

COUNTY OF HUMBOLDT

AGENDA ITEM NO.

F-2

For the meeting of: March 7, 2017

Date: February 14, 2017
To: Board of Supervisors
From: Amy S. Nilsen, County Administrative Officer *AN*
Subject: Presentation of the Headwaters Fund 2015-16 Annual Report

RECOMMENDATION(S):

That the Board of Supervisors:

- 1) Receive and accept the Headwaters Fund (HWF) Annual Report.

SOURCE OF FUNDING:

Headwaters Fund

DISCUSSION:

The Headwaters Fund Board (HFB) and staff are pleased to provide the attached 2015-16 Headwaters Fund Annual Report (Attachment 1). The report includes a summary of the fund's activities, results and financial status. HFB Chair, Zach Zwerdling, will present this report to your Board and will be available for questions. If your Board reviews and accepts the HWF Annual Report, it will be printed and made available for public distribution by hard copy in addition to being posted on the HWF website.

Prepared by Karen Meynell, Headwaters Executive Director

CAO Approval *E. Shira Hef*

REVIEW:

Auditor _____ County Counsel *JD* Human Resources _____ Other _____

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 *Sundberg* Seconded by Supervisor *Wilson*

Ayes *Sundberg, Fennell, Bass, Bohm, Wilson*
Nays _____
Abstain _____
Absent _____

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

Dated: *Mar 7, 2017*

By: *Kathy Hayes*
Kathy Hayes, Clerk of the Board

FINANCIAL IMPACT:

There is no financial impact to receiving the HWF Annual Report.

Accepting the HWF Annual Report supports the Board's Strategic Framework by safeguarding the public trust and managing resources to ensure sustainability.

OTHER AGENCY INVOLVEMENT:

None

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Board's discretion

ATTACHMENTS:

Attachment 1- Headwaters Fund 2015-16 Annual Report



HUMBOLDT COUNTY

Headwaters Fund

2015-2016 Annual Report

Board of Directors

Charles Ellsworth • Jeana McClendon • Dianna Rios

Cedar Ruben • Greg Seiler • Edward Webb • Zach Zwerdling



INTRODUCTION

The Headwaters Fund, established in 2003, invests in projects through loans and grants to help Humboldt County achieve increased economic opportunity, prosperity and quality-of-life. Advised by a volunteer board, the Fund's purpose is to:

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

Revolving Loan Fund	<ul style="list-style-type: none">• Six new businesses and agencies served• 72 FTE retained• Total of \$1,312,000 in new loans• No loan losses in 2015-2016	Page 2-3
Community Partnerships in Lending	<ul style="list-style-type: none">• The Carson Block Building	Page 4
Community Investment Fund	<ul style="list-style-type: none">• California Redwood Coast—Humboldt County Airport• Eureka Rescue Mission	Page 5
Grant Fund & Grant Initiative Fund	<ul style="list-style-type: none">• Historical grant making by industry• Leveraged funds by industry• Decade of Difference Year 5	Page 6-7
Fund Management	<ul style="list-style-type: none">• Financial Status—Historical Outcomes• Increase in Headwaters Fund balance of \$59,595• Decrease in operational costs of 6%	Pages 8-9

REVOLVING LOAN FUND

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

RLF Loans in FY 2015-2016

Agency	AEDC	RREDC
Number of New Businesses/Agencies Served	1	5
Total Loan Amount	\$600,000	\$712,000
Retained Jobs	22	26
Projected New Jobs	0	0
Interest Collected on Portfolio	\$112,390	\$142,953

Loan Losses

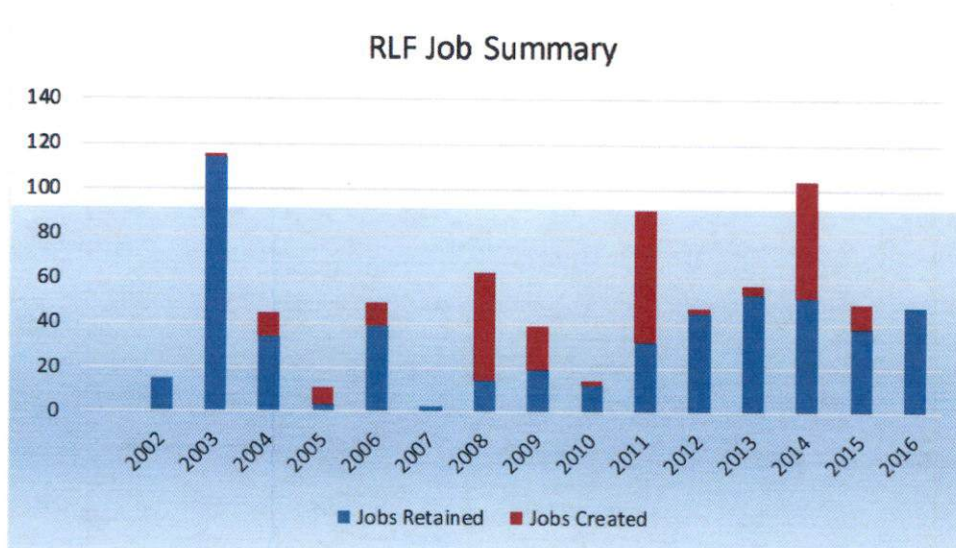
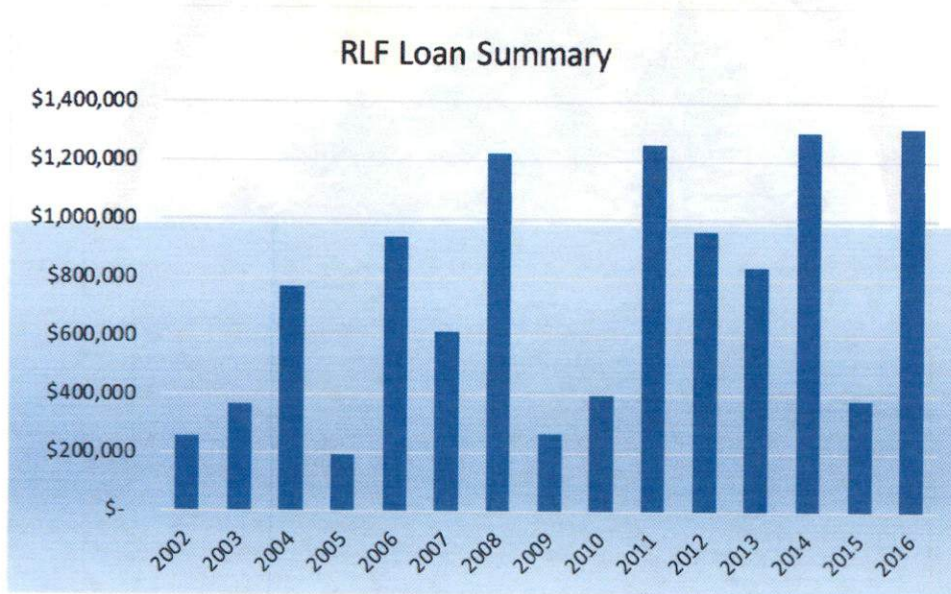
- ⇒ The RLF had no loan loss in fiscal year 2015-2016.
- ⇒ Historically, the RLF has had \$373,680 in loan losses, or 3.4% of loaned funds.

Economic Impact

- ⇒ Since its inception, the RLF has loaned nearly \$11 million to 105 businesses and agencies.
- ⇒ Based on the reports from businesses, the loans helped to retain 521 FTE and grow the local economy by 227 FTE.
- ⇒ In 2015-2016 over \$1.3 million was loaned out leveraging \$1.7 million in matching funds from lending partners.

REVOLVING LOAN FUND

Since the creation of the Headwaters Fund over \$11 million in loans have been made. On average \$730,000 in funds are loaned out each year. Historically, these loan funds helped businesses retain an average of 34 jobs and create an average of 18 jobs each year.



COMMUNITY PARTNERSHIPS IN LENDING

The Carson Block Building is one example of community lending partners coming together to bring a project to fruition. Arcata Economic Development Corporation, Redwood Region Economic Development Commission, Humboldt Area Foundation and the Headwaters Fund equally participated in the \$1.5 million loan to the Northern California Indian Development Council for building renovations and improvements. This historic building houses many small business offices and retail spaces.



COMMUNITY INVESTMENT FUND

The purpose of the Community Investment Fund is to provide grants and loans for infrastructure projects, community endowments and revolving loan programs that will result in permanent, tangible benefits to the community. This fund was set up as an expendable fund which could be paid out completely over time. However, the current focus of this fund is to lend funding for community infrastructure projects to help build lasting development for the county while growing interest earnings for the fund.

Two loans were active during 2015-2016:

- ***California Redwood Coast—Humboldt County Airport***

The Airport Runway loan, in the amount of \$515,000, was made in partnership with RREDC to help bring the airport into compliance with current FAA standards and requirements. The project allows runway and safety improvements to occur and gives Humboldt County access to over \$8.7 million in federally matched funds.

- ***Rescue Mission***

In 2015, the Rescue Mission and AEDC approached the Headwaters Fund Board for matching loan funds to help finance the new Rescue Mission building in Eureka. The partnership financed \$450,000, with the HWF participating with a \$350,000 investment. The project created new infrastructure with fewer maintenance needs, and provided additional space for services.

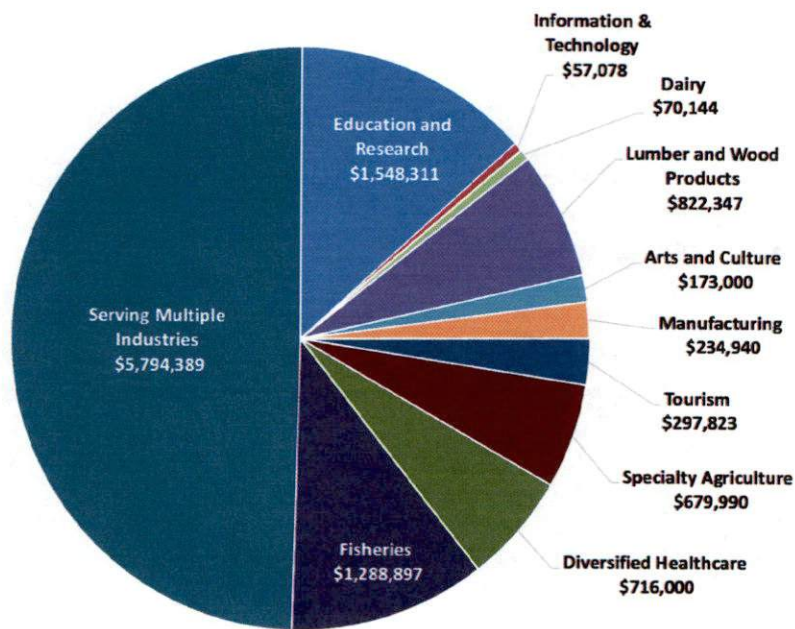
Economic Impact

- ⇒ The Rescue Mission successfully completed the project to expand capacity at their facility. The expansion allows the Rescue Mission to extend services such as housing, life skills and employment experience to a difficult to serve population.
- ⇒ The opportunity provided by Rescue Mission services allowed three recent graduates of their program to become a professional truck driver, enroll in vocation training courses and apply to the College of the Redwoods police academy.
- ⇒ An airport that meets current FAA standards is an economic asset to the region. The runway and safety improvements will aid in competing with other airport for new air service, better serve the existing airlines and provide business with outside dollars from tourist and business travelers.

GRANT FUND

Grant allocations are set by the Headwaters Fund Board annually and are based on interest earned in prior years. In an effort to grow the Fund, the Headwaters Fund Board did not open a grant round in 2015-2016. Since 2003 the Headwaters Fund has granted over \$11 million and leveraged over \$36 million in matching funds.

Historical Grant Making by Industry

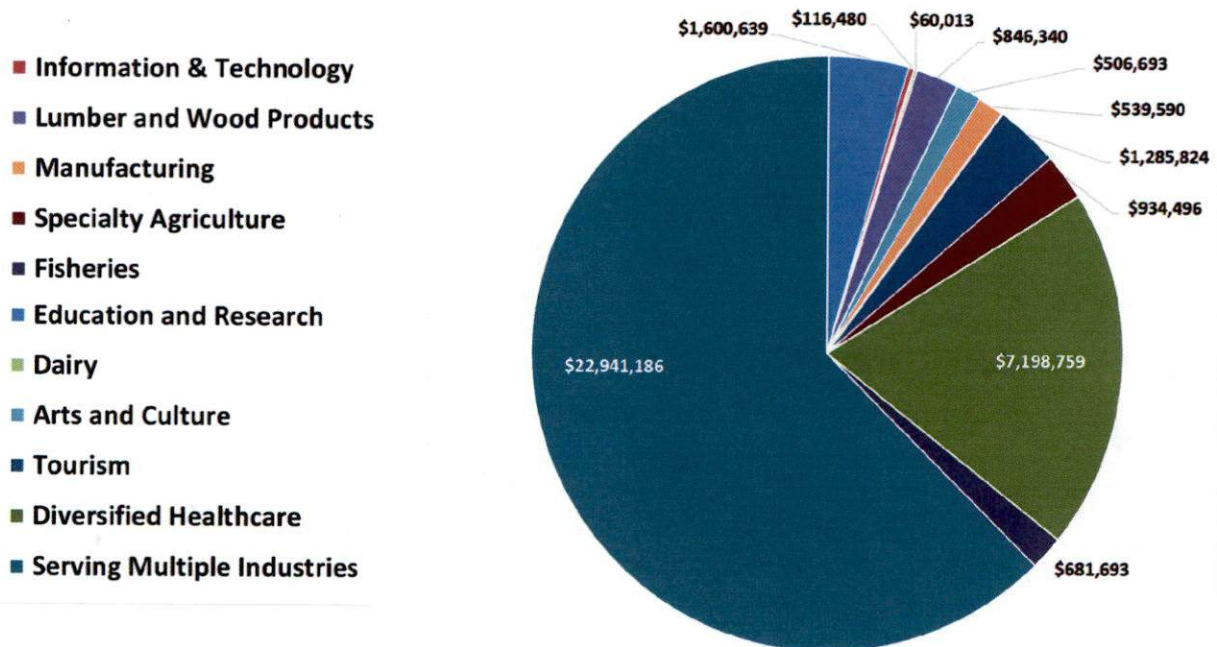


	Grants *	Leveraged Funds	Total
Education and Research	\$ 1,548,311	\$ 1,600,639	\$ 3,148,950
Information & Technology	\$ 57,078	\$ 116,480	\$ 173,558
Dairy	\$ 70,144	\$ 60,013	\$ 130,157
Lumber and Wood Products	\$ 822,347	\$ 846,340	\$ 1,668,687
Arts and Culture	\$ 173,000	\$ 506,693	\$ 679,693
Manufacturing	\$ 234,940	\$ 539,590	\$ 774,530
Tourism	\$ 297,823	\$ 1,285,824	\$ 1,583,647
Specialty Agriculture	\$ 679,990	\$ 934,496	\$ 1,614,486
Diversified Healthcare	\$ 716,000	\$ 7,198,759	\$ 7,914,759
Fisheries	\$ 1,288,897	\$ 681,693	\$ 1,970,590
Serving Multiple Industries	\$ 5,794,389	\$ 22,941,186	\$ 28,735,575
	\$ 11,682,919	\$ 36,711,713	\$ 48,394,632

*Grants include Grant Fund, Community Investment Fund and Initiative Fund Projects

GRANT FUND

Leveraged Funds by Industry



GRANT INITIATIVES

Grant Initiatives are pro-active funding programs originated by the Headwaters Fund Board in response to a need identified by the business community.

Decade of Difference

The Decade of Difference is a ten-year community initiative designed to prepare local youth to be contributing and productive members of our society, community and economy. Headwaters Fund has committed \$1.5 million over the ten years to support these efforts. The initiative completed its fifth year in FY 2015-16.

Forest Product Initiative

The Forest Product Initiative was a three year campaign to develop and execute a marketing and public relations campaign to increase consumer demand for redwood decking and increase sales in the overall redwood market. The project concluded its third year in 2015.

FINANCIAL STATUS– Historical Outcomes

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

HISTORICAL OUTCOMES
Grants
\$11.6 million in grants
409 businesses and agencies served directly
Loans
\$16.9 million in loans
746 jobs created or retained

FINANCIAL STATUS– Cash Transactions

	Cash Balance 6/30/2015	Transfers	Loan Payments Received		Account Interest	Grant Payments	Loan Disbursements	Operation Expenses	Cash Balance 6/30/2016
			Principal	Interest					
Investment:									
Endowment Fund	\$ 7,061,434	\$ (61,434)			\$ 132,156				\$ 7,132,156
Liquidity Fund	\$ 50,335				\$ 22,281			\$ (33,311)	\$ 39,305
Lending:									
Revolving Loan Fund	\$ 2,053,420		\$ 848,163	\$ 255,343			\$ (951,016)	\$ (103,159)	\$ 2,102,751
Loan Loss Reserve Fund	\$ 560,000								\$ 560,000
Granting:									
Grant Fund	\$ 3,628	\$ 31,913				\$ (32,000)			\$ 3,541
Initiative Fund	\$ (29,521)	\$ 29,521			\$ 21,484				\$ 21,484
Total, as related Principal Limit	\$ 9,699,296	\$ -	\$ 848,163	\$ 255,343	\$ 175,921	\$ (32,000)	\$ (951,016)	\$ (136,470)	\$ 9,859,237
Community Investment Fund	\$ 2,546,096		\$ 49,098	\$ 3,519			\$ (232,532)	\$ (152)	\$ 2,366,030
Headwaters Fund Grand Totals	\$ 12,245,392	\$ -	\$ 897,261	\$ 258,862	\$ 175,921	\$ (32,000)	\$ (1,183,548)	\$ (136,622)	\$ 12,225,267