COUNTY OF HUMBOLDT

For the meeting of: 11/18/2025

File #: 25-1268

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Consent

Vote Requirement: 4/5th

SUBJECT:
Approval of the Headwaters Fund Board's Recommended Loan of $1,500,000 to the Southern Humboldt Community Health Care District using the Revolving Loan Fund and the Community Investment Fund (4/5 Vote Required)

RECOMMENDATION(S):
That the Board of Supervisors:

1. That the Board of Supervisors approve the Headwaters Fund Board's recommended Revolving Loan Fund (RLF) loan of up to $1,073,757 as part of a total participation loan of $1,500,000 to provide short term financing for working capital to the Southern Humboldt Community Healthcare District (SHCHD) (4/5 Vote Required); and
2. Authorize a one-time lending cap extension of RLF funds to RREDC in the amount of $588,774 for the purposes of this loan; and
3. Approve the Headwaters Fund Board's recommended Community Investment Fund (CIF) loan of up to $426,243 (4/5 Vote Required); and
4. Authorize utilization of the existing Master Participation Agreement between County of Humboldt and Redwood Region Economic Development Commission (RREDC) for administration of the RLF for the CIF loan component of the transaction with all interest earned on the Headwaters Fund (HWF) participation over RREDC's match remitted in full to the HWF (Attachment 2); and
5. Authorize the County Administrative Officer, or designee, to sign the Participation Certificates with SHCHD and RREDC (Attachments 3 & 4).

STRATEGIC PLAN:
This action supports the following areas of your Board's Strategic Plan.

Area of Focus: Core Services/Other
Strategic Plan Category: 9999 - Core Services/Other

DISCUSSION:
The Headwaters Fund's Community Investment Fund of the Headwaters Fund supports projects that resolve financially and/or provide ongoing services in the community. Furthermore, Headwater's investments are intended to align with the County's Comprehensive Economic Development Strategy, which in 2025 identified healthcare as a target industry. As such, the SHCHD, a key employer and essential healthcare provider to Southern Humboldt County, is seeking short-term working capital financing, to participate in the State of California's Intergovernmental Transfer (IGT) program.

Under the IGT program, SHCHD must temporarily transfer funds to the State of California to leverage federal funds for qualified Medicaid expenditures. The federal government provides the unfunded expenses to the state, which passes them back, along with the SHCHD's original funds. This process takes approximately four to six months.

The proposed loan, facilitated by RREDC, would total $4,000,000, comprised of $426,243 from the Community Investment Fund, $1,073,757 from the Revolving Loan Fund, $2,000,000 from the Humboldt Area Foundation and $500,000 from RREDC. Although, the Master Participation Agreement typically requires a 1:1 match through the Revolving Loan Fund, the Headwaters Fund Board approved an exception on Nov. 4, 2025, and recommended the loan to the Board of Supervisors.

While the loan exceeds the standard job-to-loan ratio of $35,000, it qualifies for an exception due to the substantial economic value and low risk. The loan is fully guaranteed by a blanket lien, supports critical healthcare services, and contributes to the local economy, aligning with Community Investment Fund program goals. Approval requires a 4/5 vote of the Board of Supervisors.

SOURCE OF FUNDING:
Headwaters (1120286) Revolving Loan Fund (3843) and Community Investment Fund (3846)

FINANCIAL IMPACT:

Expenditures (3843, 3846)	**FY25-26**
Budgeted 3843	$1,073,757
Budgeted 3846	$426,243
Total Expenditures	$1,500,000

Funding Sources (3843, 3846)	**FY25-26**
Revolving Loan Fund	$426,243
Community Investment Fund	$1,073,757
Total Funding Sources	$1,500,000

Narrative Explanation of Financial Impact:
All funding for this loan is being provided by the Headwaters Fund. By providing funding for this loan, the HWF will have reduced capacity for additional loans until funding is returned.

Currently RREDC is authorized to make up to $4,000,000 of loans through the Revolving Loan Fund under the Master Participation and Lender Agreements. As of 9/30/25 there were $3,515,017 in outstanding loans, leaving $484,983 remaining under the current agreement levels. Providing a temporary increase to the lending cap for RLF funds in the amount of $588,774 over the Master Participation and Lender Agreements and using funds from the CIF in the amount of $426,243 will still leave sufficient cash balance in the RLF fund to support additional lending while awaiting repayment from SHCHD. There is sufficient appropriation budgeted in both Headwaters Revolving Loan Fund (3843) and Headwaters Community Investment Fund (3846) for the recommended short-term loan amounts.

STAFFING IMPACT:
There are no adjustments to staffing allocations related to the Board action on this item.

Narrative Explanation of Staffing Impact:
All funding for the administration of the Headwaters Fund is coming from the general fund. While there is funding for traditional lending through the fund, there are additional staff hours committed to the servicing of loans outside the standard terms laid out in the Master Participation and Lender Agreements.

OTHER AGENCY INVOLVEMENT:
Redwood Region Economic Development Commission
Humboldt Area Foundation
Southern Humboldt Healthcare Foundation

ALTERNATIVES TO STAFF RECOMMENDATIONS:
Should the Board choose not to finance this loan, the SHCHD may be at risk of missing this opportunity to bring additional funds into the community. Denial of the loan proposal is not recommended.

ATTACHMENTS:
1. RREDC Lending Agreement Packet
2. SHCHD Participation Agreement #1 (matched)
3. SHCHD Participation Agreement #2 (unmatched)

PREVIOUS ACTION/REFERRAL:
Meeting of: 10/29/24, 11/13/2018
File No.: 24-1446, 18-1448