



COUNTY OF HUMBOLDT

For the meeting of: 8/12/2025

File #: 25-556

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Consent

Vote Requirement: Majority

SUBJECT:

Headwaters Fund Board Recommendation of Competitive Grant Slate, Authorization to Initiate Write Off for Singing Trees Loan and Clarification of Loan Signatory Authority

RECOMMENDATION(S):

That the Board of Supervisors:

1. Approve the recommended slate of competitive Grant Fund awards for fiscal year (FY) 2025-26 and authorize the County Administrative Officer, or designee, to execute the grant agreements and any subsequent amendments, after approval by Risk Management and County Counsel; and
2. Authorize the Auditor Controller to write off \$8,562.87 due to the default on loan 826-01-01 and direct staff to support necessary steps; and
3. Authorize the County Administrative Officer, or designee, to execute loan participation agreements, and any subsequent amendments, for all loans up to \$800,000 administered under the current Loan Agreements and Master Participation Agreements.

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 Board (HWFB) has the following items requiring Board attention, including approval of a grant slate, a loan write-off and clarification of signature authority on loans.

Accordingly, the first item for Board approval is the FY 2025-26 grant slate, which followed a competitive process and utilized an approved budget and spending plan. Twelve grant applications were received, requesting a total of \$814,485. Applications were reviewed and scored by HWFB members using a rubric included in the application materials. Projects with high variance in scores were invited to present during a special meeting on March 11, 2025. Some applicants were also asked to provide written clarification. Based on these presentations and additional information, the HWFB finalized a recommended slate of seven grant awards (Attachments 1 & 2) totaling \$301,000, which is included in the FY 2025-26 budget and requires approval by your Board.

Also, needing your Board's direction is a request for a loan write-off for Pure Solutions Family Service, Inc., doing business as Singing Tree Recovery Center. On April 27, 2023, in partnership with North Edge (formerly Arcata Economic Development Corporation) a loan was authorized in the amount of \$100,000 with \$50,000 of Headwater's Revolving Loan Funds included. However, in December

2024, HWFB staff were notified by North Edge that the borrower had entered collections. While this outcome is unfortunate, the loan was backed by a 75% guarantee from the California Infrastructure and Economic Development Bank, significantly reducing the loss to the Headwaters Fund. Most of the principal has been reimbursed, and staff recommend that the Board authorize writing off the remaining \$8,562.87 as uncollectable (Attachment 3).

Finally, staff seek clarification from the Board regarding signatory authority for loans made through the Headwaters Fund Program. Under the current agreements, loans of up to \$800,000 from the Revolving Loan Fund may be authorized by the Redwood Region Economic Development Commission and North Edge. While county execution is also required, there is currently no clear guidance on which county official or department holds the authority to sign on behalf of the county. Currently, the County Administrative Officer has been signing assuming this authority. Staff recommends that the Board clarifies signatory authority for county execution of Revolving Loan Fund loans not to exceed \$800,000 and is recommending that authority lie with the County Administrative Officer, or designee.

SOURCE OF FUNDING:

Headwaters 1120286
Headwaters Revolving Loan Fund 3843000
Headwaters Loan Loss Reserve Fund 3844000
Headwaters Liquidity Fund 3847000
Headwaters Grant Fund 3848000

FINANCIAL IMPACT:

<i>Expenditures (3848000,1120286)</i>	FY25-26
<i>Grant Expenditure</i>	<u>\$301,000.00</u>
<i>Bad Debt-Write Off</i>	<u>\$8,562.87.00</u>
<i>Total Expenditures</i>	<u>\$309,562.87</u>

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

<i>Funding Sources (3844000,1120286)</i>	FY25-26
<i>Headwaters Loan Loss Reserve Fund</i>	<u>\$8,562.87</u>
<i>Headwater Grant Fund</i>	<u>\$301,000.00</u>
<i>Total Funding Sources</i>	<u>\$309,562.87</u>

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

Narrative Explanation of Financial Impact:

By approving this action, \$8,562.87 of bad debt will be removed from the Revolving Loan Fund (3843). These funds will be replenished by the Loan Loss Reserve Fund (3844), which in turn will be replenished by revenues on existing loans and interest earned on account deposited into the Liquidity Fund (3847).

Grants being approved today have been budgeted for in the FY 2025-26 adopted budget in Fund 3848000 (Headwater Fund Grant Fund). These funds are dedicated to the Headwaters Fund.

STAFFING IMPACT:

Managing the contracts and actions will take a nominal amount of county staff time.

OTHER AGENCY INVOLVEMENT:

Arcata Economic Development Corporation dba North Edge Financing
Redwood Region Economic Development Commission

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Your Board could choose to decline these actions, however that is not recommended:

1. Should grant funding be declined, grantees projects would be at risk and these grants have been reviewed and approved by the HWFB.
2. Should the write off be approved, the remaining balance of \$8,562.87 will remain as uncollectable bad debt.
3. Should signatory authority not be clarified, future execution of individual participation agreements would need to be taken individually to your Board, which would significantly impact the ability of the program to participate in loans.

ATTACHMENTS:

1. Attachment 1 - Headwaters Fund Competitive Grant Scores
2. Attachment 2 - Headwaters Fund Competitive Grants Draft Agreements
3. Attachment 3 - North Edge Letter RE Write Off

PREVIOUS ACTION/REFERRAL:

Meeting of: 6/4/24, 8/16/22, 10/27/20, 5/16/20, 4/28/20, 6/18/19, 5/31/16, 4/22/14

File No.: 24-772, 22-781, 20-1274, 20-598, 20-411, 19-792, 16-3787, 16-0187