



# COUNTY OF HUMBOLDT

For the meeting of: 10/17/2023

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File #: 23-1319

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**To:** Board of Supervisors

**From:** County Administrative Office

**Agenda Section:** Consent

**Vote Requirement:** 4/5th

**SUBJECT:**

Authorize Execution of an Agreement with CliftonLarsonAllen LLC (CLA), to Conduct Policy Improvements and Reconciliation Work Related to the Financial Management of the Headwaters Fund and Carry Forward Supplemental Budget (4/5<sup>th</sup> Vote Required)

**RECOMMENDATION(S):**

That the Board of Supervisors:

1. Authorize the County Administrative Officer to execute a Scope of Work and subsequent agreements with CLA for services related to the improvement of policy, procedure, and fiscal management of the Headwaters Fund program and its various funds; and
2. Approve the attached supplemental budget in Fund 3232, Budget Unit 120200 - American Rescue Plan Act, to carry forward \$91,575 of unspent funds from Fiscal Year (FY) 2022-23 to FY 2023-24 (4/5<sup>th</sup> Vote Required).

**SOURCE OF FUNDING:**

American Rescue Plan Act (ARPA) - (3232-120200) carry forward from FY 2022-23

**DISCUSSION:**

The Headwaters Fund Board (HWFB) has recommended that staff seek authorization from your Board to engage with CliftonLarsonAllen LLP (CLA) to support reconciliation, corrective interfund journaling, process improvement and policy guidance related to the operations of the Headwaters Fund Program and its various funds. This recommendation was approved by the County of Humboldt Audit Committee on Aug. 23, 2023, and comes supported by resulting conversations with the Auditor-Controller, Treasurer-Tax Collector, and County Administrative Officer.

The Headwaters Fund is over twenty years old, and its practices must be updated to ensure that Headwater's activity remains relevant and responsive to current economic needs in the community. Engagement with CLA will allow HWFB staff to establish new and contemporary baselines for fund activity and guidance for the effective management of Headwater fund activities in accordance with

the charter, local government code, and governmental accounting standards. These improvements will also reduce staff time dedicated to addressing corrective actions related to the Headwaters Fund.

Following the completion of reconciliation work by CLA HWFB staff from the county’s Economic Development Division will return to your Board any necessary transfers and budget adjustments in a subsequent item to the Board for consideration. The HWFB will also hold a strategic meeting to review the efficacy of Headwaters Fund Specific policies in the Headwaters Fund Board Manual, Revolving Loan Fund Manual, Community Investment Fund Manual, Grant Fund Manual, and the Headwaters Charter, and staff will return to your Board with any further recommendations for improvement to the program as made by the HWFB.

With adoption of the FY 2022-23 budget on Sept. 27, 2022, the Board appropriated \$171,029 of ARPA funds to Headwaters Administration. During FY 2022-23, \$79,454 was expended of these funds.

Economic Development staff requested that ARPA funds remaining at the end of FY 2022-23 be rolled over to support this activity and fill the gap in administrative funding. The Headwaters Fund has restrictions preventing the use of funds allocated to the core funds of the Headwaters Fund for use by County staff as general-purpose spending or working capital, even in the event of an emergency.

**FINANCIAL IMPACT:**

<b>Expenditures (ARPA, 3232-120200)</b>	<b>FY23-24 Adopted</b>
Carry Forward Supplemental - Audit	\$40,000
Carry Forward Supplemental - HWF Administration	\$51,575
<b>Total Expenditures</b>	<b>\$91,575</b>
<b>Funding Sources (ARPA, 3232-120200)</b>	<b>FY23-24 Adopted</b>
State/Federal Funds	\$91,575
<b>Total Funding Sources</b>	<b>\$91,575</b>

*\*Projected amounts are estimates and are subject to change.*

**Narrative Explanation of Financial Impact:**

The Headwaters Fund has restrictions preventing the use of funds allocated to the core funds of the Headwaters Fund for use by County staff as general-purpose spending or working capital, even in the event of an emergency, so the use of ARPA funds allows for this work.

With adoption of the FY 2022-23 budget on Sept. 27, 2022, the Board appropriated \$171,029 of ARPA funds to Headwaters Administration. During FY 2022-23, \$79,454 was expended of these funds. Economic Development requested that \$91,575 of ARPA funds remaining at the end of FY 2022-23 be rolled over to support an audit and ongoing Headwater’s administration costs in FY 2023-24. At budget time, it was not anticipated that there would be unspent funds for Headwaters. The attached supplemental budget will effectuate the carry forward of \$91,575 in the ARPA Fund (3232-120200).

STAFFING IMPACT:

There is no significant impact on staff assignments. No action on this item will result staff additions or reductions. By contracting with CLA, the county will benefit from their expertise related to policy, procedure, and accounting standards while also supporting the capacity needs of Economic Development staff, Treasurer-Tax Collector, and Auditor-Controller to complete this work in a timely fashion.

STRATEGIC FRAMEWORK:

This action supports the following areas of your Board's Strategic Framework.

Core Roles: Support business, workforce development and creation of private-sector jobs

New Initiatives: Manage our resources to ensure sustainability of services

Strategic Plan: 3.1 - Improve the economy of Humboldt County

OTHER AGENCY INVOLVEMENT:

N/A

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Your Board could choose not to authorize an audit of the Headwaters Fund by CLA. This is not recommended as this action was recommended by the Headwaters Fund Board and the Audit Committee and will improve processes in Headwater's administration.

ATTACHMENTS:

- 1) Board approved Master Service Agreement with CliftonLarsonAllen LLC;
- 2) Scope of Work for Headwaters Fund Policy and Reconciliation Work
- 3) Supplemental Budget - ARPA Headwaters

PREVIOUS ACTION/REFERRAL:

Board Order No.: I-1

Meeting of: 9/27/2022

File No.: 22-1177