



## Headwaters Fund Special Board Meeting Agenda

### Topics Limited to Grant Programs

August 12th, 2019 – 9:00-3:30

Humboldt Area Foundation, 363 Indianola Rd, Bayside

All changes approved by the Headwaters Board are to serve as recommendations to the County of Humboldt Board of Supervisors

1. Opening (9:00)
  - a. Chair opens the meeting, establishes timeframe for public comment
  - b. Roll Call
  - c. Public comment on non-agenda items
2. Presentation by Patrick Cleary and discussion on types of nonprofit organizations, their restrictions for lobbying, and eligibility for Headwaters Fund Grant programs (9:15)
  - a. Discussion
  - b. Public Comment
3. Board to decide upon which types of non-profit organizations are eligible to apply for each grant type. (10:00) (Attachments 1 and 2)
  - a. Discussion
  - b. Public Comment
  - c. Action
4. Presentation by County Counsel and staff on ethics, conflict of interest, and appearance of conflict of interest. To include discussion on involvement with applicants during application and review process. (10:30) (Attachment 3)
  - a. Discussion
  - b. Public Comment
5. Review and clarification of grant guidelines concerning project types and eligibility criteria (Technical Assistance/Implementation/Planning) (11:15) (Attachments 1 and 2)
  - a. Discussion
  - b. Public Comment
  - c. Action
6. Lunch Break (12:00)
7. Clarification of grant applicant public partner/ sponsor status, non-profit location, and eligibility (1:00) (Attachments 1 and 2)
  - a. Discussion
  - b. Public Comment
  - c. Action
8. Review and modification of the grant scoring process to enhance transparency and increase flow of information to applicants following review and selection process (1:45) (Attachments 4 and 5)
  - a. Discussion
  - b. Public Comment
  - c. Action

9. Review grant fund manuals for each grant program for possible revisions in addition to those outlined in the above agenda items. Staff to propose changes to create a separate set of guidelines for Mini-Grants. (2:15)
  - a. Discussion
  - b. Public Comment
  - c. Action
  
10. Wrap Up (3:00)
  - a. Discussion
  - b. Public Comment
  - c. Direction to Staff
  
11. Adjourn

Next Meeting: August 13, 2019

#### AGENDA DETAIL

##### AGENDA ITEM 2

###### DISCUSSION

Patrick Cleary to provide presentation outlining the various types of nonprofit entities focusing on their purposes, restrictions, and lobbying limits based upon their nonprofit classification. Handouts available at meeting.

Action: No Action Required

##### AGENDA ITEM 3

###### DISCUSSION

Board to review language in section 6b Grant Fund Manual (Attachment 1) and section 10b of the CIF Manual pertaining (Attachment 2) to lobbying entities and to decide upon necessary amendments to the guidelines. The board will decide upon which types of non-profit organizations are eligible, for which types of grant programs they are eligible, and any proscribed activities of the non-profits.

Action: Approve Grant Fund Manual revisions for recommendation to Board of Supervisors

##### AGENDA ITEM 5

###### DISCUSSION

Board to review language in section 7b of the Grant Fund Manual (Attachment 1) pertaining to the types of grant classifications (Technical Assistance/Implementation/Planning) and of the match requirement language. Clarification of the project types criteria and of the match requirements is needed for grant applicants during the application period. Clearly defining the criteria for the project types will also allow staff to more accurately gauge eligibility during the initial review process and will allow staff to offer higher quality of assistance to applicants during the application period.

Action: Approve Grant Fund Manual revisions for recommendation to Board of Supervisors

##### AGENDA ITEM 7

###### DISCUSSION

Board to review section 6a of the Grant Fund Manual (Attachment 1) and section 10a of the CIF Manual (Attachment 2) to discuss clarifying the language outlining locational requirements of non-profit's operations/headquarters; the non-profit's experience/expertise relative to project.

Action: Approve Grant Fund Manual revisions for recommendation to Board of Supervisors

##### AGENDA ITEM 8

###### DISCUSSION

Board to review and discuss grant rating sheet (Attachment 4), Staff to provide proposed changes to the grant scoring sheet (Attachment 5). Changes are intended to allow the board to consistently rate the broad and varied

projects which often have little in common with the other proposed projects in a grant round. By modifying the current rating process staff will be able to clearly and concisely monitor application strengths and weakness which allows a much greater ability to relate information to applicants for further enhancing any future potential grant applications.

Action: Approve Grant Fund Manual revisions for recommendation to Board of Supervisors

<b>AGENDA ITEM 9</b>
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**DISCUSSION**

Provide staff direction in preparing a separate set of guidelines for the Mini-Grant Program for presentation at the September 10, 2019 HWF Board meeting. Conduct a final review of possible revisions to the Grant Fund and CIF Manuals. Direct staff to further modify as needed for recommendation to the Board of Supervisors.

Action: Approve Grant Fund Manual revisions for recommendation to Board of Supervisors



# The Headwaters Fund

INVESTING IN OUR COMMUNITY

## **Grant Fund Manual**

## TABLE OF CONTENTS

1.	Introduction and Summary .....	3
2.	Definitions.....	3
3.	Mission and Goals.....	3
4.	Financial Management.....	3
5.	Award Amounts and Types .....	4
6.	Organizational Eligibility for Funding.....	5
7.	Costs Eligible for Funding and Funding Match.....	5
8.	Providing Information and Marketing to the Public.....	6
9.	Applications Processing Overview – Competitive Awards.....	6
10.	Applications Processing Detail – Competitive Awards.....	6
11.	Selection of Grants – Competitive Awards .....	7
12.	Applications Processing – Discretionary Awards.....	7
13.	Selection of Grants – Discretionary Awards .....	8
14.	Rejection of Grant Applications .....	8
15.	Appeal of Grant Applications Denied by Staff.....	8
16.	Conflict of Interest Policies .....	8
17.	Grant Notification and Contract.....	9
18.	Grant Payment .....	9
19.	Grant Reporting, Monitoring, and Evaluation .....	9
20.	Grant Modifications .....	10
21.	Grant Closing.....	10
22.	Suspension and Termination of Grants.....	11
23.	Grant and Applications File Tracking.....	11
24.	Use of Consultants .....	11
25.	Grant Fund Evaluation.....	11
26.	Changes to Grant Program Policies and Procedures.....	12
27.	Extraordinary Project Criteria.....	12

## 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. The formula below reflects the budget methodology to use to insure the principal is not spent in order to manage the fund in the most consistent manner possible. The calculation takes the fund balances, with the exception of the Community Investment Fund, and reduces it by the projected operation costs, loan losses and new grant allocations. If the result is greater than \$13.4 million, then the proposed budget is within the manual guidance.

"Fund Balances\* Less Proposed budget\*\* must be greater than the principal limit (\$13.4 mil)

\*Endowment, Liquidity, Revolving Loan, Loan Reserve, Grant, Initiative Funds

\*\* Operations, Loan losses from prior year, grant making allocation

- 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.



# The Headwaters Fund

INVESTING IN OUR COMMUNITY

## **Community Investment Fund Manual**



## TABLE OF CONTENTS

1.	Introduction and Summary.....	3
2.	Definitions .....	3
3.	Mission and Goals .....	3
4.	Operating Budget .....	3
5.	Use of Consultants .....	4
6.	CIF Evaluation .....	4
7.	Revisions.....	4
8.	Funding Priorities .....	4
9.	Grant Maximums and Minimums .....	4
10.	Organizational Eligibility for Funding.....	4
11.	Costs Eligible for Funding and Funding Match.....	4
12.	Providing Information and Marketing to the Public .....	5
13.	Conflict of Interest Policy.....	6
14.	Applications Processing – Overview .....	6
15.	Applications Processing – Details .....	6
16.	Selection of Grants.....	7
17.	Rejection of Grant Applications .....	7
18.	Appeals of Grant Applications Denied by Staff.....	7
19.	Grant Notification and Contract .....	8
20.	Grant Payment.....	8
21.	Grant Reporting, Monitoring, and Evaluation .....	8
22.	Grant Modifications.....	9
23.	Grant Closing.....	9
24.	Suspension and Termination of Grants.....	10
25.	Grant and Applications File Tracking .....	10
26.	Financial Management.....	10
27.	Loan Guidelines .....	11
28.	Selection Criteria .....	12
29.	Application Process .....	12
30.	Loan Closing.....	13
31.	Loan Terms of Contract.....	14
32.	Loan Disbursement and Servicing .....	14
33.	Troubled Loan Guidelines .....	15
34.	Conflict of Interest Policy.....	16
35.	Portfolio Management Guidelines .....	16
36.	Financial Management.....	16
37.	Extraordinary Project.....	17

## **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

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

- 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.




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**GOVERNMENT CODE - GOV**

**TITLE 5. LOCAL AGENCIES [50001 - 57550]** ( Title 5 added by Stats. 1949, Ch. 81. )

**DIVISION 2. CITIES, COUNTIES, AND OTHER AGENCIES [53000 - 55821]** ( Division 2 added by Stats. 1949, Ch. 81. )

**PART 1. POWERS AND DUTIES COMMON TO CITIES, COUNTIES, AND OTHER AGENCIES [53000 - 54999.7]** ( Part 1 added by Stats. 1949, Ch. 81. )

**CHAPTER 2. Officers and Employees [53200 - 53299]** ( Chapter 2 added by Stats. 1949, Ch. 81. )

**ARTICLE 2.4. Ethics Training [53234 - 53235.2]** ( Article 2.4 added by Stats. 2005, Ch. 700, Sec. 4. )

**53234.** For the purposes of this article, the following terms have the following meanings:

- (a) "Legislative body" has the same meaning as specified in Section 54952.
- (b) "Local agency" means a city, county, city and county, charter city, charter county, charter city and county, or special district.
- (c) "Local agency official" means the following:
  - (1) Any member of a local agency legislative body or any elected local agency official who receives any type of compensation, salary, or stipend or reimbursement for actual and necessary expenses incurred in the performance of official duties.
  - (2) Any employee designated by a local agency governing body to receive the training specified under this article.
- (d) "Ethics laws" include, but are not limited to, the following:
  - (1) Laws relating to personal financial gain by public servants, including, but not limited to, laws prohibiting bribery and conflict-of-interest laws.
  - (2) Laws relating to claiming perquisites of office, including, but not limited to, gift and travel restrictions, prohibitions against the use of public resources for personal or political purposes, prohibitions against gifts of public funds, mass mailing restrictions, and prohibitions against acceptance of free or discounted transportation by transportation companies.
  - (3) Government transparency laws, including, but not limited to, financial interest disclosure requirements and open government laws.
  - (4) Laws relating to fair processes, including, but not limited to, common law bias prohibitions, due process requirements, incompatible offices, competitive bidding requirements for public contracts, and disqualification from participating in decisions affecting family members.

(Amended by Stats. 2006, Ch. 643, Sec. 11. Effective January 1, 2007.)

**53235.** (a) If a local agency provides any type of compensation, salary, or stipend to a member of a legislative body, or provides reimbursement for actual and necessary expenses incurred by a member of a legislative body in the performance of official duties, then all local agency officials shall receive training in ethics pursuant to this article.

(b) Each local agency official shall receive at least two hours of training in general ethics principles and ethics laws relevant to his or her public service every two years.

(c) If any entity develops curricula to satisfy the requirements of this section, then the Fair Political Practices Commission and the Attorney General shall be consulted regarding the sufficiency and accuracy of any proposed course content. When reviewing any proposed course content the Fair Political Practices Commission and the Attorney General shall not preclude an entity from also including local ethics policies in the curricula.

(d) A local agency or an association of local agencies may offer one or more training courses, or sets of self-study materials with tests, to meet the requirements of this section. These courses may be taken at home, in-person, or online.

(e) All providers of training courses to meet the requirements of this article shall provide participants with proof of participation to meet the requirements of Section 53235.2.

(f) A local agency shall provide information on training available to meet the requirements of this article to its local officials at least once annually.

*(Added by Stats. 2005, Ch. 700, Sec. 4. Effective January 1, 2006.)*

**53235.1.** (a) Each local agency official in local agency service as of January 1, 2006, except for officials whose term of office ends before January 9, 2007, shall receive the training required by subdivision (a) of Section 53235 before January 1, 2007. Thereafter, each local agency official shall receive the training required by subdivision (a) of Section 53235 at least once every two years.

(b) Each local agency official who commences service with a local agency on or after January 1, 2006, shall receive the training required by subdivision (a) of Section 53235 no later than one year from the first day of service with the local agency. Thereafter, each local agency official shall receive the training required by subdivision (a) of Section 53235 at least once every two years.

(c) A local agency official who serves more than one local agency shall satisfy the requirements of this article once every two years without regard to the number of local agencies with which he or she serves.

*(Amended by Stats. 2006, Ch. 643, Sec. 12. Effective January 1, 2007.)*

**53235.2.** (a) A local agency that requires its local agency officials to complete the ethical training prescribed by this article shall maintain records indicating both of the following:

- (1) The dates that local officials satisfied the requirements of this article.
- (2) The entity that provided the training.

(b) Notwithstanding any other provision of law, a local agency shall maintain these records for at least five years after local officials receive the training. These records are public records subject to disclosure under the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1).

*(Added by Stats. 2005, Ch. 700, Sec. 4. Effective January 1, 2006.)*

# Headwaters Fund List of Criteria and Scoring Worksheet

**Project Name:**

**Funding Requested:**

**Board Member Name:**

**Date Reviewed:**

This rating sheet will be used to rate each project individually. After projects are rated individually, they will be given a comparative ranking and the top ranked projects may receive funding.

**Economic Impact - 50 Points Available (check off boxes which apply, a project may receive full points in any one outcome, or for providing benefits across several. S = strong, M = moderate and W = weak on any given strategy)**

**S    M    W**

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Supports the development of pre-permitted commercial space
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Reduces regulatory bottlenecks for business retention or creation
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Supports economic development infrastructure
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Benefits the base or Targets of Opportunity industries
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Develops strategies for economic development or supports existing strategies
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Provides access to external markets or plugs the leaks
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Retains and grows existing businesses
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Provides workforce training
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Increases the number of new businesses through supporting entrepreneurship and innovation
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Leverages future funding or projects
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Increases prosperity by helping low-income individuals develop business skills
<input type="checkbox"/>			<b>Total Points - Economic Impact</b>

**Impact on Environment and Quality of Life - 30 Points Available (check off all boxes which apply using the "strong, moderate, weak" scale)**

**S    M    W**

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Protects and/or improves the natural environment
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Supports sustainable use of environmental resources
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Preserves open spaces and working landscapes including ranches and other agricultural lands
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Utilizes environmental knowledge in the creation of jobs
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Builds leadership skills
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Project is in a geographically underserved area or serves an underserved population
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Revitalizes communities/infrastructure

## Headwaters Fund List of Criteria and Scoring Worksheet

			Builds public infrastructure
			Improves public or pedestrian transportation
			Utilizes existing buildings
			Fits with community image and identity
			Preserves cultural heritage
			Contributes to Humboldt County being a desirable place to live
			<b>Total Points - Environment and Quality of Life</b>

**Project Design and Readiness and Fiscal - 20 Points Available**  
**(check off boxes which apply using the "strong, moderate, weak" scale)**

**S    M    W**

			Project fulfills an unmet need.
			Demonstrates cross-sector support (i.e. government/private or cross industry)
			Ingredients for project success in place- research, planning, permitting
			Project scope contains sufficient detail to define success
			Visible private industry sector support (i.e. letter of support)
			Implementation vs preliminary phase (Implementation projects receive higher points than studies)
			Timeliness of project and likelihood it will succeed
			Diversity of funding partners and firmness of commitments
			Project budget well thought out and reasonable
			Degree of match funding (both committed and not, with higher points for committed)
			<b>Total Points - Design and Readiness and Fiscal</b>

0      **Grand Total for the Project**

# Headwaters Fund List of Criteria and Scoring Worksheet

## Explanation of Rating Criteria

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### **Economic Impact**

A project can receive full points based on any one of the following outcomes, or could receive full points by providing benefit across several outcomes. To receive full points, the project should be considered to be "strong" in at least one of these categories. Projects should only receive full points if they demonstrate support for the County's economic development strategy Prosperity! which focuses on developing the Targets of Opportunity or base industry clusters. Projects can support these clusters using any of the strategies listed below with an end goal of creating new at or above median wage jobs.

Points should be assigned based on the stated direct effect the project has on increasing the capacity of the base or Target industries. A project which provides direct support to a group of businesses in an industry which will allow them to increase sales outside of the county and then create jobs could receive full points. A project with a less clear outcome related to industry benefits should receive less points.

The final goal of any of the economic development strategies listed below is to create new jobs which are at or above the median wage level. A project should receive more points if it is able to directly correlate its implementation with a substantial number of new sustainable jobs. The base or Target industries are: Lumber and Wood Products, Fishing, Niche Manufacturing, Specialty Agriculture, Arts and Culture, Tourism, Information Technology, Education and Research, Dairy, and Diversified Health Care.

Based on a recent strategic planning process, the Headwaters Fund Board has identified three current priority areas in the economic impact evaluation. These are listed as the first three categories: supports the development of pre-permitted commercial space, reduces regulatory bottlenecks, and supports economic development infrastructure.

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### **Supports the development of pre-permitted commercial space.**

This category is about providing locations where businesses can easily locate. This can involve pre-permitting sites for like businesses such as the mariculture grant to pre-permit land for oyster farmers, or incubator . spaces like the grant to support the expansion of Foodworks Culinary Center in Arcata. Other related projects could be the development of an industrial park or supporting the clean up of contaminated industrial sites so that they can be used for business purposes

### **Reducing Regulatory Bottlenecks**

Projects which seek to build effective working relationships between businesses and regulatory agencies can receive points based on their direct link to either retaining businesses or simplifying the process for the establishment of new businesses.

### **Economic Development Infrastructure**

Projects which rate highly in this outcome provide for infrastructure which is directly related to business and job growth. An example of a project in this area was the grant for the Fisherman's Terminal in Eureka

# Headwaters Fund List of Criteria and Scoring Worksheet

which will allow for additional fish processing facilities in addition to café and sales space. Other projects could be the development of the port, downtown revitalization projects, or improvement of the Highway 101 corridor through Eureka.

## **Develops Strategies for Economic Development**

In this outcome points are assigned for projects involving developing economic development strategies.

Projects should be tied to leveraging funds for implementation. Higher points should be assigned for projects which can show a direct link from the planning phase to the implementation phase and have a feasible plan for securing implementation funding. Projects in support of the Target or Base Industries receive more points.

## **Providing Access to External Markets or Plugging the Leaks**

Projects can receive full points in this outcome if they demonstrate that they will help businesses with exporting sales out of the county. Projects can also receive full points if they can show that they will have an impact on redirecting consumer purchases from non local companies to local ones. Projects which can predict a concrete and substantial increase in sales for a group of businesses or industry should receive more points.

## **Retaining and Growing Existing Businesses**

A project could be assigned full points in this outcome if the applicant project will provide technical support to businesses which can be directly correlated to those businesses ability to grow and retain or create jobs. Technical support could be defined in terms of marketing, human resources, product development, or other expertise so that the businesses can increase sales.

## **Workforce Training**

A project which receives full points in this outcome develops the workforce by providing job skill training in a Targets of Opportunity or base industry skill area. Job skill training could involve a focus on education either in the K-12 system, the post-secondary system, or in providing specialized classes or training related to job skills.

## **Increases the number of new businesses through supporting entrepreneurship and innovation**

A full point project will be able to demonstrate support for entrepreneurship which will directly lead to the creation of new businesses and new jobs.

# Headwaters Fund List of Criteria and Scoring Worksheet

## **Leverages future funding or projects**

Projects which directly leverage funding from sources outside of the County can receive full points.

An example of a project which rated strongly in this area was a \$515,000 loan to the airport which provided the necessary matching funds to access \$8.7 million in federal grant funds for runway improvements.

## **Increases prosperity by helping low income individuals develop business skills**

A project which rates highly in this outcome would be one that provides access to business education, technical assistance or other training which helps people start businesses.

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## **Impact on Environment and Quality of Life**

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**Projects which receive full points should have at least one box marked off in the "strong" column.**

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### **Protects and/or improves the natural environment**

A project can receive points for demonstrating that it is contributing to the protection or improvement of the natural environment. An example of a project which rated highly on this was the grant to develop a local Oak Woodlands conservation plan.

### **Supports sustainable use of environmental resources**

A project receives points for demonstrating that it provides support for the sustainable use of environmental resources. An example of this would be the grant to the Yager Van Duzen Stewards to document their voluntary sediment reduction plan developed with local ranchers.

### **Preserves open spaces and working landscapes including ranches and other agricultural lands**

A project receives points for demonstrating that it supports the preservation of open space and the ability of landowners to keep ranches and agricultural lands as working landscapes. An example of a grant in this area would be the grant to the Northcoast Regional Land Trust to develop an Oak Woodlands Conservation Plan so that local landowners could access oak woodlands restoration funding.

### **Utilizes environmental knowledge in the creation of jobs**

Points are awarded for a project which demonstrates job creation by utilizing environmental knowledge. An application with full points in this category would create a large number of new sustainable

# Headwaters Fund List of Criteria and Scoring Worksheet

jobs based on using environmental knowledge.

## **Builds leadership skills**

Projects are supported which either focus on the development of leadership skills in youth or in developing managerial and leadership skills in the existing workforce. The Junior Achievement grant is an example of funding for a K-12 curriculum with the goal of building youth leadership skills.

## **Project is in a geographically underserved area or serves an underserved population**

Projects receive more points for representing an underserved population or geographic area. Projects also receive more points for representing a population or geographic area which has not received Headwaters funding in the past.

## **Revitalizes communities/infrastructure**

This applies to projects which seek to revitalize communities with a goal of economic development. An example of this would be the Garberville Town Square grant which allowed for the building of a square to be a central marketplace, outdoor entertainment venue and support the expansion of nearby businesses.

## **Builds public infrastructure**

Points should be given for projects which allow for the building or renovation of basic public infrastructure - water, sewer, power etc. which leads to the development of healthy communities.

## **Improves public or pedestrian transportation**

This category applies to project which provide for the planning or implementation of public transportation with an emphasis on pedestrian walkways. An example of a grant in this category is the Trails Trust mini-grant to begin a Trail Stewards program for volunteers to maintain local trails.

## **Utilizes existing buildings**

Projects receive points for new and innovative uses for under utilized buildings. An example of a grant in this category is the Mid Klamath Watershed Council grant to purchase the Panamnik Building in Orleans and convert it into a community and economic development hub.

## **Fits with community image and identity**

Projects should be able to show that they are in alignment with the community identity either of



# Headwaters Fund List of Criteria and Scoring Worksheet

Humboldt County as a whole or with the constituents they are working with

## **Preserves cultural heritage**

Projects receive points for demonstrating that they are contributing to preserving the cultural heritage of our County.

## **Contributes to Humboldt County being a desirable place to live**

Projects in this category contribute to the general desirability of Humboldt County as a place to live in ways not listed above. This could be in terms of cultural, recreational or social opportunities.

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## **Project Design and Readiness and Fiscal**

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**A project which receives full points should have most of these boxes checked off in the "strong" column.**

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### **Project fulfills an unmet need**

The project should clearly demonstrate that it is fulfilling a currently unmet need.

### **Demonstrates cross-sector support**

This box could be checked off if there is demonstrated support across sectors. This would be demonstrated by collaborative partners or letters of support.

### **Ingredients for project success in place- research, planning, permitting**

Applicant should show that adequate planning has taken place in advance of submitting the application.

### **Project scope contains sufficient detail to define success**

Project should include measurable outcomes as part of its definition of success and demonstrate capacity on the part of the applicant to collect information and report on those outcomes.

### **Visible private industry sector support (i.e. letter of support)**

Project must demonstrate the support of local private businesses.

### **Implementation vs preliminary phase (Implementation projects receive higher points than preliminary studies)**

Projects which are applying for implementation funding should receive more points than projects in

# Headwaters Fund List of Criteria and Scoring Worksheet

the planning phase.

## **Timeliness of project and likelihood it will succeed**

Project must demonstrate that the timing is right, and the necessary ingredients for success are in place.

## **Diversity of funding partners and firmness of commitments**

Project should demonstrate a wide range of committed funding.

## **Project budget well thought out and reasonable**

Project budget should demonstrate strategic planning and be realistic in terms of project cost and expected revenue.

## **Degree of match funding (both committed and not, with higher points for committed)**

More points are given for projects which have their funding in place over projects still seeking match.

# Headwaters Fund List of Criteria and Scoring Worksheet

**Project Name:**

**Funding Requested:**

**Board Member Name:**

**Date Reviewed:**

**This rating sheet will be used to rate each project individually. After projects are rated individually, they will be given a comparative ranking and the top ranked projects may receive funding.**

**Economic Impact - 55 Points Available** (Each strategy is to be scored 0-5 points, a blank score will be treated as a zero)

**(0-5)**

	Supports the development of pre-permitted commercial space
	Reduces regulatory bottlenecks for business retention or creation
	Supports economic development infrastructure
	Benefits the base or Targets of Opportunity industries
	Develops strategies for economic development or supports existing strategies
	Provides access to external markets or plugs the leaks
	Retains and grows existing businesses
	Provides workforce training
	Increases the number of new businesses through supporting entrepreneurship and innovation
	Leverages future funding or projects
	Increases prosperity by helping low-income individuals develop business skills
	<b>Total Points - Economic Impact</b>

**Impact on Environment and Quality of Life - 39 Points Available** (Each strategy is to be scored 0-3 points, a blank score will be treated as a zero)

**(0-5)**

	Protects and/or improves the natural environment
	Supports sustainable use of environmental resources
	Preserves open spaces and working landscapes including ranches and other agricultural lands
	Utilizes environmental knowledge in the creation of jobs
	Builds leadership skills
	Project is in a geographically underserved area or serves an underserved population
	Revitalizes communities/infrastructure
	Builds public infrastructure

## Headwaters Fund List of Criteria and Scoring Worksheet

	Improves public or pedestrian transportation
	Utilizes existing buildings
	Fits with community image and identity
	Preserves cultural heritage
	Contributes to Humboldt County being a desirable place to live
	<b>Total Points - Environment and Quality of Life</b>

**Project Design and Readiness and Fiscal - 20 Points Available** (Each strategy is to be scored 0-2 points, a blank score will be treated as a zero)

**(0-5)**

	Project fulfills an unmet need.
	Demonstrates cross-sector support (i.e. government/private or cross industry)
	Ingredients for project success in place- research, planning, permitting
	Project scope contains sufficient detail to define success
	Visible private industry sector support (i.e. letter of support)
	Implementation vs preliminary phase (Implementation projects receive higher points than studies)
	Timeliness of project and likelihood it will succeed
	Diversity of funding partners and firmness of commitments
	Project budget well thought out and reasonable
	Degree of match funding (both committed and not, with higher points for committed)
	<b>Total Points - Design and Readiness and Fiscal</b>

**Other- 11 Points Available** (Board members may assign additional points to the project for exceptional benefit of any of the above listed criteria or for the projects capability to enhance economic, enviromental, or social impacts out side of the established criteria)

Provide brief narrative for additional points given


# Headwaters Fund List of Criteria and Scoring Worksheet

	<b>Total Points- Other</b>

0
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**Grand Total for the Project**

# Headwaters Fund List of Criteria and Scoring Worksheet

## Explanation of Rating Criteria

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### Economic Impact

A project can receive full points based on any one of the following outcomes, or could receive full points by providing benefit across several outcomes. To receive full points, the project should be considered to be "strong" in at least one of these categories. Projects should only receive full points if they demonstrate support for the County's economic development strategy Prosperity! which focuses on developing the Targets of Opportunity or base industry clusters. Projects can support these clusters using any of the strategies listed below with an end goal of creating new at or above median wage jobs.

Points should be assigned based on the stated direct effect the project has on increasing the capacity of the base or Target industries. A project which provides direct support to a group of businesses in an industry which will allow them to increase sales outside of the county and then create jobs could receive full points. A project with a less clear outcome related to industry benefits should receive less points.

The final goal of any of the economic development strategies listed below is to create new jobs which are at or above the median wage level. A project should receive more points if it is able to directly correlate its implementation with a substantial number of new sustainable jobs. The base or Target industries are: Lumber and Wood Products, Fishing, Niche Manufacturing, Specialty Agriculture, Arts and Culture, Tourism, Information Technology, Education and Research, Dairy, and Diversified Health Care.

Based on a recent strategic planning process, the Headwaters Fund Board has identified three current priority areas in the economic impact evaluation. These are listed as the first three categories: supports the development of pre-permitted commercial space, reduces regulatory bottlenecks, and supports economic development infrastructure.

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#### **Supports the development of pre-permitted commercial space.**

This category is about providing locations where businesses can easily locate. This can involve pre-permitting sites for like businesses such as the mariculture grant to pre-permit land for oyster farmers, or incubator . spaces like the grant to support the expansion of Foodworks Culinary Center in Arcata. Other related projects could be the development of an industrial park or supporting the clean up of contaminated industrial sites so that they can be used for business purposes

#### **Reducing Regulatory Bottlenecks**

Projects which seek to build effective working relationships between businesses and regulatory agencies can receive points based on their direct link to either retaining businesses or simplifying the process for the establishment of new businesses.

#### **Economic Development Infrastructure**

Projects which rate highly in this outcome provide for infrastructure which is directly related to business and job growth. An example of a project in this area was the grant for the Fisherman's Terminal in Eureka

# Headwaters Fund List of Criteria and Scoring Worksheet

which will allow for additional fish processing facilities in addition to café and sales space. Other projects could be the development of the port, downtown revitalization projects, or improvement of the Highway 101 corridor through Eureka.

## **Develops Strategies for Economic Development**

In this outcome points are assigned for projects involving developing economic development strategies. Projects should be tied to leveraging funds for implementation. Higher points should be assigned for projects which can show a direct link from the planning phase to the implementation phase and have a feasible plan for securing implementation funding. Projects in support of the Target or Base Industries receive more points.

## **Providing Access to External Markets or Plugging the Leaks**

Projects can receive full points in this outcome if they demonstrate that they will help businesses with exporting sales out of the county. Projects can also receive full points if they can show that they will have an impact on redirecting consumer purchases from non local companies to local ones. Projects which can predict a concrete and substantial increase in sales for a group of businesses or industry should receive more points.

## **Retaining and Growing Existing Businesses**

A project could be assigned full points in this outcome if the applicant project will provide technical support to businesses which can be directly correlated to those businesses ability to grow and retain or create jobs. Technical support could be defined in terms of marketing, human resources, product development, or other expertise so that the businesses can increase sales.

## **Workforce Training**

A project which receives full points in this outcome develops the workforce by providing job skill training in a Targets of Opportunity or base industry skill area. Job skill training could involve a focus on education either in the K-12 system, the post-secondary system, or in providing specialized classes or training related to job skills.

## **Increases the number of new businesses through supporting entrepreneurship and innovation**

A full point project will be able to demonstrate support for entrepreneurship which will directly lead to the creation of new businesses and new jobs.

# Headwaters Fund List of Criteria and Scoring Worksheet

## **Leverages future funding or projects**

Projects which directly leverage funding from sources outside of the County can receive full points.

An example of a project which rated strongly in this area was a \$515,000 loan to the airport which provided the necessary matching funds to access \$8.7 million in federal grant funds for runway improvements.

## **Increases prosperity by helping low income individuals develop business skills**

A project which rates highly in this outcome would be one that provides access to business education, technical assistance or other training which helps people start businesses.

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## **Impact on Environment and Quality of Life**

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### **Protects and/or improves the natural environment**

A project can receive points for demonstrating that it is contributing to the protection or improvement of the natural environment. An example of a project which rated highly on this was the grant to develop a local Oak Woodlands conservation plan.

### **Supports sustainable use of environmental resources**

A project receives points for demonstrating that it provides support for the sustainable use of environmental resources. An example of this would be the grant to the Yager Van Duzen Stewards to document their voluntary sediment reduction plan developed with local ranchers.

### **Preserves open spaces and working landscapes including ranches and other agricultural lands**

A project receives points for demonstrating that it supports the preservation of open space and the ability of landowners to keep ranches and agricultural lands as working landscapes. An example of a grant in this area would be the grant to the Northcoast Regional Land Trust to develop an Oak Woodlands Conservation Plan so that local landowners could access oak woodlands restoration funding.

### **Utilizes environmental knowledge in the creation of jobs**

Points are awarded for a project which demonstrates job creation by utilizing environmental knowledge. An application with full points in this category would create a large number of new sustainable jobs based on using environmental knowledge.

### **Builds leadership skills**

Projects are supported which either focus on the development of leadership skills in youth or in



# Headwaters Fund List of Criteria and Scoring Worksheet

developing managerial and leadership skills in the existing workforce. The Junior Achievement grant is an example of funding for a K-12 curriculum with the goal of building youth leadership skills.

## **Project is in a geographically underserved area or serves an underserved population**

Projects receive more points for representing an underserved population or geographic area. Projects also receive more points for representing a population or geographic area which has not received Headwaters funding in the past.

## **Revitalizes communities/infrastructure**

This applies to projects which seek to revitalize communities with a goal of economic development. An example of this would be the Garberville Town Square grant which allowed for the building of a square to be a central marketplace, outdoor entertainment venue and support the expansion of nearby businesses.

## **Builds public infrastructure**

Points should be given for projects which allow for the building or renovation of basic public infrastructure - water, sewer, power etc. which leads to the development of healthy communities.

## **Improves public or pedestrian transportation**

This category applies to project which provide for the planning or implementation of public transportation with an emphasis on pedestrian walkways. An example of a grant in this category is the Trails Trust mini-grant to begin a Trail Stewards program for volunteers to maintain local trails.

## **Utilizes existing buildings**

Projects receive points for new and innovative uses for under utilized buildings. An example of a grant in this category is the Mid Klamath Watershed Council grant to purchase the Panamnik Building in Orleans and convert it into a community and economic development hub.

## **Fits with community image and identity**

Projects should be able to show that they are in alignment with the community identity either of Humboldt County as a whole or with the constituents they are working with

## **Preserves cultural heritage**

Projects receive points for demonstrating that they are contributing to preserving the cultural heritage of

# Headwaters Fund List of Criteria and Scoring Worksheet

our County.

## **Contributes to Humboldt County being a desirable place to live**

Projects in this category contribute to the general desirability of Humboldt County as a place to live in ways not listed above. This could be in terms of cultural, recreational or social opportunities.

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## **Project Design and Readiness and Fiscal**

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### **Project fulfills an unmet need**

The project should clearly demonstrate that it is fulfilling a currently unmet need.

### **Demonstrates cross-sector support**

This box could be checked off if there is demonstrated support across sectors. This would be demonstrated by collaborative partners or letters of support.

### **Ingredients for project success in place- research, planning, permitting**

Applicant should show that adequate planning has taken place in advance of submitting the application.

### **Project scope contains sufficient detail to define success**

Project should include measurable outcomes as part of its definition of success and demonstrate capacity on the part of the applicant to collect information and report on those outcomes.

### **Visible private industry sector support (i.e. letter of support)**

Project must demonstrate the support of local private businesses.

### **Implementation vs preliminary phase (Implementation projects receive higher points than preliminary studies)**

Projects which are applying for implementation funding should receive more points than projects in the planning phase.

### **Timeliness of project and likelihood it will succeed**

Project must demonstrate that the timing is right, and the necessary ingredients for success are in place.

# Headwaters Fund List of Criteria and Scoring Worksheet

## **Diversity of funding partners and firmness of commitments**

Project should demonstrate a wide range of committed funding.

## **Project budget well thought out and reasonable**

Project budget should demonstrate strategic planning and be realistic in terms of project cost and expected revenue.

## **Degree of match funding (both committed and not, with higher points for committed)**

More points are given for projects which have their funding in place over projects still seeking match.

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## **Other**

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Given the complexity and variety of projects presented to the Headwaters Fund Board for consideration, an additional set of 11 points was set aside to allow board members to fairly score projects which may offer unique or exceptional benefits. These points must be limited to strategies or components of the project which provide economic, environmental, or social benefit to the community. Any additional points must have narrative explaining the Board members reasoning.