricultural and Resource-Based Industry Development Corporation

Minutes of the Open Meeting of the Board of Directors

Tuesday, September 27, 2022

Virtual

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, Area Lending Manager, MidAtlantic 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. Matt Fleming, Acting Assistant Secretary, Maryland Department of Natural Resources

Members Absent

Mr. John Jastrzembski, Vice-Chair, Manager, Davey-Tree Corporate Green Solutions
Mr. Steve Connelly, Assistant Secretary, Maryland Department of Agriculture
Mr. Robert Yates Claggett, Jr., Bald Eagle Farm
Dr. James C. Hanson, Associate Dean & Associate Director, University of Maryland Extension
Dr. Faith Elliott-Rossing, Director of Economic Development and Agriculture (Retired)

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 10:16 a.m. A roll call of Board members indicated that a quorum was present.

Minutes

Chair Creek asked for consideration of the May 20, 2022, Board meeting minutes and supplemental minutes.

ACTION: A motion was made by Ms. O'Herron to approve the September 27, 2022, meeting and supplemental minutes, as presented, which was seconded by Mr. Goeringer. The motion passed unanimously.

MARBIDCO Financial Updates

Mr. McHenry provided an update on the Corporations' financial standing with a review of the FY 2022 budget at year's end. MARBIDCO experienced income generation running well ahead of projections, including many early loan principal repayments made to the Corporation (due primarily to the very low interest rate environment it is believed). The various expenditures came in mostly right at, or under, the budgeted level.

The Corporation has received half of its appropriations for all the State-funded programs except for the Next Generation Farmland Acquisition Program (which, for an unknown reason, is in the Dedicated Purpose Account this year). Remaining State appropriations should arrive near the end of the calendar year.

The Next Generation Program funding is expected to be forward funded for the next four fiscal years in the FY 2024 State Budget (at \$10 million), as required by law.

The new Maryland Waterman's Microloan Program has had 29 approved loans at just under \$400,000. The program has enough money remaining to assist four to five more "generational watermen" during this fiscal year. Eligible tangible equipment that may be purchased with loan proceeds includes boats, motors, and harvesting gear, for example.

The FY 2022 Financial Audit has been completed by Lindsay and Associates and the Board will need to appoint an Audit Committee to meet with them. The independent auditors reported that we had another "clean" audit and there were no issues of concern.

ACTION: A motion was made by Ms. Davis and seconded by Mr. Krebs to appoint Chair Creek, Mr. Jastrzembski, and Mr. Krebs to the Audit Committee. The motion passed unanimously.

Mr. McHenry gave a review of the MARBIDCO's capacity for future sustainability and an update on the fiscal outlook for the State Government. In addition, Mr. McHenry reported on the programmatic activity of the last year as compared to the previous six fiscal years.

Mr. McHenry opened a discussion about the current interest rates charged for three MARBIDCO core loan programs and noted that both regionally and nationally loan interest rates are continuing to rise. The consensus was to raise these rates by 50 basis points on the first level (step) of loan payments. Moreover, in the future, if the prevailing Prime Rate reaches 6.75% to raise rates by another 25 basis points and if the Prime Rate reaches 7.25% to raise the interest rate another 25 basis points. Immediately, Core loan program interest rates would be raised as follows:

- MRBIFF Loan Program step 1 interest raised to 3.75% (but steps 2 and 3 currently unchanged but could be increased in the future under the new policy)
- Maryland Vineyard/Hopyard/Orchard Planting Loan Fund to 4.00% (Option 1) and 5.75% (Option 2).
- Agri-Business Equipment and Working Capital Loan Fund rates with partnering public sector lender involved, to 3.75%. Without a partnering public sector lender, to 5.75%.

ACTION: A motion to increase the interest rate by 50 basis points for the three MARBIDCO Core loan programs and to automatically raise rates again 25 basis points if Prime Rate reaches 6.75% and another 25 basis points if prime rate reaches 7.25%, was made by Mr. Krebs and seconded by Ms. O'Herron. The motion passed unanimously.

Mr. McHenry mentioned that he was very encouraged by the progress in recent months that the Maryland Department of Agriculture has made in developing programs to better support small farms and urban agriculture. Bills were enacted last year to help fund urban ag water and power infrastructure projects as well as to fund two new University of Maryland Extension positions dedicated to urban ag. MDA is also in the process of developing a new urban agriculture grant program, and legislation on this topic is expected to be introduced on this during the 2022 Legislative Session.

Updates on Core Grant Rural/Ag Business Development Financing Programs

Mr. McHenry reported that the special Farmer Cold Storage Equipment Grant program is open again this fall to all farmers, including oyster farmers and urban farmers. The Future Harvest Beginning Farmers Training Program Graduate Grant program will also be available later in the fall for level 2 and 3 graduates.

Mr. McHenry also addressed a request by Montgomery County to increase the county cap in the Local Government Ag/RBI Cost Share Grant Program from \$25,000 to \$35,000 this year.

ACTION: A motion was made to increase the county cap on matching grants for participating counties in the Local Government Ag/RBI Cost Share Grant Program in FY 2023 to \$35,000 in the was made by Ms. O'Herron and seconded by Mr. Richard. The motion passed unanimously.

Updates on the Specialty Loan and Grant Programs

Mr. McHenry noted that interest in MARBIDCO's two shellfish aquaculture loan programs has picked up just a little recently. In FY 2022, one Shellfish Aquaculture loan and one remote setting loan was approved. The new Maryland Watermen's Microloan program has also been well-received as previously reported.

Ms. Kubofcik gave an update on behalf of the Local Farm Food Enterprise Food Aggregation Grant Program review committee. Small Scale farmer grants of \$25,000 to \$100,000 would be available to agricultural cooperatives and marketing associations beginning this fall with a deadline of 12/1/2023. A change was made to require four (4), rather than three (previously) certified local farm enterprises to participate in the project and provide at least a 20% match of funds towards the project cost.

Large-Scale Public Institution Aggregation Projects would also be able to receive a grant of between \$150,000 and \$350,000 in the future. The first Large-Scale grant was approved recently for Caroline County for \$350,000 to build and equip a food processing and distribution center to supply products to the Caroline County Public Schools and other Institutions.

The Board then discussed the upcoming round of this grant program, including the suggestion to raise the maximum amount of the Large-Scale Public Institution grant amount since these projects seem to be so costly.

Action: Ms. O'Herron made a motion to confirm the submission deadline for the Local Farm Food Enterprise Food Aggregation Grant Program and raise the limit for large institutions to \$400,000. Mr. Rogers seconded the motion. The motion passed unanimously.

Mr. McHenry also reported that the Wood Products Industry Equity Investment Program (WPIEI) program for wood processors will be opening during the second week of October and the program will include 25% equity grants with a \$50,000 cap per project.

Mr. McHenry reported the Livestock Processing Equipment Grant program is on hold as MARBIDCO does not currently have the staffing capacity to move forward on it, but also because MARBIDCO is applying to USDA - Rural development for a large matching grant through its Meat Processing Intermediary Lending Program (MPILP) to help to leverage these funds for larger processing projects. As approved at a previous board meeting, the State grant funds would be deployed as equity incentive grants to supplement the livestock processing loans (if MARBIDCO is approved for the USDA grant). Both large animal and blue catfish processing projects would be eligible for funding.

Updates on the Next Generation / Rural Land Preservation Facilitation Programs

Ms. Kubofcik gave an update on the Next Generation Farmland Acquisition Program and Small Acreage Next Generation Program (since their inception).

Next Generation program:

- 40 projects approved
- 27 closed
- 9 pending settlements
- 3,526 acres potentially preserved

SANG program:

- 4 projects approved
- 3 closed
- 1 pending settlement
- 100 acres preserved

Mr. McHenry asked the Board to consider a policy change to the SANG program pertaining to a SANG project that may be forthcoming from Frederick County. If a beginning farmer farm purchase is not eligible for a MALPF easement on a property over 50 acres in size, the applicant is technically not able to apply to the SANG program, which has a 49.9-acre size eligibility limitation. (In the original Next Gen Program MARBIDCO pays 51% of the FMV for an easement "option" purchase, which is typically in effect for up to seven years before the permanent easement is executed.)

Under the programmatic change being proposed, an otherwise eligible applicant who wishes to purchase an uneased property over 50 acres in size, that does not have at least one development right to extinguish, but is otherwise eligible for the MALPF program, may apply to the SANG program and potentially be eligible for the 30% down payment and easement purchase.

Action: A motion was made by Mr. Krebs to approve the new SANG Program policy change and was seconded by Ms. O'Herron. The motion passed unanimously.

Project Acceptance Report

Mr. McHenry presented the Projects Acceptance Report for projects approved since the last Board meeting.

Action: A motion was made by Mr. Krebs to approve the Projects Acceptance Report and seconded by Ms. Davis. The motion passed unanimously.

Update on the MARBIDCO Strategic Planning Process

Mr. McHenry thanked Ms. O'Herron, Mr. Jastrezemski, Ms. Creek, and Mr. Connelly for their work on helping to develop MARBIDCO's strategic plan this past summer. Work is continuing on developing the strategic plan, but the planning committee has crafted the following Vision and Values Statements:

Vision Statement

Ensure that the State of Maryland has thriving agricultural, forestry, and seafood industries.

Values Statement

Accountability

We are responsible for our actions and for adherence to our mission, and we ensure that this responsibility is ingrained throughout the organization. We measure our activities and report our outcomes to our stakeholders.

Collaboration

We build trust and credibility across the organization as well as with policymakers and people across the commercial business sectors that we serve. We are transparent in the exchange of ideas and our encouragement of one another. We value teamwork in our pursuit of supporting innovation and organizational excellence.

Integrity

We provide the best quality service to our stakeholders and strive to exceed expectations when possible. We act with the highest regard for moral, ethical, and inclusionary standards. We stand by what we say and what we do, and we always act in an honest and open way. We do the right thing.

Respect

We uphold a culture of respect at work and within the community of our stakeholders. We embrace diversity, equity, and inclusion while also valuing our employees for their individuality and the unique perspectives that they bring to the organization. We recognize excellence in performance when we can.

Stewardship

We take seriously our responsibility to manage scarce resources and to serve as stewards of public and private sector funds. We value our ability to serve our customers in a courteous, efficient, and fiscally responsible manner. We encourage and empower MARBIDCO team members to act in accordance with our culture.

Action: A motion to accept the Vision and Values Statements was made by Ms. O'Herron and seconded by Dr. Lipton. The motion passed unanimously.

Mr. McHenry provided an update on the Maryland Market Money Program including the progress being made to establish the new 501(c)(3) nonprofit organization to help financially support the MMM

Program. The name actively being considered for the new organization is the “Farms and Food Access for a Resilient Maryland Foundation” (or FFARMD Foundation for short). The acronym would be pronounced “Farmed Foundation”.

Board Officer Nominating Process

Looking ahead to the Board’s Annual Meeting in February, Mr. McHenry reminded the Board that a Nominating Committee would be needed to recommend a slate of Officers to serve in 2023. Ms. Davis and Mr. Fleming agreed to take on this responsibility.

Action: The motion to appoint Ms. Davis and Mr. Fleming to the Nominating Committee was made by Ms. O’Herron and seconded by Mr. Krebs. The motion passed unanimously.

Miscellaneous Updates

Mr. McHenry updated the Board on the progress of the BEACON (Salisbury University) County-by-County Economic Impact Analysis of Resource-Based Industries in Maryland. A copy of the report will be shared with the Board when it is complete as well as posted on MARBIDCO’s website.

Mr. McHenry continues to serve on the Food Systems Resiliency Council and two of its three committees. The work of the Council has required a large amount of staff time this past year.

Mr. McHenry serves as a member of the State Meat Processing Inspection Task Force and updated the Board on its work to date.

Other Items

Mr. McHenry suggested the Board would want to meet again next sometime between late January and early February 2023 for its regular and Annual Meeting. It was the consensus of the Board to do this, and a Doodle Poll will be circulated.

At 12:05 p.m. Ms. O’Herron made a motion to close to 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: 4) proposals for a business or industrial organization to locate, expand or remain in the State; 5) to consider the investment of public funds; and 8) to consult with staff, consultants, or other individuals about pending or potential litigation. The meeting would be adjourned immediately thereafter.

Action: The motion to go into a closed session was made by Ms. O’Herron and seconded by Mr. Krebs. The motion passed unanimously.

The motion was approved unanimously by the Board to adjourn the meeting at 12:05 p.m. and to move into a closed session.

Closed Meeting

The closed session of the Board was held from 12:06 p.m. to 12:37 p.m. on September 27, 2022, via Zoom.

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, Ms. Sarah O'Herron, Mr. Wayne Richard, Dr. Doug Lipton, Mr. Berran Rogers Jr., and Mr. Matt Fleming.

The following Board members were absent: Mr. John Jastrezembski, Mr. Steve Connelly, Mr. Robert Yates Claggett, Jr., Dr. James C. Hanson, and Dr. Faith Elliott-Rossing.

The following MARBIDCO Staff members were also present at the closed session meeting: Mr. Stephen McHenry, Ms. Stacy Kubofcik, Ms. Tina Wilkins, Ms. Allison Roe, and Ms. Jill Kubatko.

The meeting was adjourned at the conclusion of the Closed session.

TOPICS DISCUSSED:

- A. Consideration of pending Next Generation Program projects (General Provisions Article Section 3-305(b)- (4)
- B. Consideration of MARBIDCO investments (General Provisions Article Section 3-305(b)- (5)
- C. Discussion of actions pertaining to delinquent borrowers (General Provisions Article Section 3-305(b)- (8)

Respectfully Submitted,
Jill Kubatko, MARBIDO Communications Associate