

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Policy Session Worksheet

Presentation Date: June 20, 2017 **Approx. Start Time:** 1:30 **Approx. Length:** 30 minutes

Presentation Title: Designating County Funds

Department: Finance & County Administration

Presenters: Laurel Butman, Dep. County Administrator & Christa Wolfe, Finance Asst. Director

Other Invitees: Diane Padilla & Marc Gonzales, Finance

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

Staff is seeking guidance from the Board regarding policy and process for designating County funds to nonprofit organizations outside regular business transactions, including grant making and contracting procedures.

EXECUTIVE SUMMARY:

The Board, either seated as the budget committee or in the course of regular business, frequently provides General Fund funding to nonprofits for a variety of informal purposes. These range from contributing to activities (Camp Hope, etc.) to supporting operations (Clackamas Women's Services, Children's Center, RACC, Parrott Creek Ranch, etc.) Unlike granting (direct or through sub-recipient agreements) or contractual arrangements, these contributions typically have no open solicitation process associated with the transaction. Several have no agreements, or written performance expectations. Lacking these transparency and accountability mechanisms, it is difficult for staff to characterize and justify the funding. Additionally, the language around these arrangements is variable and sometimes confusing, as is any review process, resulting in difficulty tracking and monitoring the expenditures in many cases.

Other issues associated with these transactions is confusion about the length of the funding relationships and the ensuing expectations of the nonprofit organizations themselves, some of whom have received ongoing funding for years and thus rely on these informal funding mechanisms for their operations.

Some jurisdictions use a "special appropriations" program to differentiate these types of transactions in order to daylight these expenditures, making them transparent in the budget document and to track them year over year and allow for regular review.

Another approach the Board and Budget Committee have taken in the past was to designate a set amount of funding for a specific purpose rather than to a specific entity or nonprofit. This was the case when, for the FY 2016-17 fiscal year the Budget Committee designated \$300,000 for seed money for a nonprofit homeless shelter for veterans. The entity receiving the funding was not designated but was, instead, chosen through an open procurement process.

FINANCIAL IMPLICATIONS (current year and ongoing): N/A

STRATEGIC PLAN ALIGNMENT:

- *How does this item align with your Department's Strategic Business Plan goals?*
Finance: This item is an important component of achieving Finance's results including annual receipt of an unmodified (clean) audit opinion and a target of 95% of departments without audit findings.
County Administration: This item is an important component of achieving County Administration's goal of fostering a reputation of Clackamas County as a professional, productive, and effective government.
- *How does this item align with the County's Performance Clackamas goals?*
This item is an important component of the Performance Clackamas goal of building trust through good government.

LEGAL/POLICY REQUIREMENTS:

The County adheres to Local Budget Law (ORS 294), Government Accounting Standards Board (GASB), and Uniform Guidance (2CFR200) requirements and follows Generally Accepted Accounting Principles (GAAP).

PUBLIC/GOVERNMENTAL PARTICIPATION:

The General County Budget Committee includes five community members who assist with determining many of these types of transactions.

OPTIONS:

1. Maintain the status quo, with these contributions dispersed across departmental budgets and with no formal review (may result in an audit finding).
2. Designate all these contributions as Special Appropriations in the Special Payments category of the Non-departmental budget and review those appropriations annually.
3. End the practice of making these contribution directly to specific nonprofits and replace it with a practice of allotting funds to a specific purpose with staff directed to bring an implementation proposal to the Board in the next fiscal year.
4. End the practice of making these contributions directly to specific nonprofits and implement them through a grant-making or procurement and contracting process.

RECOMMENDATION:

Staff respectfully recommends that the Board choose an option or combination of options among #2, #3, and #4 and direct staff to update County financial policies and implement processes accordingly.

ATTACHMENTS: None

SUBMITTED BY: Christa Wolfe & Laurel Butman
Division Director/Head Approval: CBW
Department Director/Head Approval: MG
County Administrator Approval: LSB

For information on this issue or copies of attachments, please contact Laurel Butman @ 503-655-8893