



COUNTY ADMINISTRATIVE OFFICE
MANAGEMENT & BUDGET TEAM
COUNTY OF HUMBOLDT

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INTEROFFICE MEMORANDUM

TO: BOARD OF SUPERVISORS
FROM: PHILLIP SMITH-HANES, COUNTY ADMINISTRATIVE OFFICER -PSH
SUBJECT: RESPONSE TO 2014-15 GRAND JURY REPORT *HEADWATERS FUND CHARTER*
DATE: MAY 6, 2015

The 2014-15 Grand Jury has issued report *Headwaters Fund Charter* and the Board of Supervisors is required to respond to the recommendations. I recommend that the Board respond as follows:

Recommendation R1: *The Humboldt County Grand Jury recommends that the Humboldt Board of Supervisors direct the Headwaters Fund Board to begin the process of drafting a full and thorough charter review.*

This recommendation has already been implemented.

Most recently, the Headwaters Fund Board (HFB) as part of the FY 2012-13 annual report, recommended to the Board of Supervisors on February 25, 2014 the review and revision of the Headwaters Fund Charter and manuals. The HFB reviewed the charter and manuals in two public meetings: April 15, 2014 and July 15, 2014. Each of the reviews was properly listed and noticed in the agenda and the review and revisions were documented in the meeting minutes. On August 19, 2014, staff recommended the charter changes to the Board of Supervisors for approval. The Charter amendments were listed on the agenda, noticed properly and documented within the Board item. In accordance to the charter, this process will occur again in 2017.

Recommendation R2: *The Humboldt County Grand Jury recommends that the Humboldt Board of Supervisors direct the Headwaters Fund Board to create and implement a plan for public input into the drafting of a charter review.*

This recommendation will not be implemented because it is not warranted.

The review and amendment of the charter and manuals governing the Headwaters Fund were presented in at least three public meetings (two HFB meetings and the adoption of amendments by the Board of Supervisors meetings as noted in R1).

As mandated by the Brown Act public comment is invited during each item up for consideration by both the Board of Supervisors and the HFB. Public may also comment on the charter at each meeting during the "public comment on items not on the agenda" item listed on each agenda.

Recommendation R3: *The Humboldt County Grand Jury recommends that the Humboldt Board of Supervisors amend the Headwaters Fund Charter, Section 3- Control and Oversight, to allow the Humboldt Area Foundation to manage the Headwaters Fund investment portfolio.*

The Board of Supervisors cannot implement this recommendation.

The Headwaters Fund charter prohibits the change of the structure of the fund, including management of investments, without a vote of the citizens of Humboldt County.

The Charter, Section 5: Revisions and Amendments, subsection (a) states:

Sections 1 and 2 of this document (Name & Purpose, Fund Structure and Activities), can only be changed by Humboldt County voter approval in a simple majority referendum.

The Charter, Section 2: Fund Structure and Activities, subsection (b) states:

The Humboldt County Treasurer's Investment Pool acts as a bank for the funds that are not committed to financing investments or grants in the Revolving Loan Fund, Community Investment Fund, and Grant Fund. Funds in this "Headwaters Liquidity Fund" are invested by the Treasurer/Tax Collector for safety, liquidity, and yield.

Given the language in Section 2 and the requirement of the vote to make any changes, making the amendments to Section 3 wouldn't impact the ability to allow an entity other than the Treasurer to manage the funds.

Recommendation R4: *The Humboldt County Grand Jury recommends that the Humboldt Board of Supervisors or their appointed proxy begin the contract negotiations necessary to transfer the management and oversight of the Headwaters Fund Investment Portfolio to the Humboldt Area Foundation.*

This recommendation will not be implemented because it is not reasonable.

As mentioned in the response to R3, it is against the Headwaters Fund charter to allow the management of the fund to change without the vote of the Humboldt County citizens. Directing the transfer of the management of the fund would be in direct violation of the charter as currently written.