

# County of Monterey Budget Enhancement Options

Board of Supervisors Meeting 05/07/2024



# Strategic Options to Address Budget Deficit

- Increase revenue
  - Potential voter approved measures
    - Increase Transient Occupancy Tax
    - Increase Sales Tax
    - Establish a new Utility User Tax
    - Amend contributions to Development Set Aside
- Decrease Expenditures
  - Suspend the supplemental pension unfunded accrued liability (UAL) program
- One-time funding options
  - Redirect funds from the compensated absences assignment



# Transient Occupancy Tax (TOT) – Additional Revenue

Rate	Budgeted TOT FY 2024-25	Marginal Increase	Total Increase
10.50%	\$ 38,838,898		
10.75%	\$ 39,763,634	\$ 924,736	\$ 924,736
11.00%	\$ 40,688,369	\$ 924,736	\$ 1,849,471
11.25%	\$ 41,613,105	\$ 924,736	\$ 2,774,207
11.50%	\$ 42,537,841	\$ 924,736	\$ 3,698,943
11.75%	\$ 43,462,576	\$ 924,736	\$ 4,623,678
12.00%	\$ 44,387,312	\$ 924,736	\$ 5,548,414

- A 0.25% increase could yield and increase of \$924,736 in revenue
- A 1.50% increase could yield and increase of \$5.5 million in revenue
- These amounts would be reduced to \$608,569 and \$3.7 million if the County decides to share this revenue with the Road Fund (25%) and the Development Set Aside (DSA 9.19%) at levels in the current financial policies.



# Transient Occupancy Tax (TOT) - Comparison

County or City		Base TOT Rate	Jurisdiction	Rate
County of Monterey		10.5%	Carmel-by-the-Sea	10.00%
Santa Cruz County		12.0%	County of Monterey	10.50%
City of Monterey		12.0%	Del Rey Oaks	10.00%
City of Marina		14.0%	Gonzales	8.00%
City of Watsonville		12.0%	Greenfield	10.00%
Sonoma County		12.0%	King City	10.00%
Santa Barbara County		12.0%	Marina	14.00%
San Luis Obispo		12.5%	Monterey, City	12.00%
			Pacific Grove	12.00%
			Salinas	10.00%
			Sand City	12.00%
			Seaside	12.00%
			Soledad	12.00%

- Monterey County is the lowest when compared to nearby Counties
- It is also among the lowest when compared to other municipalities within the County



# Sales Tax – Potential Additional Revenue

Rate	FY 2024-25 Budget	Marginal Increase	Total Increase	Increase %
7.75%	\$ 15,465,502			1.25%
8.00%	\$ 3,093,100	\$ 3,093,100	\$ 3,093,100	0.25%
8.25%	\$ 6,186,201	\$ 3,093,100	\$ 6,186,201	0.50%
8.50%	\$ 9,279,301	\$ 3,093,100	\$ 9,279,301	0.75%
<b>8.75%</b>	<b>\$ 12,372,402</b>	<b>\$ 3,093,100</b>	<b>\$ 12,372,402</b>	<b>1.00%</b>
9.00%	\$ 15,465,502	\$ 3,093,100	\$ 15,465,502	1.25%
9.25%	\$ 18,558,602	\$ 3,093,100	\$ 18,558,602	1.50%
9.50%	\$ 21,651,703	\$ 3,093,100	\$ 21,651,703	1.75%

- Adding 0.25% to the sales tax rate can yield an increase of \$3.1 million in revenue
- A 1% increase can yield an increase of \$12.4 million in revenue
- If the ballot is approved November 2024, the tax is effective April 1, 2025 (1/4 of a year impact)



# Sales Tax – in County Comparison

- The County has the lowest sales tax rate in the County at 7.75%

Jurisdiction	Rate
Carmel-by-the-Sea	9.25%
Del Rey Oaks	9.25%
Gonzales	8.75%
Greenfield	9.50%
King City	8.75%
Marina	9.25%
Monterey	9.25%
<b>Monterey County</b>	<b>7.75%</b>
Pacific Grove	9.25%
Salinas	9.25%
Sand City	9.25%
Seaside	9.25%
Soledad	9.25%



# Sales Tax – How Much the County Receives

Jurisdiction	Rate	Purpose
State	3.69%	Goes to State's General Fund
State	0.25%	Goes to State's General Fund
State	0.50%	Goes to Local Public Safety Fund to support local criminal justice activities (1993)
State	0.50%	Goes to Local Revenue Fund to support local health and social services programs (1991 Realignment)
State	1.06%	Goes to Local Revenue Fund 2011
Local	1.25%	0.25% Goes to county transportation funds 1.00% Goes to city or county operations
<b>Total:</b>	<b>7.25%</b>	
Local District	0.125%	Monterey-Salinas MST Special Transit District
Local District	0.375%	Monterey Transportation Safety Transactions and Use Tax
<b>Total Rate</b>	<b>7.750%</b>	

- Of the total 1% goes to the County for general services provided to the community.



# Other Options

- Utility User Tax
- Modify Development Set Aside Formula
- Suspend Supplemental Unfunded Accrued Liability Pension Program





# NEXT STEPS

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The Board can direct staff to begin the process to implement one of the options presented today

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If the option requires voters to approve a ballot measure, the County must provide a final ballot measure to the Elections Department by August 9, 2024 to have the ballot included in the November 2024 general election.

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The County will have to engage a consultant and possibly outside legal counsel to develop the ballot measure language and engage stakeholders during the process.

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More details can be presented once consultants have been engaged.



# Questions

