



# Board Agenda Item 5

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DATE: October 11, 2016

TO: Board of Supervisors

SUBMITTED BY: Jean M. Rousseau, County Administrative Officer

SUBJECT: Delete Board of Supervisors Administrative Policy No. 5 - Contract Salary Limitation

RECOMMENDED ACTION:

**Approve the deletion of Board of Supervisors Administrative Policy No. 5 - Contract Salary Limitation.**

On June 16, 2015, in response to multiple agenda items requesting the Board of Supervisors waive Administrative Policy No. 5 - Contract Salary Limitation (Policy), your Board directed staff to review the Policy, last amended in 1986. The Policy sets a 15% administrative cost and a 20% employee benefits limit for renewal or multi-year contracts with nonprofit organizations which primarily serve the County and professional service contracts where the County is the sole client.

Approval of the recommended action, will delete the policy as recommended by County representatives following the determination that the policy is unnecessary due to funding source restrictions on administrative costs and employee benefits implemented after 1986. Additionally, future requests for proposals will state that indirect or administrative costs and employee benefits should be both reasonable and necessary for the administration of the program. For agreements with a non-profit organization funded with County discretionary revenue, the County will apply the reasonable and necessary evaluation.

ALTERNATIVE ACTION(S):

Your Board may elect to retain the Policy, resulting in continued waiver requests from county departments as a result of vendors exceeding the 20% employee benefits limit established in 1986. Your Board may also choose to amend the Policy.

FISCAL IMPACT:

There is no known additional Net County Cost associated with the recommended action.

DISCUSSION:

On June 16, 2015, your Board directed staff to review the Policy. County representatives from the Administrative Office, Auditor Controller/Treasurer-Tax Collector's Office, Purchasing, and the Departments of Social Services and Behavioral Health reviewed and discussed the Policy.

Adopted in August 1985 and implemented on September 17, 1985, the Contract Salary Limitation was a general policy not to approve contracts with outside contractors where salary adjustments in excess of the amount approved for County employees would be granted. The purpose of the Policy was to provide comparable salary adjustments to persons providing direct services on behalf of the County whether they be County employees or employees of County contractors and to control contractor's costs.

The current Policy, last revised on July 1, 1986 and amended by the Board on October 7, 1986, placed a 15% administrative cost limit as compared to the total budget and employee benefits limit of 20% of salaries. The Policy applies to renewal and multi-year contracts with non-profit organizations which primarily serve the County and professional service contracts where the County is the sole client, such as community based organization service contracts related to social services, health services, or probation services; cultural art program contracts; and, professional services contracts. Contracts between the County and the Federal and State governments or one-time contracts are exempt. "Primarily," as stated in the County Purchasing and Contract Procedures Manual, is more than 50% of the total funding for the specified agency. The "sole client", for a professional service contract, would mean that the County is the sole client for the agency.

Since June 9, 2004, local, state and federal governments that contract with nonprofit agencies to deliver goods, services and facilities with federal government dollars are required to reimburse the agencies for the reasonable indirect or administrative costs, incurred on behalf of governments in accordance with Office of Management and Budget (OMB) Circular A-87 Revised May 10, 2004: Cost Principles for State, Local, and Indian Tribal Governments.

It is recommended that your Board delete the existing Policy, as recommended by County representatives following the determination that the policy is no longer necessary due to the funding source restrictions on administrative costs and employee benefits implemented after 1986 and the inclusion of the revised language in future requests for proposals stating that administrative costs and employee benefits should be both reasonable and necessary for the administration of the program. If County discretionary revenue is to be used to fund a contract with a non-profit organization, the County will apply the reasonable and necessary evaluation to the agreement. If there is a concern, the departments will also have the option to request the Auditor-Controller/Treasurer-Tax Collector's Office review the submitted administrative costs and employee benefits.

REFERENCE MATERIAL:

OMB Circular A-87 Revised May 10, 2004  
BAI# 22, September 17, 1985  
BAI#6, October 7, 1986

ATTACHMENTS INCLUDED AND/OR ON FILE:

Administrative Policy No. 5 - Deleted

CAO ANALYST:

Sonia De La Rosa