



## SUMMARY REPORT

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**Agenda Date:** 10/22/2019

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**To:** Board of Supervisors

**Department or Agency Name(s):** Auditor-Controller-Treasurer-Tax Collector

**Staff Name and Phone Number:** Erick Roeser, (707) 565-3285

**Vote Requirement:** Majority

**Supervisorial District(s):** Countywide

**Title:**

Amending Auditor-Controller-Treasurer Tax-Collector (ACTTC) Department Allocation list

**Recommended Action:**

Adopt a Resolution effective October 22, 2019, amending the Department Allocation Table to add one Assistant Auditor-Controller (Working Title: Chief Deputy Investment Officer) allocation responsible for the oversight and management of the County's \$2.5 billion Treasury Pooled Investment Fund and \$435 million deferred compensation program, and to delete one vacant Accounting Assistant allocation.

**Executive Summary:**

The Auditor-Controller-Treasurer-Tax Collector (ACTTC) is seeking to add one Assistant Auditor-Controller (Working Title: Chief Deputy Investment Officer) to create an executive-level investment team for the management of the \$2.5 billion Treasury Pooled Investment Fund (Pool) and \$435 million deferred compensation program, as well as the oversight of the Sonoma County Energy Independence Program (SCEIP) and County debt administration. This will allow the Department to separate Treasury investments, deferred compensation, SCEIP, and debt responsibilities from the existing Assistant Auditor-Controller position in order to appropriately resource the Treasury investment function and provide greater oversight of the Payroll, Tax Collection, and Revenue Accounting Divisions.

Additionally, the department will be deleting one vacant Accounting Assistant assigned to the Treasurer-Tax Collector section. If not approved, the Accounting Assistant position will need to be filled.

Human Resource concurs with the proposed Position Change.

**Discussion:**

The ACTTC was formed in 2006 following the consolidation of the Auditor-Controller and Treasurer-Tax Collector's Offices. From that time until 2012-2013, the office operated with three assistant department heads to oversee the ACTTC's primary functions. In 2012-2013, two of the assistant positions were consolidated. Due to increased workloads, the office is now seeking to add back the third assistant department head to support the office's vital investment function.

**Reason for Change**

Since the consolidation and going back to two Assistant Auditor-Controllers, there has been a significant increase in workload across the office. The countywide Payroll process has become more complex due to the

implementation of the Affordable Care Act and IRS regulatory changes, the Property Tax roll has increased by 45%, Transient Occupancy Tax (TOT) collections have increased by 150%, TOT program workload has increased due to a greater emphasis on seeking unregistered operators, and a cannabis tax collection program was implemented. The TOT workload increase is a direct result of the dramatic rise in vacation rental by owner (VRBO) registered operators, and the management of the Airbnb TOT collection agreement. Management's oversight of the TOT program has also increased due to a sharp rise in the number of direct appeals, implementation of a web data scrape collection program, and the need to implement a new database collection and administration system.

The Cannabis tax collection program also requires significant management oversight due to the new and unique nature of the program and associated policies. Contributing factors include a high volume of appeals and the work to shepherd those appeals through the required process, continued issues with confusion over the permitting and approval process, and a higher than expected workload associated with program education and outreach.

While these changes were occurring, the Treasury Investment Pool has grown to \$2.5 billion, up 75%. The Treasury expects that the Pool will grow to well over \$3.0 billion over the next two-three years, significantly increasing the demand for staff resources to properly manage the portfolio. Along with the increased in dollars invested, there has been an increased interest in Socially Responsible and Environmental, Social, and Governance-focused investing--disciplines which demand additional staff time to evaluate and possibly implement. The ACTTC will make an investment presentation to the Board of Supervisors in December 2019 including information on legal parameters, challenges, and evolving opportunities for environmental, social and governance considerations.

Staffing or training shortfalls in this area pose a significant risk that could cost the County millions of dollars. The proposed structure of two or more investment manager FTE's is used in many other counties such as Alameda, Contra Costa, and San Mateo. These counties have three or more dedicated investment managers with at least one typically at the executive level.

The proposed new structure will address the growing workload that comes with a larger investment pool. Financial markets continue to become more volatile and actively managing a fixed income portfolio in this environment requires a highly active approach to daily investing, credit analysis, and cash flow management. Investment analysis and trading activity volume continues to increase as the portfolio grows, and bonds are actively traded and called. It is critical that the County have proper management for this function.

#### *Position Functions*

This position will take on several roles related to department investments and revenues that have previously been spread across several employees or covered by the executive team and department head.

The Assistant Auditor-Controller: Chief Deputy Investment Officer (CDIO) primary role will be as an executive-level team member overseeing the investment management team to manage the essential Treasury Investment function. Responsibilities will include:

- evaluating and managing daily market risk,
- performing advanced credit analysis,
- managing daily cash flow and cash flow policies,
- optimizing Investment Pool interest earnings, and

- succession planning and development for uniquely complex and mandated functions.

The CDIO will be responsible for the oversight and management of the County's \$435 million deferred compensation program, including:

- planning and providing oversight over continuing education about the program,
- investment policy oversight,
- plan marketing,
- tax compliance, and
- general administration.

Additionally, the CDIO will provide management and oversight over the Sonoma County Energy Independence Program (SCEIP), including budget, program policy development, and financial management.

The position will also oversee the Treasury management function (non-investment). This includes administrative oversight of the Treasury banking and pool participant relationships, required state reporting and audits, periodic reconciliation of Treasury assets, oversight of various Treasury policies, and fraud prevention.

#### Continuance of Operations

Following the Sonoma and Paradise fires in recent years, the County has had a heightened awareness of emergency preparedness and maintenance of essential functions. The creation of this position will provide enhanced coverage to allow for essential investing operations to continue when necessary.

#### **Prior Board Actions:**

June 14, 2019 - the Board of Supervisors adopted the ACTTC budget for FY19-20.

#### **FISCAL SUMMARY**

<b>Expenditures</b>	<b>FY 19-20 Adopted</b>	<b>FY20-21 Projected</b>	<b>FY 21-22 Projected</b>
Budgeted Expenses		\$175,100	\$178,602
Additional Appropriation Requested			
<b>Total Expenditures</b>		<b>\$175,100</b>	<b>\$178,602</b>
<b>Funding Sources</b>			
General Fund/WA GF			
State/Federal			
Fees/Other		\$175,100	\$178,602
Use of Fund Balance			
Contingencies			
<b>Total Sources</b>		<b>\$175,100</b>	<b>\$178,602</b>

#### **Narrative Explanation of Fiscal Impacts:**

The on-going costs and the remainder of FY19-20 will be covered by the deletion of the vacant Accounting

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Assistant position and increases to revenues/reimbursements due to increases in recoverable costs primarily for Treasury and deferred compensation administration. The ACTTC does not anticipate a need for additional discretionary General Fund support as a result of this allocation change.

<b>Staffing Impacts:</b>			
<b>Position Title (Payroll Classification)</b>	<b>Monthly Salary Range (A-I Step)</b>	<b>Additions (Number)</b>	<b>Deletions (Number)</b>
Assistant Auditor-Controller	\$10,691.27 - \$12,995.80	1	
Accounting Assistant	\$4,358.60 - \$5,297.81		1

**Narrative Explanation of Staffing Impacts (If Required):**

There are no staffing impacts associated with these changes. The Accounting Assistant allocation proposed for deletion is currently vacant. A recruitment will be conducted to fill the Assistant Auditor-Controller (working title: Chief Deputy Investment Officer) position.

**Attachments:**

Att A: Personnel Resolution

**Related Items "On File" with the Clerk of the Board:**

None