



HUMBOLDT COUNTY

Headwaters Fund

Headwaters Fund Meeting Agenda

Prosperity Center, 520 E Street, Eureka

A. **04-25-17 Headwaters Fund Meeting**

Documents:

[HWF Web Packet 4-25-17.pdf](#)

Headwaters Fund Board Meeting Agenda
April 25, 2017 – 12:15-2:45
Prosperity Center, 520 E Street, Eureka

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

1. Opening (12:15)
 - a. Introductions if needed
 - b. Approval of March 21, 2017 Headwaters Fund Board minutes
 - c. Public comment on non-agenda items
 - d. Report out on meetings attended

2. 2nd Quarter Financials Review and Spending Plan for 2017-18 (12:25)
 - a. Discussion
 - b. Public Comment
 - c. Action

3. Comprehensive Economic Development Strategy (12:45)
 - a. Discussion
 - b. Public Comment

4. Business Succession (1:05)
 - a. Discussion
 - b. Public Comment

5. Board Orientation (1:25)
 - a. Discussion
 - b. Public Comment
 - c. Action

BREAK

6. HWF Charter Review Required in 2017 (1:35)
 - a. Discussion
 - b. Public Comment

7. Staff and Board Updates (2:10)
 - a. Discussion
 - b. Public Comment

8. Adjourn Next Meeting: May 16, 2017

AGENDA DETAIL

AGENDA ITEM 2

DISCUSSION

Review and discuss the updated 2nd quarter financial provided by staff. Discuss the spending plan for 2017-18. The HFB may discuss whether to reinvest unallocated funds or open a grant round.

ACTION

Develop and recommend approval of spending plan

AGENDA ITEM 3

DISCUSSION

The County of Humboldt Comprehensive Economic Development Strategy (CEDS) will be updated in the coming year. This item is intended to convey to the HFB the status of the project and solicit input.

AGENDA ITEM 4

DISCUSSION

In May 2014 HFB members and staff coordinated a Business Succession workshop. There has been interest by board members and SBDC to follow-up on the topic. Staff has located many planning documents from 2014 including invitee lists and agendas for the workshop. The discussion today should gauge the interest of the HFB in pursuing this topic again, decide which direction to go in, as well as next steps, key players/roles, timeline, etc.

AGENDA ITEM 5

DISCUSSION

The HFB will have two new board members in May 2017. Review draft agenda and arrange logistics.

ACTION

The HFB may want to set a date or approve the draft agenda for the board orientation

AGENDA ITEM 6

DISCUSSION

The HWF Charter and Program Manuals are required to be reviewed every three years. This will need to occur in 2017. The comprehensive review will include an evaluation of the Fund's effectiveness and recommendations for revisions or amendments. The public will be given an opportunity to participate and provide comment. The review is prepared by staff and incorporated in the Annual Report. The report will be reviewed and approved by the Headwaters Fund Board and forwarded, with recommendations, to the Board of Supervisors. Discuss previous Action items from 2016 to include in the review.

Headwaters Fund 2016-17 Quarter Report

page 1

Quarter ending: 12/31/2016

	Budget	Actual to Date
FY 15-16 Interest Earned	\$ 433,265	\$ 209,389
FY 16-17 Operating Budget	\$ (166,913)	\$ (91,861)
FY 16-17 Loan Loss Repayment	\$ -	\$ -
FY 16-17 LLR transfer		
FY 16-17 Grant Budget	\$ (20,000)	\$ -
FY 16-17 Expenses	\$ (186,913)	\$ (91,861)
Unallocated Funds *	\$ 246,352	\$ 117,528

2017-2018 Projected

Interest Earned 16/17	\$420,000
Loan Loss	\$0
Operating Budget	(\$105,000)
Grant Commitments	(\$170,000) DoD, mini-grants
Unallocated	\$145,000

FY 2016-17 OPERATING BUDGET					
Fund Number	Description	Budget	Actual	% Fiscal Year Completed	% Funds Expended
1120-286	Operating Budget	\$ 166,913	\$91,861	50%	55%

FY 2015-16 LOAN LOSS RESERVE REPAYMENT OBLIGATION**					
Fund Number	Description	Budget	Awarded/ Accrued	% Fiscal Year Completed	% Funds Obligated
3844	Loan Loss Reserve Repayment**	\$ -		50%	0%

FY 2016-17 AWARD BUDGET					
Fund Number	Description	Budget	Awarded/ Accrued	% Fiscal Year Completed	% Funds Obligated
3846	Community Investment Fund	\$ -	\$ -	50%	0%
3848	Grant Fund	\$ -	\$ -	50%	0%
3848	Mini Grant Fund	\$ 20,000	\$ -	50%	0%
3849	Initiative Fund	\$ -	\$ -	50%	0%
TOTAL Award Budget		\$ 20,000	\$ -		0%

* Must be greater than "0"

** From Previous Fiscal Year Loan Loss Experience

Headwaters Fund 2016-17 Quarter Report

page 2

Quarter ending: 12/31/2016

FY 2016-17 PROJECTED BUDGET					
Fund Number	Description	Forecasted Earnings	Actual	% Fiscal Year Completed	% Funds Earned
3847 & 3849	County Pool Interest	65,000	\$ 27,013	50%	42%
	Average Balance		\$ 5,132,587		
	Yield		0.53%		
3843 & 3846	Lending Interest (RLF & CIF)	225,000	\$ 108,072	50%	48%
	Average Receivables Balance		\$ 5,156,544		
	Yield		2.10%		
3852	Long Term Endowment	140,000	\$ 74,304	50%	53%
	Average Receivables Balance		\$ 7,000,000		
	Yield		1.06%		
	TOTAL INTEREST	\$ 430,000	\$ 209,389	50%	49%

FY 2015-16 LOAN LOSSES**** / 2016-17 LOAN LOSS RESERVE REPAYMENT OBLIGATION					
Fund Number	Description	Budget	Actual	% Fiscal Year Completed	% Funds Obligated
3844	Loan Losses****	\$ -	\$ -	50%	

FY 2015-16 LOANS IN DEFAULT					
Fund Number	Description	Unresolved	Resolved	% Fiscal Year Completed	% Funds Obligated
	AEDC		0		
	RREDC	\$ -	\$ -		
	CIF	\$ -	\$ -		
	Loans in Default	\$ -	\$ -	50%	0%

**** Carries forward to Next Fiscal Year Loan Loss Reserve Repayment Budget/Spending

Headwaters Fund 2016-17 Quarter Report

Page 4

Quarter ending: 12/31/2016

FY 2016-17 AR/AP SHEET									
	3843	3844	3846	3847	3848	3848	3849	3852	
	Revolving Loan Fund	Loan Loss Reserve Fund	Community Investment Fund	Liquidity Fund	Grant Fund	Mini Grant Fund	Initiative Fund	Endowment Fund	TOTAL
ASSETS									
Cash	\$ 1,923,154	\$ 560,000	\$ 2,375,284	\$ 30,318	\$ 2,006	\$ -	\$ 35,366	\$ 7,206,459	\$ 12,132,587
Receivables									
AEDC	\$ 2,506,383								\$ 2,506,383
RREDC	\$ 2,650,160								\$ 2,650,160
CIF			\$ -						\$ -
									\$ -
LIABILITIES									
Grants			\$ (550,000)		\$ (187,017)	\$ -	\$ -		\$ (737,017)
Operating	\$ (56,289)			\$ (18,763)	\$ -				\$ (75,052)
TOTAL	\$ 7,023,409	\$ 560,000	\$ 1,825,284	\$ 11,555	\$ (185,011)	\$ -	\$ 35,366	\$ 7,206,459	\$ 16,477,062

Notes:

Loans in Default:	AEDC	
	RREDC	
	Total	\$ -

CIF Grant Liabilities

Decade Yrs 5-6	300,000	
MRG	250,000	Expires 2/25/17
Mariculture	-	Final paid 12/15/16

Grant Liabilities

HBC	-	project cancelled
Aquaculture	-	Final paid 2/5/15
Orick	37,017	Checking status
Decade Yr 7	150,000	
	<u>187,017</u>	

Receivables CIF

RCEA in 2017	300,000
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A B C D E F G H I J K L M

Staff analysis of HWF Spending Limits and Floor, Draft 2/5/2016

Outline of interpretations for Principle Limit

Original Allocation	18,400,000	18,400,000	18,400,000
	a	b	c
Community Investment Fund		(5,000,000)	(2,558,333)
a CIF is part of prin			
b CIF in total is not part of prin			
c Obligations from CIF are not part of prin*			
	a	b	c
Loan Loss Reserve		370,000	560,000
a LLR not part of calc **			
b 8% of balances (FYE 15) **			
c 8% of contracts***			
	18,400,000	13,770,000	16,401,667
		Staff's recommendation for floor, to be reviewed annually for recal of required LLR balance	Chair Seiler's recommendation

Other combinations of possible CIF and LLR calculations:

18,400,000	18,400,000	18,400,000	18,400,000	18,400,000	18,400,000
a	a	b	b	c	c
		(5,000,000)	(5,000,000)	(2,558,333)	(2,558,333)
b	c	a	c	a	b
370,000	560,000		560,000		370,000
18,770,000	18,960,000	13,400,000	13,960,000	15,841,667	16,211,667
		Staff's recommendation for principle limit			

Calc used in 2014 BOS report

RLF 8,000,000
 LF 5,400,000
 CIF 2,300,000
 LLR 480,000

16,200,000
BOS approved floor 2/2014 (sum rounded)

Notes

* CIF Manual, section 4a: If and when CIF has exhausted its \$5 million in funds, the CIF will cease operations unless extended by the BOS. Staff Interpretation: it is allowable for the CIF to be spent to a zero balance without automatic replenishment

** RLF Manual, section 10b.iv.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. Staff Interpretation: LLR is not principle. The required amount is 8% of outstanding balances, not 8% of contracts

*** It has been practice to keep the LLR at 8% of the contracted RLF funds for simplicity of book keeping, however it is not required
 8% of \$7 million (amount of RLF in contracts)= \$560,000
 FYE 15 balances outstanding in RLF loans= \$4,636,923
 8% of \$4.6 million= \$368,000, rounded to \$370,000



Overview & Timeline

<p>“CEDS is a strategy-driven plan for regional economic development. A CEDS is the result of a regionally-owned planning process designed to build capacity and guide the economic prosperity and resiliency of an area or region.”</p>	
Purpose	Build on existing CEDS to update the 5 year Comprehensive Economic Development Strategy for Humboldt County
Required Content	<p>Summary/Background – background of the economic condition in the region.</p> <p>SWOT Analysis – in-depth analysis of regional strengths, weaknesses, opportunities and threats.</p> <p>Strategic Direction/Action Plan – build on SWOT analysis and incorporate elements from other regional plans. Action Plan should identify stakeholders responsible for implementation.</p> <p>Evaluation Framework – Performance measures used to evaluate the implementation.</p> <p>Concept of Economic Resilience – the ability to avoid, withstand and recover from economic shifts, natural disasters, etc....</p>
Changes	<p>No Longer Required – Prioritized Infrastructure List</p> <p>New Requirement – Vision Statement and performance measures for each goal</p>
Stakeholders	<p>Government agencies, private sector interests, education providers, non-profits, economic development, community and labor groups, workforce boards, utilities, etc....</p> <p>The CEDS should include information about how and to what extent stakeholder input and support was solicited. Information on how the planning organization collaborated with its diverse set of stakeholders (including the public sector, private interests, non-profits, educational institutions, and community organizations) in the development of the CEDS and the formation of the Strategy Committee should be documented. For updated CEDS, information on how these critical stakeholder groups contributed to the plan’s implementation should be noted.</p>
CEDS Committee	A key element in the process is the CEDS Strategy Committee. Established by the planning organization, the Strategy Committee is the principal facilitator of the CEDS process and is responsible for developing and updating the CEDS. The committee should broadly represent the main economic interests of region.
Proposed Timeline	<p>April-May-June 2017 – Establish a CEDS Strategy Committee. Then determine process, identify stakeholders, create timeline, apply for funding</p> <p>July-August-September-November 2017 – Conduct Stakeholder meetings, Prepare draft CEDS document, circulate for public comment</p> <p>December-January-February – Consolidate public comment, stakeholder comment and prepare final version</p> <p>March-April 2018 – BOS review and adopt</p>
Due	June 2018

Headwaters Fund Board Orientation

Time/Place: TBD
Prosperity Center
520 E St., Eureka

1. Introductions
2. Review of Headwaters History
3. Introduction to Brown Act and Board Member Responsibilities
 - a. All meetings are public and agendas posted in advance
 - b. All written communications with staff are public
 - c. A majority (more than 3) board members cannot engage in discussion leading to decision making which is not in the public realm
 - d. Must recuse from decisions which could lead to financial benefit
4. Review of Headwaters Fund Programs
 - a. Revolving Loan Fund – AEDC/RREDC
 - b. Community Investment Fund – history and current status
 - c. Grant Fund – past projects
 - d. Liquidity and Investment Funds - history
5. Review Recent Agendas and related background
 - a. Fiscal history and projections
 - b. Annual report
 - c. What else??
6. Review of Prosperity! Strategy
7. Community Relations/Programmatic
 - a. Soliciting/encouraging ideas from community members
 - b. Coping with controversy
 - c. Working with staff and the Board of Supervisors

Attachments:

- CEDS/Prosperity 2012!
- Annual Reports & BOS reports for last 2 years
- Most Current RREDC and AEDC lending portfolio reports
- Current open grant list (mini-grants)

Headwaters Charter and Program Manual Review

Recommended and previously approved changes from 2016 are detailed below. Staff requests further explanation of the recommended changes to be made to the charter and manuals.

Date	Item
2/16/16	<p>Direct staff to prepare manual amendments to describe limits and process for future years. The follow excerpt is from the February 16, 2016 HFB meeting:</p> <p style="text-align: center;"><i>“Buzz Webb motions to recommend Column H as the working document, and making changes to the manuals. Cedar Reuben seconds. Zach Zwerdling would like a synopsis and records of how the figures in the chart were reached, for future reference. Chair Greg Seiler would like a written document for comparison. Buzz amends his motion to recommend only column H. Chair Greg Seiler proposes “test” balance in RLF, and Cedar Reuben agrees. Buzz Webb does not agree. After further discussion, Buzz Webb again motions to recommend Column H as working document. Cedar Reuben seconds. Buzz Webb motions to direct staff to prepare manual amendments to describe limits and process for future years. Cedar Reuben seconds. Motions pass unanimously.”</i></p> <p style="text-align: center;">(The spreadsheet referred to as Column H is attached.)</p>
3/23/16	<p>Recommend the CIF selection criteria with the modification of “adding job creation/retention to measurable outcomes and reference to the CEDS to the strategy sections. The discussion occurred at the Board Retreat at Wooley Island. The following excerpt is from minutes from that meeting:</p> <p style="text-align: center;"><i>“It was moved by Cedar to recommend the criteria with the modifications of: adding job creation/retention to measurable outcomes & reference to the CEDS to the strategy sections. Second by Jeana. Passes unanimously.”</i></p> <p style="text-align: center;">(The full CIF selection criteria is attached.)</p>
8/16/16	<p>Revisions to HFB Manual Attendance Policy. The following is an excerpt from the minutes:</p> <p style="text-align: center;"><i>“9. Termination</i></p> <p style="text-align: center;"><i>a) A HFB Member may 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</i></p>

	<p><i>review to the Board of Supervisors, who may then terminate membership on a majority vote.</i></p> <p><i>b) Excess absences shall be defined as missing more than 50% of the scheduled meetings in a calendar year, or three consecutive meetings.</i></p> <p><i>c) A Board Member's service can also be terminated after failing an annual performance review as determined by the HFB and the Board of Supervisors."</i></p>
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Community Investment Fund

DRAFT Selection Criteria

3.23.2016

Strategy being employed to promote economic development

- Supporting development of pre-permitted commercial space
- Reducing regulatory bottlenecks for business retention or creation
- Supporting economic development infrastructure
- Developing new strategies for economic development
- Providing access to external markets or plugs the economic leaks
- Retaining and growing existing businesses
- Providing workforce training
- Increasing the number of new businesses through supporting entrepreneurship and innovation
- Leveraging future funding or projects
- Reducing poverty by helping people accumulate assets

Measurable objectives

- **Supporting development of pre-permitted commercial space** – how much space and how many businesses will be able to locate there?
- **Reducing regulatory bottlenecks for business retention or creation** – how many businesses will be served?
- **Supporting economic development infrastructure** – what will be built and how will that support business growth?
- **Developing new strategies for economic development** – how many businesses will be served?
- **Providing access to external markets or plugging the economic leaks** – what is the expected increase in sales for local businesses?
- **Retaining and growing existing businesses** - what is the expected increase in sales for local businesses?
- **Providing workforce training** – how many people? How many businesses benefit? Impact on costs, revenues and/or employment?
- **Increasing the number of new businesses through supporting entrepreneurship and innovation** – how many new business start ups?
- **Leveraging future funding or projects** – how much future funding?
- **Reducing poverty by helping people accumulate assets** – how many people will be served and what is the value of the accumulated assets?

Environmental benefits

- Protects and or improves the natural environment
- Supports the sustainable use of environmental resources
- Preserves open spaces and working landscapes
- Utilizes environmental knowledge in the creation of jobs

Contributes to the quality of life for Humboldt County

- Builds leadership
- Project is in an underserved area or serves an underserved community
- Revitalizes communities/infrastructure
- Builds public infrastructure
- Improves public or pedestrian transportation
- Utilizes existing buildings
- Fits with the community image and identity
- Preserves heritage
- Contributes to Humboldt County being a desirable place to live