



COUNTY OF HUMBOLDT

AGENDA ITEM NO.

For the meeting of: February 25, 2014

Date: January 24, 2014
To: Board of Supervisors
From: Phillip Smith-Hanes, County Administrative Officer
Subject: Presentation of the Headwaters Fund 2012-13 Annual Report

RECOMMENDATION(S):

That the Board of Supervisors:

- 1) Receive and accept the Headwaters Fund (HF) Annual Report;
2) Review and approve the five following Headwaters Fund Board (HFB) recommended operational changes:
a. Set a floor to the fund to protect the principal into perpetuity;
b. Cease grant making out of the Community Investment Fund for the next two years;
c. Re-focus efforts on seeking additional loan opportunities;
d. Minimize Grant Fund allocations for the next three years;
e. Re-invest a portion of the Headwaters Fund outside of the County Pool.
3) Direct staff to revise the Headwaters Fund Manuals and Charter as required to implement the operational changes; and
4) Direct staff to work with the County Treasurer to develop an investment strategy and policy accommodating investment of a portion of the Headwaters Fund outside of the County Pool.

Prepared by Dawn Elsbree, Headwaters Fund Coordinator

CAO Approval

[Handwritten signature]

REVIEW:

Auditor County Counsel DS Human Resources Other

TYPE OF ITEM:

- Consent
[X] Departmental
Public Hearing
Other

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT

Upon motion of Supervisor Seconded by Supervisor

- Ayes
Nays
Abstain
Absent

PREVIOUS ACTION/REFERRAL:

Board Order No.

Meeting of:

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

Dated:

By:

Kathy Hayes, Clerk of the Board

## SOURCE OF FUNDING:

Headwaters Fund

## DISCUSSION:

The Headwaters Fund Board and staff are pleased to provide the attached 2012-13 HF Annual Report (Attachment 1). The report includes a summary of the fund's activities, results and financial status. HFB Chair, Cedar Reuben, will present this report to your Board orally and will be available for questions.

If your Board reviews and accepts the HF Annual Report, it will be printed and made available for public distribution by hard copy in addition to being posted on the HF website.

This year, in addition to presenting the activities and results for the past fiscal year, the HFB will update your Board on some fiscal analysis which leads to some new recommendations for the operations of the fund.

In November of 2012, the HFB created the Headwaters Fund Board Operating Committee as an ad hoc committee which was formed to look into the financial structure of the fund.

The Headwaters Fund Charter states that the HF must:

- 1.b.ii.b. Keep the funds working in the community in perpetuity
- 1.b.ii.e. Manage funds efficiently and cost effectively

Analysis of the structure, returns and commitments of the HF has led to the conclusion that some changes must be made to ensure the continuation of the mission of the fund. The HF has invested in the local economy and community in accordance with its Charter and guidelines; however the expected revenues from investments over time have not materialized.

The initial principal invested for the HF was \$18.4 million. In order for the fund to be sustainable over time and meet its spending guidelines, the revenue generated by the corpus was originally estimated at 5-7% which is consistent with endowment income over similar time periods. The reality is that the Fund is currently earning .48% on the corpus in the County Pool.

Another complication is that the Community Investment Fund (CIF) portion of the HF was initially set up with \$5 million to be invested in large infrastructure projects. There was no replenishment mechanism put in place for re-seeding that fund once large grants were made. The belief is that the founders' intent in relation to this portion of the fund was to spend it out on large infrastructure projects.

The Revolving Loan Fund (RLF) is an \$8 million portion of the total endowment. The projections were that this program would net 6% interest on its loans and that the majority of the \$8 million would be loaned out. In reality, less than half of that amount has typically been out in loans and the return on that less than \$4 million has been more in the range of 2-4%. Lower than expected returns on the active portion is due in part to loan default rates (interest not being paid) and in part to the loss of principal when bad loans are written off. In the past couple of years, roughly \$225,000 has been written off. In addition, the current lending partners, under the parameters of the historic loan participation agreements, do not have the financial capacity to loan out the remaining roughly \$4 million allocated to the Revolving Loan Fund. An RFP has been issued and responded to and the HFB and County staff will be working with potential lending partners on a new program design.

Given all of these realities the Operating Committee recommends making five operational changes as follows:

- 1) HFB recommends setting a floor on the HF of \$16.2 million. If the fund were to go down to this amount, HFB recommends that all grant making cease until the fund is built back up. This amount is calculated based on the original HF allocations of \$8 million in the RLF and \$5.4 million in the Liquidity Fund (this amount has been set aside through the years with the sole purpose of earning interest for grant making), plus a Loan Loss Reserve of \$480,000, plus the amount remaining in the Community Investment Fund of \$2.3 million. In the first 10 years of the fund, close to \$2.7 million has been awarded in large infrastructure grants from the CIF, leaving it at a current level of \$2.3 million. Given the large multi-year commitments the HF currently has, projections show the fund could come close to the recommended floor limit balance in the coming years (Attachment 2). However, the intention of the HFB is to make recommendations for fund management so that the fund re-builds to the original \$18.4 million and ideally reaches a more sustainable level of \$20 million in perpetuity.
- 2) HFB recommends ceasing all grant making out of the CIF for the next two years. This will help prevent any further erosion of the fund. HFB recommends that in the future, all grant making out of the CIF be limited to interest earnings on the CIF loans and that this portion of the fund be built back up to \$5 million.
- 3) HFB recommends that for the next few years, the primary focus of the fund should be seeking loan opportunities to further economic development and community benefit. This will allow the HF to keep money working in the community, in accordance with its mission, in addition to earning a return which will help re-build the fund for future grant making.
- 4) HFB recommends a minimal Grant Fund allocation for the next few years and recommends \$50,000 as a total maximum amount for grant making in FY 2014-15. This would include the standard \$20,000 in mini-grants and one to two potential grants for high priority economic development projects. In the current fiscal year, the HFB has only recommended one grant for a total of \$13,551.
- 5) The HFB recommends that \$10 million of the HF be invested by the County Treasurer outside of the County Pool. The HFB recommends that your Board request the County Treasurer to propose an investment strategy and policy for that \$10 million that extends beyond a five year maturity and bring that proposed strategy and policy to the HFB for discussion. Staff would then return to your Board with a final recommendation from the HFB based on the recommendation from the County Treasurer. Preliminary discussions with the County Treasurer are that a different investment strategy for the segregated HF account with extended maturities would currently return in the range of 2.2 – 2.3% over the next five years, which is considerably more than is projected for the County Pool during the same time period (See Attachment 2 “Estimated Pool Rate”). However the Treasurer also cautions that interest rate yields change according to market conditions, Federal Reserve actions, and government policy so the interest rate projections for the County pool presented here are a reflection of current realities and they cannot account for future market conditions that may come to pass. Three year projections for HF if the funds are invested separately are shown on Attachment 3.

The HFB has been analyzing these issues and investigating alternatives for over a year. They have consulted with the founding HFB members, looked at other fund models and asked for determinations from County Counsel on various alternatives. The HFB believes that if your Board approves these

recommendations, there will be policies in place to ensure that the fund operates into perpetuity and can slowly build back up to prior levels of grant making.

FINANCIAL IMPACT:

There is no financial impact to receiving the Headwaters Fund Annual Report. Accepting the Annual Report supports your Board's Strategic Framework by supporting business and workforce development.

There are significant positive financial impacts to the Headwaters Fund in approving the operating recommendations. This recommended action support your Board's Strategic Framework by managing resources to ensure sustainability of services.

OTHER AGENCY INVOLVEMENT:

Headwaters Fund Board

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Board discretion.

ATTACHMENTS:

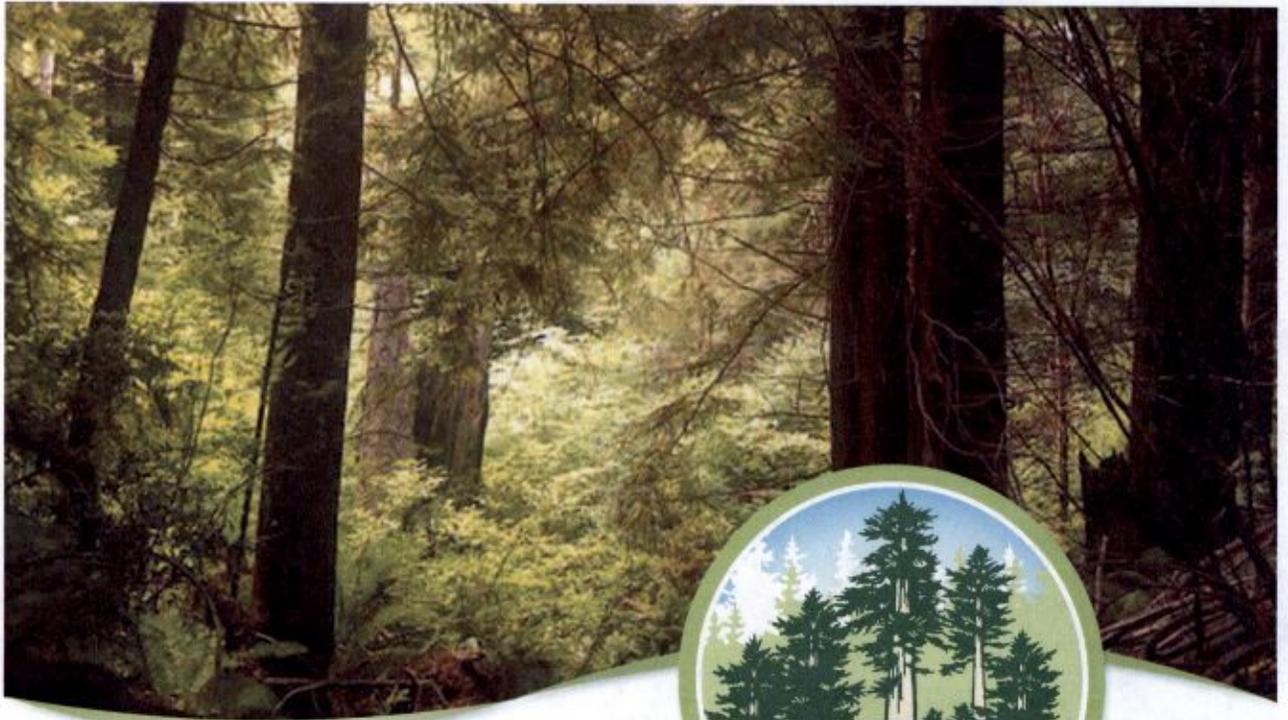
Attachment 1 – Draft of Headwaters Fund 2012-13 Annual Report

Attachment 2 – Three Year Projections for the Headwaters Fund at Status Quo

Attachment 3 – Three Year Projections for the Headwaters Fund Invested Outside the County Pool

**ATTACHMENT 1**

**HEADWATERS FUND 2012-2013 ANNUAL REPORT**



HUMBOLDT COUNTY

# Headwaters Fund

2012 - 2013 Annual Report

ACTIVITIES AND RESULTS  
JULY 1, 2012 - JUNE 30, 2013

THE MISSION of the Headwaters Fund  
is to improve the economy  
of Humboldt County.



**THE  
HEADWATERS FUND  
BOARD**

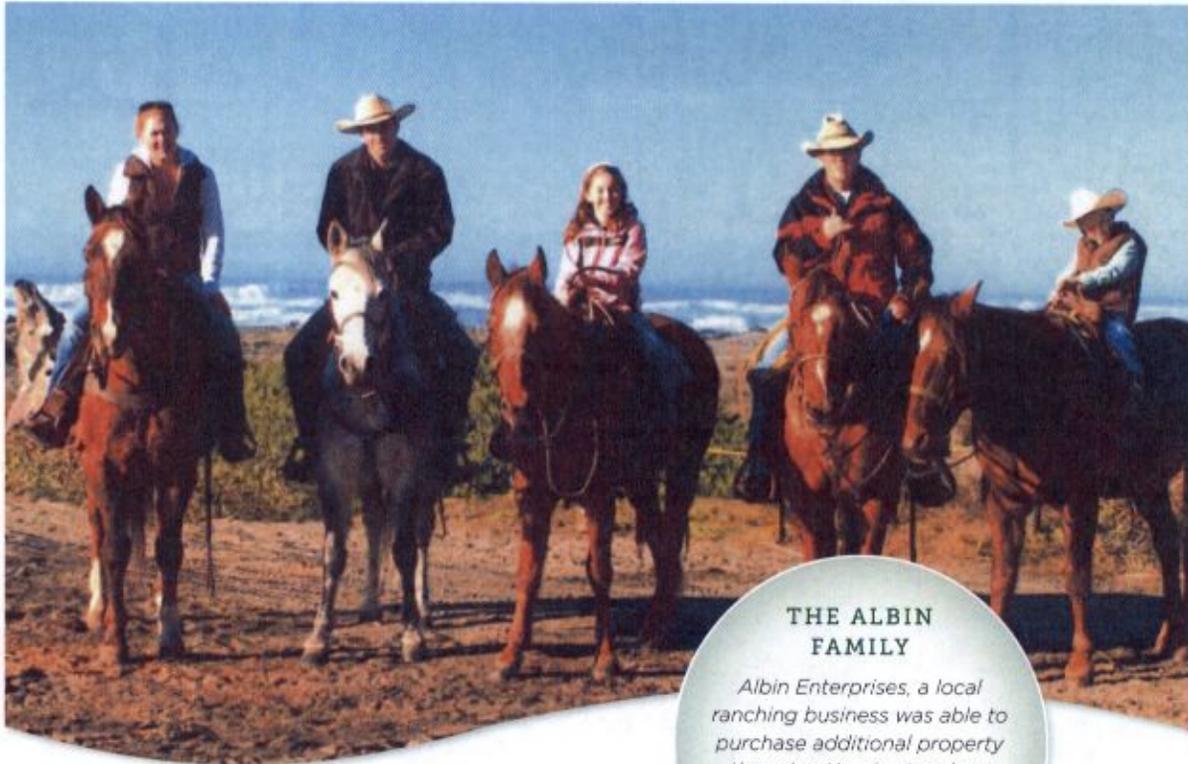
*From left to right: Zachary  
Zwerdling, Greg Seiler, Edward Webb,  
Cedar Reuben, Margaret Gainer,  
Jackie Deuschle-Miller,  
Leigh Pierre-Oetker and  
Executive Director  
Dawn Eisbree*

## INTRODUCTION

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

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

The Headwaters Fund is composed of a Revolving Loan Fund, a Community Investment Fund and a Grant Fund.



#### THE ALBIN FAMILY

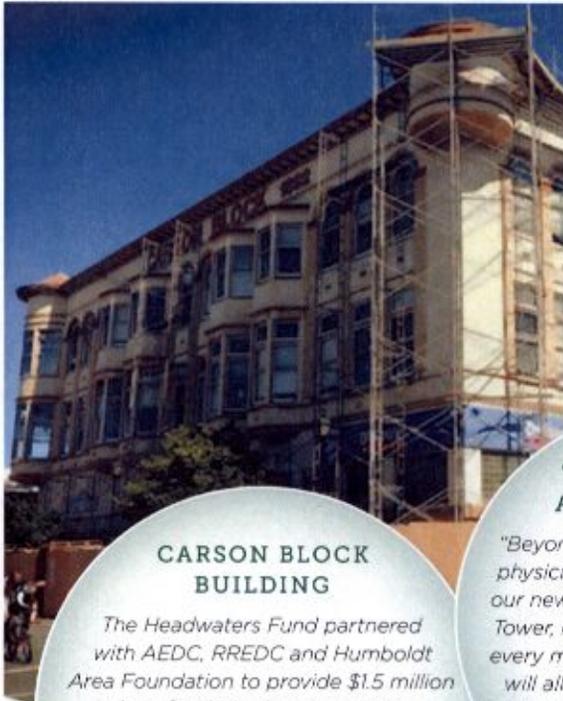
*Albin Enterprises, a local ranching business was able to purchase additional property through a Headwaters loan through Redwood Region Economic Development Commission.*

## REVOLVING LOAN FUND

The purpose of the Revolving Loan Fund (RLF) is to create and retain jobs through providing gap financing to businesses unable to obtain traditional financing. The Headwaters Fund contracts with the Arcata Economic Development Corporation (AEDC) and the Redwood Region Economic Development Commission (RREDC) to underwrite these loans for the community. During 2012-13:

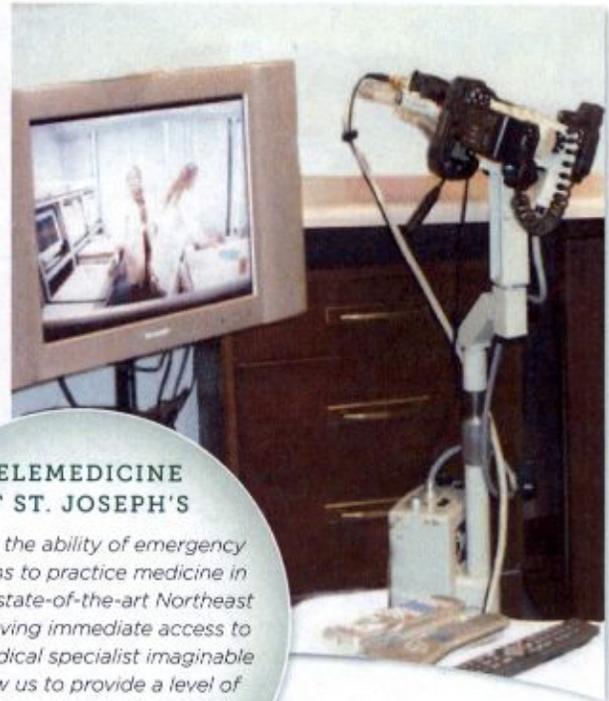
- \$840,000 was loaned out, \$455,000 through AEDC and \$385,000 through RREDC;
- Four organizations were assisted, retaining 53 jobs and with projected additions of more; and
- The loans leveraged close to \$1.5 million in matching funds from lending partners.

Since the inception of the fund, over \$7.8 million has been loaned from the RLF. These loans are estimated to have retained over 380 jobs and are projected to create 200. There have been three loan losses to date totaling \$244,220 which equals 3.1% of funds loaned.



### CARSON BLOCK BUILDING

*The Headwaters Fund partnered with AEDC, RREDC and Humboldt Area Foundation to provide \$1.5 million in loan funds so that the Northern California Indian Development Council could access state grant funds to renovate the historic Carson Block Building in Old Town Eureka, which houses many small business office and retail spaces.*



### TELEMEDICINE AT ST. JOSEPH'S

*"Beyond the ability of emergency physicians to practice medicine in our new, state-of-the-art Northeast Tower, having immediate access to every medical specialist imaginable will allow us to provide a level of medical care never before seen in our region."*

*-Dr. Scott Sageman*

## COMMUNITY INVESTMENT FUND

The purpose of the Community Investment Fund is to provide grants and loans for infrastructure projects, community endowments and revolving loan programs that will result in permanent, tangible benefits to the community.

This fund was set up as an expendable fund which could be paid out completely over time. However, in 2012-13, the Headwaters Board completed a financial analysis of the Headwaters fund which analyzed spending commitments and current revenue streams. Due to concern over the need to continue operating the overall fund into perpetuity, the Headwaters Fund Board made the decision to cease grant making from the Community Investment Fund for the current fiscal year and likely the next one.



**DRAKES GLEN  
CREATIONS**

*Sandra Nakashima, owner  
of Drakes Glen Creations,  
shown in her new kitchen at  
Foodworks which was just  
completed this year.*

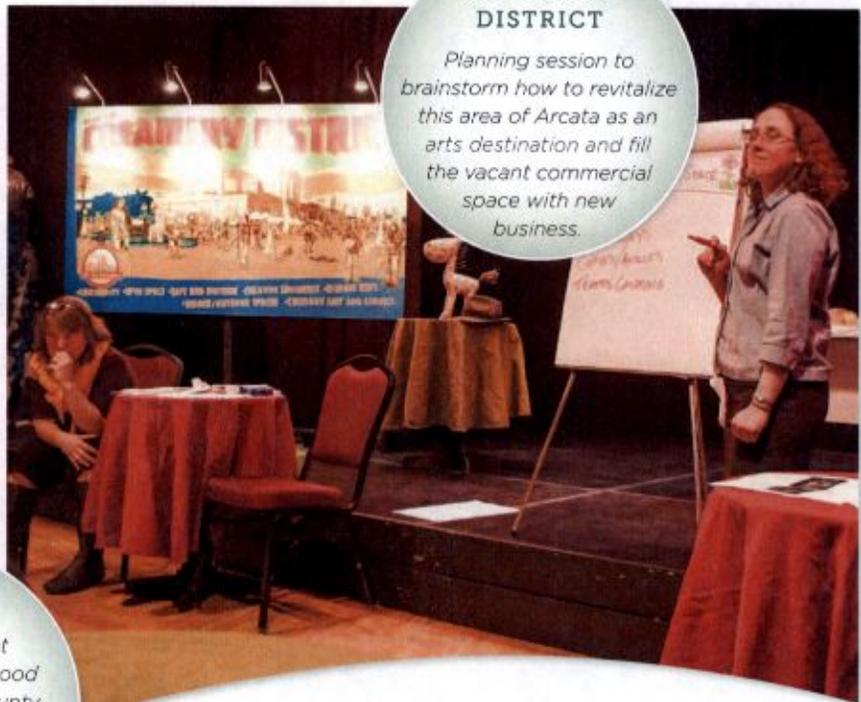
The original balance of the Community Investment Fund was \$5 million. The current fund balance is a little over \$2.3 million. Since the fund was created, close to \$2.7 million has been awarded in grants from the Community Investment Fund. Large community projects have been supported, such as \$500,000 for a flake ice plant for the fishermen in Eureka, \$300,000 for telemedicine equipment for St. Joseph's Hospital's new tower (see photo, page 3), and \$187,500 for new commercial kitchens at Foodworks in Arcata (pictured above).

In the near future, the focus for this fund will be infrastructure loans. No new grants or loans were awarded from this fund in 2012-13.



### SKY CAMS

*New "skycams" at the California-Redwood Coast Humboldt County Airport give pilots instant online access to weather conditions on the ground.*



### CREAMERY DISTRICT

*Planning session to brainstorm how to revitalize this area of Arcata as an arts destination and fill the vacant commercial space with new business.*

## GRANT FUND

Grant allocations are set by the Headwaters Fund Board annually. In 2012-13 \$200,000 was allocated for discretionary grant awards. In addition, the Headwaters Board awards up to \$20,000 a year in a mini-grant program. Grants were awarded in four priority areas: economic development infrastructure, providing commercial sites for business, retaining and growing businesses and quality of life.

### Economic Development Infrastructure

- \$1,500 for sky cams at the California-Redwood Coast Humboldt County Airport

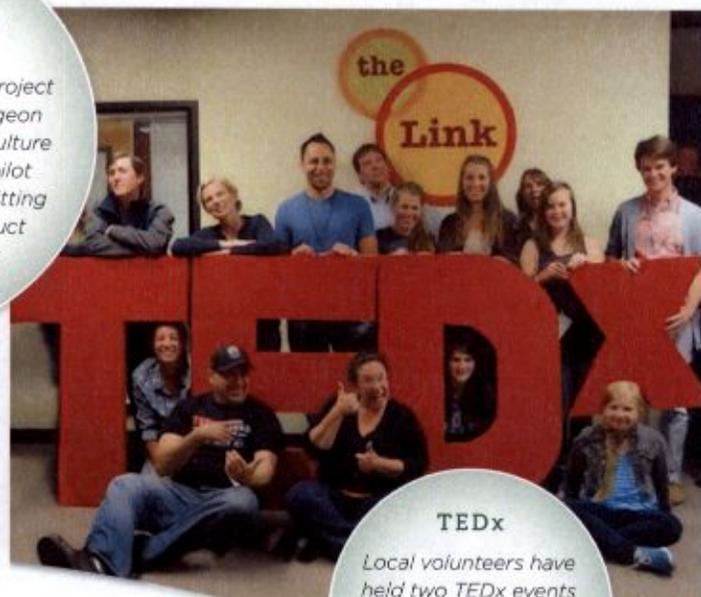
### Providing Commercial Sites for Business

- \$34,000 to the City of Blue Lake for infrastructure improvements to the Blue Lake Industrial Park
- \$24,725 to the Scotia/Rio Dell Chamber of Commerce for the Rio Dell Business Stimulator Center
- \$25,000 to the Arcata Playhouse for planning for the Creamery District



### AQUACULTURE CENTER

*Erika Guevara Blackwell, project developer, monitors Sturgeon arriving at the new aquaculture facility. This center is a pilot project to work out permitting requirements and product feasibility for a larger, scaled up version.*



### TEDx

*Local volunteers have held two TEDx events to promote sharing of the innovative ideas of Humboldt County residents.*

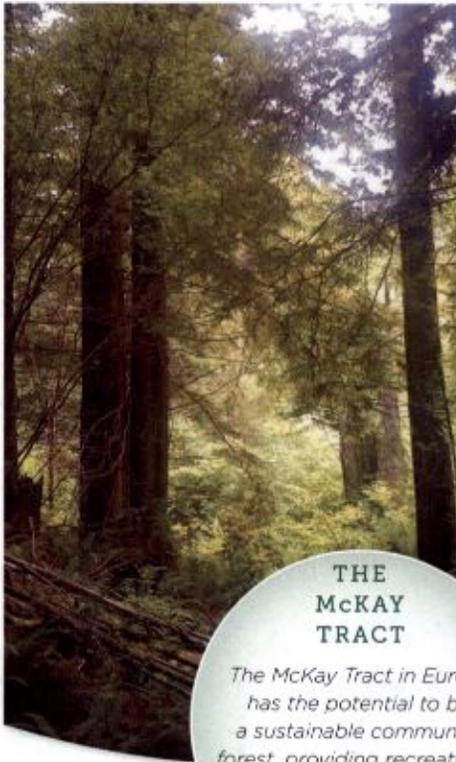
#### Retaining and Growing Businesses

- \$70,000 to the Harbor District for an Aquaculture Innovation Center
- \$7,498 to the Mid Klamath Watershed Council for restoration equipment storage
- \$3,600 to take local food producers to the Fancy Foods Show in the Bay Area
- \$1,500 for a conference focused on collaborative marketing of Humboldt County of Humboldt
- \$1,500 to AEDC to develop a model for a local business competition
- \$1,000 for a local broadband access conference
- \$750 for an analysis of downtown security needs in Garberville

#### Quality of Life

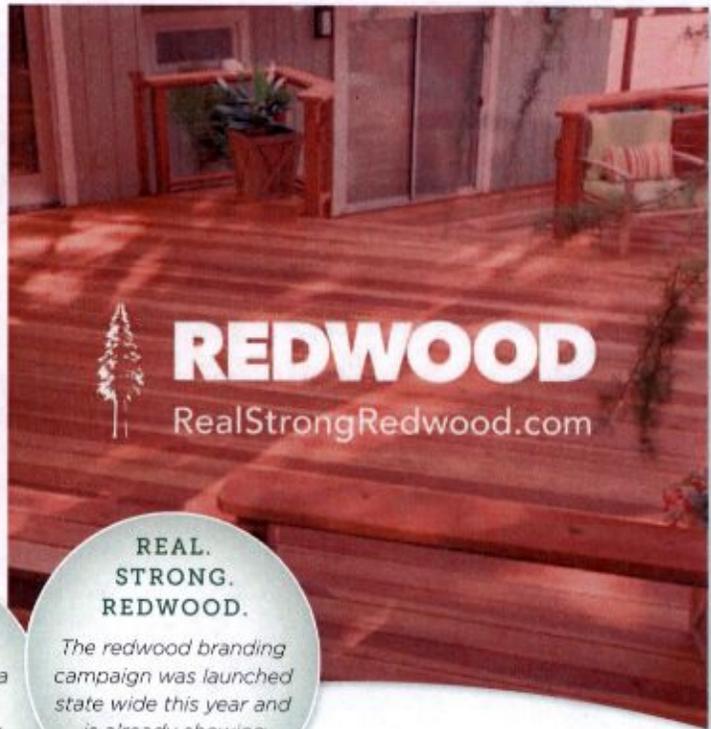
- \$31,000 to the County of Humboldt to develop a management plan for the McKay Community Forest
- \$1,000 for TEDxEureka

Altogether, \$192,223 was awarded in grants in 2012-13 and \$10,850 in mini-grants. In the ten years of operation, there has been \$2,768,807 in Grant Fund and mini-grant awards.



**THE  
McKAY  
TRACT**

*The McKay Tract in Eureka has the potential to be a sustainable community forest, providing recreational opportunities for residents and visitors and timber for local sawmills.*



**REAL.  
STRONG.  
REDWOOD.**

*The redwood branding campaign was launched state wide this year and is already showing positive results.*

## GRANT INITIATIVES

Grant Initiatives are pro-active funding programs originated by the Headwaters Fund Board in response to a need identified by the business community. Initiatives are funded through interest earned on loans. Currently there are two initiatives: Decade of Difference and Forest Products

### Decade of Difference

Decade of Difference is a ten year program to prepare youth for post-secondary education and careers which match local employers' needs. Headwaters Fund is contributing \$1.5 million to this program.

### Forest Products

The Forest Products Initiative is a three year \$750,000 project to increase redwood sales. The goal is to regain redwood decking market share from plastic composites.

## FINANCIAL STATUS

Over the past year, a total of \$1,652,821 has been contributed to the economy at a cost of \$163,141 in operating expenses.

FUND BALANCES 06/30/2013	CASH	ACCOUNTS RECEIVABLE	UNPAID GRANTS	BALANCE, 06/30/2013	BALANCE, 2002 (Inception)	COMPARATIVE BALANCE (2002 to 2013)
Revolving Loan Fund	\$4,265,483	\$4,161,022		\$8,426,505	\$8,000,000	\$426,505
Community Investment Fund	\$2,563,760	\$174,665		\$2,738,425	\$5,000,000	- \$2,261,575
Liquidity Fund (endowment)	\$5,599,547			\$5,599,547	\$5,404,065	\$195,482
Grant Fund (to expend)	\$126,426			\$126,426		\$126,426
Initiative Fund	\$397,758		\$286,401	\$111,357		\$111,357
Loan Loss Reserves	\$480,000			\$480,000		\$480,000
<b>TOTAL</b>	<b>\$13,432,974</b>	<b>\$4,335,687</b>	<b>\$286,401</b>	<b>\$17,482,260</b>	<b>\$18,404,065</b>	<b>- \$921,805</b>

## GRANT AND COMMUNITY INVESTMENT FUND PROJECTS

Since 2003, Headwaters Funded projects have leveraged over \$34 million in funding from other sources. A list of projects over time follows below.

### ACROSS-CLUSTER PROJECTS

YEAR	GRANTEE	PROJECT	AWARD AMOUNT	PROJECT TYPE	FUNDS LEVERAGED
2003	County of Humboldt, Economic Development	Industry Cluster Formation and Development	\$30,000	Planning	\$216,250
2003	County of Humboldt, Economic Development	Prosperity! Individual Development Account Program	\$8,400	Implementation	\$289,997
2003	County of Humboldt, Economic Development	National Highway Network Access for Humboldt County	\$50,000	Infrastructure Grant	\$133,000
2004	Redwood Region Economic Development Commission	Web Portal	\$12,000	Implementation	\$35,000
2004	County of Humboldt-Economic Development	Web Portal	\$38,000	Implementation	\$60,200
	County of Humboldt, Public Works	Installation of automated card fueling system at Garberville Airport	\$6,767	Infrastructure Grant	\$8,116
2005	Humboldt State University	Northern California Lead Center for Small Business Development	\$50,000	Implementation	\$521,859
2005 Loan	City of Rio Dell	Water System Rehabilitation - Loan	\$1,800,000	Infrastructure Loan	\$1,800,000
2006	County of Humboldt, Economic Development	Cross-Cluster Industry Dev.	\$44,000	Planning	\$81,475
2006	County of Humboldt, Community Development	Permit Streamlining Development	\$20,000	Implementation	\$239,500
2006	Redwood Region Economic Development Commission	Airport Demand Analysis and Carrier Recruit.	\$37,500	Infrastructure Grant	\$45,350
2006	Humboldt Bay Harbor, Recreation and Conservation District	Planning and Modernization of Redwood Dock	\$200,000	Infrastructure Grant	\$60,000

## ACROSS-CLUSTER PROJECTS, CONTINUED

YEAR	GRANTEE	PROJECT	AWARD AMOUNT	PROJECT TYPE	FUNDS LEVERAGED
2006 Loan	Willow Creek Community Services District	Water System Upgrade - Loan	\$350,000	Infrastructure Loan	NA
2006 Loan	Humboldt County Public Works	Airline Terminal Renovation - Loan	\$750,000	Infrastructure Loan	\$6,558,424
2007	Humboldt Community Access and Resources	Micro-enterprise Mini-loan and Support	\$7,500	Implementation	\$18,664
2007	Redwood Coast Energy Authority	Energy Efficient Economy	\$45,000	Implementation	\$301,500
2007	City of Rio Dell	Economic Development Strategic Plan	\$30,000	Planning	\$13,010
2007	Humboldt State University	Competitive Intelligence for High Growth Companies	\$66,070	Implementation	\$166,652
2007	Redwood Region Economic Development Commission	Airline Recruitment and Revenue Guarantee	\$500,000	Infrastructure Grant	\$642,000
2007	Humboldt State University	Broadband Demand Aggregation Pilot Project	\$50,000	Infrastructure Grant	\$430,000
2007 Loan	Humboldt Waste Management Authority	Cummings Landfill Closure	\$448,000	Infrastructure Loan	\$713,446
2009	City of Blue Lake	Business Park Plan	\$36,905	Planning	\$74,300
2009	Humboldt State University	Employer Services and Internships	\$12,096	Implementation	\$12,096
2009	Humboldt State University	Renewable Energy Plan	\$38,779	Planning	\$13,150
2009 Loan	Humboldt County Public Works	Airport Runway Safety Improvements	\$515,000	Infrastructure Loan	\$8,705,623
2009	Mid Klamath Watershed Council	Panamnik Building	\$50,000	Implementation	\$269,150
2010	North Coast Small Business Resource Center	Innovation and Entrepreneurship	\$34,500	Implementation	\$45,815
2010	City of Eureka	Broadband Stimulus	\$75,000	Planning	\$45,000

## ACROSS-CLUSTER PROJECTS, CONTINUED

YEAR	GRANTEE	PROJECT	AWARD AMOUNT	PROJECT TYPE	FUNDS LEVERAGED
2011	Hoopla Valley Tribe	Broadband	\$35,000	Implementation	\$136,000
2011	Willow Creek Community Services District	Septic Improvement Program	\$35,000	Planning	\$20,000
2011	YouthAbility	Vance Café Training Program	\$15,000	Implementation	\$181,000
2011	College of the Redwoods	Smog Technician Training Program	\$19,707	Implementation	\$68,169
2011	County of Humboldt Economic Development	The Best Humboldt	\$51,943	Implementation	\$91,330
2012	Redwood Region Economic Development Commission	Airline Revenue Guarantee	\$250,000	Implementation	\$875,000
2013	Mid Klamath Watershed Council	Equipment storage	\$7,498	Implementation	\$9,905
2013	City of Blue Lake	Blue Lake Industrial Park	\$34,000	Implementation	\$35,480
2013	Scotia/Rio Dell Chamber of Commerce	Rio Dell Business Stimulator	\$24,725	Implementation	\$24,725
TOTAL, ACROSS-CLUSTER PROJECTS			\$5,779,389		\$22,941,186

## INFORMATION AND TECHNOLOGY

YEAR	GRANTEE	PROJECT	AWARD AMOUNT	PROJECT TYPE	FUNDS LEVERAGED
2004	Redwood Technology Consortium	RTC Business Plan	\$9,078	Planning	\$15,210
2009	Fortuna High School	Digital Arts and Technology Academy	\$48,000	Implementation	\$101,270
TOTAL INFORMATION AND TECHNOLOGY			\$57,078		\$116,480

## ARTS AND CULTURE

YEAR	GRANTEE	PROJECT	AWARD AMOUNT	PROJECT TYPE	FUNDS LEVERAGED
2004	North Coast Small Business Resource Center	North Coast Open Studios Tour	\$23,000	Implementation	\$25,200
2004	Humboldt County Convention and Visitors Bureau	Humboldt County Film Commission	\$50,000	Implementation	\$150,000
2004	Humboldt State University	Assistance to Humboldt Film Commission	\$20,000	Implementation	\$8,044
2005	North Coast Small Business Resource Center	North Coast Open Studios Tour	\$15,000	Implementation	\$41,085
2012	Studio 299	Multipurpose Building	\$40,000	Implementation	\$77,364
2013	Arcata Playhouse	Creamery District	\$25,000	Planning	\$205,000
TOTAL ARTS AND CULTURE			\$173,000		\$506,693

## DAIRY

YEAR	GRANTEE	PROJECT	AWARD AMOUNT	PROJECT TYPE	FUNDS LEVERAGED
2005	Arcata Economic Development Corporation	Humboldt County Goat Dairy Sustainability and Capacity Project	\$19,000	Implementation	\$20,953
2008	Humboldt County Resource Conservation District	Nutrient Management Program for Local Dairies	\$51,144	Implementation	\$39,060
2012	Humboldt County Resource Conservation District	Family Dairies	\$79,000	Planning	\$26,200
TOTAL DAIRY			\$149,144		\$86,213

## LUMBER AND WOOD PRODUCTS

YEAR	GRANTEE	PROJECT	AWARD AMOUNT	PROJECT TYPE	FUNDS LEVERAGED
2003	Buckeye Conservancy	Buckeye Forest Project, Phase 3	\$25,000	Planning	\$39,860
2009	Mattole Restoration Council	Diversified Forest Economy	\$16,347	Planning	\$6,480
2013	County of Humboldt Public Works	McKay Community Forest	\$31,000	Planning	\$50,000
TOTAL LUMBER AND WOOD PRODUCTS			\$72,347		\$96,340

## TOURISM

YEAR	GRANTEE	PROJECT	AWARD AMOUNT	PROJECT TYPE	FUNDS LEVERAGED
2003	College of the Redwoods	Teaching kitchen for tourism and hospitality training	\$55,000	Implementation	\$243,750
2003	Humboldt Botanical Gardens Foundation	Native Plant Garden	\$40,000	Implementation	\$429,299
2006	Humboldt Bay Center for Sustainable Living	Eco-Hostel Design	\$40,000	Planning	\$82,500
2006	Garberville Town Square Committee	Town Square development	\$12,500	Planning	\$287,500
2009	University of California Cooperative Extension	Agriculture, Nature and Heritage tourism	\$15,531	Planning	\$34,351
2010	Garberville Town Square Committee	Town Square development	\$50,281	Implementation	\$54,950
2011	Orick Chamber of Commerce	Rodeo Grounds Restroom	\$50,000	Implementation	\$112,800
2011	Wiyot Tribe	Tuluwat Village Restoration	\$21,000	Planning	\$7,096
TOTAL TOURISM			\$284,312		\$1,252,246

## DIVERSIFIED HEALTH CARE

YEAR	GRANTEE	PROJECT	AWARD AMOUNT	PROJECT TYPE	FUNDS LEVERAGED
2005	Open Door Community Health Centers	North Coast Telemedicine Network	\$135,000	Implementation	\$496,990
2008	Redwood Community College District	Simulation Center Pilot Project	\$146,000	Implementation	\$641,000
2009	St. Joseph's Hospital	Northeast Tower Telemedicine	\$300,000	Implementation	\$5,700,000
2011	North Coast Health Information Network	Health Information Network	\$100,000	Implementation	\$300,769
2011	Humboldt Senior Resource Center	Bringing PACE to Humboldt County	\$35,000	Planning	\$60,000
TOTAL DIVERSIFIED HEALTH CARE			\$716,000		\$7,198,759

## NICHE MANUFACTURING

YEAR	GRANTEE	PROJECT	AWARD AMOUNT	PROJECT TYPE	FUNDS LEVERAGED
2007	North Coast Small Business Resource Center	Enhancing Sales and Hiring	\$55,090	Implementation	\$55,090
2008	North Coast Small Business Resource Center	Enhancing Sales and Hiring - Part 2	\$71,850	Implementation	\$71,850
2009	County of Humboldt	Direct to Consumer Mktg	\$58,000	Implementation	\$132,500
2009	Humboldt State University	Product Commercialization - SBIR & STTR Funding	\$48,311	Implementation	\$48,639
2012	North Coast Small Business Resource Center	Direct to Consumer Mktg II	\$50,000	Implementation	\$280,150
TOTAL NICHE MANUFACTURING			\$283,251		\$588,229

## SPECIALTY AGRICULTURE

YEAR	GRANTEE	PROJECT	AWARD AMOUNT	PROJECT TYPE	FUNDS LEVERAGED
2004	North Coast Small Business Resource Center	Natural meat in Humboldt: market development	\$71,800	Planning	\$35,600
2004	Humboldt State University	Geese and Lean Manufacturing	\$54,902	Planning	\$31,192
2006	Community Alliance with Family Farmers	Outbound: Dev. Urban Markets for HC Produce	\$17,317	Implementation	\$22,683
2006	North Coast Small Business Resource Center	Humboldt County Wine Industry Project	\$12,950	Implementation	\$16,450
2007	Community Alliance with Family Farmers	Outbound: Dev. Markets for HC Produce	\$25,222	Implementation	\$25,549
2008	Community Alliance with Family Farmers	Local Produce Distribution Network	\$21,729	Implementation	\$23,437
2009	City of Rio Dell	Food Collaborative Plan	\$30,000	Planning	\$13,010
2009	Yager/Van Duzen Environmental Stewards	Data Collection	\$31,500	Implementation	\$10,500
2010	Northcoast Regional Land Trust	Oak Woodlands Conservation	\$24,870	Planning	\$11,000
2010	County of Humboldt, Economic Development	Humboldt Made	\$62,200	Planning	\$74,043
2010	City of Arcata	Foodworks Culinary Center Expansion	\$187,500	Implementation	\$562,500
2012	Redwood Acres	Incubator Kitchens	\$61,000	Implementation	\$82,332
<b>TOTAL SPECIALTY AGRICULTURE</b>			<b>\$600,990</b>		<b>\$908,296</b>

## FISHERIES AND AQUACULTURE

YEAR	GRANTEE	PROJECT	AWARD AMOUNT	PROJECT TYPE	FUNDS LEVERAGED
2003	Humboldt Bay Harbor, Recreation & Conservation District	Characterization of Eelgrass Fish communities in Humboldt Bay	\$45,000	Planning	\$57,858
2005	Friends of the Mad River Fish Hatchery	Mad River Fish Hatchery	\$26,935	Implementation	\$88,065
2005	City of Eureka	Eureka Fisherman's Terminal	\$200,000	Implementation	NA
2006	Cher-ae-Heights Indian Community	Early phases of Trinidad Pier reconstruction	\$51,129	Planning	\$99,171
2009	City of Eureka	Ice Plant	\$500,000	Implementation	\$250,000
2010	Humboldt Bay Harbor, Recreation & Conservation District	Pre-MLPA Economic Study	\$195,833	Planning	\$91,599
2012	Humboldt Bay Harbor, Recreation & Conservation District	Mariculture Expansion	\$200,000	Planning	\$25,000
2013	Humboldt Bay Harbor, Recreation & Conservation District	Aquaculture Innovation Center	\$70,000	Implementation	\$70,000
TOTAL FISHERIES, PROCESSING AND AQUACULTURE			\$1,288,897		\$681,693

## GRAND TOTAL, ALL GRANT AND CIF PROJECTS

AWARD AMOUNT	FUNDS LEVERAGED
\$9,404,408	\$34,376,135

## **HEADWATERS FUND BOARD OF DIRECTORS**

The Headwaters Fund Board reviews and recommends policies, budgets, grants and loans to the County Board of Supervisors. The Headwaters Fund Board is comprised of seven community members. Members are appointed by the Board of Supervisors.

### **CEDAR REUBEN, Chair**

Humboldt Investment Capital  
March 2010 - February 2015

### **EDWARD WEBB, Vice Chair**

February 2011 - February 2016

### **JACKIE DEUSCHLE-MILLER**

February 2011 - February 2016

### **MARGARET GAINER**

Gainer & Associates  
February 2011 - February 2016

### **LEIGH PIERRE-OETKER**

Bayview Consulting  
March 2010 - February 2015

### **GREGORY SEILER**

Morgan Stanley Smith Barney  
March 2012 - March 2014

### **ZACH ZWERDLING**

Zwerdling, Bragg & Mainzer, LLP  
April 2009 - February 2014



HUMBOLDT COUNTY

## Headwaters Fund

For more information regarding the  
Headwaters Fund and its programs:

Dawn Elsbree, Executive Director  
520 E Street · Eureka, CA 95501  
707.476.4805  
delsbree@co.humboldt.ca.us

[www.theheadwatersfund.org](http://www.theheadwatersfund.org)

**ATTACHMENT 2**

**THREE YEAR PROJECTIONS FOR THE HEADWATERS FUND  
AT STATUS QUO**

**Attachment 2 -Headwaters Fund Cash Projections 2012-2017**

	Actual 2012-13	Projected 2013-14	Projected 2014-15	Projected 2015-16	Projected 2016-17
<b>Opening Balance</b>	\$ 13,953,381	\$ 13,432,974	\$ 12,864,668	\$ 12,055,520	\$ 12,060,557
<b>Revenues</b>					
Loan Interest	\$ 215,683	\$ 175,329	\$ 186,935	\$ 182,655	\$ 178,266
Interest Earned on Pool	\$ 89,256	\$ 86,005	\$ 94,596	\$ 110,589	\$ 143,527
<b>Total Revenues</b>	\$ 304,939	\$ 261,334	\$ 281,531	\$ 293,244	\$ 321,793
<b>Expenditures</b>					
Grants	\$ 1,225,681	\$ 803,937	\$ 503,703	\$ 200,000	\$ 200,000
Operating Expenses	0.02 \$ 158,000	\$ 189,000	\$ 192,780	\$ 196,636	\$ 200,568
<b>Total Expenses</b>	\$ 1,383,681	\$ 992,937	\$ 696,483	\$ 396,636	\$ 400,568
<b>Net Earnings / (Loss)</b>	\$ (1,078,742)	\$ (731,603)	\$ (414,952)	\$ (103,392)	\$ (78,776)
Net Transfers to Programs from Cash	\$ 558,335	\$ 163,297	\$ (394,196)	\$ 108,429	\$ 111,300
End of Year Net Change in Cash	\$ (520,407)	\$ (568,306)	\$ (809,148)	\$ 5,037	\$ 32,524
<b>End of Year Cash</b>	\$ 13,432,974	\$ 12,864,668	\$ 12,055,520	\$ 12,060,557	\$ 12,093,081

**Headwaters Fund Asset and Liability Projections 2012-2017**

	Actual 2012-13	Projected 2013-14	Projected 2014-15	Projected 2015-16	Projected 2016-17
<b>Beginning Cash Balance</b>	\$ 13,953,381	\$ 13,432,974	\$ 12,864,668	\$ 12,055,520	\$ 12,060,557
<b>Long Term Recievables (Principal)</b>	\$ 4,045,671	\$ 4,030,809	\$ 4,425,005	\$ 4,316,576	\$ 4,205,276
<b>Current Portion Receivables (Principal)</b>	\$ 290,115	\$ 513,297	\$ 455,804	\$ 458,429	\$ 461,300
<b>Total Assets</b>	\$ 4,335,786	\$ 4,544,106	\$ 4,880,809	\$ 4,775,005	\$ 4,666,576
<b>Liabilities - Obligated Grants</b>	\$ 286,402	\$ 941,973	\$ 347,703	\$ 200,000	\$ 200,000
<b>Total Assets- Liabilities</b>	\$ 17,712,650	\$ 17,035,107	\$ 17,397,774	\$ 16,630,525	\$ 16,527,133
Cash	\$ (516,792)	\$ (568,306)	\$ (809,148)	\$ 5,037	\$ 32,524
Estimated Fund Balance - EOY	\$ 17,482,260	\$ 16,895,477	\$ 16,480,525	\$ 16,377,133	\$ 16,298,357
<i>Estimated County Pool Rates</i>	0.56%	0.66%	0.75%	0.93%	1.20%

**ATTACHMENT 3**

**THREE YEAR PROJECTIONS FOR THE HEADWATERS FUND  
OUTSIDE THE COUNTY POOL**

**Attachment 3- Headwaters Fund Cash Projections 2012-2017 - Invested at 2.25%**

	Actual 2012-13	Projected 2013-14	Projected 2014-15	Projected 2015-16	Projected 2016-17
<b>Opening Balance</b>	\$ 13,953,381	\$ 13,432,974	\$ 12,864,668	\$ 12,244,712	\$ 12,412,417
<b>Revenues</b>					
Loan Interest	\$ 215,683	\$ 175,329	\$ 186,935	\$ 182,655	\$ 178,266
Interest Earned on Pool	\$ 89,256	\$ 86,005	\$ 283,788	\$ 273,256	\$ 277,029
<b>Total Revenues</b>	\$ 304,939	\$ 261,334	\$ 470,723	\$ 455,911	\$ 455,295
<b>Expenditures</b>					
Grants	\$ 1,225,681	\$ 803,937	\$ 503,703	\$ 200,000	\$ 200,000
Operating Expenses	0.02 \$ 158,000	\$ 189,000	\$ 192,780	\$ 196,636	\$ 200,568
<b>Total Expenses</b>	\$ 1,383,681	\$ 992,937	\$ 696,483	\$ 396,636	\$ 400,568
<b>Net Earnings / (Loss)</b>	\$ (1,078,742)	\$ (731,603)	\$ (225,760)	\$ 59,275	\$ 54,727
Net Transfers to Programs from Cash	\$ 558,335	\$ 163,297	\$ (394,196)	\$ 108,429	\$ 111,300
End of Year Net Change in Cash	\$ (520,407)	\$ (568,306)	\$ (619,956)	\$ 167,704	\$ 166,027
<b>End of Year Cash</b>	\$ 13,432,974	\$ 12,864,668	\$ 12,244,712	\$ 12,412,417	\$ 12,578,444

**Headwaters Fund Asset and Liability Projections 2012-2017**

	Actual 2012-13	Projected 2013-14	Projected 2014-15	Projected 2015-16	Projected 2016-17
<b>Beginning Cash Balance</b>	\$ 13,953,381	\$ 13,432,974	\$ 12,864,668	\$ 12,244,712	\$ 12,412,417
<b>Long Term Recievables (Principal)</b>	\$ 4,045,671	\$ 4,030,809	\$ 4,425,005	\$ 4,316,576	\$ 4,205,276
<b>Current Portion Receivables (Principal)</b>	\$ 290,115	\$ 513,297	\$ 455,804	\$ 458,429	\$ 461,300
<b>Total Assets</b>	\$ 4,335,786	\$ 4,544,106	\$ 4,880,809	\$ 4,775,005	\$ 4,666,576
<b>Liabilities - Obligated Grants</b>	\$ 609,442	\$ 941,973	\$ 347,703	\$ 200,000	\$ 200,000
<b>Total Assets- Liabilities</b>	\$ 17,389,610	\$ 17,035,107	\$ 17,397,774	\$ 16,819,717	\$ 16,878,993
Cash	\$ (516,792)	\$ (568,306)	\$ (619,956)	\$ 167,704	\$ 166,027
Estimated Fund Balance - EOY	\$ 17,482,260	\$ 16,895,477	\$ 16,669,717	\$ 16,728,993	\$ 16,783,720