



## COUNTY OF HUMBOLDT

AGENDA ITEM NO.

**II**

For the meeting of: January 23, 2018

Date: January 11, 2018  
To: Board of Supervisors  
From: Amy S. Nilsen, County Administrative Officer *AN*  
Subject: Presentation of the Headwaters Fund 2016-17 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 2016-17 Headwaters Fund Annual Report (Attachment 1). The report includes a summary of the fund's activities, results and financial status. Staff and HFB Chair, Dianna Rios, 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 *[Signature]*

#### REVIEW:

Auditor \_\_\_\_\_ County Counsel *UN* 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 *Bass* Seconded by Supervisor *Wilson*

Ayes *Bass, Fennell, Sundberg, Bohn, Wilson*  
Nays \_\_\_\_\_  
Abstain \_\_\_\_\_  
Absent \_\_\_\_\_

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

Dated: *1/23/18*

By: *[Signature]*  
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 2016-17 Annual Report

## ATTACHMENT 1 – HEADWATERS FUND 2016-17 ANNUAL REPORT



HUMBOLDT COUNTY

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# Headwaters Fund

2016-2017 Annual Report

Board of Directors

Charles Ellsworth · Carl Hansen · Dianna Rios

Cedar Reuben · Greg Seiler · Edward Webb · Bruce Rupp

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## 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.

Since 2014 the Headwaters Fund has been rebuilding the fund balance that was impacted by the recession by reducing operating costs and by focusing on lending activities rather than grant making. The Headwaters Fund Board is pleased to report that this fiscally conservative strategy has made an impact. The Fund balance increased by over \$300,000 in fiscal year 2016-2017 and has placed the Headwaters Fund Board in a position to proceed with grant making in 2017-2018.

Revolving Loan Fund	<ul style="list-style-type: none"><li>• Nine new businesses and agencies served</li><li>• Total of \$1,072,000 in new loans</li><li>• No loan losses in 2016-2017</li><li>• Highest interest earning year</li></ul>	Page 2-3
Community Partnerships in Lending	<ul style="list-style-type: none"><li>• The Eagle House (est. 1888)</li></ul>	Page 4
Community Investment Fund	<ul style="list-style-type: none"><li>• Redwood Coast Energy Authority—Community Choice Program</li></ul>	Page 5
Grant Fund & Grant Initiative Fund	<ul style="list-style-type: none"><li>• Historical grant making by industry</li><li>• Decade of Difference Impacts Since 2010</li></ul>	Page 6-7
Fund Management	<ul style="list-style-type: none"><li>• Financial Status—Historical Outcomes</li><li>• Increase in Headwaters Fund balance of \$303,000</li><li>• Decrease in operational costs of 6%</li></ul>	Pages 8-9

## REVOLVING LOAN FUND

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

### RLF Loans in FY 2016-2017

Agency	AEDC	RREDC
Number of New Businesses/Agencies Served	3	6
Total Loan Amount	\$585,000	\$487,000
Retained Jobs	1	2
Projected New Jobs	6	6
Interest Collected on Portfolio	\$116,862	\$156,552

#### Loan Losses

- ⇒ The RLF had no loan loss in fiscal year 2016-2017.
- ⇒ Historically, the RLF has had \$373,680 in loan losses, or 3.4% of loaned funds.

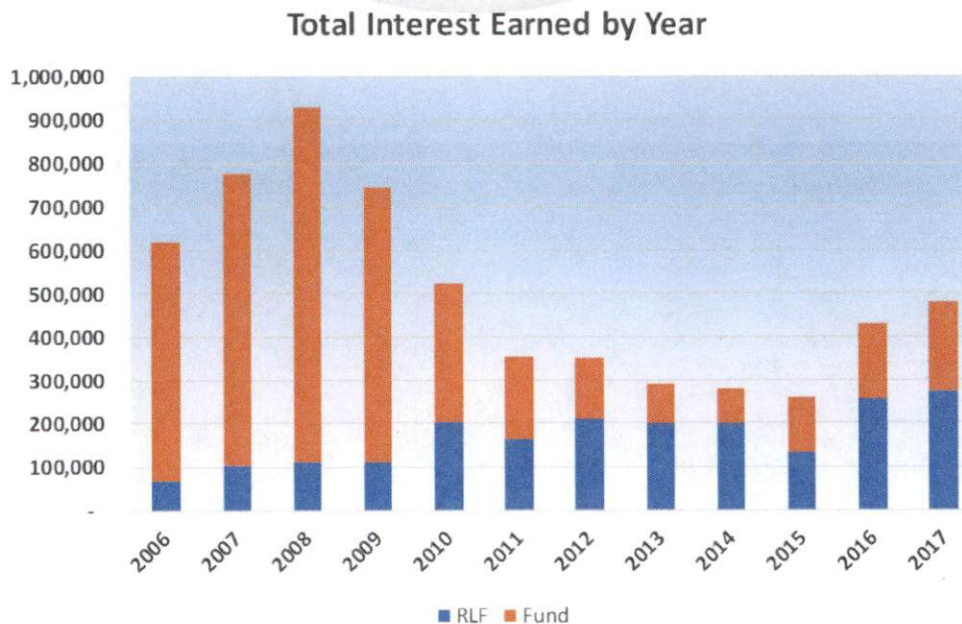
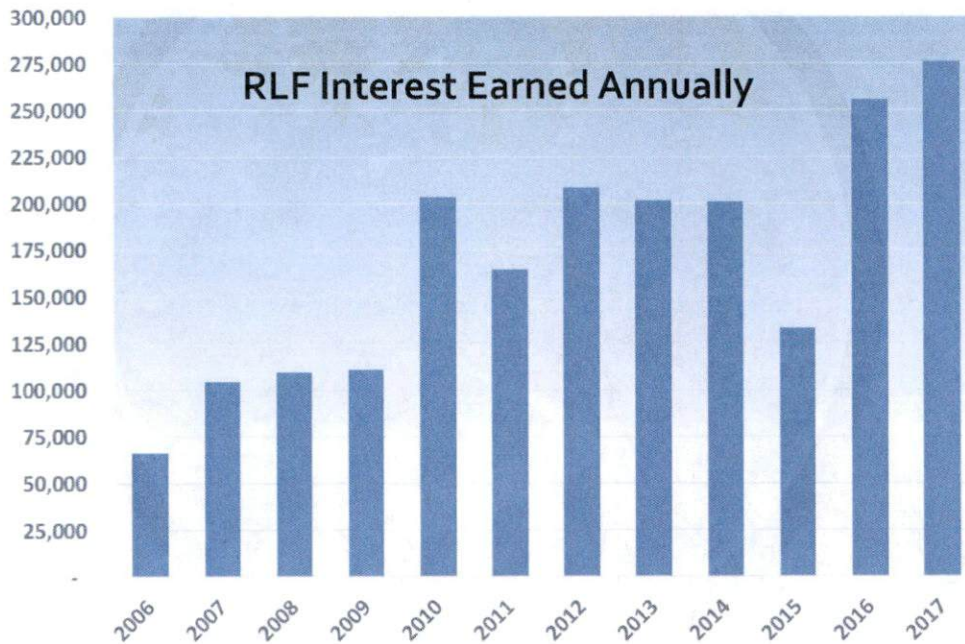
#### Economic Impact

- ⇒ Since its inception, the RLF has loaned over \$12 million to 114 businesses and agencies.
- ⇒ Based on the reports from businesses, the loans helped to retain 524 FTE and grow the local economy by 239 FTE.
- ⇒ In 2016-2017 over \$275,748 in interest was collected, the highest rate since the Fund's inception



## REVOLVING LOAN FUND

Since the creation of the Headwaters Fund over \$12 million in loans have been made. On average \$758,300 in funds are loaned out each year. Historically, these loan funds helped businesses retain an average of 33 jobs and create an average of 15 jobs each year. The Revolving Loan Fund experienced record interest earnings in 2016-2017. The bottom chart shows the total interest (loan and endowment) earned since 2006.



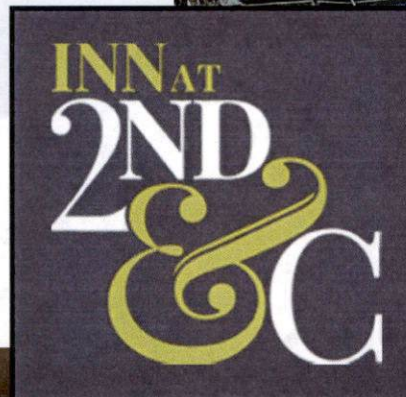


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## COMMUNITY PARTNERSHIPS IN LENDING

Located in the Historic District of Eureka, the Eagle House Victorian (est. 1888) was recently purchased through a partnership loan from Arcata Economic Development Corporation, Redwood Regional Economic Development Commission and Headwaters Fund.

The Inn at 2nd & C is a newly modernized family owned and operated boutique Inn located within the elegant and intriguing Eagle House Victorian. The project retains one job and creates five new jobs in the hospitality industry.





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## 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.

One loan was initiated during 2016-2017:

**Redwood Coast Energy Authority (RCEA)** administers Humboldt County's Community Choice Energy program. It is designed by the city councils and county supervisors to offer lower rates on electricity, and to keep the benefits and control right here in the County.

Simply put, RCEA buys greener, more locally produced electricity and feeds it into the grid. They partner with PG&E, who continues to deliver electricity and maintain the lines as they always have.



Community Choice Energy, sometimes known as Community Choice Aggregation, is a great way to bring needed economic development to Humboldt County, while actually costing customers less.

RCEA received a \$700,000 loan from the Community Investment Fund to launch the Community Choice Energy program. With those funds an additional 12 full time jobs were created.

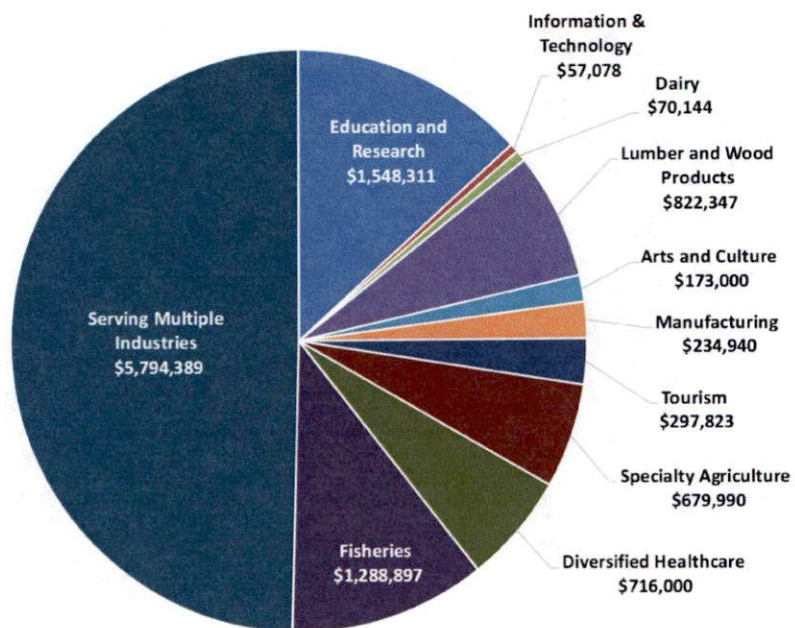


**REDWOOD COAST**  
**EnergyAuthority**

## 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 limited funding to mini-grants in 2016-2017. Since 2003 the Headwaters Fund has granted over \$11 million and leveraged over \$36 million in matching funds.

### Historical Grant Making by Industry



## GRANT INITIATIVES

### *Decade of Difference*

The Decade of Difference is a ten-year community initiative designed to prepare local youth to be contributing and productive members of our society, community and economy. Headwaters Fund has committed \$1.5 million over the ten years to support these efforts. The initiative completed its sixth year in FY 2016-17. The impacts of this initiative are on the following page.





# 2010-2017 DECADE OF DIFFERENCE

# THE IMPACT

A Ten-Year Community Initiative



Coregrowth

7000+  
Students  
Assessed  
Since 2012

An innovative early learning assessment suite was developed by teachers to measure kindergarten readiness, and assess TK through Grade 2 students over the course of the year, giving teachers access to consistent information they've never had before.



Early  
Literacy  
Partners



3,280  
Students  
Served



775  
Tutors  
Trained



52,000  
Total ELP  
Volunteer  
Hours



3rd Grade  
Proficiency

## HUMBOLDT COUNTY



## STATE



High School  
Graduation  
Rate

Since 2010 Humboldt County has seen an 8% increase in graduation rates, which equates to:

95  
students

that are now earning an average of \$14,581 more per year with a high school diploma.

\$1,385,000/Year

[Not Compounded]  
\* Source: www.impact.all4ed.org



UC/CSU  
Eligible

16%  
2010-2016

Increase in students meeting UC/CSU eligibility.  
A-G Requirements



College  
Enrollment

In 2016 53% of the graduating class enrolled in a 2-year or 4-year institution of higher education.



College  
Scholarships

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

\$1,079,226

IN COLLEGE  
SCHOLARSHIPS  
TO HUMBOLDT COUNTY STUDENTS.



Total  
Volunteer  
Hours

57,800

The Decade of Difference has engaged the broader community through a variety of volunteer opportunities in all areas of the Initiative to support student success. Since 2010, 57,800 hours have been contributed by community volunteers.

## 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
413 businesses and agencies served directly
Loans
\$17.8 million in loans (RLF and CIF)
775 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					
<b>Investment:</b>									
Endowment Fund	\$ 7,132,155	\$ (132,156)			\$ 148,071				\$ 7,148,070
Liquidity Fund	\$ 39,305				\$ 26,523			\$ (31,102)	\$ 34,726
<b>Lending:</b>									
Revolving Loan Fund	\$ 2,232,487	\$ (37,844)	\$ 298,981	\$ 275,748			\$ (1,586,988)	\$ (97,297)	\$ 1,085,087
Loan Loss Reserve Fund	\$ 560,000								\$ 560,000
<b>Granting:</b>									
Grant Fund	\$ 2,006	\$ 170,000				\$ (154,500)			\$ 17,506
Initiative Fund	\$ 21,484				\$ 29,126				\$ 50,610
<b>Total, as related Principal Limit</b>	<b>\$ 9,987,437</b>	<b>\$ -</b>	<b>\$ 298,981</b>	<b>\$ 275,748</b>	<b>\$ 203,720</b>	<b>\$ (154,500)</b>	<b>\$ (1,586,988)</b>	<b>\$ (128,399)</b>	<b>\$ 8,895,999</b>
<b>Community Investment Fund</b>	<b>\$ 2,366,030</b>		<b>\$ 275,243</b>	<b>\$ 7,677</b>		<b>\$ (321,600)</b>	<b>\$ (717,468)</b>	<b>\$ (197)</b>	<b>\$ 1,609,685</b>
<b>Headwaters Fund Grand Totals</b>	<b>\$ 12,353,467</b>	<b>\$ -</b>	<b>\$ 574,224</b>	<b>\$ 283,425</b>	<b>\$ 203,720</b>	<b>\$ (476,100)</b>	<b>\$ (2,304,456)</b>	<b>\$ (128,596)</b>	<b>\$ 10,505,684</b>



## FINANCIAL STATUS– Year End Fund Balances

	Fund Balance 6/30/2016	Cash	Accounts Receivable	Grants Payable	Fund Balance 6/30/2017	Balance 2002	Comparative Balance
<b>Investment:</b>							
Endowment Fund	\$ 7,132,155	\$ 7,148,071			\$ 7,148,071		\$ 7,148,071
Liquidity Fund	\$ 39,305	\$ 25,147			\$ 25,147	\$ 5,404,065	\$ (5,378,918)
<b>Lending:</b>							
Revolving Loan Fund	\$ 6,841,363	\$ 1,085,087	\$ 5,962,142		\$ 7,047,229	\$ 8,000,000	\$ (952,771)
Loan Loss Reserve Fund	\$ 560,000	\$ 560,000			\$ 560,000		\$ 560,000
<b>Granting:</b>							
Grant Fund	\$ (49,644)	\$ 17,507		\$ (7,500)	\$ 10,007		\$ 10,007
Initiative Fund	\$ 21,484	\$ 50,610			\$ 50,610		\$ 50,610
<b>Total, as related Principal Limit</b>	<b>\$ 14,544,663</b>	<b>\$ 8,886,422</b>	<b>\$ 5,962,142</b>	<b>\$ (7,500)</b>	<b>\$ 14,841,064</b>	<b>\$ 13,404,065</b>	<b>\$ 1,436,999</b>
<b>Community Investment Fund</b>	<b>\$ 2,052,202</b>	<b>\$ 1,609,685</b>	<b>\$ 700,000</b>	<b>\$ (250,000)</b>	<b>\$ 2,059,685</b>	<b>\$ 5,000,000</b>	<b>\$ (2,940,315)</b>
<b>Headwaters Fund Grand Totals</b>	<b>\$ 16,596,865</b>	<b>\$ 10,496,107</b>	<b>\$ 6,662,142</b>	<b>\$ (257,500)</b>	<b>\$ 16,900,749</b>	<b>\$ 18,404,065</b>	<b>\$ (1,503,316)</b>

- ⇒ The Endowment Fund was created and funded with \$7 million from the Liquidity Fund and Revolving Loan Fund in fiscal year 2014-15. Since that time the Endowment Fund has earned over \$341,000 in interest.
- ⇒ The balance includes a grant commitment of \$250,000 out of Community Investment Fund for the Airline Service Minimum Revenue Guarantee. The obligation will be paid in fiscal year 2017-2018.
- ⇒ Operational costs for 2016-2017 were 6% under expenses for 2015-2016.
- ⇒ Fiscal year 2016-2017 ended the year with over \$303,000 above 2015-2016, with a balance of \$16,900,749.





HUMBOLDT COUNTY

## Headwaters Fund

For more information on the Headwaters Fund visit:

[www.humboldt.gov/headwaters](http://www.humboldt.gov/headwaters)

[headwaters@co.humboldt.ca.us](mailto:headwaters@co.humboldt.ca.us)

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