



Redwood Region Economic Development Commission

LOAN APPLICATION SUMMARY

RREDC Loan Committee Meeting November 12, 2025

RREDC Executive Committee Meeting November 12, 2025

Applicant: Southern Humboldt Community Healthcare District

Legal Structure:	Special District	Business Type:	Healthcare District providing services to Southern Humboldt, Eastern Trinity, and Northern Mendocino Counties.
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Summary of Project Request

Purpose	Manage cash flow
Amount	\$4,000,000
Loan Type	Working capital
Term	6 months All principal and interest due 60 days following receipt of IGT funds.
Rate	6% fixed
Fee (Underwriting)	.5% plus all out of pocket costs
Monthly Payments	N/A
Primary Source of Repayment	Accounts Receivable
Secondary Source of Repayment	Property Tax Assessment Income

Strengths

- 1) Strong leverage with applicants, with RREDC providing approximately 12.5% of IGT match funds.
- 2) District has tax assessment that provides supplemental income to the hospital.
- 3) Strong sources of repayment.
- 4) District provides critical healthcare services to broad region of Southern Humboldt County.
- 5) District employs over 160 FTEs in Southern Humboldt.

Weaknesses

- 1) Healthcare institutions are highly regulated and subject to fluctuations in funding.
- 2) Collecting in the event of default could carry significant reputational risk.

Background

The Southern Humboldt Community Healthcare District (SHCHD) is a Special District that provides healthcare services to the Southern Humboldt, Northern Mendocino and Western Trinity County areas. The District covers 775 square miles with a service population of 10,365 full-time residents. The District is centered at the Jerold Phelps Community Hospital and the Southern Humboldt Community Clinic located in Garberville. The community has received healthcare services at that location since 1949.

In 2002 the hospital received Critical Access Hospital (CAH) designation, which helped position SHCHD for a more sustainable future. Critical Access Hospital is a designation given to eligible rural hospitals by the Centers for Medicare and Medicaid Services (CMS). Congress created the Critical Access Hospital designation through the Balanced Budget Act of 1997 in response to a string of rural hospital closures during the 1980s and early 1990s. The CAH designation is designed to reduce the financial vulnerability of rural hospitals and improve access to healthcare by keeping essential services in rural communities. To accomplish this goal, CAHs receive certain benefits, such as cost-based reimbursement for Medicare services.

In June of 2018, Measure F, which was an extension of a property tax assessment to support the District, passed with 75% of the vote. This provides critical funding that stabilizes the District's finances, providing approximately \$1.1 million annually to the District's coffers. The tax sunsets in 2028.

Direct services include an acute care hospital, 24/7 emergency room, laboratory, radiology, physical therapy, occupational therapy, mammography, x-ray, home health/visiting nurse program, swing-bed, visiting specialists, skilled nursing, a rural health clinic, pharmacy, optometry, mental health services, and a Family Resource Center. It is the only 24-hour emergency room between Willits and Fortuna, a distance of 120 miles.

The District currently employs 161 FTEs with a current minimum wage of \$18.00 per hour and all full-time employees receive benefits.

The District is also preparing for the construction of a new hospital and clinic, a move necessitated by the need to upgrade facilities to meet state-mandated earthquake standards. The Healthcare District determined that purchasing and constructing a new healthcare facility is more beneficial than rehabilitating the current, dated, facility. This facility will include:

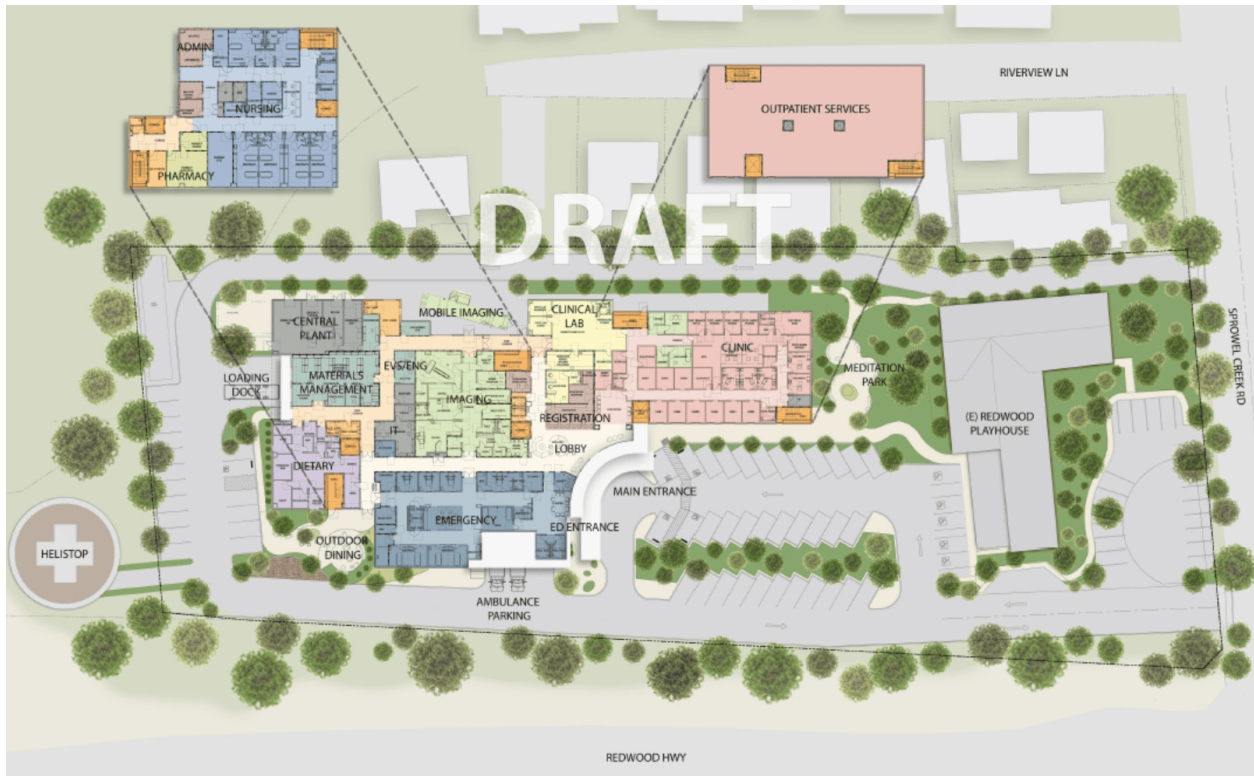
Hospital roughly 30,000 square feet

- Emergency Department with 8 beds
- Radiology services: X-Ray, CT, Ultrasound, Mobile MRI
- Full-service Laboratory
- Dining options with outdoor seating area
- 2nd floor inpatient nursing unit with ten beds
- Helistop for expedited patient transfers

Community Clinic | roughly 15,000 square feet

- Full-service primary care facility
- Two specialty treatment rooms and twelve exam rooms
- Mammography suite

- Bone density scanning
- 2nd Floor outpatient surgery suite
- Meditation Park: peaceful outdoor space for patients and families



In addition, SHCHD has purchased buildings to accommodate the expansion of their pharmacy (the only pharmacy in Southern Humboldt and Northern Mendocino). In 2023, the District purchased an optometry office (Alan French O.D.) to provide those services in Southern Humboldt following the closure of the only optometric office in the region. Dr. French is now providing service via the District. They also started a mobile clinic in 2022 and added ultrasound services in the fall of 2022. More recently, the District has added a group psychotherapy program, and an occupational therapist, speech therapist, and behavioral health services in both the clinic and emergency room. These new services coupled with other expansions have resulted in an increase of 28 new employees in just the past year.

The district reports that these additions have led to increased numbers of individuals using services and an increase in patients from outside the District’s boundaries. Current estimates are that 1/3 of patient volume is from outside the District, with patients traveling from as far as McKinleyville.

The district has also invested in facilities. They have completed remodeling four of the five houses that they purchased three years ago, and all five houses are currently occupied by District employees. In addition, they submitted plans for the new hospital to the California Department of Healthcare Access and Information (HCAI) in September 2025. They expect HCAI to take

between 12 and 18 months for their review, and at the successful conclusion of that review they will give the District the building permit for the construction of the hospital.

The District has a strong management team and is led by a five-member board of directors. Key management includes:

- Matt Rees, MBA - CEO – Over 20 years of experience in healthcare administration.
- Kent Scown - COO – Over 20 years of experience at the District.
- Paul Eves, MBA – CFO – Over 10 years’ experience in medical accounting.
- Adelaida Yanez, RN – Chief Nursing Officer
- Kristen Rees, MPH – Chief Quality and Compliance Officer

Loan Request

The District participates in the Medicaid “Intergovernmental Governmental Transfer” program (IGT). In this program, the federal government provides matching funds to states for all qualifying Medicaid expenditures. California has the lowest standard rate, which is 50 percent. States must fund their share of Medi-Cal expenditures to access federal dollars, but they have some flexibility in the sources of funding.

Local entities, like the SHCHD, contribute funding to support state Medicaid programs. Local funds typically take the form of either intergovernmental transfers (IGT)—a transfer of funds from another governmental entity to the state Medicaid agency—or Certified Public Expenditures (CPE)—an expenditure made by a governmental entity that funds Medicaid-covered services. Both are eligible for federal matching funds. As noted above, the District participates in the IGT program.

To receive the IGT payment, the District must submit funds to the state from the District’s operating capital. The state then requests additional funding for the District for expenses not covered by Medi-Cal. The federal government provides the unfunded expenses to the state, which passes them back, along with the District’s original funds. This process can take up to four months to complete. The District is submitting approximately \$4.0 million dollars and is requesting \$4.0 million from RREDC. The loan will reduce the burden on operational cash and will be repaid from revenue received through accounts receivable and expected property tax revenue.

This will be the sixth time that RREDC has supported this transaction. RREDC, the Headwaters Fund, and the Humboldt Area Foundation have provided support starting in 2019 as follows:

Year	Amount	Disbursement Date	Payoff Date	Participants
2019	\$1.8MM	3/25/2019	6/07/2019	RREDC/HAF/HWF
2020	\$1.0MM	3/12/2020	4/13/2020	RREDC
2023	\$1.0MM	3/8/2023	4/20/2023	RREDC
2024	\$1.5MM	3/13/2024	5/8/2024	RREDC/HWF
2024/2025	\$3.5MM	11/20/2024	2/3/2025	RREDC/HAF/HWF

Because the district is prohibited from borrowing funds to meet its IGT match, it will repay the loan using accounts receivable and anticipated revenue from its property tax assessment.

Sources and Uses of Funds

Sources		Uses	
RREDC	\$500,000	IGT Match	\$4,000,000
Humboldt Area Foundation	\$2,000,000		
Headwaters Fund RLF	\$500,000		
Headwaters Fund CIF	\$1,000,000		
Total	\$4,000,000	Total	\$4,000,000

Business Financial Analysis

RREDC has audited financial statements for FY 2019 – 2024 (2024 is currently in draft) and internally prepared statements for FY 2025. Full summaries are attached to this memo. The organization has a significant “Unrestricted Fund Balance” with minimal liabilities relative to assets.

District has shown an operational loss in three of the last four years. However, this is compensated for by property tax and other non-operating revenue.

Revenue and Expense Summary	Audited			
	6/30/2022	6/30/2023	6/30/2024 (DRAFT)	6/30/2025 Internal
Total Operating Revenue	13,896,000	26,583,000	34,794,000	31,387,940
Total Operating Expense	20,712,000	26,379,000	28,066,000	29,406,923
Operating Income	(6,816,000)	204,000	6,728,000	1,981,017
Non-Operating Revenue	8,001,000	1,537,000	2,067,000	1,922,326
Total Net Revenue	1,185,000	1,741,000	8,795,000	3,903,343

Balance Sheet Summaries	Audited			Unaudited
	6/30/2022	6/30/2023	6/30/2024 (DRAFT)	6/30/2025
ASSETS				
Current Assets				
Cash	14,886,052	10,263,547	8,242,123	5,077,492
Accounts Receivable	1,631,147	2,322,523	8,812,023	6,408,954
Other Receivables	24,775	4,194	4,194	5,466,998
Inventories	74,264	393,429	604,652	603,527
Estimated Third-Party Settlements	985,654	265,299	849,398	
Prepays and Deposits	115,846	235,381	985,956	1,232,156
Total Current Assets	17,717,738	13,484,373	19,498,346	18,789,127
Fixed Assets				
Nondepreciable capital assets	2,572,804	6,089,911	8,846,256	
Depreciable capital assets - Net	4,232,414	5,239,609	8,070,310	
Net Fixed Assests	6,805,218	11,329,520	16,916,566	20,445,110
Other Assets				
Total Assets	24,522,956	24,813,893	36,414,912	39,234,237
LIABILITES AND FUND BALANCE				
Current Liabilites				
Accounts Payable	747,546	346,403	963,264	1,310,751
Accrued Payroll and Related Costs	876,191	1,069,731	1,497,124	1,801,461
Current portion of refundable advance		-		
Unearned Revenue	112	113		
Accrued Purchases	2,325,101	-		700
Other Current Liabilities				
Current Portion LTD and Lease Obligations				122,529
Current Portion Long Term Debt	255,500	95,603	138,170	
Current Maturities - Capital lease obligations	95,528	122,529	140,694	
Current Maturities - SBITA Obligations			614,683	
Total Current Liabilites	4,299,978	1,634,379	3,353,935	3,235,441
Long-Term Debt				
Bonds Payable				
Long-Term Debt less current portion	255,500	1,457,602	2,050,739	3,764,070
Capital Lease Obligations less current portion	223,499	236,003	87,003	236,003
Refundable Advance less current portion				
SBITA Obligations less current portion			643,121	
Net Long Term Debt	478,999	1,693,605	2,780,863	4,000,073
Total Liabilities	4,778,977	3,327,984	6,134,798	7,235,514
Net Position				
Net investment in capital assets	6,486,191	10,708,174	17,338,972	
Unrestricted	13,257,788	10,777,735	12,941,142	
Restricted Fund Balance				
Total Fund Balance	19,743,979	21,485,909	30,280,114	31,998,723
Total Liabilites and Fund Balance	24,522,956	24,813,893	36,414,912	39,234,237

Policy Guidelines

This loan is consistent with the RREDC Revolving Loan Fund plan for the following reasons:

1. There is significant leverage of RREDC dollars greater than 4:1.
2. Healthcare is a high priority in the Humboldt County CEDS.
3. The District provides a critical service vital to the economy and community, serving vulnerable populations of high poverty.
4. The District is a significant employer in the region, with 161 FTEs.

Recommendation

Approval of this loan is recommended for the following reasons:

1. The loan is consistent with policy areas as outlined above.
2. There is a clearly identified source of repayment.
3. Approval of this loan will retain jobs and maintain cash flow stability.
4. Applicant has positive history of borrowing from RREDC.

Additional Conditions of Funding

1. Provision of updated property tax account statement.
2. Provision of current agreement for Intergovernmental Transfer funds.