



**COMMUNITY DEVELOPMENT SERVICES
COUNTY OF HUMBOLDT**

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Memorandum

Date: May 17, 2011

To: Phillip Smith-Hanes, County Administrative Officer

From: Kirk Girard, Director

Re: **Response to the Humboldt County Grand Jury Report - Administration and Finance (2011/AF/2)**

I am responding to the Grand Jury of Humboldt County Recommendation "D" and "E" in the Administration and Finance Report (2011/AF/2).

The Community Development Services (CDS) response is as follows:

Recommendation D: The Grand Jury strongly advises the removal of the Community Development Department from the checks and balances entirely, because of the perceived conflict of interest. Control would then be given directly to the HWF Coordinator, who would operate under the auspices of the County Treasurer. (refer to Finding D)

CDS Response: The Department does not support the recommendation because it is not reasonable or warranted. The Grand Jury is recommending transferring the Headwaters Fund Program from the Community Development Services Department under the control and supervision of the Board of Supervisors to the County Treasurer's Office under the control and supervision of the County Treasurer/Tax Collector. This recommendation is not reasonable and is inconsistent with the Headwaters Fund Charter developed after a three-year Board decision-making process

The Headwaters Fund Alternatives Report (April 2002 – Attachment 1) describes the outreach process and the alternatives considered by the Board of Supervisors for fund oversight, and staffing. For fund oversight, there was broad agreement that "the Board of Supervisors should have the ultimate responsibility for the funds..." (pg. 3). The Board of Supervisors was viewed as having a unique position to exercise fund control and oversight because of the breadth of

their responsibilities and knowledge of their Districts and the County as a whole. Accordingly the Board opted to "maintain Board of Supervisors control of the funds." (pg 13). Transferring fund control and oversight to the County Treasurer's Office under the supervision of an independently elected official, is not reasonable and undermines the public outreach process, the Board decision-making process and the existing Charter. In addition, the County Treasurers Office has responsibility for the investment of the Headwaters Fund principle. It may not be advisable to consolidate the principle investment decisions with decision-making related to expenditures of the principle and interest of the fund in the community.

For staffing, the Board chose the Economic Division. The rationale for this decision was cited in the report: "The Economic Division is responsible for economic development planning and implementation, including grant management, community outreach and technical services to businesses and organizations. These capabilities and scope of work are a good match for activities of the Headwaters Fund. Complimentary operations will increase efficiency, cost effectiveness and the depth and breadth of staff support. In addition the Department is accountable to the Board of Supervisors and the public through well established systems of oversight." (pg. 15).

The Headwaters Fund Coordinator does not work in isolation within the Economic Division and the Community Development Services Department. Transferring staffing responsibility to the Treasurer's office would require the Treasurer's office to add these capacities, skill sets and community relationships to their Department or risk isolation of the program and the Headwaters Fund Coordinator.

The transfer of the Headwaters Fund Program to the Treasurer's Office is also not warranted because the design and management of the Program prevents a conflict of interest in decision-making. By design and as directed in the Charter, the Community Development Services Director does not have decision-making authority over grant awards. Only the Board of Supervisors makes grant award decisions.

Also by design, the Director does not make recommendations to the Board of Supervisors for grant awards. The authority to make recommendations to the Board of Supervisors on grant funding decisions rests solely with the Headwaters Fund Board. The Headwaters Fund Board is a group of citizen volunteers appointed to various terms of service by the Board of Supervisors. Headwaters Fund Board members are chosen using a qualifications-based process to foster independent and merit based decision making by the Headwaters Fund Board as a whole. Their recommendation authority, combined with Board of Supervisor decision-making, prevents the potential for a conflict-in-interest with the staff of the Community Development Department.

At the administrative level, County of Humboldt applicants, including the Community Development Services Department, are subjected to the same application review process as non-County applicants. The Director does not make recommendations to the Headwaters Fund Board or communicate with the Headwaters Fund Coordinator about grant applications where the potential for a conflict exists, such as an application from a County department.

Attachment 3

These decision-making and administrative firewalls were designed into the program and Charter from the beginning and have effectively prevented actual and potential conflicts of interest.

Recommendation E: Those monies allocated for administration that formerly went to the Community Development Department should then go to the Headwaters Fund Coordinator and County Treasurer.

CDS Response: This recommendation assumes the implementation of Recommendation E. The Department does not support either recommendation.

Attachment 1 - Headwaters Fund Alternatives Report (April 2002)