



COUNTY OF HUMBOLDT

AGENDA ITEM NO.
C-9

For the meeting of: August 23, 2016

Date: August 11, 2016
To: Board of Supervisors
From: Amy S. Nilsen, County Administrative Officer
Subject: Headwaters Executive Director Request for Proposal

RECOMMENDATION(S):

That the Board of Supervisors approve the attached request for proposal (RFP) for a Headwaters Executive Director.

SOURCE OF FUNDING:

1120 Economic Development Fund

DISCUSSION:

As a result of \$22 million in state and federal funding received due to the loss of timber resources from the county's economy, in December 2002, the Board of Supervisors (BOS) adopted the Headwaters Fund (HWF) Charter.

Prepared by Amy S. Nilsen

CAO Approval [Signature]

REVIEW:

Auditor [Signature] County Counsel [Signature] Human Resources _____ Public Works _____

TYPE OF ITEM:

- Consent
- Departmental
- Public Hearing
- Other _____

PREVIOUS ACTION/REFERRAL:

Board Order No. _____

Meeting of: _____

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT

Upon motion of Supervisor Fennell Seconded by Supervisor Sundberg

- Ayes Sundberg, Fennell, Lovelace, Bohn, Bass
- Nays _____
- Abstain _____
- Absent _____

and carried by those members present, the Board hereby approves the recommended action contained in this Board report.

Dated: Aug. 23, 2016
By: [Signature]
Kathy Hayes, Clerk of the Board

The HWF provides aid in the advancement of economic and community development in Humboldt County, the HWF offers business loans, loans/grants for infrastructure projects, and economic development grants via the three following funds:

- Revolving Loan Fund
- Community Investment Fund
- Grant Fund

Within the scope of powers outlined in the Headwaters Fund, the BOS has authority on use of the HWF. BOS appoints a seven-member Headwaters Fund Board (HFB). The HFB works with the Headwaters Executive Director (ED). The Headwaters ED works with the County Administrative Office, county Economic Development staff and the Treasurer/Tax Collector to implement the Headwaters program.

Currently, the Headwaters ED position is a part-time position with some additional fiscal support from Economic Development staff. The Headwaters ED is currently a vacant position. In an effort to strengthen the connection between the Headwaters ED, HFB and the community, staff is recommending the release of an RFP to identify a Headwaters ED that has experience with local economic development needs and the ability to provide leadership to and management of the HFB as well as administrative services to assist in the implementation of the HWF.

Upon the successful completion of the RFP staff will return to the Board with a service agreement.

FINANCIAL IMPACT:

The request from proposers for the compensation of a Headwaters Executive Director is unknown at this time. In fiscal year 2015-16 approximately \$64,200 was spent on fiscal staff and the Headwaters Executive Director.

This supports your Board's Strategic Framework, Priorities for New Initiatives by providing community-appropriate levels of service.

OTHER AGENCY INVOLVEMENT:

None.

ALTERNATIVES TO STAFF RECOMMENDATIONS:

The Board could choose not to approve the RFP. By not approving the RFP this leaves the HWF without a Headwaters ED.

ATTACHMENTS:

Headwater Executive Director RFP

COUNTY OF HUMBOLDT
REQUEST FOR PROPOSAL

REQUEST FOR PROPSAL TITLE	HEADWATERS - EXECUTIVE DIRECTOR
REQUEST FOR PROPOSAL NUMBER	HEADWATERSFUNDRFP2016

Humboldt County is soliciting proposals for a Headwaters Executive Director to provide leadership to and management of the Headwaters Fund Board as well as administrative services to oversee the county's Headwaters Fund associated programs.

TIMELINE	DATES
RELEASE OF REQUEST FOR PROPOSAL	MONTH DAY, 2016
DEADLINE FOR SUBMISSION OF QUESTIONS Email: cao.co.humboldt.ca.us	MONTH DAY, 2016
COUNTY RESPSONSE TO QUESTIONS DUE DATE	MONTH DAY, 2016
DEADLINE FOR PROPOSLS TO BE RECEIVED	MONTH DAY, 2016
RFP EVALUTION PROCESS	<p>THE FOLLOWING DATES ARE TENTATIVE AND MAY BE SUBJECT TO CHANGE</p> <p>MONTH DAY, 2016 to MONTH DAY, 2016</p> <p>MONTH DAY, 2016</p> <p>MONTH DAY, 2016</p> <p>MONTH DAY, 2016</p> <p>MONTH DAY, 2016</p>
RECOMMENDATION OF AWARD TO COUNTY BOARD OF SUPERVISORS (AGENDA ITEM)	
CONTRACT FINALIZATION	
NEW CONTRACT START DATE	

An original and two (2) copies of the proposal are to be received by 5:00 p.m. on **Month Day, 2016**, Pacific Standard Time, at the address listed in Section 4-Submission. Late, faxed, emailed, or unsigned proposals will be rejected. No additional information or documentation will be accepted from Proposers after the proposal due date.

INTRODUCTION:

In 1999, the state and federal governments purchased the 3,000-acre old growth Headwaters Grove. This acquisition removed significant timber resources from the county's economy and resulted in a combined \$22 million state and federal appropriation to the county. On October 19, 1999, the Board of Supervisors voted to reserve substantial amounts of these funds for the "economic prosperity and quality of life for all Humboldt County residents." In December 2002, the Board of Supervisors (BOS) adopted the Headwaters Fund (HWF) Charter which outlines the purpose and structure of the fund.

To aid in the advancement of economic and community development in Humboldt County, the HWF offers business loans, loans/grants for infrastructure projects, and economic development grants via the three following funds:

- Revolving Loan Fund
- Community Investment Fund
- Grant Fund

Within the scope of powers outlined in the Headwaters Fund Charter (Attachment B), the BOS has authority on use of the HWF. BOS appoints a seven-member Headwaters Fund Board (HFB). The HFB works with the Headwaters Executive Director. The Headwater Executive Director in turn works with the County Administrative Office, county Economic Development staff and the Treasurer/Tax Collector to implement the Headwaters program. All applications for Headwaters funding, received from local businesses, community groups, non-profits and governmental organizations, are brought to the HFB. BOS reviews and approves HFB funding recommendations.

The proposer will provide leadership to and management of the HFB as well as administrative services to assist in the implementation of the HWF. The proposer will work with the BOS, HFB and county staff in development and management of the HWF. The proposer will report to the County Administrative Office. The proposer should demonstrate experience in providing this similar type of service to other businesses/providers and non-profits in the community. The proposer should include hourly compensation for part-time work for approximately twenty hours per week.

1. SERVICE REQUIREMENTS

It is the intent of this Request for Proposal (RFP) to provide the specifications and terms and conditions to describe the management and administrative services required by the HWF. Proposer should also refer to the attached sample Services Agreement (Attachment C).

Duties of the proposer include:

- a. Implementation of the Headwaters Fund program from development and administration of systems, to program evaluation and reporting including:
 - Work with a seven-member HFB appointed by the BOS
 - Prepare Headwaters Fund Annual Report to the BOS

- Prepare agendas in accordance with Brown Act
 - Prepare staff recommendations to HFB as needed
 - Attend monthly HFB meetings
 - Meet with County Administrative Office (CAO) staff regularly to update projects and interests of the HFB
- b. Assist the public in preparing Grant and Community Investment Fund applications:
- Meet with agencies to evaluate potential project ideas, understand needs of business community, and network to help create solutions by connecting unlikely partnerships
 - Connect projects with agencies in the community eligible for Headwaters funding
- c. Screen Grant and Community Investment Fund project applications:
- Review interest letters, meets with agencies, communicates the HFB's interest in measurable economic development outcomes
 - Prepare staff recommendations for the HFB
 - Prepare BOS items to recommend action based on HFB request
- d. Monitor loan portfolio and financial institution performance:
- Coordinate Loan committee meetings with lenders
 - Review and approve monthly statements from lenders
 - Approve draws of loan proceeds
 - Assist and coordinate in default situations, as needed
- e. Collects and compiles data on investment impacts and prepares annual draft of Community Benefits Report:
- Meet with local businesses, community groups and governmental organizations to account for measurable economic development and impacts needed for report preparation
- f. Work jointly with Treasurer/Tax Collector on financial management and reporting:
- Help monitor the HWF, and reviews interest rates, as needed
- g. Work with Economic Development and other county staff to understand and to be able to communication details of the HWF financial records and assist in preparation of the fund's annual budget.
- h. Provide public information, maintains program manuals including HWF records, and coordinate legal support utilizing existing county attorneys to HFB:
- Help HFB to act within boundaries of the Headwater Fund manuals,
 - Draft grant contracts, lending agreements and program manuals in accordance with board action
 - Maintain website, Facebook account, attend Prosperity meetings and other Economic development events
 - Responsible for maintaining and updating the Headwaters Fund Manuals including:
 1. Community Investment Fund Manual (Attachment D)
 2. Grant Fund Manual (Attachment E)
 3. Fund Lender Manual (Attachment F)
 4. Board Manual (Attachment G)
- i. Provide administrative support to HFB and BOS:
- Plan meetings, and brief members with background information, as needed
 - Give orientation to new members

- Coordinate quarterly meetings between BOS chair and members of HFB
- j. Executive Director will be ultimately responsible to CAO to meet the BOS Headwaters Fund expectations with legal support provided by the County Counsel:
 - Schedule regular contacts/meetings with County Counsel staff to address HWF issues/projects as needed

2. ELIGIBILITY CRITERIA

All proposals will be screened for completeness. A selection committee, established by County Administrative Office, will review proposals received by the above-designated deadline and develop a final ranking of the proposals.

3. PROPOSAL FORMAT

- a. **Cover Letter:** Describe and summarize your qualifications and experience that relate to the service requirements.
- b. **Agency Experience:** The experience you have delivering the described service requirements.
- c. **Staff Experience:** Resume(s).
- d. **Cost:** Estimate the cost of providing these services on a part-time basis for approximately 20 hours per week, in the form of **an hourly wage.**
- e. **Design Description:** Provide an up-to-ten-page description of how you would deliver the services described in the service requirements. Address each item in the service requirements in your description.
- f. Proposals must be submitted on standard 8 x 11 inch white paper. Each page must be clearly and consecutively numbered, including all attachments. Each page is to have 1.25" margins and 12 point font.
- g. An original and two (2) copies of the proposal must be submitted, with the name and address of the Proposer clearly visible with HEADWATERSRFP2016 plainly marked.
- h. **Insurance Requirements:** Provide Insurance Evidence as specified in Section XV of the services agreement.
- i. **Cost of RFP Preparation:** Cost of preparation of proposal shall be borne by the Proposer.
- j. **Authorized Signature:** Proposals shall be signed by an authorized employee in order to receive consideration.

4. SUBMISSION

- a. All proposals must be submitted in a sealed envelope clearly marked with the title of the HEADWATERSFUNDRFP2016, and closing date and time.
- b. Late proposals will not be accepted.
- c. All proposals, whether selected or rejected, shall become the property of the County of Humboldt.

Proposals are to be sent to:

County of Humboldt
Attn: County Administrative Office

825 5th Street
Eureka, CA 95501

5. PUBLIC RECORDS AND TRADE SECRETS

All proposals and materials submitted become the property of the County and are subject to disclosure under the Public Records Act, Government Code section 6250 *et seq.*

This Request for Proposal and all responses are considered public information, except for trade secrets specifically identified, which will be handled according to state statutes or other laws. Any information that contains trade secrets shall be communicated to county by the Proposer. Any page of the proposal that is deemed to be a trade secret by the Proposer shall be clearly marked "PROPRIETARY INFORMATION" at the top of the page in at least one-half inch (1/2") size letters. In the event that the county receives a request for disclosure of any such specifically identified information, prior to release of any such specifically identified information, the county will contact the Proposer and will not release the specifically identified information if the Proposer agrees to indemnify, defend, and hold harmless the county in any action brought to disclose such information. The Proposer, by submitting such information, agrees that the failure of county to contact Proposer prior to the release of such information will not be a basis for liability by county or any County employee to Proposer.

6. EXCEPTIONS TO SPECIFICATION

Proposers taking the exception to any part or section of these specifications shall indicate such exceptions in the proposal. Failures to indicate any exceptions shall be interpreted as the Proposer's intent to fully comply with the specifications as written. However, conditional or qualified proposals are subject to rejecting in whole or in part.

7. EXPENSES INCURRED IN PREPARING THE PROPOSAL

The county accepts no responsibility for any expense incurred by Proposer in the preparation and presentation of a proposal, such expenses to be borne exclusively by the Proposer.

8. PROPOSER INVESTIGATIONS

Before submitting a proposal, each Proposer shall make all investigations and examinations necessary to ascertain the full performance of the contract and to verify any representations made by the county that the Proposer will rely upon. No pleas of ignorance of such conditions and requirements resulting from failure to make such investigations and examinations will relieve the successful Proposer from its obligation to comply with every detail of all provisions and requirements of the contract documents or will be accepted as a basis for any claim whatsoever for any monetary consideration on the part of the Proposer.

9. QUALIFICATIONS OF PROPOSERS

Each Proposer, as part of its proposal, shall submit evidence that it has the necessary facilities, ability, and financial resources to furnish the services specified herein in a satisfactory manner. The Proposer shall also submit a written history, with references which will enable the county to be satisfied as to the Proposer's qualifications. Proposer shall list any and all

contracts that Proposer failed to complete and the reason therefore. Proposer shall submit written permission for the county to contact any and all references and clients should the county request. Failure to qualify according to the foregoing requirements will justify proposal rejection by the county.

10. PROPOSAL WITHDRAWAL

No proposal can be withdrawn after it is filed unless the Proposer makes a request in writing to the county prior to the time set for the opening of proposals or unless the county fails to accept a proposal within ninety (90) days after the date fixed for opening proposals.

11. APPLICABLE LAW

The solicitation and any contract resulting from this solicitation shall be governed in all respects by the laws of the State of California and any litigation with respect thereto shall be brought in the courts of this State in the County of Humboldt. The successful Proposer shall comply with all applicable federal, state, and local laws and regulations.

12. EVALUATION CRITERIA

An evaluation team comprised of county staff will review all proposals meeting the criteria of this solicitation. Criteria utilized in assessing the proposals received shall include, but not be limited to the following:

- a. **Completeness:** failure to provide information as required by the RFP will be noted and may result in the rejection of the proposal. However, non-material deviations may be waived if considered in the best interest of the County.
- b. **Contractor Qualifications:** The ability of the Proposer to successfully complete the contract as required. Consideration for acceptance will be given to the following factors:
 - i. **Experience.** Preference will be given to Proposers with two or more years of administrative experience and working with an appointed board. 30%
 - ii. **Organizational Strengths:** Preference will be given to Proposers capable of complying with every aspect of the Scope of Services. 20%
 - iii. **Ability to manage the proposed program.** Preference will be given to Proposers currently providing board management and administrative services. 20%
 - iv. **Price.** 30%

13. SELECTION PROCESS

Following the evaluation of the submitted proposals a recommendation will be made to the County Administrative Office. County staff will notify each Proposer of the acceptance or rejection of their proposal. Final contract will be subject to approval by the Board of Supervisors.

Conflict resolution shall be handled by county staff upon receiving a written statement from the Proposer about the procurement process. The county reserves the right to award a contract or contracts to Proposer that presents a proposal which, in the sole judgment of the county, serves the best interest of the county.

The county reserves the right to reject any and all proposals, to waive minor irregularities in said proposals, or to negotiate minor deviations with the successful Proposer.

14. CONFLICT OF INTEREST

Proposer warrants and covenants that no official or employee of the county, nor any business entity in which an official of the county has an interest, has been employed or retained to solicit or assist in the procuring of the resulting contract, nor any such person will be employed in the performance of such contract without immediate divulgence of such fact to the county.

15. CONTRACT

If a proposal is accepted, the successful Proposer will be required to sign a contract. A sample Services Agreement setting forth the general terms and conditions is attached (Attachment C). Any executed contract will be substantially similar.

16. PERIOD OF AWARD

The expected period of award is for three years with the option to extend the award for two additional one-year periods.

17. INSURANCE REQUIREMENTS:

The successful Proposer will be required to satisfy the insurance requirements, as set forth in the attached sample contract. The Proposer shall furnish the county with certificates and original endorsements affecting the required insurance coverage prior to execution of a contract by the county. In addition, the county may require additional insurance requirements dependent upon Proposer's proposed services.

18. OWNERSHIP AND CONTROL:

The successful Proposer will be required to provide information on its ownership and control as provided in 42 Code of Federal Regulations sections 455.101 and 455.104.

19. ASSIGNMENT:

Any contract resulting from this proposal and any amendments or supplants thereto shall not be assignable by the successful Proposer.

20. RESERVATION OF RIGHTS:

Humboldt County reserves the right to:

- a. Cancel this RFP
- b. Amend this RFP
- c. Extend the deadline for submitting proposals
- d. Waive minor irregularities or failures to conform to the RFP

19. NEGOTIATIONS:

The county reserves the right to negotiate prior to contract execution with any Proposer. Items that may be negotiable include, but are not limited to, types and scope of services and activities, administration and program structure, and performance criteria. Negotiable items must be consistent with the original proposal submitted, including proposed costs. Proposers may not change the terms of their proposal after bid opening.

20. **INQUIRY:**

Direct all questions regarding HEADWATERSFUNDRFP2016 to:

County of Humboldt
Attn: County Administrative Office
825 5th Street
Eureka, CA 95501

All questions must be in written form. All questions and responses will be publicly posted. Questions must be received by **Month XX, 2016**. The written questions and written responses will be posted by **Month XX, 2016** on the county website.

21. **ATTACHMENTS:**

- A. RFP Cover Page Signature Affidavit
- B. The Headwaters Fund Charter
- C. Sample Services Agreement
- D. The Headwaters Fund, Community Investment Fund Manual
- E. The Headwaters Fund , Grant Fund Manual
- F. The Headwaters Fund, Fund Lender Manual
- G. The Headwaters Fund, Board Manual

ATTACHMENT A:

RFP Cover Page Signature Affidavit

**RFP COVER PAGE
SIGNATURE AFFIDAVIT**

NAME OF FIRM:	
STREET ADDRESS:	
CITY, STATE, ZIP	
CONTACT PERSON:	
PHONE #:	
FAX #:	
EMAIL:	

Government Code Section 6250 *et. seq.*, the "Public Records Act", define a public record as any writing containing information relating to the conduct of public business. The Public Records Act provides that public records shall be disclosed upon written request, and that any citizen has a right to inspect any public record, unless the document is exempted from disclosure.

In signing this proposal, I certify that this firm has not, either directly or indirectly, entered into any agreement or participated in any collusion or otherwise taken any action in restraint of free competition; that no attempt has been made to induce any other person or firm to submit or not to submit a proposal; that this proposal has been independently arrived at without collusion with any other proposer, competitor or potential competitor; that this proposal has not been knowingly disclosed prior to the opening of proposals to any other proposer or competitor; that the above statement is accurate under penalty of perjury.

The undersigned is an authorized representative of the above named firm and hereby agrees to all the terms, conditions, and specifications required by the County in this Invitation to Bid and declares that the attached proposal and pricing are in conformity therewith.

Signature

Title

Name (type or print)

Date

This firm hereby acknowledges receipt / review of the following addendum(s) (If any)
 Addendum # Addendum # Addendum # Addendum #

ATTACHMENT B:

The Headwaters Fund Charter

The Headwaters Fund

Charter

December 2, 2002

1. Name and Purpose
 - a) Name: The Headwaters Fund (HWF)
 - b) Purpose
 - i) To use the values, principles and strategies of the County's Comprehensive Economic Development Strategy, currently known as Prosperity! The North Coast Strategy to:
 - a) Support the growth of base industry clusters and increase the number of sustainable jobs that pay near or above the median income;
 - b) Enhance the quality of life through social and environmental projects that promote healthy communities and protect and enhance the natural environment.
 - ii) To manage the HWF to:
 - a) Attract and leverage additional capital and grants in the local economy;
 - b) Keep the funds working in the community in perpetuity
 - c) Reflect community priorities and create maximum public benefit over the long-term;
 - d) Make the decision process objective, non-political and easy for the public to participate in and understand;
 - e) Manage the funds efficiently and cost effectively;
 - f) Track and publicize the economic, social and environmental gains.
 - c) The management objective is to maximize the amount of money working within the community providing desired benefits while preserving the Headwaters Fund principal.

2. Fund Structure and Activities
 - a) Investments in the community will be made in three categories:
 - i) Revolving Loan Fund
 - a) Investments in businesses and non-profit organizations will be made through the Revolving Loan Fund administered by qualified financial institutions working under Board of Supervisor approved contracts.
 - b) Potential financing investments include debt, near-equity, and equity financing to businesses and non-profit organizations.
 - c) Financing will provide capital to a wide range of businesses to fill gaps in the market for available financing, while still maintaining good banking practices.
 - ii) Community Investment Fund
 - a) The Community Investment Fund is a grant and loan program intended for community endowments, revolving loan programs and infrastructure projects that will result in permanent, tangible benefits to the community. Eligible

- endowments and revolving loan fund projects must demonstrate the ability to operate sustainable programs with the funds provided from the Community Investment Fund.
- b) The Fund is administered by the Headwaters Fund Board, with the Board of Supervisors having final authority.
 - c) Government jurisdictions and non-profit organizations are eligible for funds.
 - d) Endowments and revolving loan fund projects must obtain a minimum of 50% of the funding required from other sources. Infrastructure projects must obtain a minimum of 75% of outside funding and demonstrate the value of the project to the growth of base industry clusters. Exceptions to match requirements are possible as detailed in the Community Investment Fund Manual.
- iii) Grant Fund
 - a) The Grant Fund provides grants for community projects. Non-profit organizations and government jurisdictions are eligible to apply for funding.
 - b) The Grant Fund is administered by the Headwaters Fund Board, with the Board of Supervisors having final authority.
 - c) Government jurisdictions and non-profit organizations are eligible to apply for funds.
 - b) Headwaters Liquidity Fund
 - i) The Humboldt County Treasurer's Investment Pool acts as bank for the funds that are not committed to financing investments or grants in the Revolving Loan Fund, Community Investment Fund, and Grant Fund. Funds in this "Headwaters Liquidity Fund" are invested by the Treasurer/Tax Collector for safety, liquidity, and yield.
 - c) Distinction between Headwaters Funds and County Funds
 - i) Timber Yield Tax Payments: As stipulated by the Board of Supervisors, a one-time lump sum of \$4,013,243 will be deducted from the Headwaters Fund and deposited in a separate Treasurer/Tax Collector administered interest bearing trust account entitled "Headwaters Sale Timber Yield Tax Loss." This lump sum is based on an estimate of the reduction of Timber Yield Tax Payments to the County General Fund resulting from the sale and preservation of the Headwaters Forest. The lump sum equates to an annual series of payments in the amount of \$308,711 per year for a 13 year period. These funds are unrestricted and may be used for general purpose County expenditures at the discretion of the Board of Supervisors.
 - ii) County Economic Development Division Payments: As stipulated by the Board of Supervisors, a one-time lump sum of \$1,800,000

will be deducted from the Headwaters Fund and deposited in a separate Treasurer/Tax Collector administered interest bearing trust account entitled "Headwaters Sale Economic Division Administrative Fund." This lump sum is equivalent to an estimate of the annual administrative costs required by the County's economic development program. The lump sum equates to an annual series of payments in the amount of \$90,000 per year for a 20 year period. These funds are restricted to the County's economic development program. The Board of Supervisors approves expenditures from this fund through standard County budgeting procedures.

iii) Other than the two preceding exceptions, Headwaters Funds are segregated from the General Fund and budget of the County. The funds are irrevocably committed to the Headwaters Fund and cannot be used for financing on-going government operations. The funds are considered "un-available" to the County for general purpose spending or working capital, even during times of fiscal emergencies.

d) Variances to guidelines for the Revolving Loan Fund, Community Investment Fund, and Grant Fund can be granted for specific projects under select circumstances where it can be shown that the variance will further the ultimate goals of the Fund. To qualify for a funding criteria variance, a project must provide extraordinary benefits in line with the appropriate ranking criteria. Funding variance applications must fit under the "Exceptional Project Criteria" in the Community Investment Fund manual and shall be approved by the Board of Supervisors by a four-fifths super-majority vote. However, variances cannot include any use of Headwaters Fund monies for general County purposes.

3. Control and Oversight

a) Within the scope of powers outlined in this document, the Board of Supervisors has final authority on use of Headwaters Funds. A Headwaters Fund Board, County Economic Development Division staff and the Treasurer/Tax Collector implement the program. Applications for funding from local businesses, community groups and governmental organizations are brought to the Headwaters Fund Board or qualified financial institutions.

b) **The Board of Supervisors** has the final authority and accountability for the use of the funds, within the scope of powers outlined in this document. They appoint members to the Headwaters Fund Board and oversee County staff support. They review and approve Headwaters Fund Board funding recommendations. The Board also provides oversight of the process focusing on the following issues:

- i) Adherence to the Headwaters Fund Charter;
- ii) Review and approval of policies and annual budgets;
- iii) Public involvement and reporting;

- iv) Objective implementation of the grant approval process;
 - v) Approval of Grant and Community Investment Fund projects recommended by Headwaters Fund Board and staff;
 - vi) Proper financial management of the Liquidity Fund, Revolving Loan Funds, Community Investment Funds, and Grant Funds;
 - vii) Periodic updates and revisions to the Charter.
- c) **The Headwaters Fund Board (HFB)** consists of seven members of the community appointed by the Board of Supervisors. The role of the HFB is the following:
- i) Reviews and recommends to the Board of Supervisors the Grant and Community Investment Fund projects for funding according to Headwaters Fund guidelines;
 - ii) Recommends to the Board of Supervisors the annual budgets for loans, investments, grants and administration;
 - iii) Recommends to the Board of Supervisors the Headwaters Fund policies and funding criteria;
 - iv) Reviews portfolio management strategy in accordance with Charter goals;
 - v) Recommends to the Board of Supervisors updates, revisions and variances to the Headwaters Fund Charter;
 - vi) Issues annual Community Benefits Report on the overall Headwaters Fund portfolio. The Community Benefits Report will summarize chosen projects of the Headwaters Fund and their benefits to the community. The report will include a financial summary of fund balances, expenditures, and revenues and a profile of significant community outreach, public participation and application processing activities.
 - vii) The HFB will be provided with staff support and an annual budget for technical or financial consulting to assist in application analysis and review.
- d) **Treasurer/Tax Collector** manages the Headwaters Liquidity Fund. This fund contains the primary principal. Disbursements are made from this fund to the Revolving Loan Fund, Community Investment Fund and Grant Fund as funding applications are approved. The Treasurer/Tax Collector must abide by public investment and Headwaters Fund guidelines and periodically report financial activity.
- e) **Headwaters Fund Staff** consists of the Director of Community Development Services and staff of the Economic Development Division. The role of the staff is the following:
- i) Implementation of the Headwaters Fund program from development and administration of systems, to program evaluation and reporting;
 - ii) Assists the public in preparing Grant and Community Investment Fund applications;
 - iii) Screens Grant and Community Investment Fund project applications;

- iv) Monitors loan portfolio and financial institution performance;
 - v) Collects and compiles data on investment impacts and prepares annual draft of Community Benefits Report;
 - vi) Works jointly with Treasurer/Tax Collector on financial management and reporting;
 - vii) Maintains budgets, accounting and bookkeeping systems with the County Auditor and Controller;
 - viii) Provides public information, maintains program manuals and records, and provides legal support to HFB;
 - ix) Provides administrative support to HFB and Board of Supervisors.
 - x) Legal support is provided by the County Counsel assigned to Community Development Services. Staff will be ultimately responsible to the Board of Supervisors for meeting Headwaters Fund expectations.
- f) **Qualified Financial Institutions** package, underwrite, and service financing made through the Headwaters Revolving Loan Fund. A financial institution applies to the Headwaters Fund staff and HFB to become a qualified financial institution; the Board of Supervisors approves financial institution contracts for access to Headwaters Revolving Loan Funds. Loan products, terms, audit provision and reporting are specified by contract. Contract terms must be consistent with the Board of Supervisors adopted Revolving Loan Fund Administration Manual.
- i) Revolving Loan Fund applicants apply directly to these financial institutions for funding. The financial institutions evaluate and approve the financing according to their criteria, the Headwaters Fund criteria, and the specific covenants of their contracts with the County.
- g) **Local Businesses, Community Groups and Governments** prepare loan and grant applications consistent with Headwaters Fund criteria and implement Headwaters Fund projects under contract with qualified financial institutions or the County.
4. **Program Rules**
- a) The operations of the Headwaters Fund shall be governed by this Charter and the following Program Manuals:
 - i) Headwaters Fund Board Manual;
 - ii) Headwaters Revolving Loan Fund Manual;
 - iii) Headwaters Grant Fund Manual;
 - iv) Headwaters Community Investment Fund Manual;
 - v) Other manuals as needed.
 - b) The Board of Supervisors shall adopt the Charter by ordinance. The Program Manuals shall be adopted by resolution.
5. **Revisions and Amendments**
- a) Sections 1 and 2 of this document (Name & Purpose, Fund Structure and

Activities), can only be changed by Humboldt County voter approval in a simple majority referendum.

- b) Changes in any other section of this document must be approved by the Board of Supervisors with a four-fifths vote. Under no circumstances, except those specifically outlined in section 2C of this document, will Headwaters Fund monies be accessible for general purpose County spending. The Charter shall be subject to a comprehensive review after the first full year of operation and once every three years thereafter.
- c) Major modifications of the Program Manuals must also be approved by the Board of Supervisors by a majority vote. Minor modifications of the Program Manuals involving technical updates, correction of errors and editorial content or format can be completed by staff and approved by the Headwaters Fund Board. The Program Manuals shall be subject to a comprehensive review after the first full year of operation and once every three years thereafter.
- d) The comprehensive reviews of the Charter and Program Manuals will include an evaluation of the Fund's effectiveness and recommendations for revisions or amendments. The public and participants in Fund activities will be given an opportunity to provide comment and participate in the drafting of the review. The review will be prepared by staff and incorporated in the annual Community Benefits Report. The report will be reviewed and approved by the Headwaters Fund Board and forwarded, with recommendations, to the Board of Supervisors.

ATTACHMENT C:

Sample Services Agreement

SERVICES AGREEMENT
BY AND BETWEEN
THE COUNTY OF HUMBOLDT
AND
(CONTRACTOR'S NAME)

This agreement by and between the County of Humboldt, hereinafter referred to as "COUNTY" and (Contractor's name), (Type of Contractor's business) herein after referred to as "CONTRACTOR. (collectively, "the Parties") is made upon the following considerations:

WHEREAS, the COUNTY, through the Board of Supervisors, desires administrative services to be provided by an Executive Director for the COUNTY'S Headwaters Fund who will report directly to the County Administrative Officer or her designee; and

WHEREAS, COUNTY conducted an open competition and procurement process, utilizing a Request for Proposal, to identify and select a qualified candidate, and (Contractor's name) is qualified and available to do the scope of work within the timeframe specified; and

WHEREAS, CONTRACTOR has represented that it is qualified to perform such services.

NOW THEREFORE, THE PARTIES AGREE TO THE FOLLOWING:

- I. DESCRIPTION OF SERVICES: CONTRACTOR agrees that he/she has the ability to furnish the services described in Exhibit A, Scope of Services, consisting of two (2) pages.
- II. TERM: The term of this Agreement begins upon execution by both parties and ends on June 30, 2019, unless sooner if terminated as provided herein. COUNTY has the option to extend this Agreement upon the same terms and conditions for two (2) additional one (1) year term. The option may be exercised by COUNTY giving CONTRACTOR written notice of its intent to extend the Agreement. The notice shall be in writing and shall be given to CONTRACTOR sixty (60) days prior to end of the term of the Agreement.
- III. TERMINATION:
 - A. Breach of Contract: COUNTY may immediately suspend or terminate this Agreement in whole or in part, where in its sole discretion, the determination is made that there is:
 1. An illegal or improper use of funds;
 2. A failure to comply with any term of this Agreement;
 3. A substantially incorrect or incomplete report submitted; or
 4. Improperly performed services.
 - B. Without Cause – This Agreement may be terminated by either party without cause. Termination shall require thirty (30) days advance written notice of such intent to terminate. The notice shall state the effective date of the termination.

- C. Compensation – In the event of any termination of this Agreement, CONTRACTOR shall be entitled to compensation for uncompensated services rendered under this Agreement through and including the effective date of such termination provided that this provision shall in no way limit or reduce damages owing COUNTY resulting from a breach of this Agreement by CONTRACTOR.
- IV. COMPENSATION: The CONTRACTOR shall for the specific scope of services described in Attachment A. CONTRACTOR agrees to perform all services required by this Agreement for an amount not to exceed \$(enter approved dollar amount here).
- V. PAYMENT: CONTRACTOR shall submit an itemized invoice monthly to COUNTY itemizing all work completed. Invoice shall be in a format approved by and shall include backup documentation as specified by COUNTY. CONTRACTOR shall submit final invoice for payment no more than thirty (30) calendar days following the expiration or termination date of this agreement. Payment for work performed will be made with thirty (30) days after receipt of invoice.
- VI. NOTICES: Any and all notice(s) required to be given pursuant to the terms of this Agreement shall be in writing and either served personally or sent by certified mail, return receipt requested, to the respective addresses set forth below. Notices shall be effective upon receipt or refusal on the receipt obtained pursuant to the foregoing.

COUNTY:

County of Humboldt
 Attn: County Administrative Office
 825 Fifth Street
 Eureka, CA 95501

CONTRACTOR:

Contractor Name
 Contractor Address
 City, State

- VII. RECORDS: CONTRACTOR agrees to provide COUNTY with any reports which may be required by this Agreement within the timeframe established by COUNTY.
- VIII. RECORDS AND AUDITS:
 - A. CONTRACTOR agrees to timely prepare accurate and complete financial and performance records, and to maintain and preserve said records for at least five (5) years from the date of final payment under this Agreement, except that if any litigation, claim, negotiation, audit or other action is pending, the records shall be retained until completion and resolution of all issues arising therefrom. The books and records shall be original entry books with a general ledger itemizing all debits and credits for the work performed. In addition, CONTRACTOR shall maintain detailed payroll records.
 - B. All records referenced by this section shall be made available during normal business hours to inspection, audit and reproduction by any duly authorized agents of the State

or COUNTY. CONTRACTOR agrees to allow interviews of any of its employees who might reasonably have information related to such records.

- C. In the event of an audit exceptions or exceptions, the party responsible for not meeting the program requirement(s) shall be responsible for the deficiency and for the cost of the audit. If the allowable expenditures cannot be determined because CONTRACTOR'S documentation is nonexistent or inadequate, according to generally accepted accounting practices, the questionable cost shall be disallowed by COUNTY.
- IX. MONITORING: CONTRACTOR agrees that COUNTY has the right to monitor CONTRACTOR'S activities related to this Agreement, including the right to review and monitor records, program and procedures related to this Agreement, at any time, as well as the overall operation of CONTRACTOR'S programs in order to ensure the compliance with the terms and conditions of this Agreement.
- X. NUCLEAR FREE CLAUSE: CONTRACTOR certifies by its signature below that CONTRACTOR is not knowingly or intentionally engaged in the research, development, production, or testing of nuclear warheads, nuclear weapons systems, or nuclear weapons components as defined by the Nuclear Free Humboldt County Ordinance. CONTRACTOR agrees to notify COUNTY immediately if it becomes a nuclear weapons contractor, as defined above. COUNTY may immediately terminate this Agreement if it determines that the forgoing certification is false or if CONTRACTOR becomes a nuclear weapons contractor.
- XI. NON-DISCRIMINATION CLAUSE COMPLIANCE (EMPLOYMENT): In connection with the execution of this Agreement, CONTRACTOR shall not discriminate against any employee or applicant for employment because of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, marital status, political affiliation, sex, age or sexual orientation. This policy does not require the employment of unqualified persons.
- XII. NON-DISCRIMINATION CLAUSE COMPLIANCE (DELIVERY OF SERVICES): CONTRACTOR shall not discriminate in the provision of service because of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, marital status, political affiliation, sex, age or sexual orientation.
- CONTRACTOR further assures that it will abide by provisions of Title VI and Title VII of the Civil Rights Act of 1974, Section 504 of the Rehabilitation Act of 1973, as amended, the Age Discrimination Act of 1975, and other applicable federal and state laws to ensure that employment practices and the delivery of services are non-discriminatory. Under this requirement, CONTRACTOR shall not discriminate on the basis of race, color, national origin, political affiliation, religion, marital status, sex, age or handicap.
- XIII. DRUG-FREE WORKPLACE: By signing this agreement, CONTRACTOR hereby certifies that CONTRACTOR will comply with the requirements of the Drug-Free Workplace Act of 1990. (Government Code Section 8350et seq.) and will provide a drug-free workplace by doing all of the following:

- A. Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited and specifying actions to be taken against employees for violations, as required by Government Code Section 8355(a).
- B. Establish a Drug-Free Awareness Program, as required by Government Code Section 8355(b), to inform employees about all of the following:
 - 1. The dangers of drug abuse in the workplace;
 - 2. CONTRACTOR'S policy of maintaining a drug-free workplace;
 - 3. Any available counseling, rehabilitation and employee assistance programs; and
 - 4. Penalties that may be imposed upon employees for drug abuse violations.
- C. Provide as required by Government Code Section 8355(c) that every employee who works on this Agreement:
 - 1. Will received a copy of CONTRACTOR'S drug-free policy statement; and
 - 2. Will agree to abide by the terms of CONTRACTOR'S statement as a condition of employment on the Agreement.

Failure to comply with these requirements may result in suspension of payments under the Agreement or termination of the Agreement or both and CONTRACTOR may be ineligible for award of future state contracts if the COUNTY determines that any of the following has occurred: (1) CONTRACTOR has made a false certification or (2) violates the certification by failing to carry out the requirements as noted above.

XIV. HOLD HARMLESS/INDEMNIFICATION:

- A. CONTRACTOR will indemnify, hold harmless and assume the defense of, the COUNTY, its officers, employees, agents and elective and appointive boards from all claims, losses, damages, including property damages, personal injury, death, and liability of every kind, directly or indirectly arising from CONTRACTOR'S operation or from any person directly or indirectly arising from CONTRACTOR'S operation or from any persons directly or indirectly employed by, or acting as agent for, CONTRACTOR, excepting the sole negligence or willful misconduct of the COUNTY. This indemnification shall extend to claims, losses, damages, injury and liability for injuries occurring after completion of CONTRACTOR'S services, as well as during the progress of rendering such services.
- B. Acceptance of insurance required by this Agreement does not relieve CONTRACTOR from liability under this indemnification clause. This indemnification clause shall apply to all damages or claims for damages suffered by CONTRACTOR'S operations regardless if any insurance are applicable or not.

XV. INSURANCE:

- A. THIS CONTRACT SHALL NOT BE EXECUTED BY COUNTY and the CONTRACTOR is not entitled to any rights, unless certificates of insurances, or other sufficient proof that the following provisions have been complied with, and such certificate(s) are filed with the Clerk of the Humboldt County Board of Supervisors.
- B. Without limiting CONTRACTOR'S indemnification obligations provided for herein, CONTRACTOR shall and shall require any of its subcontractors to take out and maintain, throughout the period of this Agreement and any extended term thereof, the following policies of insurance placed with insurers authorized to do business in California and with a current A.M. Bests rating of no less than A:VII or its equivalent

against injury/death to persons or damage to property which may arise from or in connection with the activities hereunder of CONTRACTOR, its agents, officers, directors employees, licensees, invitees, assignees or subcontractors:

1. Comprehensive or Commercial General Liability Insurance at least as broad as Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001), in an amount of \$1,000,000 per occurrence for any one incident, including, personal injury, death and property damage. If a general aggregate limit is used, either the general aggregate limit shall apply separately to this project or the general aggregate shall be twice the required occurrence limit.
2. Automobile/Motor liability Insurance with a limit of liability of not less than one million dollars (\$1,000,000) combined single limit coverage. Such insurance shall include coverage of all "owned", "hired", and "non-owned" vehicles or coverage for "any auto".
3. Workers Compensation and Employers Liability Insurance providing workers' compensation benefits as required by the Labor Code of the State of California. Said policy shall contain or be endorsed to contain a waiver of subrogation against COUNTY, its officers, agents, and employees. In all cases, the above insurance shall include Employers Liability coverage with limits of not less than one million dollars per accident for bodily injury and disease.
4. Insurance Notices:

County of Humboldt
Attn: Risk Management
825 5th Street, Room 131
Eureka, CA 95501

C. Special Insurance Requirements. Said policies shall unless otherwise specified herein be endorsed with, the following provisions:

1. The Comprehensive General Liability Policy shall provide that the COUNTY, its officers, officials, employees and volunteers, are covered as additional insured for liability arising out of the operations performed by or on behalf of CONTRACTOR. The coverage shall contain no special limitations on the scope of protection afforded to the COUNTY, its officers, officials; employees, and volunteers. Said policy shall also contain a provision stating that such coverage:
 - a. Includes contractual liability.
 - b. Does not contain exclusions as to loss or damage to property caused by explosion or resulting from collapse of buildings or structures or damage to property underground, commonly referred to "XCU Hazards".
 - c. Is primary insurance as regards to County of Humboldt.
 - d. Does not contain a pro-rata, excess only, and/or escape clause.
 - e. Contains a cross liability, severability of interest or separation of insured's clause.
2. The policies shall not be canceled, non-renewed or materially reduced in coverage without thirty (30) days prior written notice being provided to COUNTY

and in accordance with the notice provisions set forth under Section 13. It is further understood that CONTRACTOR shall not terminate such coverage until it provides COUNTY with proof satisfactory to COUNTY that equal or better insurance has been secured and is in place.

3. The inclusion of more than one insured shall not operate to impair the rights of one insured against another insured, and the coverage afforded shall apply as though separate policies had been issued to each insured, but the inclusion of more than one insured shall not operate to increase the limits of the insurer's liability.
4. For claims related to this project, the CONTRACTOR'S insurance is primary coverage to the COUNTY, and any insurance or self-insurance programs maintained by the COUNTY are excess to CONTRACTOR'S insurance and will not be called upon to contribute with it.
5. Any failure to comply with reporting or other provisions of the parties, including breach of warranties, shall not affect coverage provided to COUNTY, its officers, officials, employees, and volunteers.
6. CONTRACTOR shall furnish COUNTY with certificates and original endorsements effecting the required coverage prior to execution of this Agreement by COUNTY. The endorsements shall be on forms as approved by the COUNTY'S Risk Manager or COUNTY Counsel. Any deductible or self-insured retention over \$100,000 shall be disclosed to and approved by COUNTY. If CONTRACTOR does not keep all required policies in full force and effect, COUNTY may, in addition to other remedies under this Agreement, take out the necessary insurance, and CONTRACTOR agrees to pay the cost of said insurance. COUNTY is also hereby authorized with the discretion to deduct the cost thereof from the monies owed to CONTRACTOR under this Contract.
7. COUNTY is to be notified immediately if twenty-five percent (25%) or more of any required insurance aggregate limit is encumbered and CONTRACTOR shall be required to purchase additional coverage to meet the aggregate limits set forth above.

XVI. RELATIONSHIP OF PARTIES: It is understood that this is an Agreement by and between two independent contractors and is not intended to, and shall not be construed to, create the relationship of agents, servant, employee, partnership, joint venture, or any other similar association. Both parties further agree that CONTRACTOR shall not be entitled to any benefits to which COUNTY employees are entitled, including but not limited to overtime, retirement benefits, worker's compensation and injury leave or any other leave benefits.

XVII. COMPLIANCE WITH LAWS: CONTRACTOR agrees to comply with all applicable local, state and federal laws and regulations, including but not limited to the Americans with Disabilities Act.

XVIII. GENERAL PROVISIONS:

- A. In the event that any provision of this Agreement be declared or found to be illegal, unenforceable, ineffective or void by any court of law, then each party shall be relieved of any obligations arising in such provisions; the balance of this Agreement, if capable of performance, shall remain in full force and effect.
- B. CONTRACTOR shall not delegate its duties or assign its right hereunder, or both, either in whole or in part, without prior written consent of COUNTY. Any assignment by CONTRACTOR in violation of this provision shall be void, and shall be cause for immediate termination of the Agreement. The provision shall not be applicable to service agreements or contracts or similar arrangements usually or customarily enter into by CONTRACTOR to obtain or arrange for supplies, technical support or professional services.
- C. All provision of this Agreement shall be fully binding upon, and inure to the benefits of the parties and to each of their heirs, executors, administrators, successors and assigns.
- D. The waiver by either party of any breach or violation of any requirement of this Agreement shall not be deemed to be a waiver of any such breach in the future, or of the breach of any other requirement of this Agreement.
- E. This Agreement contains all the terms and conditions agreed upon by the parties hereto and no other agreements, oral or otherwise, regarding the subject matter of this Agreement shall be deemed to exist or to bind either of the parties hereto. In addition, this Agreement shall supersede in its entirety any and all prior agreements of the parties.

XIX. AMENDMENT: No addition to, or alteration of, the terms of this Agreement shall be valid unless made in writing and signed by the parties hereto.

XX. TITLE TO INFORMATION AND DOCUMENTS: It is understood that any and all documents, information, and reports concerning this project prepared by and/or submitted by CONTRACTOR shall become the property of COUNTY. CONTRACTOR may retain copies for its own records. In the event of termination of this Agreement, for any reason whatsoever, CONTRACTOR shall promptly turn over all information, writings and documents to COUNTY without exception or reservation.

XXI. JURISDICTION AND VENUE: This Agreement shall be construed in accordance with the laws of the State of California. Any dispute arising hereunder or relating to this Agreement shall be litigated in the State of California and venue shall lie in the County of Humboldt unless transferred by court order pursuant to Code of Civil Procedure §§394 and 395.

XXII. MEDIA RELEASE: All press releases and informational material related to this Agreement shall receive approval from COUNTY prior to being released to the media (television, radio, newspaper, Internet). In addition, CONTRACTOR shall inform COUNTY of requests for interviews by media related to this agreement prior to such interviews taking place. COUNTY reserves the right to have a representative present at such interviews.

XXIII. INFORMATION TECHNOLOGY ASSURANCES: CONTRACTOR shall take all reasonable

precautions to ensure that any hardware, software, and/or embedded chip devices used by CONTRACTOR in the performance of services under this Agreement, other than those owned by the COUNTY, shall be free from viruses. Nothing in this provision shall be construed to limit any rights or remedies otherwise available to COUNTY under this Agreement.

- XXIV. CONFIDENTIAL INFORMATION: In the performance of this Agreement, CONTRACTOR may receive confidential information. Said information may be confidential under the laws of California, and/or the laws of the United States. CONTRACTOR shall comply with all laws regarding confidentiality and shall advise and require all subcontractors to comply with the laws of confidentiality.
- XXV. SUBCONTRACTS: CONTRACTOR shall obtain prior written approval from COUNTY before subcontracting any of the services delivered under this Agreement. CONTRACTOR remains legally responsible for the performance of all contract terms including work performed by third parties under subcontracts. Any subcontract will be subject to all applicable provisions of this Agreement. CONTRACTOR shall be held responsible by COUNTY for the performance of any subcontractor whether approved by COUNTY or not.
- XXVI. INTERPRETATION: This Agreement shall be deemed to have been prepared equally by both parties, and the Agreement and its individual provisions shall not be construed or interpreted more favorably for one party on the basis that the other party prepared it.
- XXVII. FORCE MAJEURE: Neither the CONTRACTOR nor COUNTY shall be liable or responsible for delays or failures in performance resulting from events beyond the reasonable control of such party and without fault or negligence of such party. Such events shall include but not be limited to acts of God, strikes, lockouts, riots, acts of war, epidemics, act of government, fire, power failures, nuclear accidents, earthquakes, unusually severe weather, acts of terrorism, or other disasters, whether or not similar to the foregoing.
- XXVIII. AUTHORITY TO EXECUTE: Each person executing this Agreement represents and warrants that he or she is duly authorized and has legal authority to execute this agreement for or on behalf of the parties to this Agreement. Each party represents and warrants to the other that the execution and delivery of the Agreement and the performance of such party's obligations hereunder have been duly authorized.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date and year herein above written.

ATTEST:

COUNTY:

By: _____
Chair of the Board of Supervisors
County of Humboldt
State of California

By: _____
Clerk of the Board of Supervisors
County of Humboldt
State of California

APPROVED AS TO INSURANCE:

By: _____
Risk Manager

CONTRACTOR:

Name

Name

Title

Title

Two Signatures are required for Corporations:

1. Chairperson of the Board, President, or Vice President; and
2. Secretary, Assistant Secretary, Chief Financial Officer or Treasurer

EXHIBIT A
SCOPE OF SERVICES
FOR AGREEMENT WITH (CONTRACTOR)

CONTRACTOR shall provide the following services described below in a manner consistent with the terms and provisions of this Agreement.

1. The Executive Director reports to the County Administrative Officer or her designee and is responsible to meet the expectations for the Headwaters Fund set by the Board of Supervisors (BOS):
 - a. Schedule regular contacts/meetings with county counsel staff to address HWF issues/projects as needed
2. Implementation of the Headwaters Fund (HWF) program from development and administration of systems, to program evaluation and reporting including:
 - a. Work with a seven-member Headwaters Fund Board (HFB) appointed by the Board of Supervisors (BOS)
 - b. Prepare Headwaters Fund Annual Report to the BOS
 - c. Prepare agendas in accordance with Brown Act
 - d. Prepare staff recommendations to HFB as needed
 - e. Attend monthly HFB meetings
 - f. Meet with County Administrative Office (CAO) staff regularly to update projects and interests of the HWF
3. Assist the public in preparing Grant and Community Investment Fund applications:
 - a. Meets with agencies to evaluate potential project ideas, understand needs of business community, and network to help create solutions by connecting unlikely partnerships
 - b. Connect projects with agencies in the community eligible for Headwaters funding
4. Screen Grant and Community Investment Fund project applications:
 - a. Review interest letters, meets with agencies, communicates the HFB's interest in measurable economic development outcomes
 - b. Prepare staff recommendations for the HFB
 - c. Prepare BOS items to recommend action based on HFB request
5. Monitor loan portfolio and financial institution performance:
 - a. Coordinate Loan committee meetings with lenders
 - b. Review and approves monthly statements from lenders
 - c. Approve draws of loan proceeds
 - d. Assist and coordinate in default situations, as needed
6. Collect and compile data on investment impacts and prepare annual draft of Community Benefits Report:
 - a. Meet with local businesses, community groups and governmental organizations to account for measurable economic development and impacts needed for report preparation
7. Work jointly with Treasurer/Tax Collector on financial management and reporting:
 - a. Help monitor the HWF, and reviews interest rates, as needed

8. Work with Economic Development and other county staff to understand and to be able to communication details of the HWF financial records and assist in preparation of the fund's annual budget.
9. Provide public information, maintains program manuals and records, and coordinate legal support utilizing existing county attorneys to HFB:
 - a. Help HFB to act within boundaries of the manuals,
 - b. Draft grant contracts, lending agreements and program manuals in accordance with board action
 - c. Maintain website, Facebook account, attend Prosperity meetings and other Economic development events
 - d. Responsible for maintaining and updating the Headwaters Fund Manuals including:
 - i. Community Investment Fund Manual
 - ii. Grant Fund Manual
 - iii. Fund Lender Manual
 - iv. Board Manual
10. Provide administrative support to HFB and BOS:
 - a. Plan meetings, and brief members with background information, as needed
 - b. Give orientation to new members
 - c. Coordinate quarterly meetings between BOS chair and members of HFB

ATTACHMENT D:

The Headwaters Fund, Community Investment Fund



The Headwaters Fund

INVESTING IN OUR COMMUNITY

Community Investment Fund Manual

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1. Introduction and Summary

- a) This Manual governs the administration of the Headwaters Fund Community Investment Fund.
- b) Section 1 of this Manual outlines the Grant Program of this Fund, while Section 2 outlines the Loan Program of this Fund. Non-profits and governments may apply for funding. \$5 million has been allotted in total for the Grant and Loan Programs, and there is no annual minimum or maximum outlay. The Headwaters Fund Board will review relevant applications and recommend a slate of projects for Board of Supervisor approval.
- c) Section 3 of this Manual outlines the criteria for an “Extraordinary Project.” An Extraordinary Project would be an extraordinary, unique potential project that could draw funds from the entire Headwaters Fund.

2. Definitions

- a) “CIF” means the Community Investment Fund program.
- b) “HWF” means the Headwaters Fund program.
- c) “BOS” means the County of Humboldt Board of Supervisors.
- d) “HFB” means the Headwaters Fund Board.
- e) “Staff” means the staff of the County of Humboldt’s Economic Development Division administering the Headwaters Fund.
- f) “IT” means information technology systems.

3. Mission and Goals

- a) The mission of the CIF is to improve the economy of Humboldt County.
- b) Goals
 - i) Implement the principles and strategies outlined in the County’s Comprehensive Economic Development Strategy – currently called “Prosperity! The North Coast Strategy” – that will develop the community and economy of Humboldt County; and
 - ii) Increase inflows of external funding into the County by requiring outside funding sources to match CIF funding where possible.
- c) In support of its mission and goals, the CIF strives to seed programs/projects that revolve financially and/or provide ongoing services in the community.

4. Operating Budget

- a) The total amount allocated for CIF grants and loans is expected to be \$5 million; however, this amount can be revised by HFB and BOS according to community needs and assessments of the overall Headwaters Fund. If and when CIF has exhausted its \$5 million in funds, the CIF will cease operations unless extended by the BOS. There will be no annual minimum or maximum outlay; CIF will seek to fund projects best fitting the CIF selection criteria, and may fund no projects during a particular year if attractive projects are unavailable.
- b) Staff and HFB will recommend a marketing and operating budget to BOS.
- c) Interest income on CIF loans will be placed in the Headwaters Liquidity Fund. Loan fees on CIF loans will cover loan administration costs.

5. **Use of Consultants**
 - a) A consultant may be needed to review certain loan applications or otherwise assist in the operations of CIF. The budget for consultant expenses will be approved by the BOS.
6. **CIF Evaluation**
 - a) The Annual Community Benefits Report, issued to the public, will detail grants, loans, and the overall performance of the CIF. Staff will prepare the Report to be reviewed by HFB and the BOS.
 - b) CIF will undergo an audit annually.
7. **Revisions**
 - a) BOS reserves the right to make policy changes as needed.
 - b) Staff will make procedural and typographical changes as needed.

SECTION 1: GRANT PROGRAM

8. **Funding Priorities**
 - a) CIF will make grants for three types of projects as follows (specific selection criteria is outlined in "CIF Project Selection Criteria" which will be developed by HFB):
 - i) Sustainable revolving loan funds
 - a) Grants for loan funds will be evaluated primarily on their potential to have a significant, positive economic, social and/or environmental impact while being sustainable as a loan fund.
 - ii) Sustainable endowments (requires a minimum 50% match)
 - a) Grants to provide endowment funding for non-profit organizations will be evaluated on the financial/strategic need for an endowment, the effectiveness of the organization, and the economic, social and/or environmental value of the potential fund to Humboldt County. Funding will be prioritized for organizations that benefit Industry Clusters.
 - iii) Infrastructure benefiting Industry Clusters (requires a minimum 75% match)
 - a) Grants to create or improve infrastructure benefiting the County will be evaluated on the benefits to Industry Clusters.
9. **Grant Maximums and Minimums**
 - a) There is no annual minimum or maximum for total grantmaking. If no projects are deemed appropriate during a particular grant cycle, no grants will be made.
 - b) There is no minimum or maximum grant size per project.
10. **Organizational Eligibility for Funding**
 - a) Government jurisdictions and non-profit organizations in Humboldt County are eligible to apply. Organization may be located outside of the County if the Extraordinary Project criteria in section 37 are met.
 - b) Political lobbying groups, individuals, and businesses are ineligible to apply for any CIF funding.
11. **Costs Eligible for Funding and Funding Match**
 - a) All reasonable project costs are eligible for CIF funding, except the following:
 - i) Debt or recovery of expenses already incurred;

- ii) Supplanting of government funds (costs formerly covered by government may be included only if the government funding is no longer available); and
 - iii) In general, purchases of capital equipment or property that will be or become privately owned; however, small incentives, promotional items, and equipment purchases under \$1,000 for businesses and individuals are eligible.
- b) Matching Funds
- i) For revolving loan funds, matching funds are encouraged, but not required.
 - ii) For endowments, a minimum of 50% of the project costs must be provided by sources other than the Headwaters grant.
 - iii) For infrastructure projects, a minimum of 75% of the project costs must be provided by sources other than the Headwaters grant.
 - iv) Required documentation of funding match:
 - a) A copy of grant award letter/contract from other funder showing award amount, costs covered, budget, project description, and other information;
 - b) A copy of organization's approved budget documenting dedicated project funds;
 - c) If matching funds are not in-hand and HWF support will be used to garner outside funding, then applicant must provide a detailed fundraising/grantwriting plan, including a listing of potential funding sources, progress to date for each source, competitive position for each source, timeline, and commitments made. A letter committing HWF funds, contingent upon receiving other funding, will be provided by HFB. However funds will not be distributed prior to submission of proof of receipt of matching funds.
 - c) Grantees shall maintain records of all project costs that are claimed by the grantee as being covered by HWF and other funders. Such records are subject to audit and should be kept at least four years (see Section 23: Grant Closing).
 - d) If, following receipt of an award, a grantee determines that funding from other source(s) can no longer be used, HWF funding may be reduced, suspended or terminated. The grantee must contact HWF Staff immediately. Any HWF-approved adjustments to cash match commitments are made based on the grantee's rationale behind the requested adjustment and on a case-by-case basis.

12. Providing Information and Marketing to the Public

- a) Marketing
 - i) HWF Staff will work to publicize availability of funds to the community along with selection criteria and fund performance. Marketing should include advertising, website, marketing collateral, application and materials distribution, and potential applicant training.
- b) Information materials
 - i) HWF Staff will make the following information readily available (in print and/or online formats) to the public: CIF mission, contact information, funding priorities and limitations, number and average size of grants, percentage of proposals funded, application information, grantmaking criteria, and decision-making process.
 - ii) HWF Staff and HFB will produce the Community Benefits Annual Report: This public report will highlight CIF operations, finances, and performance. The

Report will also include a list of the previous year's grantees and award amounts.

13. Conflict of Interest Policy

- a) This Policy covers economic conflicts of interest (as defined in California Government Code 8100 et. seq.; and Humboldt County Ordinance) and other conflicts of interest. Any HFB Member or HWF Staff who has an interest in a contract or other transaction presented to HFB or a committee thereof for authorization, approval, or ratification shall make a prompt and full disclosure of his/her interest to HFB or committee prior to its acting on such contract or transaction. Such disclosure shall include any relevant and material facts known to such person about the contract or transaction and the nature of the potential conflict. Said person will recuse himself/herself from decision-making, voting, and using personal influence in the discussions with respect to such contract or transaction. Such person may be counted in determining whether a quorum is present for the Board meeting but may not be counted when the Board or a committee of the Board takes action on the transaction. The minutes of the meeting shall reflect the disclosure made, the vote thereon, the abstention from voting and participation, and whether a quorum was present.

14. Applications Processing – Overview

- a) Overview of application processing and selection: Applicants will submit a written application to the Headwaters Fund Coordinator who will conduct an initial screening. The Coordinator will deny applications that are outside stated funding priorities, conduct reviews on the remaining applications, and pass along these remaining applications to HFB for evaluation. HFB will review and assemble a slate of applications recommended for BOS approval. BOS will vote to approve the entire slate or deny individual projects within the slate.

15. Applications Processing – Details

- a) Applicants will submit a written application to the Headwaters Fund Coordinator.
- b) Applications deadlines will be semiannual according to the schedule recommended by HFB.
- c) Under exceptional circumstances, an interim application will be accepted by Staff if applicant provides evidence that waiting until the next grant cycle will result in an irretrievably lost opportunity. If sufficient evidence is presented, Staff will pass along such interim applications to HFB. HFB will review these applications if it determines that an irretrievably lost opportunity exists.
- d) Initial screening: HWF Staff will conduct an initial screening of an application and categorize it as “outside of stated funding priorities,” “meriting further review,” or “incomplete”.
 - i) Applications outside of stated funding priorities: These applications will be declined promptly in a letter.
 - ii) Applications meriting further review: HWF Staff will send an acknowledgment notification to the applicant stating that the application is under review and providing a general time frame for the process.
 - iii) Incomplete applications will not be accepted. A letter from Staff will be sent returning the incomplete application and specifying the missing items.
- e) Pre-grant review by Staff

- i) Staff will review applications meriting further review. Staff will present HFB with applications that have a reasonable chance of approval according to Selection Criteria. The review may include the following:
 - a) Assessment of managerial competence and fiscal accountability;
 - b) Need and impact analysis (especially for infrastructure projects);
 - c) Review of proposal and budget for internal consistency and compliance with HWF policies (e.g. cash match);
 - d) Review of previous grants performance of applicant organization;
 - e) Cross-grant comparison/analysis of proposal and organization;
 - f) Evaluation of outside reviews of proposed project (if available).
- ii) Docket preparation for HFB review
 - a) A docket will summarize key information about an application for HFB review.

16. Selection of Grants

- a) Selection criteria
 - i) As outlined in the “Project Selection Criteria” document to be created by HFB, selection criteria will be recommended by HFB to BOS. Selection Criteria will be a numerical ranking of projects, with reasons for ranking where possible.
- b) HFB selection process
 - i) HWF Staff will present dockets of applications meriting further review to HFB. Each HFB Member will use the selection criteria to rank each application and list reasons for rankings.
 - ii) HFB will employ a structured decision making process (see “Headwaters Fund Board Decision Making” to be created by Staff and HFB).
 - iii) HFB will recommend a slate of grants to be funded for Board of Supervisor approval. HFB decisions on grants cannot be appealed by applicants.
- c) Board of Supervisor approval of slate
 - i) The BOS will use a majority vote to approve the entire slate presented by the HFB. BOS may not add projects to the slate being approved, but may recommend additional review of individual projects. Upon majority vote, Supervisors may pull one or more projects from the slate and approve the remaining slate of projects. Supervisors would refer pulled projects back to the HFB and Staff with questions and comments. Staff and HFB would respond to BOS comments on any pulled projects. After BOS receives this response, BOS would approve or deny individually pulled projects according to a majority vote. BOS decisions on grants cannot be appealed by applicants.

17. Rejection of Grant Applications

- a) Staff will send a notification letter to applicants rejected by Staff or HFB. The letter will list general reasons for rejection when it will help the applicant in a future application to HWF.

18. Appeals of Grant Applications Denied by Staff

- i) Only applications deemed ‘outside of stated funding priorities’ and rejected by the Headwaters Coordinator, without HFB review, may be appealed. The appeal will be for inclusion in the next grant review cycle by HFB.
- ii) The appeals process is as follows:

- a) Within 30 days of the decline notice date, the applicant must submit a Request for Appeal and a check for \$250 to cover appeal processing and administrative costs;
- b) Within 30 days of receiving the Request for Appeal, Staff will respond with reasons the application was rejected and information required, or other necessary conditions, for the application to be reviewed by HFB;
- c) Within 30 days of receiving the Staff's response, the applicant will submit an Appeal Summary to address all issues listed by Staff. The original application and the Appeal Summary will then be submitted to HFB at the next regularly scheduled grant review meeting.

19. Grant Notification and Contract

- a) A letter will be sent to grantees selected for funding to notify them of approval. Among other things, the letter will specify reporting requirements and funds disbursement terms.
- b) A contract between the grantee and the County will need to be signed. An appropriate signatory on behalf of the grantee would be the Board Chair, President, authorized executive officer, or other comparable person. The contract will detail terms of the agreement, the purpose of the grant, the scope of work, amount of award, duration, payment schedule, and reporting requirements.
- c) The contract must be executed within 6 months of the grant award. The grantee may request an extension in writing for extenuating circumstances. If the extension requested is for more than a year from the award date, the extension requires HFB approval.

20. Grant Payment

- a) For each award, HWF Staff will determine a payment schedule with advice from the HFB. Payment options are outlined below:
 - i) Payment in lump-sum upon signing of contract;
 - ii) Payment in installments (by schedule or milestone reached) and contingent on receipt of grantee reports; or
 - iii) Payment on a re-imbusement basis, with full reporting and accounting by grantee.
- b) 10% of grantee award will be held by HWF, pending receipt of appropriate final deliverable documents from the grantee.

21. Grant Reporting, Monitoring, and Evaluation

- a) Monitoring refers to compliance with contract commitments and fund uses, while evaluation refers to measuring the extent to which the grantee met the objectives outlined in the grant application. The goal of grant monitoring is to ensure grantee work complies with HWF requirements.
- b) Grantee reporting requirements
 - i) Grantee is required to submit quarterly monitoring reports that include:
 - a) Documentation of activities contracted and completed with grant funds;
 - b) Financial accounting of use of grant funds. Grant funds should be tracked separately. Receipts documenting purchases may be requested;
 - c) Sub-contracts signed and/or completed;
 - d) Narrative of accomplishments to date and schedule of activities and expected completion date;
 - e) Progress on meeting match requirements (e.g. fundraising activity report), if appropriate; and

- f) Requests for revisions of timeline, budget, etc.
- c) Grant evaluation
 - i) HFB may choose to evaluate individual or groups of projects.
 - ii) Grantees may be required to include an evaluation and an evaluation budget in their project plans and budget.
 - iii) HWF staff and HFB, or its authorized representatives, has the right to make site visits to review project accomplishments, grantee management control systems and administration and management of the grant. HWF Staff or its representatives will make at least one site visit during the grant period. When any site visit is made by HWF staff on the premises of the grantee under a grant, the grantee and its sub-contractors shall provide all reasonable facilities and assistance for the safety and convenience of the HWF representatives.

22. Grant Modifications

- a) All changes must be requested and approved in writing as outlined in this section.
- b) Staff may adjust changes in grant timelines, activities, and partners that are consistent with original project goals, target populations, and geographical focus. Changes in project goals, target population, and geographic focus must be approved by the HFB.
- c) Budget revisions/reallocations
 - i) Staff may approve budget changes under \$10,000.
 - ii) Budget changes of \$10,000 or more require HFB approval.
- d) Extensions: If additional time beyond the timeline provided by the grantee is required and exceptional circumstances warrant, a formal request for extension must be submitted to HWF Staff. The request must be submitted at least 45 days prior to the expiration date of the grant. The request must explain the need for the extension and include an estimate of the un-obligated funds remaining and a plan for their use. As indicated above, un-obligated funds remaining at the expiration of the grant is not sufficient justification for an extension. The plan must adhere to the previously approved objectives of the project.
- e) Organization/personnel changes: If key project personnel do or plan to: (a) devote substantially less time to the project than anticipated in the approved proposal; (b) sever their connection with the grantee organization; or (c) otherwise relinquish active direction of the project, the grantee shall immediately notify HWF Staff of the situation. HWF Staff will take appropriate action including transferring the grant, amending the project, or terminating the grant.
- f) Additional funding due to increased expenditures: Grantees are not eligible for additional funds above the agreed upon grant award.
- g) Refunds: Unused grant funds will be returned to HWF with no negative consequences for future applications as long as all reasonable efforts were made to execute the project within the proposed budget in a timely manner.

23. Grant Closing

- a) Grant closing occurs after all grant payments and reporting requirements have been fulfilled. Closing will occur within 90 days after the final payment.
- b) Notification of reporting obligation fulfillment
 - i) A Grant Closeout letter will be sent to the Grantee at the end of the project. When the Grantee returns the letter, the Grant is considered closed.
- c) Grantee record keeping requirements
 - i) Financial records, supporting documents, statistical records and other records pertinent to a grant will be retained by the grantee for at least 4 years from

submission of the Final Project Report, with the following exceptions: records related to audits, appeals, litigation or the settlement of claims arising out of the performance of the project will be retained until such audits, appeals, litigation or claims have been disposed of; and

- ii) Grantee shall retain and HWF Staff shall have access to any pertinent books, documents, papers and records of the grantee organization (and of the performing organization, if different) to make audits, examinations, excerpts and transcripts for up to 4 years after grant termination date.

24. Suspension and Termination of Grants

- a) A grant may be suspended or terminated (i.e. before agreed upon end date) in whole or in part by HWF Staff when the grantee has failed to comply with the terms and conditions of the grant and/or the contract. A grantee may appeal the HWF Staff decision to suspend or terminate a grant to HFB. The grantee must pay a \$250 fee to cover administration costs for the appeal.

25. Grant and Applications File Tracking

- a) Pre-grant activity
 - i) Individual applications: each application will receive a unique tracking number and have its basic information input into the IT system.
 - ii) Aggregate applications: Staff will track data on applications for internal and external reporting purposes including number of applications received (by time period, geography or other needed categories), number of declined applications and rationale, and time elapsed between application acknowledgment and funding decision.
- b) Grant award tracking system: the Grant Award Tracking system will be created to monitor the timing and requirements for grant payments and reports (e.g. generate/review list of upcoming payments).
- c) Grantee report monitoring: Staff will monitor due dates for upcoming grant reports and review grantee reports.
- d) Record-keeping
 - i) Depending on the size and complexity of the grant, the grant file should contain: application package, final approved budget, docket, grant notification letter and contract, tax status determination letters, amendments/cancellations, grantee reports, closing letter, project evaluation, record of payments/returns, correspondences with grantee, site visit reports, audited financial statements of the grantee, and grantee acknowledgement of payment receipts.
 - ii) Grant award files will be kept by HWF Staff for at least 7 years after completion of the grant.
 - iii) Declined grant applications will be kept by HWF Staff for at least 2 years after the decline date.

26. Financial Management

- a) Management of funds will be conducted by both the Treasurer-Tax Collector and the County Auditor.
- b) HWF Staff will monitor cash flows and prepare financial reports for HFB and BOS review.

SECTION 2: LOAN PROGRAM

The CIF Loan program lends to governments and non-profits for the purpose of economic development in Humboldt County. Loans should be low risk and will be evaluated in the same pool as CIF grants.

27. Loan Guidelines

- a) **Eligible Organizations**
 - i) Government jurisdictions and non-profit organizations in Humboldt County are eligible to apply. Organization may be located outside of the County if the Extraordinary Project criteria in section 37 are met.
- b) **Eligible Uses of Loan Proceeds**
 - i) Any project leading to job creation/retention. Projects must meet or exceed the job-to-loan ratio of 1 full-time job created/retained per every \$35,000 loaned. Exceptions to this requirement are possible if the project will generate a sufficiently high total economic value to the County (see “Total Economic Value” document to be created by Staff).
 - ii) Fit with the broad vision outlined in the County’s Comprehensive Economic Development Strategy (currently named Prosperity!), namely: creation/retention of jobs, contribution to the economic vitality of the region, and enhancement of industry clusters or supporting industries.
- c) **Ineligible Uses of Loan Proceeds**
 - i) Loans with significant risk of non-repayment;
 - ii) Payments for debt or to investors;
 - iii) Tax payments.
- d) **Loan Terms and Conditions:** Refer to Figure 1 below for loan guidelines:

Figure 1: Terms & Conditions for Loan Products

Term/Condition	Guidelines
Required Investment from Borrower	<ul style="list-style-type: none"> • Not required
Payment Schedule	<ul style="list-style-type: none"> • Varies
Loan Size	<ul style="list-style-type: none"> • Loans up to \$800,000 with exceptions as allowed by the Extraordinary Project criteria in section 37
Interest Rate	<ul style="list-style-type: none"> • Determined on a case-by-case basis
Term Length	<ul style="list-style-type: none"> • Determined on a case-by-case basis
Closing Costs	<ul style="list-style-type: none"> • Paid by borrower as needed
Prepayment Penalty	<ul style="list-style-type: none"> • None
Collateral Requirement	<ul style="list-style-type: none"> • Fully secured, with exceptions

- e) Exceptions (where indicated in Loan Terms and Conditions above) are made on a case-by-case basis only. To receive an exception, applicant must demonstrate that the loan is sufficiently low risk to merit an exception. If the loan is of sufficiently low risk and the project meets the goals of CIF, exceptions to the above guidelines may be considered.

28. Selection Criteria

- a) HFB will recommend to BOS a slate of CIF loans and/or grants for funding (see “CIF Project Selection Criteria” to be developed by HFB).

29. Application Process

- a) Applications will be accepted on an ongoing basis by Staff
 - i) Applications for funding will include:
 - a) Application form;
 - b) Project plan: this should include information on the proposed project such as financial projections, justification of the project, project impacts/outcomes (e.g. jobs created/retained), and feasibility analysis;
 - c) Repayment statement: a statement that repayment of loan principal and interest will be guaranteed (e.g. “Full Faith and Credit” statement) by the government if possible. If a “Full Faith and Credit” statement is not possible, applicant should submit a detailed plan and certification to provide repayment under various scenarios; and
 - d) Bond rating and repayment history of borrower (if available).
 - ii) Staff will conduct any necessary interviews to gather additional information, if needed.
- b) Applications will be reviewed by Staff, with consultant assistance if needed, using the following underwriting guidelines where possible:
 - i) Determination of financial health of the borrower. The borrower must remain fiscally solvent for the term of the loan in order to make debt payments:
 - a) Historical and projected revenues and expenses will be analyzed. Future revenue projections will include analysis of the tax base – businesses and labor force (age, education, skills, wealth, and income).
 - b) Credit ratings will be obtained, if available.
 - c) The proposed loan will also be compared to the total government’s budget to assess risk.
 - ii) Examination of financial indicators: Staff will examine accounting and reporting methods, annual operating and budgetary performance, financial leverage and equity positions, and contingency financial obligations (e.g. pension liability funding). A balance sheet analysis will focus on liquidity, fund balance position, and the composition of assets and liabilities.
 - iii) Analysis of Debt: An evaluation of debt factors will include key debt indicators like total outstanding debt, debt trends, debt repayment schedules, debt as a percentage of full property tax valuation, net per capita debt, and debt as a percentage of personal income. Staff will exercise caution for governments with total annual debt payment (typically for tax-exempt bonds) exceeding 5-7% of General Fund revenues.
 - iv) Ensuring a repayment obligation. The borrower must be contractually obligated to repay the loan.
 - a) If a loan is to an agency or government jurisdiction with a segregated, limited budget that may be potentially be insufficient to cover debt payments, the parent government should be liable for debt repayments.
 - b) If a “Full Faith and Credit” type guarantee statement is not possible, applicant should submit a detailed plan and certification to provide repayment under various scenarios. Staff should consider other contractual requirements such as a Rate Covenant (borrower sets tax

rates at the level needed for net revenues to cover debt service, plus other costs) and an Additional Debt Test (requires projected revenue from any new debt to exceed a certain debt coverage test).

- v) Review of project. Staff will review the project's historical and future financial indicators (cash flows, operating costs, balance sheet, income statement) to determine if they are reasonable for project success and repayment. Projected cash flows should at least cover proposed debt service under different scenarios. The requested loan amount should be appropriate for the project. A determination of "essentiality" should be made; the greater the importance of the project to the government, the greater the chance for repayment.
- vi) If there is a significant chance the borrowing government agency will not repay the loan (due to future revenue shortfalls, borrower resistance to adequate contract language, etc.), a loan should not be made.
- vii) Collateral policy.
 - a) In general, loans must be secured with collateral. Exceptions to full securing can be made if the financial health and repayment obligation of the borrower are deemed sufficiently strong.
 - b) In general, the following guidelines will be used to discount collateral for first liens:
 - (1) Commercial real estate: 80% of value;
 - (2) Residential real estate: 90% of value;
 - (3) Machinery and equipment: 70% of value;
 - (4) Inventory and receivables: 40-60% of value.
- c) Staff will present the Loan Report for HFB review and approval. HFB will review CIF loans and grants in the same pool. The Loan Report will include:
 - i) Borrower's name and contact information;
 - ii) Borrower's application package;
 - iii) Summary of the project (e.g. use of funds, budget);
 - iv) Summary of organization (if applicable) and annual and historical budgets;
 - v) Analysis of the borrower history and financial health (credit rating, repayment history, current and future financial health, etc.);
 - vi) Eligibility for HWF funds (e.g. legal structure, job creation/retention/economic impact);
 - vii) Loan terms (amount, interest, term length, equity investment, conditions, etc.);
 - viii) Cash flow analysis and coverage (adjusted existing cash flow, projected cash flow) if applicable; and
 - ix) Guarantors (if other government agency) including name and budget.
- d) HFB will pass a slate of recommended loans and grants to BOS for approval.
 - i) Applicant has no right to appeal the denial of a loan by HFB.
 - ii) Applicant has no right to appeal the denial of a loan by BOS.
- e) All applicants will be notified of final HWF decisions.

30. Loan Closing

- a) Closing documents will include:
 - i) Commitment Letter;
 - ii) Loan Agreement/Contract;
 - iii) Borrower's governmental authorization for borrowing and repayment guarantee;
 - iv) Borrower's opinion of counsel (if needed);
 - v) Note (outlines borrower's obligations);

- vi) Insurance documents (as needed): hazard, liability, workman's compensation, life, flood, fire;
 - vii) Collateral documents;
 - viii) Miscellaneous documents (if needed): appraisal, borrower Board Resolution, Certificate of Occupancy, Architect's Certificate of Completion, Flood Zone Certificate, Judgment/tax lien searches, Partnership Agreement, Equal Employment Opportunity Statement, Closing Statement, environmental reviews, records of disbursement; and
 - ix) Other closing documents as HWF may require.
- b) Staff will provide borrower with a checklist outlining obligations under CIF loan program.

31. Loan Terms of Contract

- a) Payments
 - i) Loan payments are due on the first of each month. Typically, principal and interest payments will consist of equal monthly installments based on amortization of the loan over the loan term.
 - ii) Payments are deemed late if not made within 10 days of due date. Late payments will be assessed a \$50 penalty.
 - iii) Monthly payments are applied in the following order: first to the late payment penalties and collection fees, then to interest, then to principal.
- b) Fees
 - i) Loan fees to cover administrative and underwriting costs will be determined by HWF staff and Headwaters Fund Board.
 - ii) Servicing fees will be paid for by borrower.

32. Loan Disbursement and Servicing

- a) A Loan Servicer will service the loans. Borrower will sign the necessary documents prepared by Staff and Servicer for loan closing.
- b) The Servicer will conduct billing and collections. The Servicer will provide at least monthly reports (with payment records) that loan payments have been made and are current. Servicer will notify HWF Staff no later than 30 working days after a missed due date of a loan payment.
- c) Borrower reporting
 - i) The borrower shall provide HWF Staff and/or Servicer the following on a regular basis:
 - a) Financial statements of the project;
 - b) Project changes;
 - c) Insurance updates;
 - d) Other information as required to service and monitor the loan.
 - ii) HWF Staff, Staff representatives, or HFB may schedule site visits to the borrower's operations. HWF Staff and HFB may investigate and inspect any borrower documents at any time.
- d) HWF Staff will keep a loan file that will include:
 - i) Note, Loan Agreement/Contract, Loan Application Package, Insurance (if applicable), Loan Committee Report, Disbursements, Guaranties (if applicable), and other documents; and
 - ii) Original legal documents should be securely stored (e.g. locked in separate files).

- e) A Loan Tracking System will be organized by month (when payments are due) to track borrower due dates for insurance payments, taxes, financial statement updates, guarantor financial statements (if applicable), and Uniform Commercial Code renewal dates (if applicable). Parts of the Loan Tracking System may be maintained by the Loan Servicer.
- f) Delinquent and lost loans file
 - i) HWF Staff will keep a list of all loans deemed uncollectable or delinquent. Delinquent loan information will include Staff recommendations for action.
- g) Annual review
 - i) HWF Staff will conduct an annual review of each loan and borrower to determine:
 - a) Changes in borrower's position that could affect repayment;
 - b) Compliance with all loan covenants and conditions;
 - c) Material changes in collateral and guarantees (if applicable); and
 - d) Plans to address problems or potential problems with the loan.
 - ii) The review will consist of:
 - a) Collecting updated financial and other relevant information;
 - b) Performing updated credit checks (if applicable);
 - c) Checking in with borrower to check project status and other factors impacting repayment; and
 - d) Updating job creation/retention counts and/or estimates.
 - iii) If Annual Review uncovers any significant changes or problems, HFB will review and recommend any remedies to these problems to BOS for action.

33. Troubled Loan Guidelines

- a) HWF Staff will work with the Servicer to take appropriate steps to address delinquent payments or loan defaults.
- b) Servicer must notify HWF Staff of delinquent loans within 30 business days following Servicer knowledge of delinquency. All payment past due 30 days or more will be reported by Servicer and Staff to HFB on a monthly written past due report.
- c) In the event that loan payments are more the 30 business days late, Servicer will call the Borrower and ascertain why the payment is late and get a commitment for payment. The Servicer will maintain a log of all verbal and written communication about the past due payments. Penalty fees can be assessed in compliance with loan documents and state laws. HFB can waive a late fee, under appropriate circumstances.
- d) If payment has not been received 30 days after the due date, the Servicer or Staff will follow up with a letter stating the amounts past due and explaining that the borrower is in default. In cases where the loan was closed within the last six months, Servicer/HWF Staff may make a site visit.
- e) If payment has not been received by the 45th day, the Servicer will call the borrower a second time and may follow up with a site visit. Additional sureties to the loan may be informed of the past due situation at this point.
- f) By the 60th day of a late payment, HWF staff will schedule a site visit and meeting with the borrower. The goal of this meeting will be to develop an agreed upon payment plan to get the borrower current.
 - i) If applicable, Staff will double check that all collateral documentation are in place and in order and that all insurances required by borrower are in place.
 - ii) After the meeting with the borrower, the loan monitoring Staff will make a full report to HFB (to be heard at the next scheduled meeting) detailing the nature of the problem and making recommendations.

- iii) HWF Staff will develop a strategy for further action, including:
 - a) Loan re-structuring;
 - b) Strategy to liquidate the collateral;
 - c) Notice of default and the intention to foreclose;
 - d) Further forbearance of action based upon certainty of repayment and confidence of operations; and
 - e) Sending the loan to the collection agency.
- g) Foreclosure Policies
 - i) In most instances a straight foreclosure will be viewed as the last option. There are, however, instances when foreclosure is the best option and the only remedy to a deteriorating situation. Foreclosure may only take place upon the recommendation of Staff and HFB, and approval by BOS.
 - ii) All foreclosure proceedings and actions should be done in such a way as to provide maximum protection for HWF.
 - iii) Collateral liquidations must attempt to cover the cost of the outstanding loan principal, any accrued interest owed to the lenders, and the transaction costs of liquidation (i.e. legal, marketing, Staff time).
 - iv) In the event that the foreclosure proceeds do not cover the outstanding loan amounts due and the cost of the collection, the proceeds will be disbursed in the following order:
 - a) First, collection costs; and
 - b) Second, loan amounts due CIF.

34. Conflict of Interest Policy

- a) This Policy covers economic conflicts of interest (as defined in California Government Code 8100 et. seq.; and Humboldt County Ordinance) and other conflicts of interest. Any HFB Member or HWF Staff who has an interest in a contract or other transaction presented to HFB or a committee thereof for authorization, approval, or ratification shall make a prompt and full disclosure of his/her interest to HFB or committee prior to its acting on such contract or transaction. Such disclosure shall include any relevant and material facts known to such person about the contract or transaction and the nature of the potential conflict. Said person will recuse himself/herself from decision-making, voting, and using personal influence in the discussions with respect to such contract or transaction. Such person may be counted in determining whether a quorum is present for the Board meeting but may not be counted when the Board or a committee of the Board takes action on the transaction. The minutes of the meeting shall reflect the disclosure made, the vote thereon, the abstention from voting and participation, and whether a quorum was present.

35. Portfolio Management Guidelines

- a) Target default and loss rates: Because the CIF lends only to governments for approved projects, the target default and loss rates are no more than 1%.

36. Financial Management

- a) Fund Report
 - i) Staff, using information from Loan Servicer, County Treasurer-Tax Collector and County Auditor, will prepare monthly fund balance reports to monitor monthly fund balance, principal and interest recaptured, disbursements, funds committed, and CIF funds available.

- b) Loan Portfolio Report
 - i) Staff will work with Servicer to prepare quarterly summaries of outstanding and authorized loans including the last payment date, loan balance, and delinquent loan reports and action plans. HFB will review any loan delinquencies and defaults, and make recommendations to BOS as needed.

SECTION 3: EXTRAORDINARY PROJECT

37. Extraordinary Project

- a) Although ineligible according to Headwaters CIF, Grant Fund, and Revolving Loan Fund criteria, an extraordinary project providing extraordinary economic benefit to Humboldt County may still be eligible for Headwaters Funding. This Extraordinary Project must pass the following levels of approval:
 - i) Staff and HFB recommendation; and
 - ii) BOS super-majority vote approval (i.e. approval by at least four out of the five Board of Supervisors).
- b) Selection criteria:
 - i) The project must demonstrate a total economic benefit that significantly exceeds the economic benefit from using twice the amount of funds for the Revolving Loan Fund, CIF, or Grant Fund; whichever of the three Funds that would be appropriate and/or most impacted would be the standard against which to judge the Extraordinary Project. In other words, if the Extraordinary Project requests \$1 million, its total economic benefit must exceed using \$2 million for Revolving Loan Fund, CIF, or Grant Fund investments;
 - ii) The calculation of total economic benefit should include measures such as County-wide direct and indirect job creation/retention, wealth generation, workforce development, and business development; and
 - iii) No alternative sources of funding should be readily available.
- c) Government jurisdictions and non-profit organizations are eligible to apply.
- d) Businesses, individuals, and political lobbying groups are ineligible to apply for funding.
- e) Under no circumstances can the Extraordinary Project include using Headwaters Fund money for general County government funding.

ATTACHMENT E:

The Headwaters Fund, Grant Fund Manual



The Headwaters Fund

INVESTING IN OUR COMMUNITY

Grant Fund Manual

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1. Introduction and Summary

- a) This Manual governs the administration of the Headwaters Grant Fund.
- b) The Grant Fund is for non-profits and governments in Humboldt County to conduct projects to improve the economy of Humboldt. Funding for the Grant Fund is generally provided by interest earnings from the corpus of the Headwaters Fund and the net return from the Headwaters Revolving Loan Fund (if available). The Grant Fund will generally make up to \$300,000 in grants annually over one to three grant cycles.

2. Definitions

- a) "HWF" means the Headwaters Fund program.
- b) "HFB" means the Headwaters Fund Board.
- c) "BOS" means the Humboldt County Board of Supervisors.
- d) "GF" means the Headwaters Fund Grant Fund program.
- e) "Staff" means the County of Humboldt's Economic Development Division staff administering the Headwaters Fund.
- f) "IT" means information technology systems.

3. Mission and Goals

- a) The Mission of the Headwaters Grant Fund is to improve the economy of Humboldt County.
- b) The initial, primary funding focus will be supporting projects benefiting base industries in Humboldt County, encouraging, though not exclusively, projects identified in industry cluster workplans or developed cooperatively within or between industry clusters. The Grant Fund will fund only projects in the above focus. However, exceptions may be considered for projects that provide extraordinary benefit to base industries, including those not explicitly named in the Prosperity! strategy.
 - i) Base industries are defined as industries that bring dollars into Humboldt County through sales to customers outside of the County.
 - ii) The Prosperity! strategy is the County's Comprehensive Economic Development Strategy.
- c) The Grant Fund will strive to increase inflows of external funding into the County by requiring outside funding sources to match GF funding where possible.

4. Financial Management

- a) Management of funds will be conducted by the County Treasurer-Tax Collector and County Auditor.
- b) Staff will monitor cash flows and prepare financial reports for HFB and BOS review.
- c) The funds to administer and disburse under the Headwaters Grant Fund will be recommended by HFB and determined by the BOS. Any amount allocated to GF disbursements but not disbursed during a particular grant cycle will return to the Headwaters Liquidity Fund.

5. Award Amounts and Types

- a) Interest income from the "Liquidity Fund" and net return from the "Revolving Loan Fund" fund GF grants. The amount available for grants will vary depending on rates of return. Approximately \$200,000 – 500,000 will be available annually for grants. There is no requirement to disburse the entire amount available during a particular grant cycle or year. Any undisbursed funds for a particular grant cycle or year will be placed in a

Grant Fund carry-over pool for future years of Grant Fund disbursements. Interest earnings in the Grant Fund carry-over pool will accrue to the Headwaters Liquidity Fund.

- b) Mini-Grant Awards
 - i) \$20,000 will be allocated annually made at the discretion of HFB and staff. For awards of \$1,500 or less, HFB will determine an approval process that may include approval by staff in consultation with an assigned HFB Member. Awards over \$1,500 will be approved by the full HFB. No formal application will be required, but staff will require a formal letter of interest and budget. BOS will receive a report on all individual allocations, but will not approve individual Mini-Grant Awards.
 - ii) Awards will be made on an ongoing, as needed basis until allocated funds are exhausted.
 - iii) The availability of Mini-Grant Awards and application processes will be marketed to the general public. The awards will be promoted through press releases, the Headwaters Fund website, staff, board members, and community partners. A brief description of the funds and how to apply will be available for distribution. Mini-Grant Awards will be granted for:
 - a) Community economic development events;
 - b) Projects furthering the County Economic Development strategy; and
 - c) Local representation at regional, national or state events important to economic development strategy implementation, early project development, or regional economic and community development planning.
- c) Competitive Awards
 - i) Unsolicited proposals will be awarded through the Competitive Awards program. A formal application process is required (see Section 10: Applications Processing Detail – Competitive Awards). All awards will be approved by HFB and BOS.
 - ii) The maximum project size will be \$100,000, although exceptions may be made for unique projects with exceptional impacts in the Funding Focus area.
 - iii) Awards will be made up to three times a year.
- d) Grant Initiative Fund
 - i) In 2008, \$638,405 was initially set aside as a pro-active grant initiative fund. The HFB will select a priority economic development area within the Prosperity! Strategy and the HWF Charter goals and develop a strategy, an initiative steering committee (comprised of the HFB in whole or part), commit staff resources and launch and staff each identified initiative. The Board of Supervisors will approve each initiative before it starts and will approve all grant awards.
 - ii) The initiative fund will continue to be funded from two sources: Revolving Loan Fund (RLF) interest and unspent grant funds (interest) from the Liquidity Fund. Annual and all previously accrued interest from the RLF program will be the primary source of funding for the initiative grant program. Any un-granted monies from the Grant Fund are available for Grant Fund Initiative projects.

6. Organizational Eligibility for Funding

- a) Non-profit organizations and government jurisdictions located in Humboldt County are eligible for Grant Fund grants. The Project Selection Criteria document (created by HFB) outlines specific eligibility criteria.
- b) The following are ineligible to apply for funding: political lobbying groups, individuals, and businesses.

7. Costs Eligible for Funding and Funding Match

- a) Eligible costs: all costs are eligible, except the following:
 - i) Debt or recovery of expenses already incurred;
 - ii) Supplanting of government funds (costs formerly covered by government may be included only if the government funding is no longer available); and
 - iii) Purchases of capital equipment or property that will be or become privately owned; however, small incentives, promotional items, and equipment purchases under \$1,000 for businesses and individuals are eligible.
- b) Matching Funds
 - i) Competitive Awards require matching funds from non-HWF sources. Implementation grants will be for 50% or less of total project costs. Planning and Technical Assistance grants will be for 75% or less of total project costs.
 - ii) Documentation of other outside project funding is required and may take the form of:
 - a) A copy of grant award letter/contract from other funder(s) showing award amount, costs covered, budget, project description, and other information;
 - b) A copy of organization's approved budget documenting dedicated project funds; or
 - c) If matching funds are not in-hand, and HWF support will be used to garner outside funding, then applicant must provide a detailed fundraising/grantwriting plan, including a listing of potential funding sources, progress to date for each source, competitive position for each source, timeline, and commitments made. A letter committing HWF funds, contingent upon receiving other funding, will be provided by the HFB. However funds will not be distributed prior to submission of proof of receipt of matching funds.
- c) Grantees shall maintain records of all project costs that are claimed by the grantee as being covered by HWF and other funder(s). Such records are subject to audit (Section 21: Grant Closing Section).
- d) If, following receipt of an award, a grantee determines that funding from other source(s) can no longer be used, HWF funding may be reduced, suspended or terminated; the grantee must contact HWF staff immediately. Any HWF-approved adjustments to cash match commitments are made based on the grantee's rationale behind the requested adjustment and on a case-by-case basis.

8. Providing Information and Marketing to the Public

- a) Marketing
 - i) HWF staff will work to publicize availability of funds to the community along with selection criteria and fund performance. Marketing may include advertising,

website, marketing collateral, application and material distribution, and potential applicant training.

- ii) Staff and HFB will recommend a marketing budget to BOS.
- b) Information materials
 - i) HWF Staff will make the following information readily available (in print and/or online formats) to the public: Grant Fund mission, contact information, funding priorities and limitations, number and average size of grants, percentage of unsolicited proposal funded, application information, grantmaking criteria, and decision-making process.
 - ii) Community Benefits Annual Report: This public report will highlight Grant Fund operations, finances, and performance. The Report will also include a list of the previous year's grantees and the award amount.
- c) Requests for funding
 - i) Competitive Award funding requests must take the form of the official GF application.
 - ii) Letters and emails will be accepted for Discretionary Awards.

9. Applications Processing Overview – Competitive Awards

- a) Applicants will submit a written application to the Headwaters Fund Coordinator who will conduct an initial screening. The Coordinator will deny applications that are outside stated funding priorities, conduct due diligence on the remaining applications (time permitting), and forward these remaining applications to HFB for review. HFB will review and assemble a slate of applications recommended for BOS approval. BOS will vote to approve the entire slate or deny individual projects within the slate.

10. Applications Processing Detail – Competitive Awards

- a) Applicants will submit a written application to the Headwaters Fund Coordinator.
- b) Applications deadlines will be set by HWF staff and/or the Headwaters Fund Board.
- c) Applicants must complete the application package.
- d) Initial screening: HWF staff will conduct an initial screening of an application and categorize it as “outside of stated funding priorities,” “meriting further review,” or “incomplete”.
 - i) Applications outside of stated funding priorities: These applications will be declined promptly in a letter.
 - ii) Applications meriting review: These applications will be reviewed by HWF staff and passed along to HFB for evaluation.
 - iii) Incomplete applications will not be accepted.
- e) Pre-grant review by staff
 - i) Staff will review Competitive Award applications meriting further review (Discretionary Awards will have much lighter reviews). Staff will present HFB with applications that have a reasonable chance of approval according to Selection Criteria. The review may include the following:
 - a) Assessment of managerial competence and fiscal accountability;
 - b) Review of proposal and budget for internal consistency and compliance with HWF policies (e.g. cash match);
 - c) Review of previous grants performance of applicant organization;
 - d) Cross-grant comparison/analysis of proposal and organization;
 - e) Evaluation of outside reviews of proposed project (if available).
 - ii) Docket preparation for HFB review

- a) A docket will summarize key information about an application for HFB review.

11. Selection of Grants – Competitive Awards

- a) Selection criteria (see “Project Selection Criteria” document created by HFB).
- b) HFB selection process: Competitive Awards
 - i) HWF staff will present dockets of applications that merit further review to HFB. Each HFB member will use the selection criteria to rank each application and list reasons for rankings;
 - ii) The HFB will use the decision making process outlined in the Grant Fund Decision-Making document (to be created by HFB); and
 - iii) HFB will recommend a slate of grants to be funded for Board of Supervisor approval. HFB decisions on grants cannot be appealed by applicants.
- c) Board of Supervisor approval
 - i) The BOS will use a majority vote to approve the entire slate presented by the HFB. BOS may not add projects to the slate being approved, but may recommend additional review of individual projects. Upon majority vote, Supervisors may pull one or more projects from the slate and approve the remaining slate of projects. Supervisors would refer pulled projects back to the HFB and Staff with questions and comments. Staff and HFB would respond to BOS comments on any pulled projects. After BOS receives this response, BOS would approve or deny individually pulled projects according to a majority vote. BOS decisions on grants cannot be appealed by applicants.

12. Applications Processing – Discretionary Awards

- a) Applicants will submit a written request to the Headwaters Fund Coordinator.
- b) Deadlines: Applications will be accepted year-round.
- c) Request contents
 - i) Letters and emails which include the following information will be accepted: Overview of project, including purpose and expected outcomes; project budget and amount requested from HWF; project schedule; and organization’s/staff’s qualifications. A one-page hand-out describing Discretionary Awards and the request process will be available for applicants.
- d) Initial screening: HWF staff will conduct an initial screening of an application and categorize it as “outside of stated funding priorities,” “meriting further review,” or “incomplete”.
 - i) Applications outside of stated funding priorities: These applications will be declined promptly in a letter.
 - ii) Applications meriting review: These applications will be reviewed by HWF staff and passed along to HFB for evaluation.
 - iii) Incomplete applications will not be accepted.
- e) Pre-grant due diligence review
 - i) Discretionary Awards will have little or no review by Staff. Staff will present HFB (or its representative as stated in the next section) with applications that have a reasonable chance of approval according to Selection Criteria to be developed by HFB.

13. Selection of Grants – Discretionary Awards

- a) Selection criteria (see Project Selection Criteria document to be created by HFB).
- b) Selection process

- i) HFB will recommend a process for selection and distribution of Discretionary Awards to be approved by BOS.

14. Rejection of Grant Applications

- a) Staff will send a notification letter to applicants rejected by Staff or HFB. The letter will list general reasons for rejection when it will help the applicant in a future application to HWF.

15. Appeal of Grant Applications Denied by Staff

- a) Competitive Awards: Appeals
 - i) Applications deemed 'outside of stated funding priorities' and rejected by the Headwaters Coordinator, without HFB review, may be appealed. The appeal will be for inclusion in the next grant review cycle by HFB. The appeals process is as follows:
 - a) Within 30 days of the decline notice date, the applicant must submit a Request for Appeal and a check for \$250 to cover appeal processing and Staff report costs.
 - b) Within 30 days of receiving the Request for Appeal, Staff will respond with reasons the application was rejected and information required, or other necessary conditions, for the application to be reviewed by HFB.
 - c) Within 30 days of receiving the Staff's response, the applicant will submit an Appeal Summary to address all issues listed by Staff. The original application and the Appeal Summary will then be submitted to HFB at the next regularly scheduled grant review meeting.
 - ii) HFB decisions on grants cannot be appealed by applicants. Applicants will be advised of application deficiencies and advised to re-submit an improved application in the next round, if appropriate.
 - iii) BOS decisions on grants cannot be appealed by applicants.
- b) Discretionary Awards: There is no right of appeal for Discretionary Awards..

16. Conflict of Interest Policies

- a) This Policy covers economic conflicts of interest (as defined in California Government Code 8100 et. seq.; and Humboldt County Ordinance) and other conflicts of interest. Any HFB Member or HWF Staff who has an interest in a contract or other transaction presented to HFB or a committee thereof for authorization, approval, or ratification shall make a prompt and full disclosure of his/her interest to HFB or committee prior to its acting on such contract or transaction. Such disclosure shall include any relevant and material facts known to such person about the contract or transaction and the nature of the potential conflict. Said person will recuse himself/herself from decision-making, voting, and using personal influence in the discussions with respect to such contract or transaction. Such person may be counted in determining whether a quorum is present for the Board meeting but may not be counted when the Board or a committee of the Board takes action on the transaction. The minutes of the meeting shall reflect the disclosure made, the vote thereon, the abstention from voting and participation, and whether a quorum was present.

17. Grant Notification and Contract

- a) A letter will be sent to grantees selected for funding to notify them of approval. Among other things, the letter will specify reporting requirements and funds disbursement terms.

- b) A contract between the grantee and the County will need to be signed. An appropriate signatory on behalf of the grantee would be the Board Chair, President, authorized executive officer, or other comparable person. The contract will detail terms of the agreement, the purpose of the grant, the scope of work, amount of award, duration, payment schedule, and reporting requirements.
- c) The contract must be executed within 6 months of the grant award. The grantee may request an extension in writing for extenuating circumstances. If the extension request is for more than a year from the award date, the extension requires HFB approval.

18. Grant Payment

- a) For each award, HWF staff will determine a payment schedule with advice from the HFB. Payment options are outlined below.
 - i) Payment in lump-sum upon signing of contract;
 - ii) Payment in installments (by schedule or milestone reached) and contingent on receipt of grantee reports; or
 - iii) Payment on a re-imbursement basis, with full report and accounting by grantee.
- b) 10% of grantee award will be held by HWF, pending receipt of appropriate final deliverable documents from the grantee.

19. Grant Reporting, Monitoring, and Evaluation

- a) Monitoring refers to compliance with contract commitments and fund uses, while evaluation refers to measuring the extent to which the grantee met the objectives outlined in the grant application. The goal of grant monitoring is to ensure grantee work complies with HWF requirements.
- b) Grantee reporting requirements – Competitive Awards
 - i) Grantee is required to submit quarterly monitoring reports that include:
 - a) Documentation of activities contracted and completed with grant funds;
 - b) Financial accounting of grant funds. Grant funds should be tracked separately. Receipts documenting purchases may be requested;
 - c) Sub-contracts signed and/or completed;
 - d) Narrative of accomplishments to date and schedule of activities and expected completion date;
 - e) Progress on meeting match requirements, fundraising activity report; and
 - f) Requests for revisions of timeline, budget, etc.
- c) Grantee reporting requirements – Discretionary Awards
 - i) Reporting requirements for Discretionary Awards will be lighter than for Competitive Awards. Specific requirements will be outlined in the Grant Contract, but typical requirements may include the following at the completion of the project:
 - a) Documentation of activities contracted and completed with grant funds;
 - b) Financial accounting of grant funds. Grant funds should be tracked separately. Receipts documenting purchases may be requested; and
 - c) Narrative of accomplishments to date and schedule of activities and expected completion date;
- d) Grant evaluation
 - i) HFB may choose to evaluate individual or groups of projects.
 - ii) Grantees may be required to include an evaluation and an evaluation budget in their project plans and budget.
 - iii) HWF staff and HFB, or its authorized representatives, has the right to make site visits to review project accomplishments, grantee management control systems

and administration and management of the grant. The HWF staff or its representatives will make at least one site visit during the grant period (for Competitive Awards). When any site visit is made by HWF staff on the premises of the grantee under a grant, the grantee shall provide and shall require its sub-contractors to provide all reasonable facilities and assistance for the safety and convenience of the HWF representatives.

20. Grant Modifications

- a) All grant contract changes must be requested and approved in writing as outlined in this section.
- b) Staff may adjust changes in grant timelines, activities, and partners that are consistent with original project goals, target populations, and geographical focus. Changes in project goals, target population, and geographic focus must be approved by the HFB.
- c) Budget revisions/reallocations
 - i) Staff may approve budget changes under \$10,000.
 - ii) Budget changes of \$10,000 or more require HFB approval.
- d) Extensions: If additional time beyond the timeline provided by the grantee is required and exceptional circumstances warrant, a formal request must be submitted to HWF Staff. The request must be submitted at least 45 days prior to the expiration date of the grant. The request must explain the need for the extension and include an estimate of the un-obligated funds remaining and a plan for their use. As indicated above, un-obligated funds remaining at the expiration of the grant is not sufficient justification for an extension. The plan must adhere to the previously approved objectives of the project.
- e) Organization/personnel changes: If key project personnel do or plan to: (a) devote substantially less time to the project than anticipated in the approved proposal; (b) sever their connection with the grantee organization; or (c) otherwise relinquish active direction of the project, the grantee shall immediately notify HWF Staff of the situation. HWF Staff will take appropriate action including transferring the grant, amending the project, or terminating the grant.
- f) Additional funding due to increased expenditures: Generally, grantees are not eligible for additional funds above the agreed upon grant award.
- g) Refunds: Unused grant funds will be returned to the HWF with no negative consequences for future applications as long as all reasonable efforts were made to execute the project within the proposed budget in a timely manner.

21. Grant Closing

- a) The following grant closing requirements apply to Competitive Awards and may be relaxed for Discretionary Awards.
- b) Grant closing occurs after all grant payments and reporting requirements have been fulfilled. Closing will occur within 90 days after the final payment.
- c) Notification of reporting obligation fulfillment
 - i) A Grant Closeout letter will be sent to the Grantee at the end of the project. When the Grantee returns the letter, the Grant is considered closed.
- d) Evaluation of grant (see Section: 19: Grant Reporting, Monitoring, and Evaluation)
- e) Grantee record keeping requirements
 - i) Financial records, supporting documents, statistical records and other records pertinent to a grant will be retained by the grantee for at least 4 years from submission of the Final Project Report/Grant Closeout letter, with the following exceptions: Records related to audits, appeals, litigation or the settlement of

- claims arising out of the performance of the project will be retained until such audits, appeals, litigation or claims have been disposed of; and
- ii) Grantee shall retain and HWF Staff shall have access to any pertinent books, documents, papers and records of the grantee organization (and of the performing organization, if different) to make audits, examinations, excerpts and transcripts for up to 4 years after grant termination date.

22. Suspension and Termination of Grants

- a) A grant may be suspended or terminated (i.e. before agreed upon end date) in whole or in part by HWF Staff when the grantee has failed to comply with the terms and conditions of the grant and/or contract. A grantee may appeal the HWF Staff decision to suspend or terminate a grant to HFB. The grantee must pay a \$250 fee to cover administration costs for the appeal.

23. Grant and Applications File Tracking

- a) Pre-grant activity
 - i) Individual applications: each application will receive a unique tracking number and have its basic information input into the IT system.
 - ii) Aggregate applications: Staff will track data on applications for internal and external reporting purposes including number of applications received (by time period, geography or other needed categories), number of declined applications and rationale, and time elapsed between application acknowledgment and funding decision.
- b) Grant award tracking system: the Grant Award Tracking system will monitor the timing and requirements for grant payments and reports (e.g. generate/review list of upcoming payments).
- c) Grantee report monitoring: Staff will monitor due dates for upcoming grant reports and review grantee reports.
- d) Record-keeping
 - i) Depending on the size and complexity of the grant, the grant file should contain: application package, final approved budget, docket, grant notification letter and contract, tax status determination letters, amendments/cancellations, grantee reports, closing letter, project evaluation, record of payments/returns, correspondences with grantee, site visit reports, audited financial statements of the grantee, and grantee acknowledgement of payment receipts.
 - ii) Grant award files will be kept by HWF Staff for at least 7 years after completion of the grant.
 - iii) Declined grant applications will be kept by HWF Staff for at least 2 years after the decline date.

24. Use of Consultants

- a) A consultant may be needed to provide assistance in the operations of GF. The annual budget for consultant expenses will be approved by the BOS.

25. Grant Fund Evaluation

- a) The Annual Community Benefits Report, issued to the public, will detail grants made and the overall performance of the GF. Staff will prepare the Report to be reviewed by HFB and the BOS.

26. Changes to Grant Program Policies and Procedures

- a) BOS reserves the right to make policy changes as needed.
- b) Staff will make procedural and typographical changes as needed.

27. Extraordinary Project Criteria

- a) Although ineligible according to Headwaters CIF, Grant Fund, and Revolving Loan Fund criteria, an extraordinary project providing extraordinary economic benefit to Humboldt County may still be eligible for Headwaters Funding. This Extraordinary Project must pass the following levels of approval:
 - i) Staff and HFB recommendation; and
 - ii) BOS super-majority vote approval (i.e. approval by at least four out of the five Board of Supervisors).
- b) Selection criteria:
 - i) The project must demonstrate a total economic benefit that significantly exceeds the economic benefit from using twice the amount of funds for the Revolving Loan Fund, CIF, or Grant Fund; whichever of the three Funds that would be appropriate and/or most impacted would be the standard against which to judge the Extraordinary Project. In other words, if the Extraordinary Project requests \$1 million, its total economic benefit must exceed using \$2 million for Revolving Loan Fund, CIF, or Grant Fund investments;
 - ii) The calculation of total economic benefit should include measures such as County-wide direct and indirect job creation/retention, wealth generation, workforce development, and business development; and
 - iii) No alternative sources of funding should be readily available.
- c) Government jurisdictions and non-profit organizations are eligible to apply.
- d) Businesses, individuals, and political lobbying groups are ineligible to apply for funding.
- e) Under no circumstances can the Extraordinary Project include using Headwaters Fund money for general County government funding.

ATTACHMENT F:

The Headwaters Fund, Fund Lender Manual



The Headwaters Fund

INVESTING IN OUR COMMUNITY

Revolving Loan Fund Lender Manual

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1. Introduction and Summary

- a) This Manual guides Lenders in administering the Headwaters Fund Revolving Loan Fund.
- b) As part of the Loan Fund, the “Lender” (a qualified, Headwaters approved financial lending institution) markets, underwrites, and services loans for the purpose of job creation and economic development in Humboldt County. Loan Fund loans are designed to provide gap financing in conjunction with commercial lenders or alone. Lenders apply for and are assigned a Loan Pool (the maximum total disbursement for loans) from which they draw to make loans. Funds from the Loan Pool are disbursed on a loan-by-loan basis as needed, and borrower payments are returned promptly to the Headwaters Fund. Lenders must approve and structure loans according to the criteria outlined in this document, the Master Participation Agreement (see Section 1c), and the Participation Certificate (see Section 1c). The Lenders must match 1:1 the amount the Headwaters Fund provides for the loan; additional portions of the total loan may or may not come from commercial lenders. If the Lender is unable to provide matching funds for the loan, it may be required to seek final approval for the loan from the Headwaters Fund. The Headwaters Fund will compensate Lenders for costs related to lending as specified in the Lender Agreement, Master Participation Agreement, and Participation Certificate (see Section 1c for description of these documents). The initial term of the relationship between the Loan Fund and the Lender is expected to be about 1-3 years (subject to negotiation) with renewal terms possible.
- c) This Manual (or “Lender Manual”) along with the Lender Agreement, Master Participation Agreement, and Participation Certificate are the legal documents governing the Lender’s relationship, duties, compensation, and rights as part of the Headwaters Revolving Loan Fund Program.
 - i) The Lender Agreement outlines disbursements to Lenders from the County, the Lender’s lending responsibilities, terms and consequences for an Agreement Default, suspension and termination of the Lender Agreement, and other legal provisions.
 - ii) The Master Participation Agreement chiefly outlines the mechanism (i.e. sale of an interest of a Lender loan to the County) for the Lender to match County funds to make loans as well as loan administration requirements, especially for troubled loans.
 - iii) The Participation Certificate must be completed by Lender and County for each Headwaters Loan. The Certificate primarily specifies loan terms, compensation to Lender to cover underwriting and administration costs, and collateral recovery arrangements.

2. Definitions

- a) “Lender” means a qualified lender approved by the Headwaters Fund to administer Headwaters Fund money.
- b) “HWF” means the Headwaters Fund program of the County of Humboldt.
- c) “HFB” means the Headwaters Fund Board.
- d) “County” means the County of Humboldt.
- e) “Board of Supervisors” means the Board of Supervisors of the County of Humboldt.
- f) “RLF” means the Headwaters Fund Revolving Loan Fund Program.

- g) “HWF/Lender Portion” refers to the amount of a loan provided by either HWF or Lender funds. Commercial bank, borrower injection, and other sources of funds are not included in this amount.
- h) “Lender participation” refers to loan funds not from HWF provided by Lender as part of an HWF loan. For example, if there is 40% Lender participation in a loan with an HWF/Lender Portion of \$100,000, the Lender provides \$40,000 for the loan from non-HWF sources; HWF provides \$60,000 for the loan.
- i) “Delinquent loan” is a loan where scheduled or required payments are up to 90 days past the original due date.
- j) “Default loan” is a loan where scheduled or required payments are over 90 days past the original due date.
- k) “Loan loss rate” or “loss rate” for the Lender’s Headwaters Fund Loan portfolio means the total unrecoverable amount of Lender’s outstanding Headwaters loans as a percentage of Lender’s total Headwaters loan portfolio’s outstanding principal amount.
- l) A loan “write-off” means the amount of an outstanding loan expected to be unrecoverable.
- m) “Lender Agreement” is the separate document between the Lender and the County of Humboldt outlining disbursements to Lenders from the County, the Lender’s lending responsibilities, terms and consequences for an Agreement Default, suspension and termination of the Lender Agreement, and other legal provisions.
- n) “Master Participation Agreement” is the separate document chiefly outlining the mechanism (i.e. sale of an interest of a Lender loan to the County) for the Lender to match County funds to make loans as well as loan administration requirements, especially for troubled loans.
- o) “Participation Certificate” is the separate document specifying loan terms, compensation to Lender to cover underwriting and administration costs, and collateral recovery arrangements. The Participation Certificate must be completed by Lender and County for each Headwaters Loan.

3. **Loan Screening and Administration Process**

- a) **Marketing of Loan Products:** The Lender will effectively market HWF loan products to qualified organizations by targeting appropriate customer segments, advertising, distributing marketing and application materials, and responding to potential applicant inquiries. At its discretion, HWF staff will work with Lenders to design and implement marketing programs.
- b) **Loan Application:** Applicants apply to the Lender directly for loans. The Lender will assist loan applicants in completing the necessary application materials. The Lender can use its own application forms and procedures, as long as it collects the information required for reports to HWF staff (outlined in Section 14 ‘Reporting & Monitoring’).
- c) **Loan Evaluation**
 - i) The Lender will perform a sufficiently detailed and comprehensive analysis of each application to make a reasonable, informed, and responsible loan evaluation decision consistent with industry standards.
 - ii) The Lender will have its Loan Committee review and recommend for approval all HWF loans. Loan Committee members must have sufficient knowledge and experience in finance, banking, accounting and law to evaluate HWF loans.
 - iii) The Lender will prepare all necessary loan documents and supporting information including Loan Committee recommendations on the appropriateness of each loan.

- iv) Other interviews, screening, financial evaluation and analysis are conducted per Lender's usual policies.
- v) Loan eligibility and uses must fit Section 4 'Loan Guidelines' below.
- d) HWF Input & Approval
 - i) HWF representative on Lender loan committee: HWF staff and/or HFB have the option to send one representative to sit on the Lender's Loan Committee, subject to that representative signing and complying with any conflict of interest policies of Lender. This representative would have all the duties and authority of normal Lender Loan Committee members.
 - ii) Exceptions to loan guidelines (specifically outlined in Section 4 'Loan Guidelines') must be submitted to and approved by HWF staff and/or HFB in writing.
 - iii) Under the RLF, Lender cannot be required to approve a particular loan, but HWF staff and/or HFB may decline to fund/participate in an approved loan under conditions outlined in Section 7 'Lender Participation'.
 - iv) If HWF approval is required for a loan, Lender must provide HWF staff with appropriate documents (see Section 7g).
 - v) HWF staff will review all loans to ensure that proposed uses are consistent with HWF policies.
- e) Loan Closing & Disbursement
 - i) The Lender must execute all necessary loan documents.
 - ii) The Lender must adhere to its customary policies and any agreements of HWF.
- f) Appeals Process
 - i) The Lender must have an HWF staff approved appeals process.
- g) Loan Servicing & Monitoring
 - i) The Lender must monitor project for compliance with loan documents and requirements.
 - ii) Notice of Payment due dates must be sent to borrowers at least 15 days prior to due date.
 - iii) The Lender must monitor loans according to its policies and as needed to fulfill HWF reporting & monitoring requirements (outlined in Section 14 'Reporting & Monitoring' and Section 6 'Troubled Loan Guidelines' sections).
 - iv) Payments from borrowers must be transferred to HWF according to policies in Section 10 "Financial Management and Payment".
 - v) Troubled loan guidelines are outlined in Section 6.

4. Loan Guidelines

- a) The Lender must abide by these guidelines. As long as RLF guidelines are met, the Lender may set loan parameters according to Lender's established policies and judgment. Exceptions to guidelines are specifically noted below and require final approval in writing from HWF staff and/or HFB. In considering exceptional cases, HWF staff may request from the Lender the 'loan report' documents/information outlined in Section 7g.
- b) Eligible Organizations
 - i) Businesses (including start-ups) and non-profit organizations located in Humboldt County. Organization may be located outside of the County if the Extraordinary Project criteria in section 17 are met.
- c) Ineligible Organizations
 - i) Speculative organizations (firms deriving profit from fluctuations in price rather than through the normal course of trade), lending organizations (e.g. banks),

- political lobbying organizations, pyramid sales organizations, and organizations involved in illegal activities.
 - ii) Lender
 - d) All projects must not be commercially bankable on their own.
 - i) Lender must verify reasonable documentation of need or gap (e.g. bank rejection letter). To provide useful information for Lender and HWF, a bank rejection letter should also include an explanation for the gap (i.e. reason for denial).
 - e) Eligible Project Uses of Loan Proceeds:
 - i) Real estate: purchase (land and building), construction, and rehabilitation
 - ii) Working capital
 - iii) Equipment and machinery
 - iv) Inventory
 - v) Leases
 - vi) Business buy-outs and startup costs
 - vii) Product development
 - viii) Debt refinancing, but only on an exceptions basis; typically refinancing must fulfill all of the following conditions:
 - a) The existing debt must not presently be on reasonable terms. The main test for reasonableness is whether existing cash flow is adequate to cover existing debt;
 - b) The refinancing must provide a substantial benefit to the organization;
 - c) There must be at least a 20% improvement to the firm's cash flow compared to the previous debt structure. The comparison does not have to be based on similar methods of amortization;
 - d) The refinancing must not be made to provide additional funds to distribute to owners/investors. Debt due a principal of the applicant business cannot be refinanced regardless of the principal's ownership percentage; and
 - e) HWF funds may not be used to put Lender or other investor funds in a more attractive/safer position.
 - f) Documentation to be provided:
 - (1) Lender certification in writing and transcript of borrower's account showing that debt to be refinanced is and has been reasonably current for at least the last 36 months. Reasonably current means that borrower has made loan payments on time or with three or fewer late payments; and
 - (2) When a major part of the loan proceeds is for debt payment, the Lender must fully explain how and why the debt accumulated and justify the need for refinancing.
 - ix) Other uses for loan proceeds (e.g. intellectual property, letters of credit, loan guarantees) are eligible on an exceptions basis only
 - f) Social Criteria for Loan Proceeds
 - i) Job creation/retention: proceeds must lead to job creation or retention. Projects must meet or exceed the job-to-loan ratio of 1 full-time job created/retained per every \$35,000 loaned (i.e. the total HWF/Lender Portion). Subject to HWF staff and/or HFB approval on an exceptions basis only, the Lender can make exceptions to this job creation/retention requirement if Lender deems the organization will generate a sufficiently high total economic value to the County (see "Total Economic Value" Appendix 2); and

- ii) Fit with the broad vision outlined in the County’s Comprehensive Economic Development Strategy (currently named Prosperity!), namely: creation/retention of jobs, contribution to the economic vitality of the region, and enhancement of industry clusters or supporting industries.
- g) Ineligible Uses of Loan Proceeds
 - i) Payments for debt or to investors (except as specified in Section 4.e.viii);
 - ii) Tax payments;
 - iii) Exclusively private residential projects (mixed commercial/residential projects may be considered); and
 - iv) Activities and economic benefits located outside of Humboldt County. Assistance may be withdrawn if the activity is later moved outside of Humboldt County.
- h) Allowed Financing Instruments
 - i) Loans;
 - ii) A line of credit (LOC) except that an LOC may only be made with the written consent of the HWF Board; and
 - iii) Loans with Royalty Participation
 - a) Lender negotiates with Borrower to receive a percentage of sales for a future period or above a specified threshold (typically used to compensate for higher risk deals); typically requires audited sales figures.
 - b) Lender may not conduct Royalty Participation deals until expressly approved in writing to do so by HWF staff.
 - c) If HWF staff deems that a Lender does not have the needed expertise in executing loans with royalty participation, staff may require appropriate Lender personnel to undergo suitable training before being able to execute loans with royalty participation.
- i) Loan Terms and Conditions: Refer to Figure 1 below and Lender Agreement for loan guidelines:

Figure 1: Terms & Conditions Guidelines for Loan Products

Term/Condition	Guidelines	Notes
Required Investment from Borrower	<ul style="list-style-type: none"> At least 10% of project cost, with exceptions, in cash or comparably valued equity 	<ul style="list-style-type: none"> Valuation and use of non-cash equity should occur according to Lender's policies
Payment Schedule	<ul style="list-style-type: none"> Lender discretion 	<ul style="list-style-type: none"> Options include interest-only payment period, deferred payment period, variable payment schedule, & balloon payments
Private Sector Lender Participation (Leverage)	<ul style="list-style-type: none"> Portfolio-wide ratio: At least \$1 from private lender(s) and/or the borrower for every \$1 of HWF/Lender Portion. 	<ul style="list-style-type: none"> This ratio is computed over a 12-month period starting after the Lender makes its first HWF loan.
HWF/Lender Portion Size	<ul style="list-style-type: none"> Minimum: \$25,000 Maximum (established firms): \$800,000 (with exceptions as allowed by the Extraordinary Project criteria in section 17.) Maximum (start-up firms¹): \$200,000 (with exceptions) 	<ul style="list-style-type: none"> Total loan size = HWF/Lender Portion + Private lender portion Min/max contribution of HWF depends on Lender participation percentage
Interest Rate	<ul style="list-style-type: none"> See Lender Agreement Section 3.7 	
Term Length	<ul style="list-style-type: none"> Lender discretion 	
Loan Fee	<ul style="list-style-type: none"> Set by Lender (see Lender Agreement Section 3.7) 	
Prepayment Penalty	<ul style="list-style-type: none"> None 	
Collateral Requirement	<ul style="list-style-type: none"> Fully secured (collateral discounted according to Lender policies), junior position to other debt possible; exceptions also possible 	<ul style="list-style-type: none"> Possible exception: Debt with Royalty Participation

5. Loan Servicing

- a) Lender shall maintain a loan file that includes: Note, Participation Certificate, Loan Agreement/Contract, Loan Application Package, Insurance (if applicable), Loan Committee Report, Disbursements, Guaranties (if applicable), and other needed documents.
- b) Lender should maintain a "Tickler" system organized by month (when payments are due) and track borrower due dates for insurance payments, taxes, financial statement updates,

¹ See Section 9a for start-up firm definition

guarantor financial statements (if applicable), and Uniform Commercial Code renewal dates (if applicable).

- c) Lender should maintain a delinquent and lost loans file - A list of all loans deemed uncollectable or delinquent. Delinquent loan information will include recommendations for action.

6. **Troubled Loan Guidelines**

Workouts, extensions, collections, write-offs, delinquency, and foreclosures will be determined according to Lender discretion and policies, but should at a minimum include the following procedures:

- a) As stated in the Master Participation Agreement Section 3, Lender will confer with HWF staff prior to initiation of loan acceleration or collections proceedings. If Lender participation is less than 50%, Lender must obtain written consent of HWF staff before initiating such proceedings;
- b) As stated in the Master Participation Agreement Section 13, Lender must promptly notify HWF staff if there are material changes in the value of the collateral securing the loan;
- c) Lender may restructure a loan no more than 3 times. If Lender wishes to restructure a loan more than 3 times, Lender must obtain permission from HWF staff and/or HFB, and HWF staff and Lender must agree upon a plan to address the troubled loan;
- d) Lender must notify HWF staff of delinquent and default loans within 10 business days following Lender knowledge of delinquency and default (see Section 14 for further reporting requirements);
- e) In the event that loan payments are more the 20 days late, Servicer will call the Borrower and ascertain why the payment is late and get a commitment for payment. The Servicer will maintain a log of all verbal and written communication about the past due payments. Penalty fees can be assessed in compliance with loan documents and state laws;
- f) If payment has not been received 30 days after the due date, Lender will follow up with a letter stating the amounts past due and explaining that the borrower is in default. If appropriate, Lender will make a site visit;
- g) All payments past due 30 days or more will be reported by Lender to HWF staff in a monthly report (see Appendix for reporting requirements);
- h) By the 60th day of a late payment, Lender shall:
 - i) Develop an agreed upon payment plan to get the borrower current.
 - ii) Double check that all collateral documentation is in place and in order and that all insurances required are in place.
 - iii) Report to HWF staff detailing the nature of the problem and make recommendations; and
 - iv) Develop a strategy for further action, including:
 - a) Loan re-structuring;
 - b) Strategy to liquidate the collateral;
 - c) Notice of default and the intention to foreclose;
 - d) Further forbearance of action based upon certainty of repayment and confidence of operations; and
 - e) Sending the loan to the collection agency.
- i) **Foreclosure Policies**
 - i) In most instances a straight foreclosure will be viewed as the last option. There are, however, instances when foreclosure is the best option and the only remedy to a deteriorating situation. Lender will consult with HWF staff before initiating foreclosure proceedings;

- ii) All foreclosure proceedings and actions should be done in such a way as to provide maximum protection for HWF funds (see Master Participation Agreement Section 3D); and
- iii) Collateral liquidations must attempt to cover the cost of the outstanding loan principal, any accrued interest owed to the lenders, and the transaction costs of liquidation (i.e. legal, marketing, Staff time). See Participation Certificate for further details.

7. Lender Loan Participation & HWF Approval

In all cases, HWF staff will review and approve a loan recommended for HWF funding by Lender to determine if the loan is for an appropriate use as defined in this Lender Manual. Further HWF staff review and approval may be required as defined in this section.

- a) Case 1: 50% Lender participation
 - i) The Lender must provide 50% of the HWF/Lender Portion from its own, non-HWF sources. This participation is designed to increase leverage of HWF funds and provide risk sharing between HWF and Lender. There are two exceptions to this 50% requirement:
 - a) Lender has economic conflicts of interest (as defined in California Government Code) and is not eligible for HWF funds.
 - b) Lender lacks sufficient cash to contribute 50% of HWF/Lender Portion.
 - ii) Responsibility and authority for loan underwriting/approval rests with the Lender (subject to terms in this Manual).
- b) Case 2: 30 to 49% Lender participation for loans with HWF/Lender Portion under \$100,000
 - i) If Lender cannot provide 50% participation for the two exceptions/reasons stated in Case 1, can provide 30-49% of the HWF/Lender Portion from non-HWF sources, and the HWF/Lender Portion is less than \$100,000, the Lender has the responsibility and authority for loan underwriting/approval (subject to terms in this Manual).
 - ii) Lender must provide HWF staff with reasons (and brief documentation) for less than 50% participation.
- c) Case 3: 30 to 49% Lender participation for loans with HWF/Lender Portion of \$100,000 or more.
 - i) If Lender cannot provide 50% participation for the two exceptions/reasons stated in Case 1, can provide 30-49% of the HWF/Lender Portion from non-HWF sources, and the HWF/Lender Portion is more than \$100,000, the Lender may still make the deal but requires approval from HWF.
 - ii) Using its normal processes, the Lender will underwrite and recommend approval (if appropriate) to HWF staff. HWF staff and/or HFB will have final authority to approve or decline loans.
 - iii) Lender must provide HWF staff with reasons (and brief documentation) for less than 50% participation.
- d) Case 4: Less than 30% Lender participation
 - i) If Lender can only provide less than 30% participation for HWF/Lender Portion for the two exceptions/reasons stated in Case 1, the Lender may still make the deal but requires approval from HWF staff and/or HFB.
 - ii) Using its normal processes, the Lender will underwrite and recommend approval (if appropriate) to HWF staff. HWF staff and/or HFB will have final authority to approve or decline loans.

- iii) Lender must provide HWF staff with reasons (and brief documentation) for less than 30% participation.
- e) HWF staff and HFB may not require Lender to approve a particular loan, but may decline to fund/participate in an approved loan under Cases 3 and 4 above, and in all cases if loan is not for an approved use.
- f) When Lender requires final approval for a loan from HWF staff and/or HFB (i.e. Cases 3 and 4 above and exceptions to loan guidelines), Lender will submit loan request to HWF staff. HWF staff will respond to Lender request within 10 working days of receipt of request, unless prior arrangement on turnaround time is agreed upon between Lender and HWF staff.
- g) Loan Report
 - i) When Lender requires final approval for a loan from HWF staff and/or HFB (i.e. Cases 3 and 4 above and exceptions to loan guidelines), Lender should review, underwrite, and recommend approval to HWF staff. Lender should provide at least the following information to HWF staff for review:
 - a) Borrower's name and contact information;
 - b) Principal/owner's name and contact information;
 - c) Summary of organization;
 - d) Summary of the project (e.g. use of funds, budget);
 - e) Eligibility for HWF funds (e.g. legal structure, job creation/retention/economic impact);
 - f) Loan terms (amount, interest, term length, equity investment, conditions, etc.);
 - g) Proposed collateral (descriptions, valuation formula, appraisal (if applicable), final value);
 - h) Cash flow analysis and coverage (adjusted existing cash flow, projected cash flow). Lender should provide detailed information needed to analyze and adjust cash flow (e.g. depreciation, principal payments, coverage ratio);
 - i) Guarantors (name, income, net worth);
 - j) Outline and analysis of financial condition of the organization (spread of historical financial statements, capabilities of management, personal financial statements (if applicable), credit reports (business and personal, if applicable));
 - k) Participation structure (amount of private lender, HWF, and Lender participation);
 - l) Explanation for Lender's inability to fully participate in loan (if Lender participation is less than 50%); and
 - m) Lender recommendation for making the loan listing reasons and any concerns.

8. Conflict of Interest Policy

- a) HWF staff must approve the Lender's Conflict of Interest policy. This policy must preclude the involvement of any individual, with interests (personal or financial) in a loan, from exercising influence in any aspect of the loan process. If the Lender does not have a suitable policy, HWF staff will work with the Lender to create one. The Lender's Conflict of Interest Policy must include the following:
 - i) Lender will, for each proposed loan, inform HWF staff in writing and furnish such additional information as HWF staff may require, as to whether and to what extent Lender or its principal officers or employees, including immediate family,

hold any legal or financial interest or influence in the Borrower, or the Borrower or any of its principal officers or employees, including immediate family, holds any legal or financial interest or influence in Lender. In the event that HWF staff determines that a conflict of interest exists, the loan may not be made without HWF staff approval.

- ii) Officers or employees of Lender or members of any credit committees of Lender shall be barred from participation in any way on any decision regarding projects which that officer, employee or member has a direct or indirect personal financial interest.

9. Portfolio Management Guidelines

- a) The goal of portfolio management is to have a diverse portfolio to minimize overall risk and ensure broad impact. Diversification categories and the diversification of the portfolio will be considered at least annually by HWF staff (see reporting requirement section). Effort should be made to achieve a diversity in investments in the following areas:
 - i) Mix of loan and investment products: senior loans, subordinated loans, and royalty participation (if approved by HWF staff);
 - ii) Mix of development stage of businesses invested in. The following definitions outline development stages:
 - a) Seed/Start-up Stage: firm is in business less than one year but products or services have not been sold commercially.
 - b) First Stage: sales initiated for a short time (less than six months); company is not showing a profit yet.
 - c) Second Stage: company has been producing goods and services for more than two years and has growing accounts receivables and inventory. Firm is clearly making progress and may or may not yet be showing a profit.
 - d) Growth Stage: established company with increasing sales volume over several years with profits at break-even or positive. Firm is continuing to expand.
 - e) Mature Stage: well established company with stable sales and intermittent to consistent profits. Firm is anticipating little growth opportunity.
 - f) Declining stage: established company with declining sales and profits, serving shrinking markets.
 - iii) Mix of borrowers: non-profits, businesses, real estate, agricultural businesses, etc.;
 - iv) Mix of loan terms: loans with short, medium, and longer term maturities to encourage fund liquidity;
 - v) Mix of loan uses: business (working capital, equipment, etc.), real estate, etc.; and
 - vi) Mix of risk ratings: loans with varying degrees of risk ranked by a Lender's risk rating system approved by HWF staff.
- b) Loans maximum per borrower group: a particular borrower group may not hold more than \$800,000 in total loans from RLF, with exceptions as allowed by the Extraordinary Project criteria in section 17. A borrower group is a group financially related to each other such as subsidiaries, joint ventures, partnerships, jointly owned corporations, or individual(s) with ownership interest in another borrower. .

- c) Loan payment default and loss rate: The Lender should maintain a reasonable loan payment default and loss rate (which will vary according to lending conditions, economic factors, etc.). An excessively high default rate may be grounds for review, greater HWF staff oversight of the Lender, and/or contract termination (see “Lender Agreement” Sections 5 and 6).

10. Financial Management and Payment

- a) Through an RFP process, financial institutions will apply to become HWF Lenders.
- b) Loan Pool
 - i) A Lender Loan Pool will be established for each Lender. This Lender Loan Pool will be the maximum amount of funds available (less Loan and Liquidity Reserves as described below) to a Lender for making loans. The Lender Loan Pool is expected to be a self-sustaining revolving loan fund, providing ongoing capital for loans and revenue to cover costs of loan operations.
 - ii) Board of Supervisors will determine the size of the Loan Pool based on their discretion and the financial institution’s request. The Loan Pool will be held and managed by County of Humboldt. The maximum Loan Pool size is \$3,500,000.
 - iii) Subject to the terms of the Lender Agreement, Master Participation Agreement and Participation Certificate, loan payments from borrowers, foreclosure proceeds, and other income generated from loans to borrowers will be returned to their original Lender Loan Pool.
 - iv) Capital/Liquidity Reserve
 - a) A Capital Reserve Account of the Revolving Loan Fund will be established in order to retain sufficient earnings from the Revolving Loan Fund to absorb any losses incurred on loans made out of the Fund. Funds will be retained from interest earnings totaling 8% of the outstanding balance of loans from the Revolving Loan Fund Pool and set aside in this account. Loan losses will be charged to the Capital Reserve Account. The Capital Reserve Account is separate from funds allocated to the Revolving Loan Fund. Losses charged to the Capital Reserve account will be reimbursed to the account from future interest earnings on loans outstanding. HWF staff and/or HFB will review the history of losses at least annually and have the right to adjust the anticipated loan loss percentage, currently set at the industry average of 8% of outstanding loan balances.
 - v) Funds will be disbursed in periodic installments as the applicant commits to make loans to eligible borrowers, up to the original amount of the Lender Loan Pool.
 - vi) In setting the Lender Loan Pool size, the following criteria will be considered:
 - a) The relative demand for funds from other eligible applicants;
 - b) Whether the applicant serves a geographic area or segment of potential borrowers not served by others; and
 - c) The number of types of eligible projects under RLF guidelines in the applicant’s area.
- c) Remuneration to Lender
 - i) The “Master Participation Agreement” and “Participation Certificate” outline payment structure for Lender in administering HWF loans.
- d) Collateral collection for lost loans

- i) As described in the Participation Certificate, if an HWF/Lender loan is accelerated and charged-off, net proceeds of collateral received by the Lender will be shared pro rata based on the Lender and County's original percentage of a HWF/Lender loan. For example, on a loan with 50% Lender participation, 50% of the proceeds from collateral recovery will be given to County by Lender.
- e) Accounting records
 - i) Lenders must adhere to standard accounting principles and procedures and utilize adequate internal controls.
 - ii) Lenders must maintain adequate accounting records and source documentation to substantiate the reporting requirements and guidelines of the HWF. Lenders must retain all records pertinent to expenditures, transactions, and loans for the RLF for a period of 5 years after the termination of the loans funded by HWF. In the event of litigation, claims, audits, negotiations or other actions that involve any of the Lender's records, Lender must retain such records until final action resolving all issues occurs, or the expiration of the five-year period, whichever occurs later.

11. Terms and Conditions of HWF/Lender Relationship

- a) Lender Applicant Eligibility: In order to approve an application to become a Lender, HWF staff must determine that the applicant, either independently or with the assistance of an advisory board or committee or by contract with appropriate agencies, organizations or individuals:
 - i) is capable of providing financial assistance to businesses in order to create and protect jobs;
 - ii) is able to prudently and effectively administer a direct loan fund;
 - iii) is able to coordinate with other business assistance, employment training and social assistance programs;
 - iv) has a strategy for the creation and retention of jobs;
 - v) has an effective business marketing plan;
 - vi) has enough expert assistance available to it to underwrite, document, service and collect loans and assist its clients; and
 - vii) can provide funds from other sources to satisfy Lender participation requirements in HWF loans.
- b) See Lender Agreement, Master Participation Agreement, and Participation Certificate for further terms of the Lender's contract with HWF.

12. Technical Assistance

- a) Process
 - i) Initial contact & screening
 - a) At the outset of the loan application process, Lender first determines if a loan applicant has a project with a realistic chance for loan approval. If the Lender believes that technical assistance (TA) is warranted for these eligible applicants, Lender can refer applicants to the TA Provider mutually agreed upon by HWF staff and Lender.
 - b) TA Provider (e.g. the North Coast Small Business Development Center) should have experience in business plan development, general business counseling, collaborating with local economic development lenders, assisting applicants with applying for and receiving economic development loans, and accessing business assistance specialists.

- c) Due to lender liability and other issues, the TA Provider should not be part of the Lender's organization.
 - ii) Technical assistance assessment
 - a) TA Provider will assess the technical assistance needs of the applicant and collaborate with the applicant to develop a TA plan. The Lender may also give input into the plan. The plan should consider the needs of the borrower and Lender, the capacity of TA Provider, and the funds available for payment of TA.
 - iii) Pre-loan approval counseling
 - a) TA Provider will provide necessary counseling according to its assessment.
 - iv) Encouraging and enforcing the use of technical assistance
 - a) The Lender, in consultation with TA Provider, may contractually require the borrower to utilize technical assistance for some period during the life of the loan. If assistance is required, the technical assistance plan should be refined to specify frequency, duration, and general content of consultations. Borrowers renegeing on technical assistance agreements during the loan period may face higher interest rates, fees, or even foreclosure, at the Lender's discretion.
 - b) The Lender may also choose other methods of encouraging and financing TA usage including discounts on loan fees and interest rates, higher interest rates to fund TA, cash deposits from borrowers (refundable after TA), and rebates on loan fees after TA.
 - v) Post-loan approval counseling
 - a) Borrower will meet with TA Provider staff or specialists as needed or required by technical assistance plan.
 - vi) Evaluation of technical assistance
 - a) Lender and/or HWF staff will regularly evaluate the TA process.
- b) Eligible forms of technical assistance
 - i) Pre-loan approval
 - a) Business plan preparation;
 - b) Loan application advice; and
 - c) General business consulting – accounting, marketing, planning, human resources, operations, finance, legal, etc.
 - ii) Post-loan approval
 - a) General business consulting; and
 - b) Troubleshooting & status checks.

13. Other Requirements

- a) All programs and projects funded by the Headwaters Fund will carry the HWF logo or statement in their marketing materials where deemed appropriate by HWF staff.

14. Reporting & Monitoring

- a) Loan delinquency and default
 - i) Lender must notify HWF staff of delinquent and default loans within 10 business days following Lender knowledge of delinquency/default.
 - ii) As stated in the Master Participation Agreement Section 13, Lender must promptly notify HWF staff if any of the following occur:
 - a) Any change in the financial condition of the Borrower, or of any co-maker, guarantor or endorser, under the Loan, which may have a

material adverse affect upon continuation of payments under the Loan or the Loan's ultimate collectability;

- b) Any material change in the value of collateral securing the Loan;
 - c) Any change in lien status as affecting the secured collateral;
 - d) Any request by the Borrower, or by any co-maker, guarantor or endorser under the Loan for any change in the terms and conditions of the Loan, or in the terms of any note or notes evidencing the Loan or in any security agreement or instrument securing the Loan;
 - e) Any request by the Borrower, or by any co-maker guarantor or surety under the Loan for the release, substitution or exchange of any collateral securing the Loan;
 - f) Any request of the Borrower, or by any co-maker, guarantor or endorser under the Loan for the release of any personal obligations of any such party under the Loan;
 - g) Any request to the Lender for any change in the terms and conditions of the Loan, or in the terms of any note or notes evidencing the Loan, or in any security agreement or instrument securing the Loan;
 - h) Any request by the Lender for an increase in and/or substitution or exchange of collateral securing the Loan; and
 - i) The occurrence of any other event, which with the passage of time and/or failure to cure, would constitute an event of default under the Loan, or under any note or notes evidencing the Loan, or under any Loan Document and/or security agreement instrument securing the Loan.
- b) Periodic Reports
- i) Refer to Appendix 1 for 6-month and monthly reporting requirements.
 - ii) HWF staff and HFB may change or streamline reporting requirements at their discretion, based on performance of Lender.
- c) Ad hoc discussions between HWF staff and Lender regarding Lender performance, loan status, and other issues will also take place as needed.
- d) Site Visits
- i) HWF staff and/or HFB will periodically schedule site visits to review the Lender's operating procedures, monitor progress and evaluate the effectiveness of the RLF in supporting the area's economic adjustment process and strategic objectives. Site visits may include review of individual loan files to evaluate loan decision-making as well as visits/interviews with borrowers (coordinated with Lender).
- e) Audit of Lender
- i) Lenders shall cause to be performed an annual audit related to HWF funds for the duration of the RLF. Such audits will be conducted by an independent auditor who meets the general standards specified in generally accepted government auditing standards. At HWF staff discretion, part or all of a Lender's audit for other funders/purposes may substitute for part or all of HWF audit requirements provided the Lender's audit includes an accounting of the HWF funds and HWF loan participation accounts under the control of Lender.
 - ii) HWF staff and HFB may audit, inspect, or investigate an RLF Lender and any HWF loan related materials at any time. An audit should take place no more than 12 months after the start of relationship with HWF.
- f) RLF Monitoring and Annual Report
- i) HWF Staff and HFB will issue an annual public report detailing fund activities and performance and status.

- ii) RLF will undergo an annual audit.
- iii) HWF Staff will regularly develop financial reports and program reviews to monitor RLF operations and allow for HFB and Board of Supervisor review.

15. Evaluation of Lenders

- a) Lenders will be evaluated in absolute performance terms and relative to their own evaluation plan outlined in an organization's application to become an HWF Lender.
- b) HWF staff and HFB will evaluate Lenders based on loan fund performance, compliance with HWF guidelines, effectiveness in disbursing financing to the community, overall management competency, ability to work effectively with HWF staff and HFB, and other factors.

16. Changes to Policies and Procedures

- a) HWF reserves the right to make changes to this Manual and policies governing Lender use of HWF funds as needed.
- b) Typographical, editorial, and other non-material changes in this Manual will be made by HWF Staff.

17. Extraordinary Project Criteria

- a) Although ineligible according to Headwaters CIF, Grant Fund, and Revolving Loan Fund criteria, an extraordinary project providing extraordinary economic benefit to Humboldt County may still be eligible for Headwaters Funding. This Extraordinary Project must pass the following levels of approval:
 - i) Staff and HFB recommendation; and
 - ii) BOS super-majority vote approval (i.e. approval by at least four out of the five Board of Supervisors).
- b) Selection criteria:
 - i) The project must demonstrate a total economic benefit that significantly exceeds the economic benefit from using twice the amount of funds for the Revolving Loan Fund, CIF, or Grant Fund; whichever of the three Funds that would be appropriate and/or most impacted would be the standard against which to judge the Extraordinary Project. In other words, if the Extraordinary Project requests \$1 million, its total economic benefit must exceed using \$2 million for Revolving Loan Fund, CIF, or Grant Fund investments;
 - ii) The calculation of total economic benefit should include measures such as County-wide direct and indirect job creation/retention, wealth generation, workforce development, and business development; and
 - iii) No alternative sources of funding should be readily available.
- c) Businesses and non-profit organizations are eligible to apply.
- d) Individuals, and political lobbying groups are ineligible for funding.
- e) Under no circumstances can the Extraordinary Project include using Headwaters Fund money for general County government funding.

APPENDICES

Appendix 1

Lender Reporting Requirements

6 Month Report

Loans and Payments Summary (breakout for HWF & Lender loan portions as needed)

- Total Loans (\$ and #)
- Fully repaid (\$ and #)
- Current loans (\$ and #)
- Delinquent (<90 days) (\$ and #)
- In default (>90 days) (\$ and #)
- Total Written Off (\$ and #)
- Total Loss (\$ and #)

Loan Use

- Real estate, working capital, etc.
- Leverage ratio of portfolio

Social Impacts

- Jobs Created
- Jobs Retained

Borrower Demographics

- Firm Phase (\$ loaned to)
 - Startup
 - Expansion
 - Retention
- Firm Industry

Administration

- Any staff turnover last 12 months (position)?
- Loan board members (occupation, race, gender)
- Date of most recent independent audit
- Attach audit (if different from last 6 month report's audit)

Narrative Questions

- Any program/activity plans & changes for future?
- Discuss problems/complaints with loan program?
 - How have they been resolved?
- Any problems in fulfilling plan/obligations to HWF?
- Discuss marketing activities

Status of Loan Pool

- Total Loan Pool
- Less losses (actual and expected)
- Less loan committed, but not disbursed
- = Current Loan Pool balance available

Individual Loan Information

- Recipient
 - Name
 - Location
 - SIC/Industry
- Loan Type & Description
 - Direct/Guarantee
 - Loan use (by category)
 - Startup/expansion/retention
- Financing by Source
 - HWF RLF \$
 - Other public (for lender match) \$
 - Private \$
 - New Equity \$
 - Total \$
- Closing Date & Loan Terms
 - Date closed
 - Term (yrs)
 - Interest rate
 - Total fees
- Loan Status
 - Fully repaid (date)
 - Current as of (date)
 - Delinquent (date)
 - Default (date)
 - Write-off (date)
- Repayment status
 - Principle repaid
 - Interest paid
 - Amount delinquent
 - Amount default
 - Amount written off
- Job impact
 - Pre loan jobs
 - Jobs created
 - Jobs saved

Monthly Reporting Requirements

New Loan Activity

- ❖ Number of applications received
- ❖ Number of loans closed
- ❖ Individual loan information:
 - Use of loan (e.g. real estate construction, working capital)
 - Amount of loan:
 - Total loan size
 - Portion of loan from Lender (non-HWF funds)
 - Portion of loan from HWF
 - Portion of loan from commercial lender
 - Changes to existing loans
 - Risk rating
 - Firm industry
 - Firm size
 - Firm growth phase (e.g. startup)

New Delinquencies, Defaults and Losses (note: Lender must notify HWF staff within 10 business days of knowledge of borrower delinquency)

- ❖ Borrower name
- ❖ Days delinquent/default (see
- ❖ Principle balance
- ❖ Past due interest
- ❖ Total interest and principal past due/lost
- ❖ Recoveries from defaulted loans
- ❖ Notes/explanation

Appendix 2

Total Economic Value Calculation

Total Economic Value Rating	
	<u>Rating</u>
Direct Job Creation/Retention	<1 FTE per \$35k loaned
Sales Outside of Humboldt	\$X (or % of total sales)
Indirect Job Creation/Retention	X
Purchases from Local Suppliers	\$X
Potential Firm Size	Small/Medium/Large
Expected Growth Rate	Low/Medium/High
Workforce Skills Development Potential	Low/Medium/High
Collaboration Potential with Other Firms	Low/Medium/High
Service to an Underserved Area	Low/Medium/High

Use of Total Economic Value Rating

The goal of the RLF is to assist organizations that will contribute to the overall economic condition of Humboldt County. While job creation/retention is an important measure for economic impact, the success of an organization engenders other beneficial impacts to the economy. Thus, if a potential borrower cannot meet the job creation/retention requirement, the borrower may still be eligible for RLF financing if the borrower is likely to create sufficient Total Economic Value in the County. Approvals for loans to these potential borrowers must occur on an exceptions basis (i.e. Lender must obtain HWF staff and/or HFB approval for loan and submit justification for waiving the job creation/retention requirement).

The Lender will use this Rating scheme to determine if a potential borrower, otherwise ineligible due to insufficient job creation/retention, should still receive funds due to a sufficient Total Economic Impact. Many of the metrics (e.g. collaboration potential with other firms) are necessarily qualitative.

If the Lender determines that the overall Rating is high enough to merit a job creation/retention requirement waiver, the Lender must submit its Rating (with reasons) to HWF staff as part of the loan documentation.

ATTACHMENT G:

The Headwaters Fund, Board Manual



The Headwaters Fund

INVESTING IN OUR COMMUNITY

BOARD MANUAL

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1. Introduction

- a) As part of the Headwaters Fund, this Manual outlines the Headwaters Fund Board formation, duties, board structure, tenure, termination, behavior, and procedures. The Headwaters Fund Board is an advisory board recommending Headwaters Fund project funding, policies and budgets to the Board of Supervisors for approval. This Manual accompanies the Community Investment Fund, Grant Fund, and Revolving Loan Fund Manuals that outline policies and procedures of the various Headwaters Fund program areas.

2. Definitions

- a) "HFB" means the Headwaters Fund Board.
- b) "HWF" means the Headwaters Fund program.
- c) "BOS" means the County of Humboldt Board of Supervisors.
- d) "Member" means a member of the Headwaters Fund Board.
- e) "Staff" means staff of the County of Humboldt's Economic Development Division administering the Headwaters Fund.
- f) "RLF" means the Revolving Loan Fund program of the Headwaters Fund.
- g) "CIF" means the Community Investment Fund program of the Headwaters Fund.
- h) "GF" means the Grant Fund program of the Headwaters Fund.

3. Duties

- a) The Headwaters Fund Board duties are the following:
 - i) Recommend funding of Grant Fund and Community Investment Fund applications to Board of Supervisors for approval: HWF Staff will provide the initial screening for applications for project grant funding. HFB will pass a slate of recommended applications to BOS for review and approval. The Community Investment Fund and Grant Fund Manuals outline details on project selection criteria and processes.
 - ii) Recommend annual budgets to Board of Supervisors for approval: Utilizing HWF Staff support and recommendations, HFB will recommend annual budgets for CIF, GF, RLF, and HWF administration to the Board of Supervisors for approval.
 - iii) Recommend Headwaters Fund policy and procedures to Board of Supervisors for approval:
 - a) Utilizing HWF Staff support and recommendations, the HFB will recommend to the Board of Supervisors policies and procedures for the management of the Headwaters Fund including the Board Manual, Charter, and CIF, RLF, and GF Policy Manuals.
 - b) Utilizing HWF Staff support and recommendations, HFB will recommend to the Board of Supervisors revisions and variances to policies and procedures for the management of the Headwaters Fund including the Board Manual, Charter, and CIF, RLF, and GF Policy Manuals.
 - iv) Solicit community input: HFB will solicit and receive community input where appropriate.
 - v) Issue annual reports: HFB will present an Annual Report to the Board of Supervisors. The report will summarize projects of the Headwaters Fund and their benefits to the community. The report will include a summary of fund balances, expenditures, revenues, and information on funded projects.

- vi) Stay informed and active in the Fund's mission and activities: HFB Members have significant responsibility in HWF's management and success. Thus, they should attend all meetings, read the materials provided, actively fulfill their duties with diligence and integrity, and remain informed of HWF operations.
- b) County staff will provide the HFB with staff support; in addition, HWF funds will be available for technical or financial consulting to assist the Board in application analysis and review.

4. Board Structure

- a) HFB consists of 7 members of the community, recommended by the Board of Supervisors Headwaters Fund Subcommittee, and appointed by the Board of Supervisors.

5. Selection of HFB Members

- a) The selection process will consist of three stages: recruitment, Headwaters Fund Subcommittee screening, and Board of Supervisors approval. This process will be performed with the assistance of the Clerk of the Board of Supervisors in conformance with the Maddy Act (Gov. Code Section 5490 et. seq.).
- b) During the recruitment stage, the Headwaters Fund Subcommittee (i.e. County Treasurer/Tax Collector, the County Administrative Officer and two Supervisors) will publish criteria and desired qualifications for HFB Members and solicit applications. In order to be considered for the HFB, all candidates must first submit a timely application.
- c) Once the deadline for submitting applications has expired, the Headwaters Fund Subcommittee will conduct interviews and evaluations of candidates. County staff will provide the committee with recommended interview questions and evaluation criteria based on best practices. The Committee will also identify any potential conflicts of interest the candidate may have. Top candidates will meet with the Committee, hear an overview of the organization, receive relevant organizational materials describing the organization's products or services, and ask/answer questions about their fitness for HFB service. Using selection criteria, including the criteria in Section 6, below, the Screening Committee will recommend (with reasons) to the Board of Supervisors a pool of up to 14 candidates for appointment. All applications for appointment will be submitted to the full Board of Supervisors for consideration. The Board of Supervisors may conduct interviews with candidates in a process open to the public. The Board of Supervisors will deliberate on and appoint the Headwaters Fund Board, considering how to achieve the best balance of skills and competencies on this standing committee.
- d) If a seat is vacated by an HFB Member or a HFB Member is removed by the Board of Supervisors, Headwaters Fund Staff will notify the Clerk of the Board of Supervisors within 20 days. The Clerk of the Board of Supervisors will publish notice of the unscheduled vacancy for 10 working days. After said noticing period, the vacancy shall be filled using the selection process as described above.

6. Selection Criteria

- a) Individuals selected for HFB should exhibit the following characteristics:
 - i) Integrity: Members should strive for the highest level of non-partisanship, resist all efforts by groups or individuals to influence HFB

- decisions, and keep commitments outside of the HWF from influencing positions taken on HWF decisions. Members should support, without prejudice, investments in the community interest that meet the HWF priorities. Political, racial, religious, and other differences must never be criteria for declining funding, or providing funding. Members must preserve the independence of HWF decision-making from outside pressures of special interest groups, friends, business associates or others.
- ii) Breadth of Interest: Members are selected to bring diverse community experience and knowledge to HWF decision-making. Each Member's background becomes an asset to HWF relations, investment decisions, and service. During HFB decision-making, each Member must scrupulously set aside past interests and commitments in order to serve the community as a whole. Only those individuals, no matter how selfless and committed, able to employ past experiences for the general community good should become Members.
 - a) Background: Members should be selected from a reasonable cross-section of the community but should not be expected to represent the special interest of a group or sector.
 - iii) Team Considerations: HFB should be considered as a team. Each Member will bring his/her own assets, and the group overall must have the necessary breadth and depth of expertise. Members should also be willing and able to work as team players at all times.
 - iv) Time Requirements: Because of the importance of HWF to the County, Members selected to HFB must make HWF their highest service and community commitment. Board service requires substantial time, thought and energy. Thus, only individuals able to make the needed commitment will be chosen.

7. Orientation

- a) New Members will receive an orientation, Board Manual, and sign all appropriate documents.

8. Board Tenure

- a) HFB members will serve staggered terms to avoid 100% turnover of the HFB at the expiration of the term.
- b) HFB Members will serve an initial 2 year appointment followed by two possible 3-year renewal terms (re-appointments come as recommendations from the Headwaters Fund Board and are approved by a majority vote of the Board of Supervisors) for a total possible service time of 8 years. The HFB shall make recommendations for re-appointments to the Board of Supervisors who may then accept or reject the re-appointment by a majority vote. In the event a recommendation for re-appointment is rejected by the Board of Supervisors, the seat shall be deemed vacated at the expiration of the term and the selection process as described in Section 5 shall commence.

9. Termination

- a) A HFB Member shall be terminated from HFB due to excess absences as defined by the Board of Supervisors, unexcused absences, behavior detrimental to HWF, or any other reason. The HFB shall first make a recommendation of termination to the Board of Supervisors who may then accept or reject the recommendation for termination on a majority vote.

- b) A Board Member's service can also be terminated after failing an annual performance review as determined by the HFB or the Board of Supervisors..

10. Operating Procedures

- a) Meetings and notice
 - i) Regular Meetings: HFB shall meet at least once per quarter or more as required to review applications and appeals, at an agreed upon time and place. Upon a vote of the HFB any regular meeting may be cancelled or moved to a date specified in said vote.
 - ii) Special Meetings: HFB Staff shall, upon the written request of 2 members of the HFB, call a special meeting of the HFB for the purpose of transacting the business designated in the call.
 - iii) The Agenda for the meeting will be posted as required by the Ralph M. Brown Act (the "Brown Act," Gov. Code, § 54950 et seq.). . HFB Staff or his or her authorized representative shall post an agenda for each regular HFB meeting or a notice for each special HFB meeting containing a brief description of each item of business to be transacted or discussed at the meeting, together with the time and location of the meeting. Agendas and notices shall be posted at 520 E Street, Eureka, California (a location readily accessible to the public) at least seventy-two (72) hours in advance of each regular meeting and at least twenty-four (24) hours in advance of each special meeting. HFB Staff shall maintain a record of such posting.
- b) Right of Public to Appear and Speak
 - i) At every regular meeting, members of the public shall have an opportunity to address the HFB on matters within the HFB's subject matter jurisdiction. Public input and comments on any item not on the agenda shall occur during the time set aside for general public comment. Public input and comments on matters on the agenda shall be made during the time set aside for public comment on that item.
 - ii) The Chairperson or presiding officer may limit the total amount of time allocated for public discussion and/or the time allocated for each individual speaker.
- c) Non-Agenda Items
 - i) Matters brought before the HFB at a regular meeting that were not placed on the agenda of the meeting shall not be acted upon by the HFB at that meeting unless action on such matters is permissible pursuant to the Brown Act. Those non-agenda items brought before the HFB that the HFB determines will require HFB consideration and action and where the HFB action at that meeting is not so authorized shall either be placed on the agenda for the next regular meeting or referred to HFB staff as directed by the Chairperson or the presiding officer.
- d) Manner of acting and decision-making
 - i) In discussions and decision-making, Board Members will act in an open-minded, respectful, and independent manner with integrity. The Board will strive for unanimity in decision-making; if unable to make a unanimous decision, the Board will rely on majority opinion in decision-making.
- e) Quorum
 - i) Required Number to Constitute Act: At least 4 Members of the HFB shall constitute a quorum for the purpose of conducting HFB business,

exercising HFB powers and for all other purposes, but a smaller number may adjourn from time to time until the quorum is obtained. Every official act of the HFB shall be adopted by a majority vote. A “majority vote” shall mean a majority of the quorum of the HFB

- f) Officers and duties
 - i) HFB Officers, as described in this section, will be selected annually by majority vote of HFB.
 - ii) Chairperson: The Chairperson will ensure the effective action of the board in governing and supporting the HWF. Among other tasks, the Chairperson will be responsible for meeting agendas, communications within the Board, and setting decision-making processes.
 - iii) Vice-Chairperson: The Vice-Chairperson will act as Chairperson in absence of the Chairperson and will assist the Chairperson on other duties or special projects. In case of the resignation, removal or death of the Chairperson, the Vice-Chairperson shall perform such duties as are imposed on the Chairperson until such time as a new Chairperson is selected.
 - iv) Secretary: HWF Staff will provide a Secretary to keep the records of the HFB, act as secretary at meetings of the HFB, record all votes and keep a record of the proceedings of the HFB in a journal of proceedings to be kept for such purpose.
- g) Vacancies
 - i) Vacancies will be handled according to the process outlined in Section 5.
- h) Resignation
 - i) Resignation from the board must be in writing and received by the Board of Supervisors.
- i) Minutes and official recommendations
 - i) HWF Staff will record and distribute minutes of the meeting.
 - ii) All official recommendations to BOS shall be in writing and an approved copy of each recommendation filed in the official book of recommendations of the HFB.
- j) Conduct During HFB Meetings
 - i) Parliamentary Procedure. Unless a different procedure is established by resolution of the HFB or set forth in this Manual, the rules of parliamentary procedure as set forth in Robert’s Rules of Order Revised shall govern all meetings of the HFB.
 - ii) The Chairperson, or in the Chairperson's absence, the Vice-Chairperson shall call the meeting of the Members to order and shall act as the chairperson of the meeting. The Chairperson, or the Chairperson's designee, shall establish rules of the meeting that will freely facilitate debate and decision-making. The Chairperson will indicate who may speak when and when a vote will be taken.
- k) Brown Act Requirements
 - i) The provisions contained in this Section 10 are consistent with the provisions set forth in the Brown Act. In the event any provision contained herein is inconsistent with the Brown Act, as it currently exists or as it may be subsequently amended, the provisions contained in the Brown Act shall prevail.

11. Conflict of Interest Policy

- a) This Policy covers economic conflicts of interest (as defined in California

Government Code 8100 et. seq.; and Humboldt County Ordinance) and other conflicts of interest. Any HFB Member or HWF Staff who has an interest in a contract or other transaction presented to HFB or a committee thereof for authorization, approval, or ratification shall make a prompt and full disclosure of his/her interest to HFB or committee prior to its acting on such contract or transaction. Such disclosure shall include any relevant and material facts known to such person about the contract or transaction and the nature of the potential conflict. Said person will recuse himself/herself from decision-making, voting, and using personal influence in the discussions with respect to such contract or transaction. Such person may be counted in determining whether a quorum is present for the Board meeting but may not be counted when the Board or a committee of the Board takes action on the transaction. The minutes of the meeting shall reflect the disclosure made, the vote thereon, the abstention from voting and participation, and whether a quorum was present.