



COUNTY OF HUMBOLDT

For the meeting of: 9/23/2025

File #: 25-926

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Consent

Vote Requirement: Majority

SUBJECT:

Headwaters Fund Board Recommendation to Increase Funds Available to Arcata Economic Development Corporation to \$6,000,000

RECOMMENDATION(S):

That the Board of Supervisors:

1. Approve the recommendation from the Headwaters Fund Board for a Fourth Amendment to the Lender Agreement with the Arcata Economic Development Corporation, dba North Edge Business Financing.

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:

On July 17, 2025 the Headwaters Fund Board (HWFB) met in a special meeting to consider a request from the Arcata Economic Development Corporation, dba North Edge Business Financing (North Edge) for further funding for participation in loans through the Headwater Fund Revolving Loan Fund.

On June 4, 2024, your Board approved an amendment to the Lender Agreement with North Edge, which increased the amount of funding available to them for matched participation loans, from the previously established limit of \$3,500,000, to \$5,000,000. Since that time, North Edge has obligated all but \$300,000 of the remaining funding and are seeking an increase of \$1,000,000, to an aggregate limit of \$6,000,000.

Loans serviced by North Edge are done under the rules established in the Revolving Loan Fund program manual and codified through the Master Participation and Lender Agreements. Lenders have authority to draw up to \$800,000 per borrower, without needing additional HWFB or Board of Supervisors approval, and to lend those funds with a 1:1 match, unless otherwise recommended through the HWFB.

By making additional funding available to the community through participation loans, the County of Humboldt directly contributes to the financial institutes and practices which support business lending in the community. These loans often attract outside investment into the community and make use of state and federal lending programs to bring additional funds into the community.

Funding not obligated through loans, is invested by the Treasurer Tax Collector for safety, liquidity, and yield. As the returns received on loan interest earnings through direct community investment historically yield higher returns the HWFB recommends amending the Lender Agreement to increase the lending pool for the Headwaters Fund.

To mitigate risk of bad debt negatively impacting the health and effectiveness of the Headwaters Fund, 8% of the total funding allocated for lending is held in the Headwaters Loan Loss Reserve Fund. This fund replenishes the amount of funding available for loans and is in turn replenished by interest revenues. Currently, there is a cash balance of \$1.07 million in the Headwaters Loan Loss Reserve Fund which is more than sufficient reserve balance should your Board approve the increase to the aggregate limit for the North Edge Lender Agreement.

By supporting this action, your Board is providing additional funding directly into the local economy and supporting community needs.

SOURCE OF FUNDING:

3843000-Headwaters Revolving Loan Fund

3844000-Headwaters Loan Loss Reserve Fund

FINANCIAL IMPACT:

<i>North Edge Expenditures (3843)</i>	FY25-26
<i>Principal & Obligated Balance</i>	<u>\$4,702,432</u>
<i>Available Lending Balance</i>	<u>\$297,568</u>
<i>Additional Limit Requested</i>	<u>\$1,000,000</u>
<i>Total Expenditures</i>	<u>\$6,000,000</u>

<i>Funding Sources (3843)</i>	FY25-26
<i>Pending Loan Repayment</i>	<u>\$4,702,432</u>
<i>Headwaters Fund Balance</i>	<u>\$1,297,568</u>
<i>Total Funding Sources</i>	<u>\$6,000,000</u>

Narrative Explanation of Financial Impact:

Currently, the Headwaters Revolving Loan Fund has sufficient cash balance to support the increase to the lending pool for North Edge participation agreements. The estimated fiscal year 2024-25 year-end cash balance for the Headwaters Revolving Loan Fund (3843) is \$3.6 million. These funds earn a small percentage of interest based off the County Pooled Investment Rate and interest is apportioned quarterly and deposited into the Liquidity Fund for future grant and lending activity. By increasing the pool of funding available to North Edge, your Board is directly investing dollars into local businesses. All interest earned on these loans can be used to support public granting activity through the Headwaters Grant Fund (3848) which in turn leverages outside matching funds into the community.

STAFFING IMPACT:

There are no proposed staffing changes because of this action, however, lending does require a nominal amount of staff time per loan made, which is variable based upon the number and size of loans supported.

OTHER AGENCY INVOLVEMENT:

Arcata Economic Development Corporation dba North Edge Business Financing

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Your Board could choose not to approve this request. This is not recommended as participating in local business loans not only provides greater returns than have historically been earned on idle Headwaters Funds, but also lending directly supports small businesses in the community who would otherwise be unable to seek funding. Additionally, continued lending supports the core mission of the Headwaters Fund to promote economic prosperity, support entrepreneurship, and strengthen the local economy.

ATTACHMENTS:

1. Arcata Economic Development Corporation Lender Agreement Amendment 4
2. Arcata Economic Development Corporation Approved Agreement Packet

PREVIOUS ACTION/REFERRAL:

Meeting of: 6/4/2024; 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