



COUNTY OF HUMBOLDT

For the meeting of: 11/13/2018

File #: 18-1448

To: Board of Supervisors

From: County Administrative Office

SUBJECT:

Approval of the Headwaters Fund Board's Recommended Community Investment Fund Loan to the Southern Humboldt Community Healthcare District (4/5 Vote Required)

RECOMMENDATION(S):

That the Board of Supervisors approve the Headwaters Fund Board's (HFB) recommended Community Investment Fund (CIF) loan of \$500,000 as part of a total participation loan of \$1,800,000 to provide short term financing for working capital to the Southern Humboldt Community Healthcare District (SHCHD)(4/5 vote required); authorize utilization of the existing Master Participation Agreement between County of Humboldt and Redwood Region Economic Development Commission (RREDC) for administration of the Revolving Loan Fund for the CIF loan component of the transaction as well; authorize the Chair of the Board to sign the Participation Certificate with SHCHD and RREDC; and direct the Clerk of the Board to return the signed Loan Participation Certificate to Economic Development.

SOURCE OF FUNDING:

Headwaters Fund-Community Investment Fund # 3846

DISCUSSION:

The CIF of the Headwaters Fund (HWF) 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 (CEDS), Prosperity! 2012, identified the Targets of Opportunity which included Diversified Health Care. The District is part of the health care 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 District receiving funds from the federal government for qualified Medicaid expenditures.

Under the IGT program, local entities like the District must submit funds to the state from their operating funds. The state then requests additional funding for the District for expenses not covered by Medi-Cal. The federal government provides the unfunded expenses to the state, which passes them back, along with the District's original funds. This process takes approximately four months. The District is submitting approximately \$1,800,000 to the state and anticipates receiving back approximately \$3,600,000 (including their original match).

The recommended CIF loan of \$500,000 is part of an overall participation loan package of \$1,800,000 to the District. The Humboldt Area Foundation (HAF) is providing \$1,000,000 and RREDC \$300,000. The RREDC portion is a RREDC/Headwaters Revolving Loan Fund (RLF) loan. Therefore, the total exposure to the Headwaters Fund is \$650,000; CIF \$500,000 and the 50-50 match in the RREDC/RLF program equates to an additional \$150,000 of HWF funds.

The combination of Headwaters Fund (HWF) loans exceed the standard job-to-loan ratio of \$35,000 in the CIF-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 CIF. This loan will be fully guaranteed and is thus sufficiently low risk. It also provides vital services to the citizens of the District and 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.

FINANCIAL IMPACT:

Currently there is approximately \$1.75 million available to loan from the CIF. This amount takes into account the prior undisbursed commitment to Fly Humboldt of \$123,750. If this loan is awarded \$1.25 million would remain in cash. In addition to available cash there is currently an outstanding principal balance on the Redwood Coast Energy Authority loan of \$317,795. Total current fund balance, prior to this loan request, is approximately \$2.07 million.

Approval of HFB recommendation supports the Board's Strategic Framework, Focus to promote a Safe, Healthy, and Economically Vibrant Communities.

OTHER AGENCY INVOLVEMENT:

Redwood Region Economic Development Commission and Humboldt Area Foundation.

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Your Board could choose not to approve the recommended plan. This alternative is not recommended as the District would then be faced with laying off employees until the IGT funding is returned during which time the District would not be able to provide current level services to the citizens of Humboldt County.

ATTACHMENTS:

Attachment 1 - SHCHD CIF Application

Attachment 2 - RREDC Master Participation (Loan Servicing) Agreement

Attachment 3 - Participation Certificate between County of Humboldt and Redwood Region Economic Development Commission and Southern Humboldt Community Healthcare District

Attachment 4 - RLF Participation Certificate

PREVIOUS ACTION/REFERRAL:

Board Order No.: N/A

Meeting of: N/A