



HUMBOLDT COUNTY

Headwaters Fund

2017-2018 Annual Report

Board of Directors

Charles Ellsworth · Carl Hansen · Dianna Rios

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Executive Director

Kenneth Spain



INTRODUCTION

The Headwaters Fund, established in 2000, invests in projects through loans and grants to help Humboldt County achieve increased economic opportunity, prosperity and quality-of-life. Advised by a volunteer board, the Fund’s purpose is to:

- support the growth of industry clusters;
- increase the number of sustainable jobs that pay near or above the median income; and
- enhance the quality of life through social and environmental projects that promote healthy communities and protect and enhance the natural environment.

Since 2014 the Headwaters Fund has been rebuilding the fund balance that was impacted by the recession by reducing operating costs and by focusing on lending activities rather than grant making. The Headwaters Fund Board is pleased to report that this fiscally conservative strategy has made an impact. The Fund balance increased by over \$264,669 in fiscal year 2017-2018 and has placed the Headwaters Fund Board in a position to proceed with additional grant making in 2018-2019.

Revolving Loan Fund	<ul style="list-style-type: none"> • Six new businesses and agencies served • Total of \$621,229 in new loans • Loan losses of \$73,393 during FY 2017-18 	Page 2-4
Competitive Grant Highlight	<ul style="list-style-type: none"> • Sequoia Park Zoo Foundation 	Page 5
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REVOLVING LOAN FUND

The purpose of the Revolving Loan Fund (RLF) is to create and retain jobs by providing financing to businesses unable to obtain traditional financing. The Headwaters Fund contracts with the Arcata Economic Development Corporation (AEDC) and the Redwood Region Economic Development Commission (RREDC) to underwrite these loans for the community.

RLF Loans in FY 2017-2018

Agency	AEDC	RREDC
Number of New Businesses/Agencies Served	0	3
Total Loan Amount	\$3729	\$617,500
End of Year Loan Balance	\$2,869,239	\$2,725,669
End of Year # of Loans Outstanding	19	20
Retained Jobs	0	3
Projected New Jobs	0	13
Interest Collected on Portfolio	\$152,295	\$171,525

Loan Losses

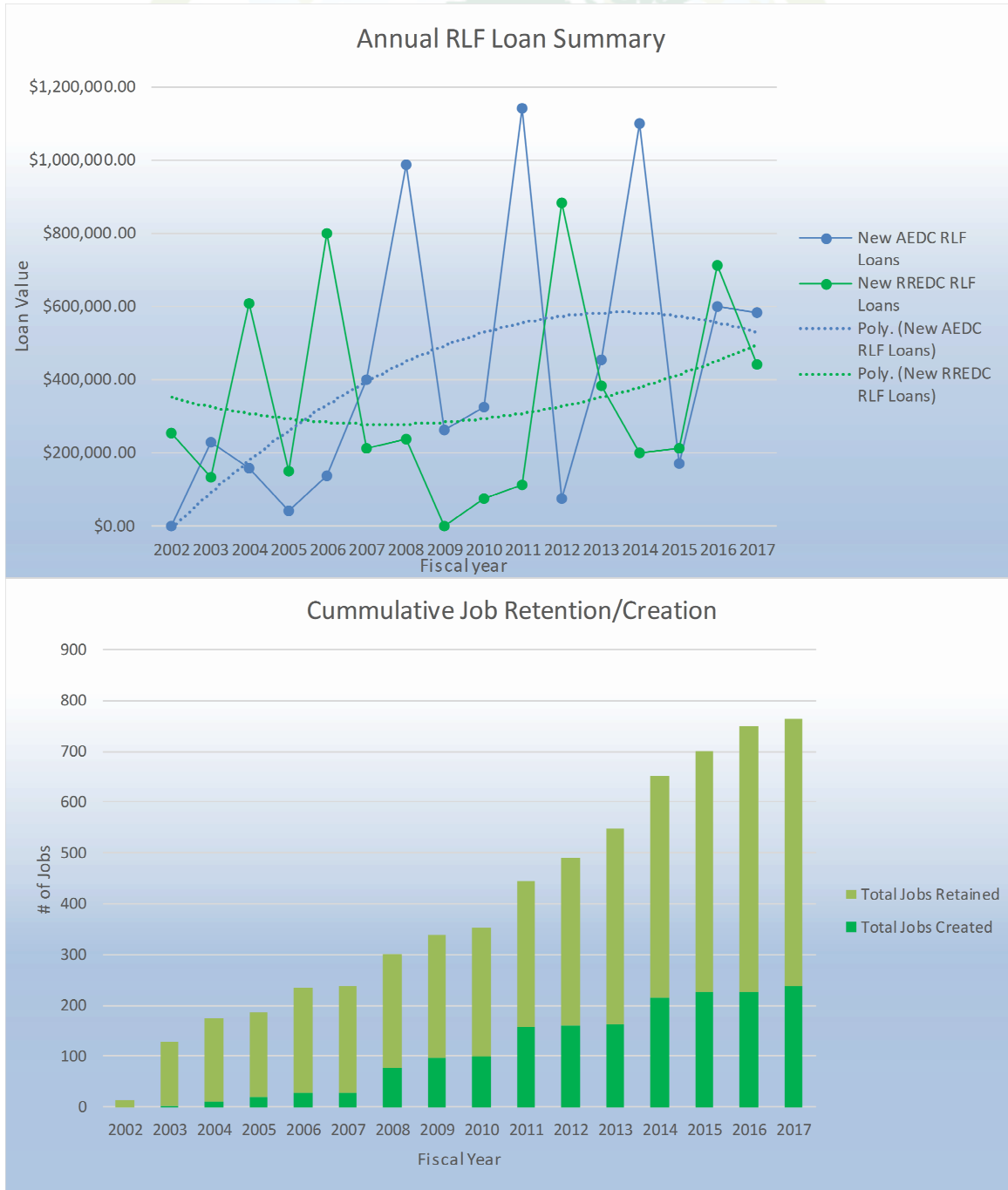
- ⇒ The RLF had a loan loss of \$73,393 fiscal year 2017-2018.
- ⇒ Historically, the RLF has had \$348,678.82 in loan losses, or 2.7% of loaned funds.

Economic Impact

- ⇒ Since its inception, the RLF has loaned over \$12 million to 114 businesses and agencies.
- ⇒ Based on the reports from businesses, the loans helped to retain 524 FTE and grow the local economy by 239 FTE.
- ⇒ In 2017-2018 over \$323,821 in interest was collected.

REVOLVING LOAN FUND

The Revolving Loan Fund lenders have historically served the community well in circulating the funds allocated to them into business and community projects. These loans have provided much needed economic stimuli in creating and retaining jobs in the community. The charts below detail the annual loan activities of our RLF lenders and the projected job creation and retention of their activities.



REVOLVING LOAN FUND

Since the creation of the Headwaters Fund over \$12 million in loans have been made. On average \$708,378 in funds are loaned out each year. Historically, these loan funds helped businesses retain an average of 29 jobs and create an average of 17 jobs each year. The Revolving Loan Fund experienced record interest earnings in 2017-2018. The bottom chart shows the total interest (loan and endowment) earned since 2006.



Headwaters Fund Grants

The Headwaters Fund has four different grant types; Competitive Grants, Mini-Grants, Initiative Grants, and the Community Investment Fund. The purpose of the grants program is to provide grants for infrastructure projects, and community programs that will result in permanent, tangible benefits to the community.

Competitive Grant Highlight

Three Competitive Grants were awarded during the 2017-2018 fiscal year totaling \$74,557. One of the projects approved by the Headwaters Fund Board and County Board of Supervisors was a grant in the amount \$30,000 for the **Sequoia Park Zoo Foundation**.

The majority of the funds (\$25,000) will support a funding feasibility study for the Native Predator Zone and Canopy Walk project. The remaining \$5,000 will support marketing and video production for donor recruitment.



Mini-Grant Highlight



The North Coast Small Business Development Center (North Coast SBDC) was awarded a mini-grant in the amount of \$5,655 to fund a Humboldt Business Succession Conference. The conference provided support to Humboldt county business owners planning their exit within the next one to five years. This grant was matched approximately 2:1 with at least \$12,064 of the SBDC's operating funds made possible by the Small Business Administration (SBA).

These funds made possible a six-hour one-day conference convening on August 28th. At least 100 business owner participants were in attendance to learn from subject matter experts who provided short workshops on financial, legal, strategic, and relational topics to exiting owners.

This funding aimed to support and prepare the region's business owners—especially those approaching retirement—with a path to business exit that benefits their economic security and encourages retention of local jobs and businesses in the community under new ownership.

During the third and fourth quarters of fiscal year 2017-2018 the Succession workshops have assisted 21 businesses with an aggregate of 80 employees. Almost all of the business owners are receiving individual consulting and all of them are attending workshops offered by the NCSBDC.

The North Coast Small Business Development Center presents

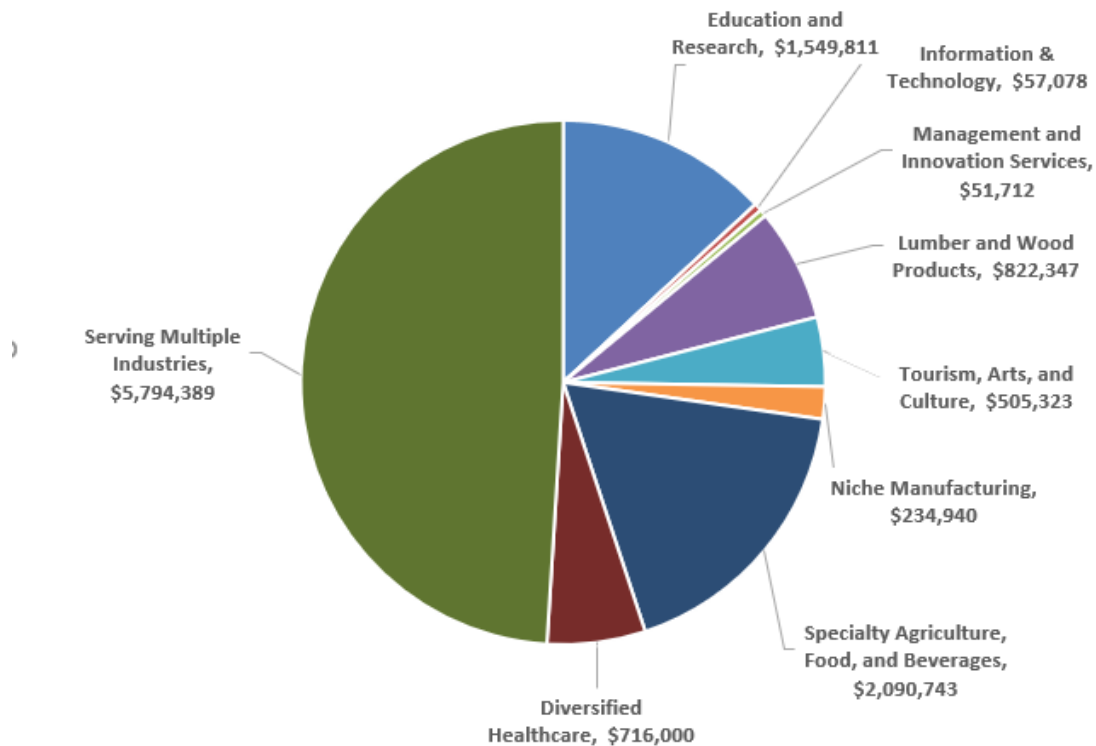
Founders Grove 2018
BUSINESS SUCCESSION CONFERENCE
August 28, 2018

AN EXCLUSIVE ONE-DAY CONFERENCE FOR BUSINESS OWNERS PLANNING A SMART TRANSITION.. TODAY OR IN TEN YEARS.

GRANT FUND

Grant allocations are recommended by the Headwaters Fund Board to the Board of Supervisor annually and are based on interest earned in prior years. After limiting the grant funding in an effort to grow the Fund, the Boards limited funding to mini-grants in 2015-2017. Having raised the fund balance, the Headwaters Fund Board authorized \$74,557 in competitive grants. Since 2003 the Headwaters Fund has granted over \$11 million and leveraged over \$36 million in matching funds.

Historical Grant Making by Industry Cluster



GRANT INITIATIVES

Decade of Difference

The Decade of Difference is a ten-year community initiative designed to prepare local youth to be contributing and productive members of our society, community and economy. Headwaters Fund has committed \$1.5 million over the ten years to support these efforts. The initiative completed its eighth year in FY 2017-2018. The impacts of this initiative are on the following page.



THE IMPACT



HUMBOLDT COUNTY
Headwaters Fund



CORE GROWTH SUITE

10,000+

Students assessed since 2012

~\$500,000

Second Step preschool grants due to social emotional score improvement



EARLY LITERACY PARTNERS



3,400+

Students served



825

Tutors trained



63,000

Volunteer hours



3RD GRADE PROFICIENCY

27% GROWTH

in English Language Arts proficiency 2015-2018

24% GROWTH

in Mathematics proficiency 2015-2018



HIGH SCHOOL GRADUATION

Since 2010, Humboldt County has seen an **11%** increase in graduation rates, which equates to:

These students earn an average of **\$14,581** more per year with a high school diploma.

143 STUDENTS



Total increase: \$2,008,000 / Year*

(*Not compounded; Source: www.impact.all4ed.org)



UC/CSU ELIGIBLE

64%
2010-2016

Increase in students meeting UC/CSU eligibility requirements (A-G Requirements)



COLLEGE ENROLLMENT

53%

of the 2016 graduating class enrolled in higher education

Thanks to the College Futures Foundation, the Decade of Difference has distributed



COLLEGE SCHOLARSHIPS

\$1,079,226

in college scholarships to Humboldt County students.



TOTAL VOLUNTEER HOURS

80,525

The Decade of Difference has engaged the broader community through a variety of volunteer opportunities in all areas of the initiative to support student success.

Inspired Youth · Vibrant Economy · Healthy Community

Minimum Revenue Guarantee*

The Headwaters Fund pledged \$126,250 (25%) toward the \$505,000 Minimum Revenue Guarantee (MRG) that was used as an incentive to support United Airlines' nonstop service to Los Angeles International Airport (LAX). This pledge was made to the Redwood Region Economic Development Commission (RREDC), which executed an Air Services Agreement with United Airlines. This agreement required United to provide one roundtrip per day on a 50-seat jet for a period of one year commencing June 7, 2018. The agreement was modified in April 2018 to reflect an "upgauging" to a 76-seat jet.

United Airlines provided RREDC with a monthly accounting of the revenue and cost of the service. At the end of each quarter, they would bill RREDC based on that accounting. In months where revenue fell below a prescribed threshold, United would be compensated from the MRG. However, in months where revenue exceeded the prescribed threshold, RREDC would be credited that amount against any charges for the given quarter.

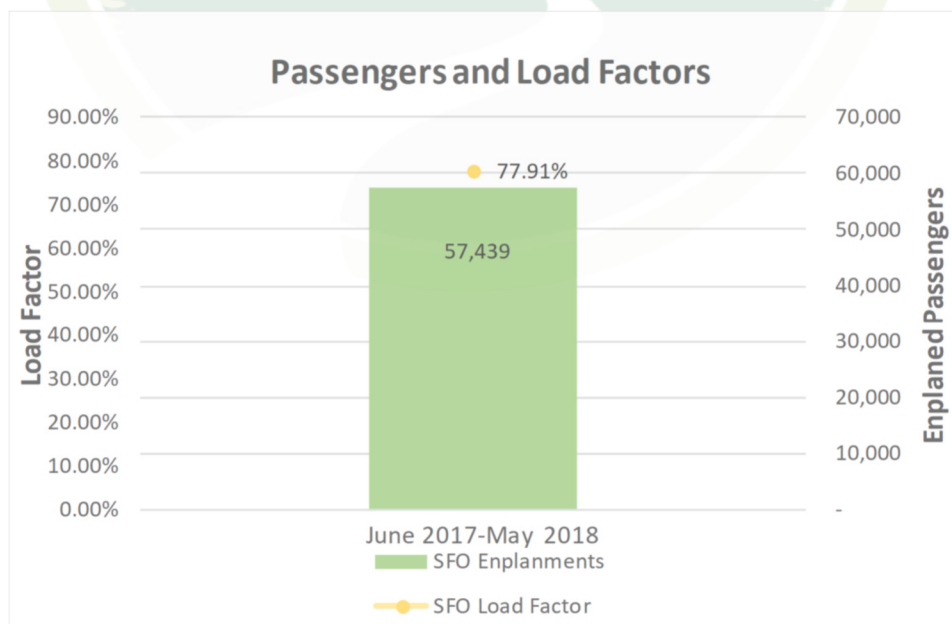
The 2018-2019 Annual Report will show the results of adding the LAX flight. The new service had a well-attended kick-off and is expected to add a valuable tool for the County Economic Development Team in marketing the County of Humboldt to prospective businesses.

Below is a chart showing the SFO Service. What this shows is the following:

Enplanements to SFO were 54,439.

The load factor to SFO also increased, from 77.91%

Given the current data available it appears that load factor and enplanements for the SFO route will increase and the LAX route numbers will be significant. This data will be presented in the 2018-2019 Annual Headwaters Report.



HUMBOLDT COUNTY
Headwaters Fund



flyhumboldt.org
ACV | DEN | SFO | LAX



The Headwaters Fund invests in projects through grants and loans to help the citizens of Humboldt County achieve increased economic opportunity, prosperity, and quality-of-life.

HISTORICAL OUTCOMES	
Grants	
\$11.8 million in grants *	
421 businesses and agencies served directly	
Loans	
\$12.6 million in loans through the RLF	
763 jobs created or retained	

*Includes Grants, Community Investment Fund, and Initiative Fund Projects

FINANCIAL STATUS– Cash Transactions

	Cash Balance 6/30/2017	Transfers	Loan Payments Received		Account Interest	Grant Payments	Loan Disbursements	Operation Expenses	Loan Servicing Fees	Cash Balance 6/30/2018
			Principal	Interest						
Investment:										
Endowment Fund	\$ 7,148,071	\$ (148,071)			\$ 137,799					\$ 7,137,799
Liquidity Fund	\$ 34,726	\$ 20,374			\$ 532		\$ (20,896)			\$ 34,736
Lending:										
Revolving Loan Fund	\$ 1,335,087	\$ (345,970)	\$ 1,130,485	\$ 323,821	\$ 20,970		\$ (719,792)	\$ (62,688)	\$ (14,430)	\$ 1,667,483
Loan Loss Reserve Fund	\$ 560,000	\$ (7,545)			\$ 7,545					\$ 560,000
Granting:										
Grant Fund	\$ 17,506	\$ 222,622			\$ 449	\$ (154,500)				\$ 86,077
Initiative Fund	\$ 50,610	\$ 28,515			\$ 814					\$ 79,939
Total, as related										
Principal Limit	\$ 9,146,000	\$ (230,075)	\$ 1,130,485	\$ 323,821	\$ 168,109	\$ (154,500)	\$ (719,792)	\$ (83,584)	\$ (14,430)	\$ 9,580,464
Community Investment										
Fund	\$ 1,359,684	\$ 230,075	\$ 285,459	\$ 30,502	\$ 19,925	\$ (126,250)				\$ 1,799,395
Headwaters Fund Grand										
Totals	\$ 10,505,684	\$ -	\$ 1,415,944	\$ 354,323	\$ 188,034	\$ (280,750)	\$ (719,792)	\$ (83,584)	\$ (14,430)	\$ 11,365,429

FINANCIAL STATUS– Year End Fund Balances

	Fund Balance 6/30/2017	Cash	Accounts Receivable	Grants Payable	Fund Balance 6/30/2018	Balance 2002	Comparative Balance
Investment:							
Endowment Fund	\$ 7,148,070	\$ 7,137,799			\$ 7,137,799		\$ 7,137,799
Liquidity Fund	\$ 25,147	\$ 34,736			\$ 34,736	\$ 5,404,065	\$ (5,369,329)
Lending:							
Revolving Loan Fund	\$ 7,047,230	\$ 1,667,482	\$ 5,594,910		\$ 7,262,392	\$ 8,000,000	\$ (737,608)
Loan Loss Reserve Fund	\$ 560,000	\$ 560,000			\$ 560,000		\$ 560,000
Granting:							
Grant Fund	\$ 10,006	\$ 86,077		\$ (85,712)	\$ 365		\$ 365
Initiative Fund	\$ 50,610	\$ 79,939			\$ 79,939		\$ 79,939
Total, as related							
Principal Limit	\$ 14,841,063	\$ 9,566,033	\$ 5,594,910	\$ (85,712)	\$ 15,075,231	\$ 13,404,065	\$ 1,671,166
Community Investment							
Fund	\$ 2,059,685	\$ 1,799,395	\$ 414,541	\$ (123,750)	\$ 2,090,186	\$ 5,000,000	\$ (2,909,814)
Headwaters Fund Grand							
Totals	\$ 16,900,748	\$ 11,365,428	\$ 6,009,451	\$ (209,462)	\$ 17,165,417	\$ 18,404,065	\$ (1,238,648)

- The Endowment Fund was created and funded with \$7 million from the Liquidity Fund and Revolving Loan Fund in fiscal year 2014-15. Since that time the Endowment Fund has earned over \$478,799 in interest.
- The total fund balance includes \$123,750 remaining of the \$250,000 grant commitment out of the Community Investment Fund for the Airline Service Minimum Revenue Guarantee. The fund provided \$126,250 during fiscal year 2017-2018.
- Operational costs for 2017-2018 were 35% under expenses for 2016-2017. This was primarily due to staffing vacancies.
- Fiscal year 2017-2018 ended the year with \$264,669 above 2016-2017, with a balance of \$17,165,417.



HUMBOLDT COUNTY

Headwaters Fund

For more information on the Headwaters Fund visit:

www.humboldt.gov/headwaters

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