



HUMBOLDT COUNTY

Headwaters Fund

2018-2019 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.
- 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, which 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 \$117,132 in fiscal year 2018-2019 and has placed the Headwaters Fund Board in a position to proceed with grant making in 2019-2020.

Revolving Loan Fund	<ul style="list-style-type: none"> • Eight additional businesses and agencies served through loans in FY18-19 • Total of \$1,269,244 in new loans • No loan losses during FY 2018-19 	Pages 2-3
Revolving Loan Fund Highlight	<ul style="list-style-type: none"> • Hoopa Shopping Center • Kenny’s Chocolates 	Page 4
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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 2018-2019

Agency	AEDC	RREDC
Number of New Businesses/Agencies Loans Made	4	4
Total Loan Amount	\$758,000	\$511,245
Retained Jobs	12	8
Projected New Jobs	24	11
Interest Collected on Portfolio	\$147,055	\$149,540

Loan Losses

- ⇒ There were zero loans losses during the FY 18-19
- ⇒ Historically, the RLF has had \$447,473 in loan losses, or 3.18% of loaned funds.

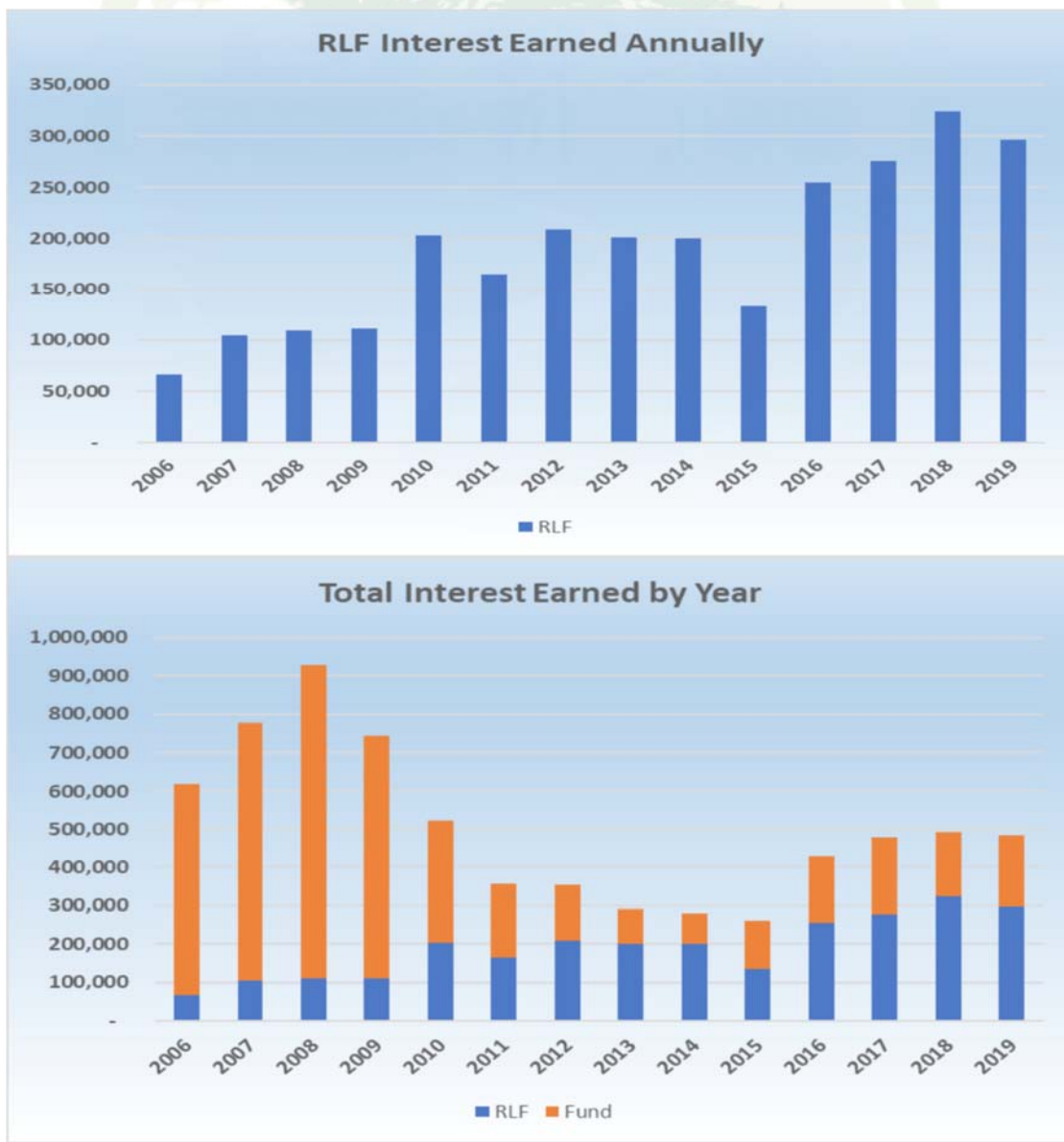
Economic Impact

- ⇒ Since its inception, the RLF has loaned over \$13.4 million to 120 businesses and agencies.
- ⇒ Based on the reports from businesses, the loans helped to retain 544 full time equivalent jobs and grow the local economy by 287 full time equivalent jobs.
- ⇒ In 2018-2019 over \$296,595 in interest was collected.

REVOLVING LOAN FUND

Since the creation of the Headwaters Fund over \$13.4 million in loans have been made. On average \$788,385 in funds are loaned out each year. Historically, these loan funds helped businesses retain an average of 32 jobs and create an average of 18 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.

RLF Interest Earned Annually



Revolving Loan Fund Highlights

Hoopa Shopping Center



With support of the Headwaters Fund, AEDC, and other Community Development Financial Institutions, Hoopa Valley Tribe completed the design, construction, and opening of the Hoopa Shopping Center. This provided a solution to the food desert that had been in Hoopa as well as providing a focal point for the community.

Kenny's Chocolates

With the support of the Headwaters Fund and RREDC, Kenneth Butin has been able to expand his operation at his chocolate shop located in Snug Alley. Kenny has a long history as a chocolatier and since moving to Humboldt has become a local fixture. The go to for unique and delicious creations for every occasion.



Headwaters Fund Grants

The Headwaters Fund has four different grant types; Mini-Grants, Initiative Grants, Competitive Grants, and Community Investment Fund Grants. 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.

Mini-Grant Highlight

Eureka Street Art Festival-

-Grant Amount: \$5,000

Beginning in 2018 the Eureka Street Art Festival has been organizing annual mural projects, providing avenues for artist to express themselves while also beautifying parts of the city which have been affected with urban blight. By bringing artists from all over to work with our vibrant arts community they have painted numerous murals including 20 individual murals and one collective piece during the 2019 festival.



The presence of these murals has been shown to reduce the prevalence of graffiti on these structures and the organizing committee periodically checks on the murals and cleans up any graffiti which does occur. Additionally, every year the committee selects one mural from past festivals to revitalize and breaths new life into the piece.

Providing artists an outlet for their vision the Eureka Street Art Festival bolsters the employment possibilities of these artists and has also created rich beautiful pieces which have been widely received with adoration by locals. The festival also serves to bring people from all over to view the art being installed and provided a tourist attraction to the city of Eureka as visitors try to find all of the pieces.



Blue Ox Millworks and Historic Village



-Grant Amount: \$1,500

-Number of Scholarships: 10

Eric Hollenbeck, a Eureka native and long time forest veteran has been sharing the love and skill of craftsmanship with students since 1989. In 1999 the Blue Ox School was founded in partnership with the Humboldt Office of Education to provide a full time high school to the County of Humboldt. Three days a week these students are in a regular classroom but for the remainder they are focused on project based learning. This provided not only an avenue for the students to utilize and apply their education through hands-on projects, but also serves to foster the idea of a career as a maker themselves.



Many students who have participated in the program have moved on to become carpenters, cabinetmakers, blacksmiths, or mill workers. The efforts of Eric, Viviana and their whole team have served to keep these valuable skills alive and part of our community.

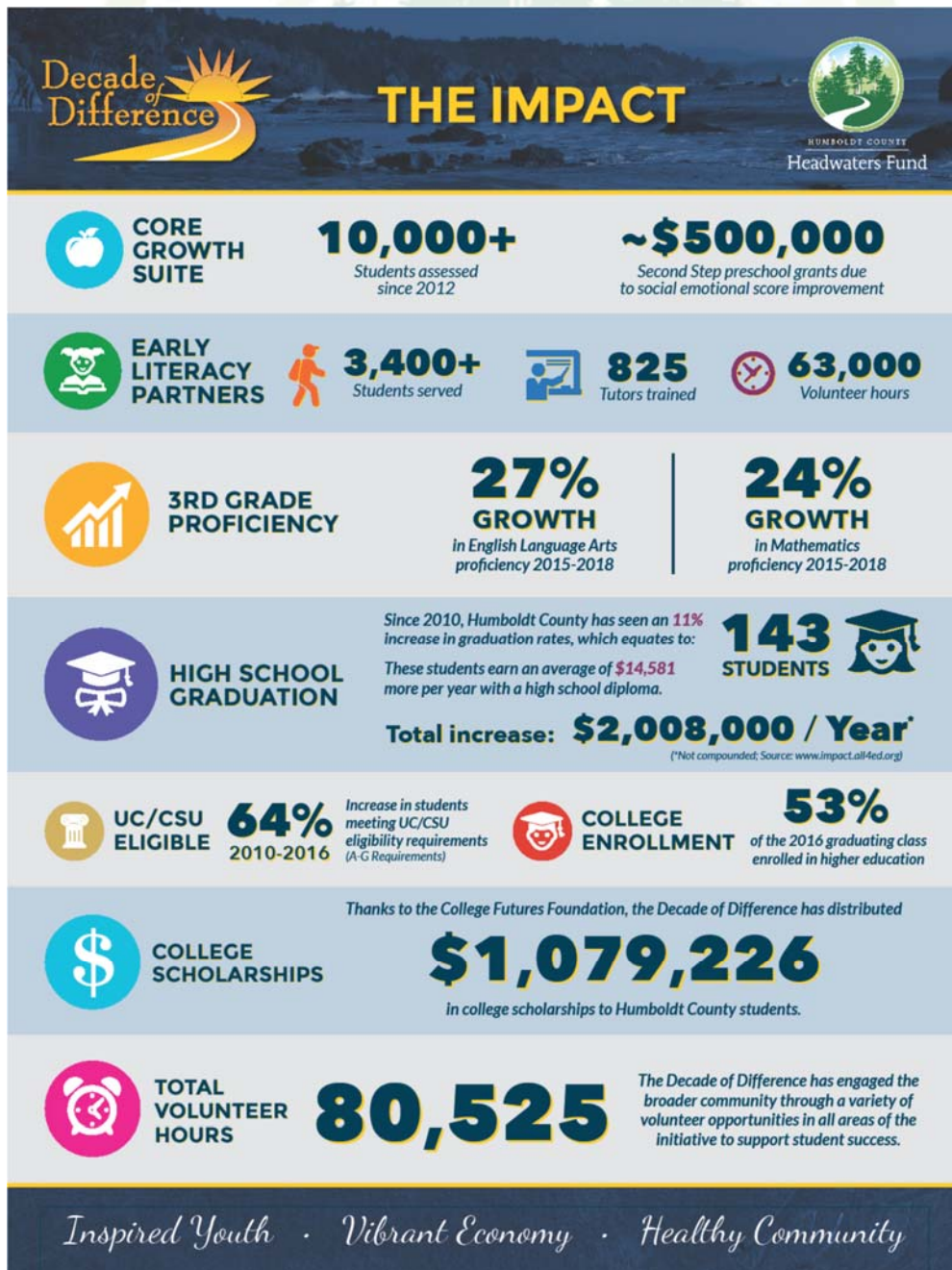


Headwaters participation in the Blue Ox School has provided funding to support students who may not have otherwise been able to participate in the program.

GRANT INITIATIVES

Decade of Difference

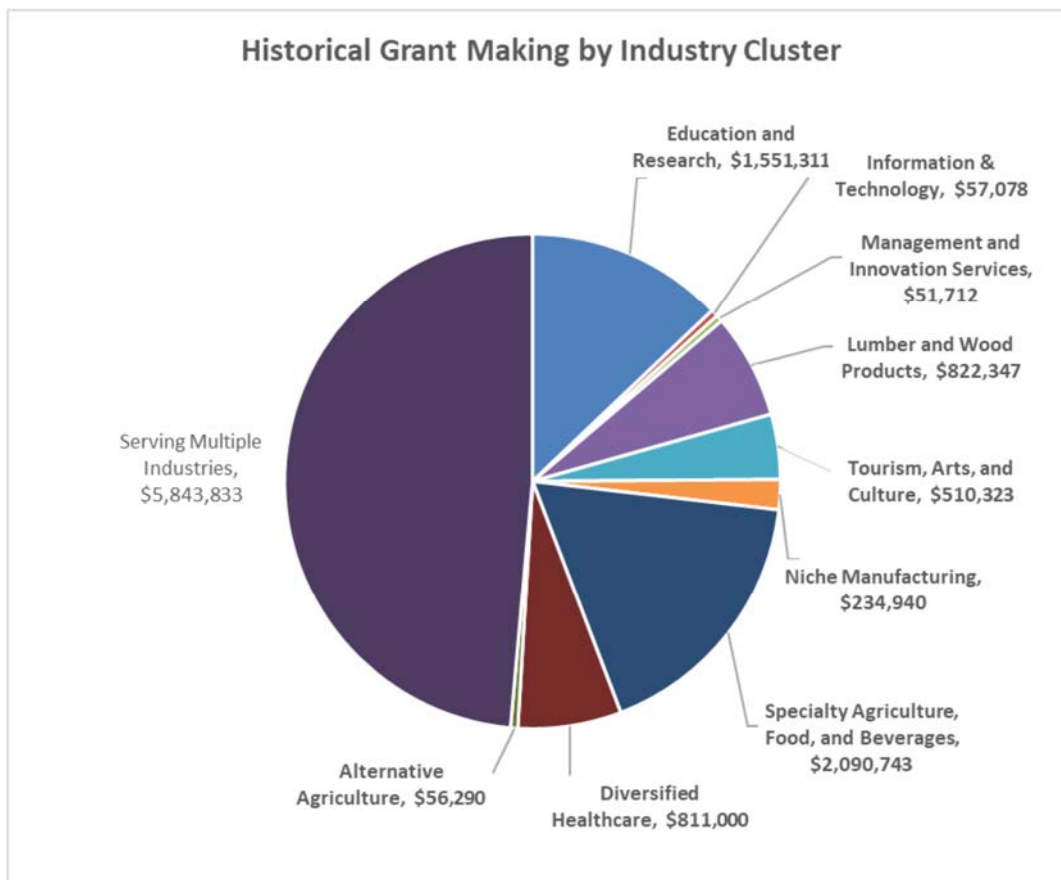
The Decade of Difference is a ten-year community initiative designed to prepare local youth to be contributing and productive members of our society, community and economy. Headwaters Fund has committed \$1.5 million over the ten years to support these efforts. The initiative completed its ninth year in FY 2018-2019. The impacts of this initiative are summarized below.



GRANT FUND

Grant allocations are set by the Headwaters Fund Board annually and are based on interest earned in prior years. After limiting the grant funding in an effort to grow the Fund, the Headwaters Fund Board limited funding to mini-grants in 2015-2017. Having raised the fund balance the Headwaters Fund Board authorized \$196,234 in competitive grants. Since 2003 the Headwaters Fund has granted over \$3 million in competitive grants to local nonprofits and government agencies for services improving economic opportunity, prosperity, and quality-of-life. These grants are made possible by the support and final authorization of the Board of Supervisors. The chart below reflects total grant making from all programs.

HEADWATERS FUND FY 2018-19 COMPETITIVE GRANT ROUND AWARDS		
NON-PROFIT / GOVERNMENT JURISDICTION	PRIVATE PARTNER	AMOUNT AWARDED
Redwoods Rural Health Center	N/A	65,000
Humboldt Senior Resource Center	N/A	30,000
Traditional Farmers Foundation	International Cannabis Farmers Association	27,250
Humboldt County Fair Association	N/A	44,944
North Coast Small Business Resource Center	Humboldt County Growers Alliance	29,040
		\$ 196,234



Competitive Grant Highlight

Humboldt Senior Resource Center

-Grant Amount: \$30,000

-Jobs Created: 20

The Humboldt Senior Resource Center (HSRC) has been providing services to the citizens of the County of Humboldt since 1974. In under 10 years the HSRC was providing seniors in the county with meals, home healthcare, adult daycare, information for seniors, senior home repair, and *Senior News*.

They have steadfastly supported the seniors for the county and have expanded their services to include the Alzheimer Services and Center, and the Redwood Coast PACE, the first rural Program of All-inclusive Care for the Elderly in California.



With the support of the Headwaters Fund and many others, the HSRC has expanded their operations once again by building a new facility in Fortuna to service the needs of local residents through expanded services and allow



current clients to receive care closer to home.

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	
\$12.1 million in grants	
426 businesses and agencies served directly	
Loans	
\$13.4 million in loans through the RLF	
848 jobs created or retained	

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

FINANCIAL STATUS– Cash Transactions

	Cash Balance		Loan Payments Received							Cash Balance 6/30/2019
	6/30/2018	Transfers	Principal	Interest	Account Interest	Grant Payments	Loan Disbursements	Operation Expenses	Loan Servicing Fees	
Investment:										
Endowment Fund	\$ 7,137,799.15	\$ (285,470.00)			\$ 147,671.10					\$ 7,000,000.25
Liquidity Fund	\$ 34,736.19	\$ 219,100.78			\$ 628.18		\$ (449.46)	\$ (25,997.41)		\$ 228,018.28
Lending:										
Revolving Loan Fund	\$ 1,667,482.39	\$ (217,481.09)	\$ 463,331.48	\$ 296,594.75	\$ 28,324.82		\$ (781,156.21)	\$ (77,992.18)	\$ (16,107.30)	\$ 1,362,996.66
Loan Loss Reserve Fund	\$ 560,000.00	\$ (9,158.17)			\$ 9,158.17					\$ 560,000.00
Granting:										
Grant Fund	\$ 81,577.18	\$ 399,445.12			\$ 1,361.56	\$ (215,914.47)				\$ 266,469.39
Initiative Fund	\$ 79,938.10	\$ (71,252.07)			\$ 1,558.54					\$ 10,244.57
Total, as related Principal Limit	\$ 9,561,533.01	\$ 35,184.57	\$ 463,331.48	\$ 296,594.75	\$ 188,702.37	\$ (215,914.47)	\$ (781,605.67)	\$ (103,989.59)	\$ (16,107.30)	\$ 9,443,836.45
Community Investment Fund	\$ 1,799,395.34	\$ (29,421.91)	\$ 914,540.91	\$ 13,704.64	\$ 29,421.91	\$ (623,750.00)				\$ 2,103,890.89
Headwaters Fund Grand Totals	\$ 11,360,928.35	\$ 5,762.66	\$ 1,377,872.39	\$ 310,299.39	\$ 218,124.28	\$ (839,664.47)	\$ (781,605.67)	\$ (103,989.59)	\$ (16,107.30)	\$ 11,531,620.04

FINANCIAL STATUS– Year End Fund Balances

	Fund Balance 6/30/2018	Cash	Accounts Receivable	Grants Payable	Operating	Fund Balance 6/30/2019	Balance 2002	Comparative Balance
Investment:								
Endowment Fund	\$ 7,137,799	\$ 7,000,000				\$ 7,000,000		\$ 7,000,000
Liquidity Fund	\$ 34,736	\$ 228,018			\$ 448	\$ 228,466	\$ 5,404,065	\$ (5,175,599)
Lending:								
Revolving Loan Fund	\$ 7,262,392	\$ 1,362,997	\$ 5,959,838		\$ 1,344	\$ 7,324,178	\$ 8,000,000	\$ (675,822)
Loan Loss Reserve Fund	\$ 560,000	\$ 560,000				\$ 560,000		\$ 560,000
Granting:								
Grant Fund	\$ 365	\$ 266,470		\$ 210,701		\$ 55,769		\$ 55,769
Initiative Fund	\$ 79,939	\$ 10,245				\$ 10,245		\$ 10,245
Total, as related								
Principal Limit	\$ 15,075,231	\$ 9,427,730	\$ 5,959,838	\$ 210,701	\$ 1,792	\$ 15,178,658	\$ 13,404,065	\$ 1,774,593
Community Investment Fund	\$ 2,090,186	\$ 2,103,891				\$ 2,103,891	\$ 5,000,000	\$ (2,896,109)
Headwaters Fund Grand Totals	\$ 17,165,417	\$ 11,531,621	\$ 5,959,838	\$ 210,701	\$ 1,792	\$ 17,282,549	\$ 18,404,065	\$ (1,121,516)

- 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 \$626,470 in interest.
- Next years report will reflect that of the \$127,250 provided for the minimum revenue guarantee to expand LAX service \$116,846.75 was returned in September of 2019.
- Operational costs for 2018-2019 came in slightly over budget, by \$1,792 or 1.75%.
- Fiscal year 2018-2019 ended the year with \$117,132 above 2017-2018 , with a balance of \$17,282,549.



HUMBOLDT COUNTY

Headwaters Fund

For more information on the Headwaters Fund visit:

www.humboldt.gov/headwaters

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