County of Monterey

Legislation Details (With Board Report)

File #:	BC 18-149	**Name:**	Pre-Budget Informational Report for FY19-20
Type:	Budget Committee	**Status:**	Agenda Ready
File created:	11/8/2018	**In control:**	Budget Committee
On agenda:	11/13/2018	**Final action:**	
Title:	Receive an informational report regarding Transient Occupancy Tax (TOT) contributions, Proposition 172 allocations, discretionary contributions to outside agencies, and employee compensated absences.		
Sponsors:			
Indexes:			
Code sections:			
Attachments:	1. Attachment A-TOT, 2. Attachment B- Prop 172, 3. Attachment C- Other Agency Contributions, 4. Attachment D- Vacation Accruals		

Date	Ver.	Action By	Action	Result
11/13/2018	1	Budget Committee		

Receive an informational report regarding Transient Occupancy Tax (TOT) contributions, Proposition 172 allocations, discretionary contributions to outside agencies, and employee compensated absences.
RECOMMENDATION:
It is recommended that the Board of Supervisors receive an informational report regarding Transient Occupancy Tax (TOT) contributions, Proposition 172 allocations, discretionary contributions to outside agencies, and employee compensated absences.

SUMMARY/DISCUSSION:
As requested by the Board of Supervisors, this report provides the Budget Committee with information on transient occupancy tax (TOT) contributions and employee compensated absences. Additional discretionary allocations, including Proposition 172 public safety allocations was included for the Board's knowledge. Directing staff to provide this information in advance of the budget process promotes healthy discussion to ensure resource allotments continue to be aligned with Board priorities.

TOT- Development Set-Asides and Road Fund

Development Set-Asides

In FY 2007-08, the Board of Supervisors approved a formula-based policy to fund the Development Set-Asides (DSAs) which includes the Monterey County Convention and Visitors Bureau (MCCVB), the Arts Council for Monterey County (ACMC), and the Monterey County Film Commission (MCFC). The contributions are based on a percentage of the County's TOT from two fiscal years prior. The percentages for the MCCVB, the Arts Council and the Film Commission are 6%, 1.98%, and .95%, respectively. The Monterey County Business Council (MCBC) was later added at a flat contribution amount.

Table 1 in Attachment A provides the actual contributions for the prior three fiscal years and the budgeted amounts for the current fiscal year. Despite growth in actual TOT, calculated contributions in FY 2016-17 and 2017-18 were capped at $1,775,396 due to budget constraints. In FY 2018-19, $12,790 was redirected from

MCCVB's contribution to the MCBC's contribution. Based on preliminary results for the fiscal year ending June 30, 2018, TOT revenue in FY 2017-18 increased by $3.7 million over the prior fiscal year. Using this unaudited TOT figure and current formula policy, contributions to the DSAs will grow by $341,433 in FY 2019 -20.

Road Fund

Prior to FY 2013-14, the Road Fund received an annual subsidy of $2.0 million from the general fund. In 2013, recognizing the value of well-maintained roads, the Board approved a Road Fund TOT funding formula providing an annual increase to eventually lead to a rate capitation of 25% as follows: FY 2013-14 (20%), FY 2014-15 (21%), FY 2015-16 (22%), FY 2016-17 (23%), FY 2017-18 (24%) and FY 2018-19 (25%). The contribution to the Road Fund is based on the two-year's prior audited TOT actuals. Therefore, the FY 2018-19 contribution to the Road Fund was calculated at 25% of the FY 2016-17 actual. Table 2 in Attachment A provides a five-year history of the TOT contributions to the Road Fund. Under current Board policy, contributions to the Road Fund will grow by $920,053 in FY 2019-20 due to the strong TOT growth experienced in FY 2017-18. General Fund TOT contributions have helped the Road Fund survive a period of declining revenues. With these contributions, and the addition of new revenue streams from the state's SB 1 and local Measure X funding, this fund has returned to a positive balance.

Proposition 172 Contributions

Emergency Communications Users

Proposition 172, passed in the November 1993 statewide election, established a permanent statewide half-cent sales tax for support of local public safety. In 2012, the County met with emergency communications user agencies' representatives to negotiate a long-term funding agreement. This solution fixed the funding formula for user agencies at 5.0% of the County's total Proposition 172 revenues for the most recently audited fiscal year (e.g. FY 2014-15 allocations were 5% of FY 2012-13 audited actuals). For a six-year history of user agency funding see chart 1 in attachment B.

Fire Agencies

The County and the Association of Firefighters and Volunteer Fire Companies (the Association) agreed to a disbursement model for Proposition 172 revenues beginning in FY 2011-12. The County agreed to share with the Association 9.13% of Proposition 172 revenues for the most recently audited fiscal year (e.g., the FY 2014-15 allocation was 9.13% of FY 2012-13 audited actuals). Contributions to the Association for the past years are displayed in Attachment B, chart 2. The various fire agencies allocate the Proposition 172 revenues amongst themselves via their own allocation formula. Table 3 in Attachment B lists the estimated allocation amongst the agencies for FY 2018-19.

Estimated Proposition 172 revenues for FY 2018-19 are set forth in Table 4 in Attachment B. Based on unaudited 2017-18 actual Proposition 172 funding and the current funding policy, contributions to the user and fire agencies will grow by $351,652 in FY 2019-20.

Other Agency Contributions

As summarized in Attachment C, Table 5, the County contributes discretionary non-program revenue to other agencies and membership organizations such as the Pajaro/Sunny Mesa Community Services District, Prunedale Senior Center, Monterey Peninsula Regional Water Authority and the Salinas Valley Basin Groundwater Sustainability Agency. Contributions for the Salinas Valley Basin Groundwater Sustainability Agency is set to expire after FY 2018-19.

Compensated Absences

County employees have an option to buy back vacation or paid-time off (PTO) leave on an annual basis up to amounts specified by their bargaining unit and, in some cases, length of service. Annual vacation/PTO buy back amounts to individuals varied widely from $63 to $33,467 over the last two fiscal years with average amounts of $1,557 and $1,533 for FY 2016-17 and FY 2017-18, respectively.

At the time of separation from County employment, vacation and PTO leave credits are paid to the employee up to a maximum accumulation cap designated by the employee's bargaining unit and position.

Sick leave can be accumulated indefinitely for employees in units A, B, M, N, Q, V, and Z. Upon retirement or death, but not for other reasons of employee separation, sick leave credits are paid up to 500 hours or 750 if an employee opts to exchange time to pay for health benefits. Sick leave credit above the 500-750 hours are forfeited.

Compensatory time-off can be accrued in lieu of overtime payments for up to amounts determined by the employee's bargaining unit and position. Upon separation from the County, employees may be paid out for the balance of this leave credit.

Leave credit pay out (Vacation/PTO, sick, and compensatory time) amounts also have a wide range from $1 to $76,628 in the past two fiscal years. On average, leave credit pay out amounts were $5,349 and $4,612 in FY 2016-17 and FY 2017-18, respectively. In FY 2016-17, $1.0 million of the General Fund reserve assignment for compensated absences was used to meet these pay out obligations. As of June 30, 2017, the balance of this reserve is $8.0 million.

A summary of vacation/PTO buy back and leave credit pay out policies by bargaining unit is detailed in Attachment D, Table 6.

The balances of unfunded liability for these compensated absences for FY 2013-2014 through FY 2016-17 can be found in Attachment D, Table 7. The most updated balance as of June 30, 2017 was $49.1 million and includes leave credit balances from both governmental and business-type activities (NMC and Lakes).

Table 8 in Attachment D details amounts paid for annual vacation/PTO buy backs and leave credit pay outs (vacation/PTO, sick, and comp time) by bargaining unit for the last two fiscal years.

OTHER AGENCY INVOLVEMENT:
The Auditor-Controller's Office and Human Resources Department provided information to help prepare this report.

FINANCING:
There is no financial impact for receiving this report.

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Attachments: Attachment A- Transient Occupancy Tax Contributions
Attachment B- Proposition 172 Contributions
Attachment C- Other Agency Contributions
Attachment D- Compensated Absences