

INDIAN RIVER COUNTY
OFFICE OF MANAGEMENT AND BUDGET

DATE: May 9, 2017

TO: Board of County Commissioners

THROUGH: Jason E. Brown, County Administrator

FROM: Michael Smykowski, Budget Director

SUBJECT: Outside Agency Funding Policy Revision and Requirement for Grant Sub-Recipient Agreements

BACKGROUND

The Board of County Commissioners of Indian River County ("Board") established an Outside Agency Funding Policy on February 19, 2002, which was subsequently revised on November 3, 2009. Periodically, the policy needs to be reviewed and updated, and, at this time, staff recommends that the Board revise certain aspects of the Outside Agency Funding Policy.

Specific revisions required include the following: (1) amending the audit submittal deadline, (2) addressing the 4 year limitation on funding for Nonprofit agencies and total funding available, and (3) requiring grant agreements for the following agencies (Nonprofit Agencies, Quasi-Nonprofit Agencies, Tourist Development agencies) receiving funding from Indian River County. State agencies would be exempt from the grant agreement requirement. Children's Services Council agencies already complete a standard grant agreement, which will serve as the general framework for the agreements with the other agencies noted above.

In addition, to fulfill the requirements of Part 200 of the Code of Federal Regulation, (Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards), the external auditors recommended that Indian River County execute agreements with all federal grant sub-recipients (currently the Senior Resource Association, Inc. and the Treasure Coast Homeless Services Council).

Audit Deadline Provision

The existing Outside Agency Funding Policy addresses Nonprofit Agencies, Children's Services Agencies, Quasi Nonprofit Agencies, State Agencies, and Tourist Development Agencies. All agencies receiving \$100,000 or more from Indian River County (through all sources, e.g. General Fund, Children's Services, Tourist Tax, etc.), with the exception of state agencies, are required to submit an annual audit within 120 days of the end of their respective fiscal years. This has proven burdensome for some agencies. For instance, the Treasure Coast Homeless Services Council receives a discounted fee for having their audit work completed in a nonpeak period.

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Their audit has been received in September, which is beyond the 120 period outlined in the existing policy language. (See current language below).

Current Language - "If an agency receives \$100,000 or more from Indian River County (through all sources, e.g. General Fund, Children's Services, Tourist Tax, etc.), the agency is required to have an audit completed by an independent certified public accountant at the end of the Agency's fiscal year. Within 120 days of the end of the agency's fiscal year, the agency will submit the audit to the Indian River County Office of Management and Budget. This fiscal year will be as reported on the application for funding. Prior to any change in the fiscal period for an organization, the County shall be notified."

If an Agency receives a qualified opinion from its independent auditor, this will be reported to the Board of County Commissioners and funding will cease immediately. If the Budget Office has any questions regarding a part of the financial statements, audit comments, or notes, a letter requesting clarification may be sent to the agency."

Proposed Revision - "If an agency receives \$100,000 or more from Indian River County (through all sources, e.g. General Fund, Children's Services, Tourist Tax, etc.), the agency is required to have an audit completed by an independent certified public accountant at the end of the Agency's fiscal year. Within **180** days of the end of the agency's fiscal year, the agency will submit the audit to the Indian River County Office of Management and Budget. **The Budget Office may extend the 180 day audit submittal requirement, based upon a written request justifying the extension and if deemed to be in the best interest of the County. The extension will typically not exceed the three (3) months from the original due date.** This fiscal year will be as reported on the application for funding. Prior to any change in the fiscal period for an organization, the County shall be notified."

If an Agency receives a qualified opinion from its independent auditor, this will be reported to the Board of County Commissioners and funding will cease immediately. If the Budget Office has any questions regarding a part of the financial statements, audit comments, or notes, a letter requesting clarification may be sent to the agency."

Amount and Term of Funding for Nonprofit Agencies Issue (Existing Language)

Another issue is the Amount and Term of Funding for Individual Nonprofit Agencies. Excerpts from the current policy read as follows:

- A. Total Nonprofit Funding Allocation – The total amount allocated to nonprofit agencies will be adjusted as shown below.
 1. The total allocation for nonprofit agencies will be capped at \$256,516, which is the amount allocated for FY2001/2002. In any year **up to** \$256,516 may be allocated to all nonprofit agencies.

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2. The total allocation will serve as a “ceiling” for total non-profit agency funding. Depending upon financial considerations, this amount may be reduced by the County Administrator or the Board of County Commissioners.

C. Amount and Term of Funding for Individual Nonprofit Agencies

1. The County intends for nonprofit funding to enable agencies to become established. These funds could be considered “startup assistance”. In time, each agency should develop its own revenue stream, separate from public funds.
 - a. In order to implement this policy, the County will provide funding to an agency for a period of no more than four (4) years.
 - b. Once an agency has received funding for four (4) years, that agency will become ineligible to receive funding from County nonprofit funds.

The following table reflects Nonprofit Agency Funding included in the adopted Indian River County General Fund budget since FY2009. The Mental Health Walk-In Clinic, Harvest Food Outreach Center (now known as United Against Poverty), the 211 Palm Beach/Treasure Coast, Inc., and Senior Services have all received funding in excess of the 4 year cap outlined in the Indian River County Outside Agency Funding Policy. As such, each of these agencies would be ineligible for funding in FY2018.

Non Profit Organizations

Fiscal Year	Mental Health Walk-In Clinic	Harvest Food Outreach Center	211 Palm Beach/Treasure Coast, Inc.	Cultural Council of Indian River County	For the Love of Paws	Senior Services (Meals on Wheels, Adult Day Care, In Home Services)	Total
FY2009							\$0
FY2010							\$0
FY2011				\$36,409		\$109,793	\$146,202
FY2012	\$27,500					\$171,620	\$199,120
FY2013	\$26,125		\$5,000			\$147,647	\$178,772
FY2014	\$20,000	\$4,000	\$7,000			\$131,196	\$162,196
FY2015	\$20,000	\$4,000	\$7,000			\$116,159	\$147,159
FY2016	\$20,000	\$6,000	\$10,000			\$117,207	\$153,207
FY2017	\$22,500	\$10,000	\$10,000				\$42,500
FY2018 Request	\$25,000	\$30,000	\$10,500		\$11,110	\$123,000	\$199,610

As the current funding practice has deviated from the policy language, the Outside Agency Funding Policy needs either to be amended to allow funding in excess of four years or the existing policy language needs to be applied.

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Other Counties have taken a different approach altogether and have eliminated funding for Nonprofit Agencies. One example is Collier County, which phased out contract agency funding over a two year period. This phase-out provided a two year period for the agencies to secure alternative funding to replace the county funds. Board policy discussion, as well as public input, focused on not making "charitable contributions" with taxpayer funds. In addition, discussion also focused on the difficulties in making funding decisions among multiple and worthy social service agencies.

Brevard County is also proposing to phase out funding to local nonprofit agencies over a five year period. The following was excerpted from a recent Florida Today article.

"Brevard County will phase out giving money to local nonprofits over the next five years. Under the current "community-based organization" grant program, the county gives \$510,200, which helps pay for a total of 15 programs provided by 12 nonprofit organizations in the current budget year. Advocates for the programs said that the services they provide help reduce the potential costs to government of more costly services that otherwise would be needed; the county grants help provide the match for other grants they might receive; and they would have to reduce the reach of their programs without the county money. But at a time when the county is struggling with a backlog of \$156.58 million in road maintenance projects, some of the county commissioners indicated at a budget workshop Tuesday that the tax dollars would be better spent elsewhere. The five-year phaseout was a compromise to a plan that would have cut the funding totally in the next budget year, which begins Oct. 1."

Option 1

As noted previously, the Mental Health Walk-In Clinic, Harvest Food Outreach Center (now known as United Against Poverty), the 211 Palm Beach/Treasure Coast, Inc., and Senior Services have all received funding in excess of the 4 year cap outlined in the Indian River County Outside Agency Funding Policy.

One option is to waive the 4 year funding limitation for one year and provide funding for these organizations in FY2017/18 (based on approved funding in FY2017; Senior Services would be capped at their FY2016 funding level as this amount was approved by budget amendment) and then eliminate funding for nonprofit agencies completely in FY2018/19. This would provide the agencies with one year to develop alternative funding sources to replace county funding. No new agencies would be considered for funding from the General Fund in FY2017/18 or in future years unless they qualify for the Quasi-Nonprofit category. A new request for \$11,110 in funding was submitted by For the Love of Paws for fiscal Year 2017/18.

Proposed revision to Amount and Term of Funding for Nonprofit Agencies Issue

A. Total Nonprofit Funding Allocation – The total amount allocated to nonprofit agencies will be adjusted as shown below.

1. The total allocation for nonprofit agencies will be as follows in FY2017/18:

Agency	Amount
Mental Health Walk-In Clinic	\$22,500
Harvest Food Outreach Center	\$10,000
211 Palm Beach/Treasure Coast, Inc.	\$10,000
Senior Services	\$117,207
Total	\$159,707

2. No new Agency requests for funding will be approved in FY2017/18 or thereafter.
3. No Nonprofit Agencies will be funded in FY2018/19 or thereafter.

Option 2

A second option is to grandfather existing nonprofit agencies receiving funding from Indian River County at their current funding levels. Nonprofit Agency funding would then be capped at this amount and no new agencies would be considered for funding going forward, unless they qualify for the Quasi-Nonprofit category.

Proposed Revision to Amount and Term of Funding for Nonprofit Agencies Issue

A. Total Nonprofit Funding Allocation – The total amount allocated to nonprofit agencies will be adjusted as shown below.

1. The total allocation for nonprofit agencies will be as follows in FY2017/18 as existing agencies receiving funding will be grandfathered at historical levels:

Agency	Amount
Mental Health Walk-In Clinic	\$22,500
Harvest Food Outreach Center	\$10,000
211 Palm Beach/Treasure Coast, Inc.	\$10,000
Senior Services	\$117,207
Total	\$159,707

2. No new Agency requests for funding will be approved in FY2017/18 or thereafter.
3. Future year funding will be capped for each agency at the amounts noted in the table above.

Recommendation: The existing Outside Agency Funding Policy clearly identified that funding was to be considered “startup assistance” and would be provided for a maximum term of four years. Agencies that received funding for four years would be ineligible to receive any additional funding from County Nonprofit funds.

The staff recommendation (Option 1) is to waive the 4 year funding limitation for one year and provide funding for these organizations in FY2017/18 (based on approved funding in FY2017; Senior Services would be capped at their FY2016 funding level as this amount was approved by budget amendment) and then eliminate funding for nonprofit agencies completely in FY2018/19. This would provide the agencies with one year to develop alternative funding sources to replace county funding. No new agencies would be considered for funding in FY2017/18. Note: A new request for \$11,110 in funding was submitted by For the Love of Paws for Fiscal Year 2017/18.

Agreements for Sub-Recipients of Federal Grant Awards

In the audit exit conference this year, the external auditor recommended that Indian River County execute agreements with all grant sub-recipients, in accordance with 2 CFR 200, Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. This will also avert a written audit finding by the external auditor for non-compliance with federal grant requirements.

The definition of sub-recipient from the Federal Uniform Grant Guidance Circular is:

200.93 Subrecipient.

1. *Subrecipient* means a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

Based on the classification of grant recipients in the Indian River County Comprehensive Annual Financial Report (CAFR), the SRA and the Treasure Coast Homeless Services Council are classified as grant sub-recipients. Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:

- (1) Determines who is eligible to receive what federal assistance;
- (2) Has its performance measured in relation to whether the objectives of a Federal program were met;
- (3) Has responsibility for programmatic decision making;
- (4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
- (5) In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

Recommendation:

Staff recommends that grant sub-recipient agreements with the Senior Resource Association and the Treasure Coast Homeless Services Council be executed retroactive to October 1, 2016 for the existing year grant awards and for all future grant awards. Any future sub-recipients will also be required to complete grant sub-recipient agreements. A sample sub-recipient agreement is included as Attachment C, and has been reviewed and approved by the external auditor.

FUNDING

Option 1 would provide FY 2017-18 Non Profit Agency funding of \$159,707 . This funding would be phased out completely in the FY2108-19 budget. Options 2 would grandfather Nonprofit Agency funding at \$159,707 and cap future funding at this level.

RECOMMENDATIONS

Staff requests the Board of County Commissioners approve the following staff recommendations:

- (1) amend the Outside Agency Funding Policy as outlined in Attachment A;
- (2) waive the 4 year funding limitation in FY2017-18 for one year for Nonprofit agencies and fund agencies at FY17 levels (Senior Services at FY16 level);
- (3) approve the elimination of funding for Nonprofit Agencies beginning in FY2018-19,
- (4) authorize the execution of standard grant agreements for approved FY2017-18 funding requests with the following recipients of County funds (Nonprofit Agencies, Quasi Nonprofit Agencies, Tourist Development Agencies, and Children's Service agencies;
- (5) require the execution of sub-recipient grant agreements retroactive to 2017 funding, and for all future grant awards.

APPROVED AGENDA ITEM FOR:

May 16, 2017

Attachments:

- Attachment 1 – Amended Outside Agency Funding Policy (Option 1)
- Attachment 2 – Amended Outside Agency Funding Policy (Option 2)
- Attachment 3 – Standard Grant Agreement
- Attachment 4 - Sub-Recipient Grant Agreement