



COUNTY OF HUMBOLDT

For the meeting of: 10/29/2024

File #: 24-1446

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 \$2,000,000 to the Southern Humboldt Community Health Care District using the Revolving Loan Fund and the Community Investment Fund and Supplemental Budget for the Headwaters Community Investment Fund in the amount of \$1,200,000 (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 \$800,000 as part of a total participation loan of \$2,000,000 to provide short term financing for working capital to the Southern Humboldt Community Healthcare District (SHCHD) (4/5 Vote Required);
2. Approve the Headwaters Fund Board's recommended Community Investment Fund (CIF) loan of up to \$1,200,000;
3. Approve the Supplemental Budget (Attachment 1) for the Headwaters Community Investment Fund in the amount of \$1,200,000 (4/5 Vote Required);
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 Headwaters Fund (Attachment 2);
5. Authorize the County Administrative Officer to sign the Participation Certificates with SHCHD and RREDC (Attachments 3 & 4); and
6. Authorize the County Administrative Officer or their designee to sign future participation agreements so long as they fall at or below the \$800,000 threshold limit allowed in the Revolving Loan Fund Manual (Attachment 5).

STRATEGIC PLAN:

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

Area of Focus: Safe & Healthy Communities

Strategic Plan Category: 1002- Remove barriers to quality healthcare

DISCUSSION:

The Community Investment Fund of the Headwaters Fund is currently designed to support its mission to seed programs/projects that resolve financially and/or provide ongoing services in the community. The county's Comprehensive Economic Development Strategy, Prosperity! 2018, identified the Targets of Opportunity which included Diversified Health Care. The SHCHD is part of the healthcare industry cluster and provides essential services to Southern Humboldt County.

The SHCHD is in need of short-term financing for working capital due to an unusually large amount of working capital being submitted to the State of California as part of an Intergovernmental Transfer (IGT) request that will result in the SHCHD receiving

funds from the federal government for qualified Medicaid expenditures.

Under the IGT program, local entities like the SHCHD must submit funds to the state from their operating funds. The state then requests additional funding for the SHCHD for expenses not covered by Medi-Cal. 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 SHCHD is submitting approximately \$3,500,000 to the state and anticipates receiving back approximately \$7,000,000 (including their original match). In addition to this leverage, the loan will provide \$9,000 of interest revenue monthly to the HWF which will support future grant and lending activities as funding is segregated from the general fund and unavailable to the county.

The recommended CIF loan of \$1,200,000 and RLF loan of \$800,000 are part of an overall participation loan package of \$3,500,000, facilitated by RREDC, to the SHCHD. The Humboldt Area Foundation is providing \$1,000,000 and RREDC \$500,000. The RREDC portion is the RLF loan. The Master Participation Agreements typically call for a 1:1 match through the RLF but allowances are possible through action of the HWF Board in accordance with the RLF Manual. The HWF Board took action on October 11, 2024, to recommend approval of this loan to the Board of Supervisors in accordance with the guidelines.

The combination of HWF loans exceeds the standard job-to-loan ratio of \$35,000 in the CIF and RLF programs. However, the project does meet the exception rule of generating sufficiently high total economic value to the county. Exceptions are made on a case-by-case basis. To receive an exception, an applicant must demonstrate that the loan is sufficiently low risk and meets the goals of the programs. This loan will be fully guaranteed through a blanket lien and is thus sufficiently low risk. It also provides vital services to the citizens of the SHCHD and an injection of capital into the economy of Humboldt County and as such meets the goals of the CIF. The loan requires a 4/5 vote of approval of the Board of Supervisors.

Finally, a question on signatory authority has arisen related to conventional loans administered through the HWF and staff is seeking clarity on the County Administrative Officers authority. The RLF Manual dictates that loans in excess of \$800,000 to a single borrower require that the Board of Supervisors review and approve the loan. For loans of \$800,000 or less, the lender has authority to issue the loans and make draws as necessary from the RLF. Staff is seeking the Boards authorization to allow the County Administrative Officer or their designee to sign future participation agreements so long as they fall at or below the \$800,000 threshold.

SOURCE OF FUNDING:

- Headwaters Revolving Loan Fund (3843)
- Headwaters Community Investment Fund (3846)
- Headwaters (1120286)

FINANCIAL IMPACT:

<i>Expenditures (3846 & 3843)</i>	FY24-25
<i>Budgeted Expenses (3843)</i>	<u>\$800,000</u>
<i>Additional Appropriation Requested (3846)</i>	\$1,200,000
<i>Total Expenditures</i>	<u>\$2,000,000</u>

**Projected amounts are estimates and are subject to change.*

<i>Funding Sources (3846 & 3843)</i>	FY24-25
<i>Use of Fund Balance</i>	<u>2,000,000</u>
<i>Total Funding Sources</i>	<u>\$2,000,000</u>

**Projected amounts are estimates and are subject to change.*

Narrative Explanation of Financial Impact:

All funding for this loan is being provided by the HWF. By providing funding for this loan, the HWF will have reduced capacity for additional loans through the remainder of Fiscal Year 2024-25. There are several loans in the pipeline which have been considered when drafting this proposal and at this time there is no expectation of interruption of service on those projects.

STAFFING IMPACT:

The HWF does not allow for the reimbursement of staff time. The additional request for general fund appropriation (ARGFA) for staff

time in Fiscal Year 2024-25 was not approved for the administrative function budget 1120286, which limits staff time to support requests.

Staff time associated to this item will be necessary to execute the Participation Agreement and facilitating the payment to RREDC. These impacts are expected to be modest. However, without the ARGFA for Fiscal Year 2024-25, further opportunities will be difficult to support.

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:

Attachment 1 - Supplemental Budget Proposal
Attachment 2 - Master Participation Agreement
Attachment 3 - SHCHD Participation Agreement 500k
Attachment 4 - SHCHD Participation Agreement 1.5 million
Attachment 5 - RLF Manual
Attachment 6- RREDC SHCHD Loan Write up - IGT 5

PREVIOUS ACTION/REFERRAL:

Meeting of: 11/13/2018
File No.: 18-1448