



Monterey County

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Board Report

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Receive and accept the County Administrative Office's report and recommendation regarding the transfer of the Debt Manager position from Auditor-Controller's Office to the County Administrative Office.

RECOMMENDATION:

It is recommended that the Board of Supervisors receive and accept the County Administrative Office's report and recommendation regarding the transfer of the Debt Manager position from Auditor-Controller's Office to the County Administrative Office.

SUMMARY:

On December 22, 2016, the County Administrative Office (CAO) received a referral from the Monterey County Board of Supervisors to provide a report on the potential transfer of the Debt Manager Position from the Auditor-Controller's Office (A/C) to the CAO to allow for organizational efficiencies. The CAO has conducted analysis of the position and surveyed California counties as to their organizational placement of the debt administration function.

DISCUSSION:

The Chief Deputy Auditor-Controller assigned as the County Debt Manager is responsible for managing the county's existing debt as well as provide analysis for new financing. Some of the major responsibilities include payment of debt service, preparing and filing continuing disclosure documents, reconciling trust statements, monitoring credit markets, calculating debt limits to monitor compliance, assisting school districts with debt issuance and compliance with state and federal laws, making accounting entries to the county ERP software.

The CAO researched 12 counties and surveyed the placement of the debt administration functions within their organizations. Of the 12 counties, only three counties (San Mateo, Ventura, and Sacramento) had positions with debt management functions within divisions equivalent to the CAO. San Mateo and Ventura counties are larger than the County of Monterey, with a population nearly twice the size of Monterey County and an annual budget of \$2.7 billion for San Mateo and \$2.2 billion for Ventura. For San Mateo County, the Budget Director has responsibility of debt administration, although he attributed about 5% of his time to these functions, noting that with new debt issuance, this would increase to 80% of his time. The Budget Director noted he did not have responsibility for issuing payments or filing disclosures. For Ventura County, the responsibilities were shared between the County Executive Office and the Auditor-Controller's Office. The Chief Financial Officer within the County Executive Office is responsible for planning and analysis of new debt, but this is less than half time. The Chief Financial Officer is also responsible for forecasting, overseeing and implementing financial policies and strategies, and preparing and managing the County budget. The Ventura County Auditor-Controller's office is responsible for the management and

accounting of existing debt and has a dedicated full-time position performing the debt service payments, budgeting, accounting, and reporting of debt.

The third County performing the debt administration function within its administrative department is Sacramento County. Sacramento County has a staff of three people dedicated to debt; however, with a population of nearly 1.5 million and a budget of \$4.0 billion, Sacramento County is about three times larger than Monterey County. Sacramento County also has a much larger debt portfolio, totaling \$3.2 billion dollars as opposed to Monterey County's debt of \$242 million as of June 30, 2015. Because of the debt load and size, Sacramento is not a good benchmark.

Of the remaining counties, eight have the debt management functions within the Auditor-Controller's Office or equivalent division and one has the debt management function within the Treasurer-Tax Collector. All nine of these counties have less than a full-time position dedicated to these functions. It should also be noted that five of the nine counties combine the offices of the Auditor-Controller and Treasurer-Tax Collector, but the functions lie within the Auditor-Controller divisions.

Most of the counties with less than a full-time position indicated that they don't have a lot of debt or have not issued or restructured debt recently. Counties indicated that during new debt issuances or restructuring of debt, the time spent on these functions increases, ranging from 25% of a person's time up to 80% of a person's time. After the debt issuance or restructure is complete, the time commitment is lower. The accounting, analysis, and management of debt service payments requires anywhere from 5% to 25% of a person's time. Some counties, such as San Luis Obispo, also contract out some work related to debt, such as preparing disclosures or consulting with firms when there is interest in new financing; therefore, the time commitment to debt management is lower. The Monterey County Debt Manager is responsible for these functions.

In all instances, the County Administrative Office and the Auditor-Controller's work closely when there is new financing or a restructuring of debt. Based on responses from counties, the CAO is more involved in planning new debt financing and the Auditor-Controller's office is the lead in accounting and managing the existing debt. The research shows that the positions that are under the administrative function in San Mateo, Ventura, and Sacramento counties, have broader responsibilities including budget related functions such as forecasting and preparation of annual budgets, and the debt management function is less than full time, except for the larger Sacramento County. For example, in San Mateo, the Budget Director has debt management functions but does not issue payments nor file disclosures. Similarly, in Ventura County, the Chief Financial Officer is involved with the analysis and planning new debt / financing, but does not perform any of the accounting functions such as payments, reporting, CAFR preparation, that is all done by the Auditor-Controller Office which has a dedicated full-time position.

The CAO recommends the current position responsible for debt management (Chief Deputy Auditor-Controller) remain with the Auditor-Controller Office. Transferring the position to the CAO would facilitate the analysis required when reviewing debt financing options, however, new financing is infrequent. The analysis indicates that a full-time position for debt

management is not necessary and the functions can be accomplished by a collaborative effort of the CAO, A/C, and Treasurer-Tax Collector. The current position is appropriately housed in the Auditor-Controller's Office given the significant debt related accounting duties, such as debt service payments, reconciliations, reporting, filing disclosures, and assisting with CAFR preparation. This position can be further utilized for internal audits in the future, given the County's need for audits.

As part of this recommendation, the CAO shall be responsible for planning new debt issuances, with collaboration from A/C. Many counties confirmed this working relationship between the CAO and A/C when planning for new financing or restructure. Once debt is established, the A/C, with cooperation from the Treasurer-Tax Collector, will manage the existing debt.

OTHER AGENCY INVOLVEMENT:

The County Administrative Office worked with the Auditor-Controller's Office to document the duties of the debt administration function and 12 other counties as outlined in the attachment to understand their respective organizational placement of debt management responsibilities.

FINANCING:

There is no cost associated with the receipt of this report.

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Attachments: 1) Matrix - Comparison of counties
2) Debt Manager job duties