



County of Monterey

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

Board Report

File #: 15-0170, **Version:** 1

- a. Provide direction on revision of the County Financial Policies including an additional \$2.0 million above and beyond to the contribution percentage share for the Road Fund as approved in May of 2014.
- b. Support taking the County Financial Policies to the Board of Supervisors including direction as provided by the Budget Committee.

RECOMMENDATION:

It is recommended that the Budget Committee:

- a. Provide direction on revision of the County Financial Policies including an additional \$2.0 million above and beyond to the contribution percentage share for the Road Fund as approved in May of 2014.
- b. Support taking the County Financial Policies to the Board of Supervisors including direction as provided by the Budget Committee.

DISCUSSION/SUMMARY:

The County Administrative Office (CAO) annually recommends the County's existing financial policies, principles, and strategies to provide an enhanced framework for administering the current budgets and developing the Recommended Budget. The recommended Financial Policies included with this report incorporate language as directed by the Budget Committee on December 3, 2014.

The Board first adopted formal financial policies in February 2003, establishing a framework for overall fiscal planning and management. Subsequently, the CAO staff has annually reviewed the policies and recommended updates to the Board. Specific areas of focus include the following: Roles and Functions, Operating Budget Policies, General Financial Policies, Revenue and Expenditure Policies, Structurally Balanced Budget Policy, Fund Balance and Reserve Policy, Strategic Planning Policy, County-wide Contingency and Reserve Policy, User Fees Fair Share Policy, Outside Agency Contributions Policy, Other Post-Employment Benefits Policy, Enterprise Fund Policy, Internal Service Fund Policy, and Capital Facilities and Improvement Policy.

The Board and County management have continuously made significant progress in developing and implementing sound fiscal policies, principles and strategies. In June 2013 the Board included the Road Fund as a beneficiary in the County Transient Occupancy Tax (TOT) Revenue contribution formula established for FY 2012-13 at 20%. In May of 2014, for FY 2013-14, the TOT contribution percentage for the Road Fund was amended to increase by 1% Per annum, until it reaches the maximum contribution of 25% in FY 2018-19. The contribution percentage per annum shall be as follows: FY 2014-15 (21%); FY 2015-16 (22%); FY 2016-17 (23%); FY 2017-18 (24%); FY 2018-19 (25%); and thereafter remain at 25%. In December 2014 the Budget Committee asked staff to revise the Road Fund policy including an additional \$2.0 million allocated from the General Fund. Going forward the \$2.0 million per annum would be in addition to the 25% contribution to the Road Fund.

OTHER AGENCY INVOLVEMENT:

No other agency involvement.

FINANCING:

The current policy increases funding for the Road Fund by one percent of the Transient Occupancy Tax in FY 2015/16 for a total contribution equal to 22%. This one percent increase represents a year-over-year increased contribution of \$605,326 for a total contribution of \$4,373,877. Adoption of a policy to increase the contribution by an additional \$2.0 million will reduce funds available for other County programs during the FY 2015-16 budget process. Staff analysis has determined fixed costs are exceeding discretionary revenue growth indicating that such this policy will impact current level of service in other County programs.

Prepared by:

Approved by:

Jaime Ayala
Associate Administrative Analyst

Dewayne Woods
Assistant County Administrative Officer

Attachments:

Attachment 1: Monterey County FY 2015-16 General Financial Policies Revision - redlined version

Attachment 2: Monterey County FY 2015-16 General Financial Policies Revision - final version