



# COUNTY OF HUMBOLDT

For the meeting of: 12/8/2020

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File #: 20-1577

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**To:** Board of Supervisors

**From:** County Administrative Office

**Agenda Section:** Departmental

**SUBJECT:**

Agreement with Macias Gini & O'Connell LLP and Supplemental Budget (4/5 vote required)

**RECOMMENDATION(S):**

That the Board of Supervisors:

1. Approve and authorize the Chair of the Board to execute, the attached professional services agreement (Attachment 1) with Macias Gini & O'Connell LLP (MGO) in the amount of \$250,000 for financial advisory services;
2. Direct the County Administrative Officer, or designee thereof, to execute any and all subsequent amendments to the attached professional services agreement with MGO, after review and approval by County Counsel and Risk Management;
3. Adopt the attached supplemental budget (Attachment 2) in the amount of \$250,000 for fiscal year (FY) 2020-21 in the County Administrative Office - Management and Budget Team (1100-103) (4/5 vote required); and
4. Direct the Human Resources Department to conduct a classification review and develop classification specifications for the position of chief financial officer.

**SOURCE OF FUNDING:**

General Fund

**DISCUSSION:**

At the Nov. 23, 2020 meeting, your Board resolved to accept responsibility for: (1) the financial statement findings (also known as "audit findings") issued by the county's independent auditors and included in the Single Audit Report year ended June 30, 2019, and presumably future audit findings, (2) the immediate posting of central service and internal service fund charges as approved through the State Controller's Office Negotiated Agreement (Attachment 3) and as verified by an independent third-party (Attachment 4). Unresolved audit findings can result in future adverse financial outlooks involving the county's credit ratings and related debt refinancing, among other impacts to the county.

As the governance body over the County of Humboldt, your Board has significant fiduciary responsibilities for funds contained in the county treasury that includes county funds as well as, school district and special district funds. Your Board has the authority to set the budget for all county offices as stated in the County Budget Act Government Code Section 29000 et. seq., and has constitutional authority to prescribe “the number, compensation, tenure and appointment of employees.” (art. 11, sec. 1; Gov. Code 25300.) Setting the budget is strictly a legislative function which is vested entirely within the board of supervisors. (*Hicks v. Superior Court*)

Your Board spends roughly two-thirds of its budget on state- and federally funded and mandated programs through various state and federal laws and Maintenance of Effort (MOE) requirements. The importance of timely claiming for reimbursements for these mandates and the correction of the audit findings is important to the fiscal health of the county, and the continuation of important services. Timely claiming is also critical for the maximization of truly discretionary local revenue that can be allocated by your Board for local programs and local priorities through General Fund allocations and the budget process. The county’s total operating budget for FY 2020-21 is almost a half billion dollars with more than 2,400 employees who provide services across a myriad of disciplines including law and justice, health and human services, community planning and development, airports, roadway systems and agriculture. Considering these numbers and vast array of services, as well as the additional responsibilities that your Board has assumed mentioned above, it is not uncommon to have a chief financial officer in an agency like the County of Humboldt.

In the Grand Jury’s 2018-19 report titled *The Mis-Fortunes of Humboldt County*, recommendation 8 stated “The Humboldt County Civil Grand Jury recommends the Board of Supervisors approve funding and direct the County Administrative Office to hire an accountant in the County Administrative Office to ensure compliance with basic accounting principles as outlined by the State.” As a result of this recommendation, on Dec. 10, 2019, your Board approved an allocation of \$25,000 to the County Administrative Office for a contract with the Mendocino County Auditor-Controller. While the advice received from this contract was priceless, there is still actual work that needs to be accomplished due to accounting process changes and increased internal controls/accountability.

As the county does not currently have a chief financial officer position, staff recommends that your Board approve a contract with MGO to provide interim financial advisory services to the county to assist with claiming charges, developing and implementing strategies for fiscal problems, address audit findings and other financial consulting services. The financial advisory services will supplement and enhance the work county staff are already performing and more specifically include:

- Working with state agencies and county departments to claim all allowable state and federal reimbursements.
- Long-range financial planning to ensure state and federal cost reports claim the maximum allowable amount.
- Working with county staff to review the distribution methodology for utility charges and other county costs shared across multiple departments.

- Assisting with the development of the internal service fund charges for fiscal year 2021-22.
- Developing and implementing financial strategies for resolving fiscal problems; provide direction, support, and advice to department/agency representatives and other officials regarding fiscal problems.
- Assisting in developing and implementing corrective actions to address audit findings from the Single Audit Reports for the year ended June 30, 2019 and 2020.
- Developing financial policies.
- Participate in the Auditor-Controller's Office staffing study, in collaboration with Human Resources.
- And other financial related tasks that work to improve the county's financial position and internal controls.

Also, on Nov. 23, 2020 your Board discussed a comprehensive staffing study of the Auditor-Controller's Office to appropriately determine the staffing levels and classification positions. A staffing study is critical to ensure the proper organizational function alignments, staffing needs and business flows. Often, the nature of a staffing study will require desk audits, which are interviews with staff and their supervisors to obtain information about staff duties, in order to make informed recommendations. Therefore, staff also recommends your Board approve the attached professional services agreement to allow MGO and the Human Resources Department to facilitate the Auditor-Controller's Office staffing study. Staff anticipates that the staffing study will allow for a full picture of the staffing needs to be discussed and addressed as part of the FY 2021-22 budget process at the conclusion of the comprehensive staffing study.

Further, staff also recommends that the Human Resources Department conduct a classification review and develop classification specifications for the position of chief financial officer as a result of significantly increasing needs and to ensure prompt and timely reimbursement from state and federal agencies across all 20 departments at the county. The chief financial officer would be responsible for the direct management and coordination of the county's long-term budget preparation process, including development of internal service fund charges; overseeing the county's fiscal monitoring and control, revenue projection and analysis, debt management activities; developing long-term fiscal forecasts; recommending fiscal policies to the Board; reviewing and analyzing the fiscal impact of proposals or projects, and facilitating fiscal corrective action plans.

Under Humboldt County Code, Title II Administration, Division 4 "County Departments and Offices", Chapter 1 "Department of County Administrative Officer of Humboldt County," Section 241-6 outlines the duties of the County Administrative Officer. Specifically, Section 241-6 (m) states, in part "Make recommendations to the Board of Supervisors that the County Administrative Officer believes will result in greater efficiency and economy in the administration of County affairs..." Furthermore, Section 241-6 (n) states, in part "Make such recommendations to the Board of Supervisors regarding the feasibility of entering into any contracts, agreements, arrangements or other legal relationships as the County Administrative Officer believes will result in the greatest benefit to the County." The recommendations before your Board will increase the county's capacity to claim state and federal reimbursements, distribute shared costs across county departments, develop internal service fund

charges for FY 2021-22, address audit findings, and other financial related items.

It should be noted the Auditor-Controller rejected this agenda item through the county's agenda management system and made the following comment, "This item attempts to undermine the authority of my office and position while also undermining the will of the voters of Humboldt County. I cannot in good conscience be complacent in this latest attempt to grab power from the duly-elected Auditor-Controller."

In response, staff believes that the aforementioned recommendations would only improve and augment the services and performance of the county's fiscal operations and provide additional resources for county staff to perform their duties up to the standards that the Board and the county's citizens expect.

FINANCIAL IMPACT:

The professional services agreement is for \$250,000 and would be paid out of the CAO-Management & Budget Team budget unit 1100-103. There are sufficient funds available through the General Fund's fund balance for the supplemental budget request.

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by providing community-appropriate levels of service .

OTHER AGENCY INVOLVEMENT:

Not applicable.

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Not applicable.

ATTACHMENTS:

1. Macias Gini & O'Connell LLP Professional Services Agreement
2. Supplemental Budget
3. Negotiation Agreement Countywide Cost Allocation Plan
4. Limited Study of Internal Service Fund Charges for Services

PREVIOUS ACTION/REFERRAL:

Board Order No.: B-1

Meeting of: 11/23/20

File No.: N/A