



COUNTY OF SAN DIEGO

BOARD OF SUPERVISORS

1600 PACIFIC HIGHWAY, ROOM 335, SAN DIEGO, CALIFORNIA 92101-2470

AGENDA ITEM

DATE: October 23, 2001

TO: Board of Supervisors

SUBJECT: RESTRUCTURING THE OFFICE OF THE TREASURER-TAX COLLECTOR TO ENSURE ACCOUNTABILITY AND PROTECT PUBLIC INVESTMENTS (District: All)

SUMMARY:

Overview

The San Diego County Treasurer-Tax Collector is a position of significant responsibility. The Treasurer-Tax Collector is the only County official with the ability to single-handedly bankrupt the County – as was proven by Orange County in 1994. The scope of the Treasurer-Tax Collector's authority also provides the ability to significantly affect non-County agencies. The Treasurer-Tax Collector can adversely affect the financial condition of school districts and special districts which are required to participate in the County's investment pool, as well as local government entities which participate voluntarily.

In addition to managing more than 120 employees, the Treasurer-Tax Collector is responsible for investing as much as \$3.2 billion during any given fiscal year and for collecting approximately \$1.9 billion annually on behalf of 299 taxing agencies within the San Diego County region. Unfortunately, the qualifications, oversight, and accountability applied to the Treasurer-Tax Collector are not equal to the position's authority and importance. Even though more than \$3 billion rides on the Treasurer-Tax Collector's investment decisions, there are incredibly few qualifications for the job and virtually no accountability. Events in recent years have highlighted these deficiencies.

Qualifications and competence should determine who fills the position of Treasurer-Tax Collector. Making sure billions of taxpayer dollars are collected and invested with efficiency and integrity requires an expert – not an election. The recommended actions propose to ask the voters to approve restructuring the office of San Diego County Treasurer-Tax Collector to change the way the Treasurer-Tax Collector is chosen and to develop a comprehensive set of qualifications for the job. The goal is to ensure accountability and protect public funds. At the same time, it is recommended that the Board of Supervisors slightly expand the role of the Treasury Oversight Committee in order to enhance its function as an independent watchdog monitoring management and

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investment of County funds.

Recommendation(s)

VICE CHAIRMAN ROBERTS AND SUPERVISOR COX:

1. Direct the County Counsel to do the following and return to the Board within 30 days:
 - a. Prepare language necessary to place a County Charter amendment on the March 5, 2002 ballot changing the position of San Diego County Treasurer-Tax Collector from an elective officer to an officer appointed by the Chief Administrative Officer. Include in that language eligibility criteria and qualification requirements for the position of Treasurer-Tax Collector developed by the Chief Administrative Officer and the Director of Human Resources.
 - b. Prepare a Board Policy stating that before the Board of Supervisors formally appoints members of the Board of Retirement, the Treasury Oversight Committee shall review candidates for appointment and advise the Board of Supervisors as to whether the candidates are qualified or not. This Board Policy would only become effective if the Charter Amendment referred to in Recommendation 1a is approved by the voters.
2. Direct the Chief Administrative Officer and the Director of Human Resources to develop eligibility criteria and qualification requirements for the position of San Diego County Treasurer-Tax Collector based on the following:
 - ⇒ a survey of “corporate treasurer” and equivalent positions in major U.S. corporations with levels of responsibility comparable in scope and magnitude to those of the San Diego County Treasurer-Tax Collector; and
 - ⇒ eligibility criteria for the office of County Treasurer-Tax Collector set forth in California State Law, including, but not limited to, Government Code Section 27000.7.

Fiscal Impact

There is no fiscal impact associated with this request.

BACKGROUND:

The San Diego County Treasurer-Tax Collector is a position of significant responsibility. The Treasurer-Tax Collector is the only County official with the ability to single-handedly bankrupt the County – as was proven by Orange County in 1994. Furthermore, the scope of the Treasurer-Tax Collector’s authority also provides the ability to significantly affect non-County agencies. The Treasurer-Tax Collector can adversely affect the financial condition of school districts and special districts which are required to participate in the County’s investment pool, as well as local government entities which participate voluntarily.

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In addition to managing more than 120 employees, the Treasurer-Tax Collector is responsible for investing as much as \$3.2 billion during any given fiscal year and for collecting approximately \$1.9 billion annually on behalf of 299 taxing agencies within the San Diego County region.

Unfortunately, the qualifications, oversight, and accountability applied to the Treasurer-Tax Collector are not equal to the position's authority and importance. In 1995, the *San Diego Union-Tribune* accurately pointed out two major flaws in the current structure. First, the present system leaves the Treasurer-Tax Collector virtually unaccountable despite the huge responsibilities of the job. The Treasurer-Tax Collector "works in virtual obscurity even though more than \$3 billion in public money is riding on his investment decisions." (*San Diego Union-Tribune*, "Time to reform the treasurer-tax collector's office," March 13, 1995) Understandably, the public pays little attention to the complex and arcane financial activities associated with the office, even though huge sums of taxpayer dollars are at stake.

A second but no less significant problem with the current system is that there are incredibly few qualifications necessary for the position of Treasurer-Tax Collector. It is difficult to disagree with the *Union-Tribune's* opinion that "the job clearly demands a top-notch professional with expertise in large-scale investment finance." (*San Diego Union-Tribune*, "Time to reform the treasurer-tax collector's office," March 13, 1995)

Events during the last decade have highlighted these deficiencies. In 1994, Orange County, which also has an elected treasurer-tax collector, actually went bankrupt due to irresponsible investment strategies. Around the same time, San Diego County's taxpayer investment pool lost hundreds of millions of dollars in market value due to our Treasurer-Tax Collector's questionable investment of public dollars in high-risk derivative securities.

In addition to issues pertaining to investment of public resources, recent events have demonstrated other risks associated with the Treasurer-Tax Collector's lack of accountability. Despite a sexual harassment scandal that cost County taxpayers a \$100,000 settlement, interfered with departmental responsibilities, and damaged employee morale, the Treasurer-Tax Collector could not be subject to formal discipline or removal from office by County officers.

Recommended Actions:

The recommended actions propose to ask the voters to approve restructuring the office of San Diego County Treasurer-Tax Collector to change the way the Treasurer-Tax Collector is chosen and to develop a comprehensive set of qualifications for the job. The goal is to ensure accountability and protect public funds.

Specifically, County Counsel would be directed to draft and return to the Board within 30 days with language necessary to place an amendment to the San Diego County Charter on the March 5, 2002 ballot changing the position of San Diego County Treasurer-Tax Collector from an elective officer to an officer appointed by the Chief Administrative Officer. Included in that language would be eligibility criteria and qualifications for the position of Treasurer-Tax Collector. These criteria will be developed by the Chief Administrative Officer and the Director of Human Resources based in part on a survey of "corporate treasurer" and equivalent positions

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in major U.S. corporations with levels of responsibility comparable in scope and magnitude to those of the San Diego County Treasurer-Tax Collector.

In addition, the recommended actions will strengthen the watchdog role of the Treasury Oversight Committee by asking the Committee to review Board of Supervisors appointees to the Board of Retirement and advise the Board of Supervisors as to whether the candidates are qualified or not qualified.

Arguments in Favor of an Appointed Treasurer-Tax Collector:

Our system of representative government depends on checks and balances to ensure the public good is served. The authority and responsibility we delegate to our elected officials is normally balanced by the vigilant scrutiny of the voters they represent. The way the system typically works is that the more prominent and important the elected office, the more closely it is watched.

For there to be accountability, there must be visibility. And the level of that visibility must be commensurate with the level of responsibility.

Unfortunately, under the current system, the office of County Treasurer-Tax Collector is very important and very obscure. This gives the Treasurer-Tax Collector the power, autonomy, and independence of an elected official with virtually no constraints or consequences if that power is abused. Billions of taxpayer dollars should not be invested by an elected official whose actions are too often out of sight, out of mind, and out of control.

The criteria for choosing who will collect taxes and manage County funds should be straightforward qualifications and competence. The job requires an expert -- not an election -- and should be a position for which one has to qualify -- not run.

Ensuring Checks and Balances:

By placing the proposed Charter amendment on the ballot, this Board will be empowering the voters to set detailed and meaningful eligibility criteria and qualifications for the position of Treasurer-Tax Collector. Appointment of the Treasurer-Tax Collector by the CAO, guided by these specific eligibility criteria and requirements, helps ensure that this appointment will not be political. Ultimate accountability to the voters will still be preserved, since the elected members of the Board of Supervisors are held responsible for how the County is managed.

As an additional check, it is proposed to involve the Treasury Oversight Committee in Board of Supervisors appointments to the County Board of Retirement.

County Treasury Oversight Committees were created by State statute in the wake of the Orange County bankruptcy. (Government Code Sections 27130-27137) Many local agencies, including school districts, special districts, and local government agencies, participate in County investment pools in order to reduce duplication, achieve economies of scale, and carry out coherent and consolidated investment strategies. The purpose of the Treasury Oversight Committees is to involve agencies participating in the County Investment Pool and other

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independent experts in the review of policies that guide management and investment of pooled funds.

Membership in the County's Treasury Oversight Committee includes: the Treasurer-Tax Collector; the Assistant Chief Administrative Officer; the Assistant Superintendent of the San Diego County Office of Education; the Chief Administrative Officer of San Diego Unified School District; the President of the San Diego Chapter of the California Special Districts Association; and three public members with private sector expertise. In addition, non-voting representatives include: the County's Chief Financial Officer, SANDAG's Director of Finance and Administration; the Finance Director for the City of Vista; and the Finance Manager for the City of Poway.

The Treasurer-Tax Collector currently sits on the nine-member County Board of Retirement. State statute dictates Board of Retirement membership. (Government Code Section 31520.1) Four members are elected by either active or retirement members of the Retirement Association. The remaining four are appointed by the Board of Supervisors. If the Treasurer-Tax Collector is changed from an elected position to one appointed by the Chief Administrative Officer of the County, this change could theoretically affect the balance of the Board of Retirement.

It is reasonable and appropriate to maintain balance on the Board of Retirement by providing additional oversight of Board of Supervisors appointments. The logical body to provide this oversight is the existing State-mandated watchdog agency – the Treasury Oversight Committee. As such, the recommended actions direct County Counsel to draft a Board Policy stating that before the Board of Supervisors formally appoints members of the Board of Retirement, the Treasury Oversight Committee shall review candidates for appointment and advise the Board of Supervisors as to whether the candidates are qualified or not. This Board Policy would be approved by the Board of Supervisors upon successful passage of an initiative on the March 5, 2002 ballot changing the Treasurer-Tax Collector from an elected to an appointed position.

Conclusion:

Changing the position of San Diego County Treasurer-Tax Collector from an elected to an appointed position and ensuring that whoever fills the job is qualified and competent is an idea whose time has come. It is incumbent upon this Board to put this matter before the voters and emphasize its importance in order to ensure that those responsible for investing public funds are accountable and competent.

We urge your support.

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Respectfully submitted,

RON ROBERTS
Vice Chairman

GREG COX
Supervisor, First District

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AGENDA ITEM INFORMATION SHEET

CONCURRENCE(S)

COUNTY COUNSEL REVIEW	<input type="checkbox"/> Yes	
Written Disclosure per County Charter Section 1000.1 Required	<input type="checkbox"/> Yes	<input type="checkbox"/> No
GROUP/AGENCY FINANCE DIRECTOR	<input type="checkbox"/> Yes	<input type="checkbox"/> N/A
CHIEF FINANCIAL OFFICER	<input type="checkbox"/> Yes	<input type="checkbox"/> N/A
Requires Four Votes	<input type="checkbox"/> Yes	<input type="checkbox"/> No
GROUP/AGENCY INFORMATION TECHNOLOGY DIRECTOR	<input type="checkbox"/> Yes	<input type="checkbox"/> N/A
COUNTY TECHNOLOGY OFFICE	<input type="checkbox"/> Yes	<input type="checkbox"/> N/A
DEPARTMENT OF HUMAN RESOURCES	<input type="checkbox"/> Yes	<input type="checkbox"/> N/A

Other Concurrence(s):

ORIGINATING DEPARTMENT: Greg Cox, Ron Roberts

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AUTHORIZED REPRESENTATIVE: _____

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AGENDA ITEM INFORMATION SHEET
(continued)

PREVIOUS RELEVANT BOARD ACTIONS:

BOARD POLICIES APPLICABLE:

BOARD POLICY STATEMENTS:

CONTRACT NUMBER(S):

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FISCAL IMPACT STATEMENT

DEPARTMENT:
PROGRAM:
PROPOSAL:

			FUTURE YEARS ESTIMATED BUDGET OF PROPOSAL IF ADOPTED	
(a)	(b)	(c)	(d)	(e)
Budgeted Amount For Proposal	Proposed Change in Budgeted Amount	Proposed Revised Current Year Budget (a+b)	1st Subsequent Year	2nd Subsequent Year
Direct Cost				
Revenue/Other Offset				
NET GENERAL FUND COST				
Staff Years				

Sources of Revenue/Other Offset for Proposed Change and Subsequent Years:

Space-Related Impacts: Will this proposal result in any additional space requirements? Yes N/A

Support/Other Departmental Impacts: Yes N/A

Remarks: Yes N/A