

COUNTY OF SACRAMENTO
CALIFORNIA

For The Meeting Of:
June 15, 2009

To: Board of Supervisors

From: Department of Economic Development and Intergovernmental Affairs

Subject: Report Back To Questions Raised During Fiscal Year 2009-10 Transient Occupancy Tax (TOT) Budget Workshop Relating To Hotel Audits And TOT Recipient Organization Audits And Fees For Historical Records Retention And Storage

Contact: Robert B. Leonard, Director, 874-7876

BACKGROUND:

During the Fiscal Year 2009-10 Transient Occupancy Tax (TOT) Budget Workshop, the Board requested additional information relating to options for performing Hotel audits and TOT Recipient Organization audits and options for charging a nominal fee for historical records retention and storage.

DISCUSSION:

TOT –Audit Costs and Options

Expenditures in the proposed TOT budget include estimated annual costs for administering the TOT program, monitoring and projecting TOT revenues, and performing Hotel audits and TOT Recipient Organization audits. Staff is recommending increasing the annual amounts budgeted for the Hotel audits and TOT Recipient Organization audits portion of TOT administration as follows:

	Fiscal Year 2008-09 Final Adopted Budget	Fiscal Year 2009-10 Proposed Budget
Hotel Audits	\$11,400	\$15,000
TOT Recipient Organization Audits	\$11,400	\$15,000

As indicated in the table above, the costs of audits are projected to increase in Fiscal Year 2009-10 due to an increase in hourly rates for performing audit services. In Fiscal Year 2009-2010, the hourly rate charged by the Department of Finance (Finance) is being increased by \$30 to \$125 per hour to recover actual costs for performing the audits. Finance estimates that 60 hours will be required to complete each Hotel audit and TOT Recipient Organization audit. Based upon Finance hourly rates for next year, the estimated cost for each review will be approximately

\$7,500. The actual cost will depend on the complexity of the individual audit and hours required to perform the audit function. Finance's goal is to perform two Hotel and two TOT Recipient Organization reviews each fiscal year.

Hotel Audits

There are a total of 41 hotels in the unincorporated area of Sacramento County. In Fiscal Year 2008-09, two hotels will be reviewed. In Fiscal Year 2007-08 one hotel review was completed. The second review was initiated and then stopped when Finance determined that the hotel's records were not auditable. A sample of two hotels represents approximately five percent of the County's hotels. The Tax Collector selects which hotels to review and is recommending a minimum of two hotels be reviewed in 2009-10.

Over the past few years, there have been some additional TOT funds generated by these reviews. For the two reviews performed in 2006-2007, a total of approximately \$4,300 was noted in amounts due to the County. Since 2006-2007, none of the reviews noted any additional TOT due to the County. One review is currently underway. The results will be reported after the review is complete.

Recipient Organization Audits

TOT funds are allocated to recipient organizations through contracts. In calendar year 2008, Neighborhood, Civic and Cultural Arts Awards TOT allocations were disbursed through over 200 contracts generated and administered by the Department of Economic Development and Intergovernmental Affairs (Economic Development). Finance has not performed any audits of TOT recipients for a number of years due to staff availability. The TOT fund is only charged when reviews are performed. When Finance staff is available to perform the reviews, Economic Development selects the recipients to be audited. Staff recommends a minimum of two grants to recipients be reviewed annually. Finance or Economic Development with assistance from Finance, will perform the reviews. A sample of two grants represents one percent of the 200 total estimated grants awarded annually.

It is important to note that even though an audit may not recover any additional monies owed to the County; by performing the audits the County is able to monitor the hotel operations and revenues due to the County. Allocations to TOT recipients are for various activities of public benefit. Contract audits are recommended to ensure that funds are used in compliance with contractual requirements.

Historical Records Retention and Storage – Fee Options to Support County Archives

Expenditures in the proposed TOT budget include funding to support Sacramento Archives & Museum Collection Center (SAMCC) operations. Economic Development is recommending allocating \$190,000 in the proposed Fiscal Year 2009-10 Budget to fund SAMCC operations. The proposed allocation is a five percent reduction from the Board's \$200,000 allocation to the SAMCC in Fiscal Year 2008-09. SAMCC collections include local public records. For example, the SAMCC website lists the following government collections that date from 1849

and describes them as “the most complete set of local public records of any archives in the state”:

- City Council Minutes (1849-1969)
- City Clerk records (1850-1879)
- County Board of Supervisors Minutes (1850-1987)
- County Recorder records (1870-1939)
- Superior Court Cases (1880-1945 approximately)
- Probate records (1850-1942 approximately)
- City Assessment records (1850-1954)
- County Assessment records (1850-1939)

The County Clerk-Recorder retains an archival copy of the County Clerk-Recorder records from the dates listed above to current date. In accordance with California law, the County Clerk-Recorder maintains the original of all recorded subdivision maps. The storage and retention of other recorded documents is through electronic, photographic and other means. Original documents presented for recording currently are returned to the document originator.

The County Assessor retains Assessor records. Retention requirements for these records are no longer than 10 years.

The SAMCC periodically requests documents from the County Clerk-Recorder and the County Assessor. Examples include: microfilmed Assessment Records for the period of 1949-1970 from the County Assessor’s office; and 32 crates of Mortgage Books from the County Clerk-Recorder. In both cases, the County Clerk-Recorder and the County Assessor were not required to retain the documents. In addition to the County-Clerk Recorder and County Assessor documents, the SAMCC also requests documents from the County Department of Transportation (County DOT). County DOT documents include reports, journals, maps and photos.

The Board asked staff to report back on the possibility of charging nominal fees for purposes of funding SAMCC operations. Staff determined that proposed state legislation, AB 827, by Mariko Yamada, would allow county boards of supervisors to adopt and impose a fee to fund the costs of archiving historical county records. Specifically, it would allow a county to impose a fee on the recording of documents. The maximum permitted fee would be three dollars for the first page recorded and one dollar for any subsequent pages recorded. The fee could not exceed the estimated cost of archiving of historical county records including, but not limited to, records pertaining to real property, local agency meetings and actions, roads and other public works, and other records of general public or historical interest. Sacramento County is in support of this legislation. County staff has not prepared an analysis of potential funding that would be available for archives if this legislation is successful and the Board adopted such a fee.

An alternative that could be explored, if the above legislation is not adopted, is to charge a fee at the time copies of public records are requested. The purpose of the fee would be to support the County’s cost of maintaining the record for public access in those cases where such a fee does

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not currently exist. Many of the documents that are maintained by SAMCC for public viewing and copying, such as meeting minutes and video tapes of the Board of Supervisors, are not charged a fee at the time of creation. If the Board requests that staff explore such a fee, staff will report back to the Board in the future with additional information.

Respectfully submitted,

APPROVED:

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TERRY SCHUTTEN
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Cc: County Budget Officer