



County of Monterey

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

Board Report

File #: A 13-211, **Version:** 1

Approve, on behalf of the Economic Development Department, the Second Restated Memorandum of Understanding (MOU) for Multiagency Cooperation in the Implementation, Management and Marketing of the Salinas Valley Enterprise Zone (SVEZ).

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Approve, on behalf of the Economic Development Department, the Second Restated Memorandum of Understanding (MOU) for Multiagency Cooperation in the Implementation, Management and Marketing of the Salinas Valley Enterprise Zone (SVEZ).

SUMMARY:

Approval of the Second Restated MOU will modify the First Restated MOU approved by the Board on June 21, 2011, which will revise the funding formula and the composition of the Salinas Valley Enterprise Zone Advisory Board. Attached are copies of: (1) a redlined version which reflects the proposed changes to the First Restated MOU, and (2) a clean version of the Second Restated MOU.

The total funding received by the Enterprise Zone will continue to be based on the total population of the participating jurisdictions, but the revised formula will be more equitable to jurisdictions, based on population and number of hiring/credit vouchers issued to the businesses within their jurisdictions. The County's contribution for FY 2012-13 was \$26,200. Under the proposed funding formula in the Second Restated MOU, the County's membership contribution for FY 2013-14 is \$21,800, which is \$4,400 less than FY 2012-13.

On July 11, 2013, the Governor signed AB 93 and SB 90, which repeals the existing enterprise zone provisions and small business hiring credit program effective January 1, 2014, and replaces it with a new economic development program. As the operations of the SVEZ winds down, the participating jurisdictions are exploring ways of continuing partnerships which promote economic development.

DISCUSSION:

On January 30, 2009, the Salinas Valley Enterprise Zone received its final designation from the California Department of Housing and Community Development. The County of Monterey, along with the Cities of Gonzales, Greenfield, King City, Salinas and Soledad are participating jurisdictions in the Salinas Valley Enterprise Zone Program.

The Enterprise Zone staff has now had three years of full activity, and an analysis of the activity undertaken through the issuance of hiring credit vouchers to SVEZ businesses has demonstrated that the annual contributions made by each jurisdiction are not necessarily indicative of the benefit received. For example, in FY 11-12, 86% of the Hiring Credit Voucher Certificates were issued to Salinas businesses, although the City of Salinas contributed only 65.6% of the total jurisdictional contributions.

The revised MOU will address concerns regarding the inequality of the current funding formula and create more support for the program among the participating jurisdictions. The Enterprise Zone could lose its designation if any of the participating jurisdictions stopped providing funding for the Zone. Therefore, it is

important that the funding formula is proportionate to the benefits received by the jurisdictions.

Participating in the Enterprise Zone offers each jurisdiction two primary benefits: businesses located within their boundaries receive tax credits for hiring new employees, and additionally, businesses receive credits if they hire certain “qualified employees”, including residents of the jurisdiction’s Targeted Employment Area (TEA).

The result is that jurisdictions with more industrial or larger businesses within their boundaries have tended to take more advantage of the Enterprise Zone program. This has raised significant questions regarding the equity of the current funding formula.

Therefore, the Enterprise Zone staff has proposed a new funding formula that takes the previous year’s Hiring Credit Voucher Certificate activity into account. Those jurisdictions that see high levels of activity and benefits would pay more proportionately than others. The revised funding formula would operate as follows:

Population (Jurisdictional Share)

- 1) Each jurisdiction would contribute \$0.50 per capita, based on the population within the US Census Tracts from the Targeted Employment Areas (TEA) of their territorial jurisdiction. The calculation would be based on the U.S. Census Tract 5-year estimates starting from 2007-2011, approved by California State Department of Housing and Community Development, where at least 51% of its residents are of low or moderate income levels based on the most recent census data.

Hiring/Tax Credit Vouchers (Regional Share)

- 2) Each jurisdiction would contribute a funding percentage based on the total number of hiring/tax credit vouchers issued to businesses approved during the previous calendar year; 1) located in their territorial jurisdiction who hire employees, and 2) businesses who hire employees that are residents in their territorial jurisdiction.

Attachment A provides the detail for calculating the proposed funding for each jurisdiction, “FY 2013-14 Calculation of Total Jurisdictional Contributions”.

SVEZ Board Composition Modification

The proposed MOU would also eliminate one of the County seats on the Salinas Valley Enterprise Zone Advisory Board. Currently, the County of Monterey has two seats on the SVEZ Advisory Board; the Economic Development Director and the Director of Social Services. Since the Office for Employment Training (OET) and Workforce Development have been consolidated with the Economic Development Department, it is no longer necessary to have the Director of Social Services serve on the SVEZ Advisory Board.

OTHER AGENCY INVOLVEMENT:

The Budget Committee supports the recommendation. County Counsel has approved the Second Restated MOU as to form. The Cities of Gonzales, Greenfield, King City, Soledad and Salinas have approved the Second Restated MOU.

FINANCING:

The County’s annual membership contribution for FY 2013-14, in the amount of \$21,800, wasn’t specifically budgeted in the Economic Development Department FY 2013-14 Adopted Budget. In 2012 and 2013, funding for the County’s annual membership had been paid from the Economic Development Administration Budget

If the Board approves the recommendation for the proposed MOU, the Department will work to absorb the cost within its FY 2013-14 Adopted Budget, If any budget issues materialize, the Department will work with the CAO-Budget and Analysis Division and, if necessary, return to the Board's Budget Committee and the Board for further action.

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Attachments: Attachment A
MOU Clean Version
MOU Redline Version
MOU Exhibit A
MOU Exhibit B