



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: 14-469, Version: 1

- a. Approve a decrease in reimbursements received from outside revenue for the Economic Development Department (001-1070-8221), Appropriation Unit DEO001 by \$265,119 and reduce General Fund Contingencies (001-1050-8034), Appropriation Unit CAO020 in the amount of \$265,119 to fund the decrease and;
- b. Authorize the Auditor Controller's Office to incorporate the approved appropriation changes to the FY 2013-14 Budget. (4/5th vote required).

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve a decrease in reimbursements received from outside revenue for the Economic Development Department (001-1070-8221), Appropriation Unit DEO001 by \$265,119 and reduce General Fund Contingencies (001-1050-8034), Appropriation Unit CAO020 in the amount of \$265,119 to fund the decrease and;
- b. Authorize the Auditor Controller's Office to incorporate the approved appropriation changes to the FY 2013-14 Budget. (4/5th vote required).

SUMMARY/DISCUSSION

The Economic Development Department (EDD) has reviewed its appropriation units in preparation for the FY 2013-14 year-end close. In the current FY 2013-14 budget, EDD's Economic Opportunity Admin Unit 8221 budgeted expenditures of \$1,211,612 for staff salaries and benefits plus \$331,433 for services and supplies and \$23,159 for Other Charges totaling \$1,566,224 with offsetting reimbursements of \$697,089 resulting in a general fund contribution of \$869,115. However, EDD is only estimating reimbursements for Fiscal Year 2013-14 in the amount of \$431,970 and therefore will not receive sufficient reimbursements to offset the incurred and projected expenditures for FY 2013-14. EDD projects to end the fiscal year \$265,119 over its general fund contribution for the Economic Opportunity Admin Unit 8221.

Offsetting reimbursements are received to compensate for staff time spent working on grant funded projects. During the preparation of the Fiscal year 2013-14 budget were estimated using a calculation which included salaries, benefits, including fringe benefits, plus overhead costs associated with staff. With a new management staff on board this current Fiscal year, the department recalculated the reimbursement rate to ensure it matched current salary and benefit costs. During this process, staff communicated that there needed to be two separate reimbursement rates: one fully loaded rate which included overhead costs and another rate which did not include overhead costs. The rate without overhead was to be used for all Federally funded activity because staff were informed this Fiscal Year by one of the HUD Representatives that the Federal Government will not allow reimbursement of overhead and other indirect costs unless there was a County approved EDD Indirect Cost Rate Plan or EDD Cost Allocation Plan on file with the Federal Government. At this time EDD does not have such documentation in place so two reimbursement rates were established. Fortunately EDD did recalculate staff reimbursement rates before any reimbursements were performed so all transactions to reimburse staff time this fiscal year have been done using an allowable rate. However, the total amount budgeted for staff reimbursements for this Fiscal Year remains overstated because overhead costs had been included as part of the total reimbursement when it should not have been for federally funded program activity.

EDD management also became aware of another budgetary issue within its department this year. Due to the loss of its finance manager during FY 2012-13, combined with diminished communication between EDD's program staff and remaining fiscal staff, the grants themselves were not monitored and tracked sufficiently and this resulted in the depletion of available administrative dollars for staff reimbursements within several of the grant funded programs that EDD staff work in. EDD's fiscal resources were further

reduced during FY 2013-14 when EDD lost its only remaining full time fiscal staff person and for the past seven months has had only its part-time finance manager to handle all of its fiscal needs. EDD has made some progress towards a complete reconciliation of its grant funds with support provided by the Resource Management Agency's fiscal division, but due to the lack of any full-time fiscal staff within EDD for the majority of this Fiscal Year, a complete reconciliation of all grants is still in progress. A full-time Management Analyst II was hired to work exclusively in EDD's fiscal division on April 21, 2014, and with this added resource EDD is confident the grants will be fully reviewed/audited within the next several months. Meanwhile EDD has identified that for this Fiscal Year 2013-14 several grant programs do not have sufficient administrative funds remaining to reimburse for staff time. Therefore, while staff continues to work these grant funded programs as required per the grant agreements there will not be a reimbursement applied this FY because administrative funds are simply not available for some of the programs.

The attached worksheet shows budget reimbursement activity vs. actual activity for EDDs active programs for FY 2013-14. The sheet illustrates the issues identified above and also presents the challenge involved with estimating ahead of time where its staff will be working. As the year unfolds it is inevitable that work priorities will shift as new grants are awarded or as priorities are adjusted by management. This too contributes to changes in the total reimbursements projected for a given Fiscal Year.

During the preparation of the FY 2014-15 budget EDD fiscal staff and program staff communicated heavily so as to estimate staff reimbursements in only those programs that had verifiable administrative dollars available for reimbursement. The goal was to prevent another year-end shortfall in the next Fiscal Year. However, it is evident that the Board of Supervisors may now face a policy issue with regards to how it chooses to fund the Economic Development Department in the future. With the dissolution of the Redevelopment Agency (RDA) the department now needs more General Fund dollars than it did in previous years to cover its basic operating costs, and per the year-end shortfall projected for this Fiscal Year as well as the year-end shortfall EDD experienced last Fiscal Year, it is evident that 'projected' reimbursements should not necessarily be considered reliable sources of funds intended to offset the department's operating costs. EDD's management continues to identify such issues and is currently restructuring the department in the wake of the RDA dissolution. EDD plans to present such policy considerations separately however at a later date.

OTHER AGENCY INVOLVEMENT

None.

FINANCING

It is recommended to decrease the reimbursement revenue shortfall totaling \$265,119 in Economic Development Department, 001-1070-8221 and decrease the same amount in the General Fund Operational Contingencies, 001-1050-8034-7811-CAO020. The FY 2013-14 Adopted Budget for General Fund Operational Contingencies is \$4,794,358. The Board has approved two General Fund Contingencies uses for FY 2013-14. There is one request pending Board approval for an additional use of General Fund Contingencies. With support of this requested action to decrease contingencies by \$265,119 and if the Board approves the pending Board Report, the remaining General Fund Operational Contingencies budget would be \$2,890,856.

Prepared by: Sandra Henderson, Management Analyst, 6651

Approved by: David Spaur, EDD Director, 5387

Attachments:

EDD Staff Reimbursement Worksheet FY 2013-14