

# 1011000000—Treasurer-Tax Collector

## General Government

Phonxay Keokham, *Treasurer-Tax Collector*

General Fund	2019-2020 Actual	2020-2021 Adjusted	2021-2022 Requested	2021-2022 Recommended	Increase/ (Decrease)
<b>Expenditures</b>					
Salaries & Benefits	\$3,940,923	\$4,365,580	\$4,526,165	\$4,526,165	\$160,585
Services & Supplies	641,171	1,035,720	977,912	977,912	(57,808)
Centrally-Budgeted Expenses	1,517,175	2,005,888	2,677,053	2,677,053	671,165
Operating Transfers Out	230,000	230,000	230,000	230,000	0
<b>Total Expenditures</b>	<b>\$6,329,269</b>	<b>\$7,637,188</b>	<b>\$8,411,130</b>	<b>\$8,411,130</b>	<b>\$773,942</b>
Expenditure Reimbursements	(920,928)	(801,792)	(851,792)	(851,792)	(50,000)
<b>Total Appropriations</b>	<b>\$5,408,341</b>	<b>\$6,835,396</b>	<b>\$7,559,338</b>	<b>\$7,559,338</b>	<b>\$723,942</b>
<b>Earned Revenues By Source</b>					
Licenses/Permits/Franchises	\$197,225	\$210,000	\$190,000	\$190,000	(\$20,000)
Fines/Forfeitures/Penalties	304,875	230,000	270,000	270,000	40,000
Interest/Rents	408,215	450,000	400,000	400,000	(50,000)
Aid From Other Governments	24,013	20,000	20,000	20,000	0
Charges For Services	2,298,585	2,282,700	2,135,200	2,135,200	(147,500)
Miscellaneous Revenues	57,747	123,500	118,500	118,500	(5,000)
Operating Transfers In	0	50,000	50,000	50,000	0
<b>Total Revenues</b>	<b>\$3,290,660</b>	<b>\$3,366,200</b>	<b>\$3,183,700</b>	<b>\$3,183,700</b>	<b>(\$182,500)</b>
<b>Net County Cost</b>	<b>\$2,117,681</b>	<b>\$3,469,196</b>	<b>\$4,375,638</b>	<b>\$4,375,638</b>	<b>\$906,442</b>
<b>Staffing</b>					
Allocated Positions	42.0	42.0	41.0	41.0	(1.0)
Temporary (Full-Time Equivalent)	0.7	0.7	0.7	0.7	0.0
<b>Total Staffing</b>	<b>42.7</b>	<b>42.7</b>	<b>41.7</b>	<b>41.7</b>	<b>(1.0)</b>

### Purpose

This narrative includes the Treasurer-Tax Collector (TTC) (#1011000000) and the Revenue and Recovery Division (RRD) (#1011600000) budgets.

Functions of the TTC are mandated while service levels are discretionary. Duties of the TTC include the collection and processing of property tax payments and the investing and safekeeping of funds for the County and other public entities. The TTC's operation is a critical component of the property tax system. The investments generate interest earnings to the County and the agencies depositing funds with the Treasury. These earnings, along with the collection of property taxes, provide a major source of General Purpose Revenue and

support vital local government services for the residents and taxpayers of San Joaquin County.

The RRD collects debts owed to the County and takes appropriate legal action to secure such debts. Its services are not mandated.

### Board Strategic Priorities 2019-2020 through 2021-2022

The 2021-2022 recommended budget for the TTC focuses on supporting the Board's June 2019 directive that states all departments establish homelessness as an operational priority and the implementation of the Board Strategic Priorities as adopted by the Board on April 9, 2019. In summary, the Board Strategic Priorities are to ensure fiscal responsibility,

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promote good governance, improve public safety, promote economic development, and to proactively deal with water issues.

### Ensure Fiscal Responsibility

The TTC monitors its expenses and revenues monthly to ensure fiscal responsibility. In addition, the TTC continuously explores ways to eliminate waste, reduce costs, and increase services through automation and the implementation of new technologies.

Although no longer mandated, the County Treasury Oversight Committee reviews and monitors the Investment Policy annually. The Committee requires an annual audit to determine the County Treasury's compliance with the law and the Investment Policy.

### Promote Good Governance and Increase Organizational Capabilities

The TTC is committed to fostering a culture of continuous improvement among employees and throughout all functions. It will continue to analyze evolving technologies that will broaden public access to its services while reducing costs.

### Improve Public Safety and Enhance Overall Criminal Justice System

The RRD continues to assist in the enhancement of the overall criminal justice system by collecting fines and fees owed to the Probation Department, restitution owed to victims, and other debts owed to County departments.

On September 18, 2020, Assembly Bill (AB) 1869 eliminated many administrative fees in the criminal justice system effective July 1, 2021. These fees charged to defendants, probationers, or arrestees are thought to pose a barrier to reentry into society and contribute to recidivism. The RRD will work with the Probation Department to discharge associated debts and issue satisfactions of judgment.

## Major Budget Changes

### Salaries & Employee Benefits

- \$234,846 Salary and benefits adjustments.
- (\$74,261) Delete a vacant Office Assistant position.

### Services & Supplies

- \$15,000 Increase in legal notice publication costs.
- (\$35,000) Decrease in professional services for collection of Probation accounts.

- (\$20,000) Decrease in postage.
- (\$12,308) Decrease in communications costs.
- (\$10,000) Decrease in software maintenance costs.

### Centrally-Budgeted Expenses

- \$186,889 Increase in data processing charges.
- \$35,607 Increase in casualty insurance.
- (\$11,182) Decrease in rents and leases.
- \$456,377 Cost Allocation Plan adjustment.

### Expenditure Reimbursements

- \$50,000 Increase in charges to San Joaquin General Hospital.

### Revenues

- \$121,000 Increase in property tax administration fees.
- (\$220,000) Decrease in collection of fees for Probation accounts due to AB 1869.
- (\$50,000) Decrease in interest on delinquent accounts receivables.
- (\$49,500) Decrease in Treasury investment service fees.
- (\$20,000) Decrease in revenue from business licenses.
- (\$15,000) Decrease in revenue from outlawed warrants transferred to General Fund.

## Program Discussion

The 2021-2022 recommended budget for the TTC totals \$8,411,130, which is an increase of \$773,942 from the 2020-2021 adjusted budget. This increase primarily reflects salary and benefits adjustments, an increase in data processing charges, and a Cost Allocation Plan adjustment, partially offset by the deletion of an Office Assistant position, and decreases in professional services.

### Treasury Division

State law requires that all funds of the County, school districts, and certain special districts be held by the TTC. The

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funds on deposit are predominantly derived from local government revenues consisting of property taxes, State and Federal funding, and other fees and charges.

The TTC activated its business continuity plan and made necessary modifications to minimize the effects of the 2019 Novel Coronavirus (COVID-19) pandemic on business operations. During the COVID-19 pandemic, there have been no material impacts to the delivery of treasury services or the collection of taxes. The delivery of critical business processes continued without interruption while adjustments were made to protect the public and team members.

Economic uncertainties continue to persist and will negatively impact interest earnings. The Federal funds rate has decreased from 2.00% (June 2019) to 0.25% (June 2020) and the prime rate was reduced from 5.50% (June 2019) to 3.25% (June 2020). It is anticipated that this low-level interest rate environment will continue through the next two fiscal years and the Federal Open Market Committee has indicated that rate increases may not be seen until 2023. The result is a significant reduction in interest income apportioned to pool participants. This economic forecast is reflected in the projected investment earnings for 2020-2021 and 2021-2022.

In 2020, the TTC implemented a liquidity management and risk mitigation investment strategy to meet short-term cash needs in anticipation of declining revenues. The strategy provided sufficient access to liquidity and averted any potential breaches of financial obligations and impacts to pool participants. Also, the TTC adjusted to the low-level interest rate environment by diversifying and expanding on allowable investment opportunities. As the economy and interest rates recover, the TTC will monitor and adjust the strategy accordingly.

During 2020-2021, the average daily balance of the investment pool was approximately \$3.6 billion, up from \$3.4 billion in 2019-2020. Investment earnings of approximately \$21.0 million will be apportioned to all participating entities in 2020-2021. This represents a decrease of \$39.0 million from the \$60.0 million that was apportioned in 2019-2020.

### Tax Division

The Tax Division is responsible for the billing and collection of secured, unsecured, supplemental, and Transient Occupancy Tax (TOT). In 2019-2020, over 280,000 secured, unsecured, and supplemental property tax bills, representing over \$1.2 billion, were mailed and processed; and, over \$1.1 billion was collected and processed for the County, schools, Special Districts, and cities. The Tax Division will continue to promote electronic payments on the TTC's website, tax bills, and in the office. The TTC will continue to improve its online services to reduce costs and deliver vital information in an efficient manner.

In 2020, the TTC evaluated new software to automate its business license process. After discussion with other County departments, it was determined that a Countywide solution would be more advantageous to businesses and taxpayers. The TTC will collaborate with various County departments to procure a Countywide permitting and business licensing solution.

In May 2020, the TTC conducted its first online property tax sale followed by a reoffer of unsold properties. The purpose of the tax sale is to collect unpaid taxes and return the property to a revenue-generating status by conveying the property to another owner. The tax sale generated \$1.5 million in property tax revenue and encourages payment of defaulted and current property taxes. The online tax sale reduced costs and increased sales by 23% over an in-person tax sale.

In October 2020, the TTC launched the eBilling service for current secured property taxes. It is anticipated that eBilling will reduce printing, postage, and payment processing expenses. The TTC continues to collect e-mail addresses through its website for notifications of specific reminders and eBilling.

In 2021-2022, the Tax Division intends to pursue:

- **Cash Payment Kiosk** - Due to vendor integration issues, this project continues to be in development. The COVID-19 pandemic has greatly increased interest from other counties considering installing kiosks, payment processors, and hardware vendors to develop a kiosk to accept cash payments without in-person interaction. The TTC will continue to advance this automated payment concept.
- **Lockbox** - The TTC's two remittance scanner machines will reach their end of life in 2022 and will no longer be serviceable. In an effort to reduce costs and increase efficiency, the TTC will utilize a lockbox service through a third-party vendor, R.T. Lawrence (RTL). RTL is fully integrated with the Megabyte system and will receive, open, and process payments on behalf of the TTC. The lockbox services are expected to improve cash flow, reduce costs, and allow team members to perform other essential duties during the collection process.
- **Taxpayer Outreach** - The TTC will continue to expand on methods for informing constituents and property owners by engaging various media outlets and community newspapers throughout the County to educate the public about the Department's services and online tax payment options.
- **Claim for Refund/Correction of Taxes** - Each year, the County receives hundreds of claims for refund and/or correction of taxes. These claims are manually reviewed and processed by the TTC, Assessor-

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Recorder-County Clerk, and the Auditor-Controller's Office. Due to penalty relief available to taxpayers impacted by the COVID-19 pandemic, claims have increased by approximately 750 claims or 240% from the prior year. Through February 2021, the TTC has waived nearly \$300,000 in penalties under qualifying conditions. The TTC is working with various departments to digitize and automate the processing of claims. Once implemented, the process will expedite the payment of refunds and reduce costs associated with the paper process.

- **Voluntary Collection Agreement (VCA)** – In 2018, the Board of Supervisors (A-18-427) authorized the TTC to execute a VCA with Airbnb to collect TOT for rental of homes in unincorporated areas. In 2021-2022, the Tax Division will pursue a VCA with HomeAway/VRBO.

### Revenue & Recovery Division

The RRD is the designated collection agency for the County and is responsible for the management and collection of court fines and outstanding fees due to County departments. Approximately 95% of the RRD's referrals are from San Joaquin General Hospital (SJGH) and the Probation Department.

On March 19, 2020, the Governor issued a Stay-At-Home order affecting collectors and debtors. On the same day, the San Joaquin County Superior Court postponed civil proceedings including trials. As a result, pending legal actions filed by the RRD were continued until January 2021.

On February 22, 2021, the California Franchise Tax Board (FTB) announced the suspension of the collection activities of the Interagency Intercept Collection Program to provide relief to California taxpayers through July 31, 2021. This program allowed RRD to forward delinquent accounts to the FTB to be offset by State tax refunds, lottery winnings, and unclaimed funds. It is anticipated that the suspension of the program will delay approximately \$800,000 in collection revenue to 2021-2022.

#### *San Joaquin General Hospital*

In 2019-2020, referrals slowed as SJGH worked to upgrade the Cerner enterprise information system. In 2019-2020, the RRD received approximately \$640,000 from SJGH for its collection services on delinquent medical bills. Collections for 2019-2020 totaled \$2.9 million compared to \$5.0 million in 2018-2019. Additionally, SJGH referrals have increased to similar levels as previous years due to the completion of programming to accept referrals from the new Cerner enterprise information system. During 2020-2021, the RRD completed a programming enhancement to begin transferring

bad debt from the health clinic system. It is anticipated that collections will increase as a result of the increased referrals and the Court's reopening.

#### *Probation Department*

The RRD is responsible for collecting probation fines, supervision fees, probation pre-sentence report fees, processing fees, and restitution accounts. In 2019-2020, the RRD received approximately \$360,000 from the Probation Department for collection services provided. Collections for the same period totaled approximately \$1.0 million, which is similar to the amount collected in 2018-2019.

In September 2020, AB 1869 was signed into law. AB 1869 eliminates many administrative fees in the criminal justice system effective July 1, 2021. These administrative fees related to legal representation, probation, and incarceration are charged to defendants, probationers, or arrestees. Probation fines and restitution are not affected. The RRD will work with the Probation Department to analyze the impact of AB 1869. The Division will likely be required to discharge associated debts and issue satisfactions of judgment. Probation account referrals and collections are expected to significantly decrease in 2021-2022 as a result of AB 1869.

To offset the anticipated reduction in revenue, the 2021-2022 recommended budget includes the deletion of a vacant Office Assistant. RRD will continue to analyze the impacts of AB 1869 and may return to the Board of Supervisors for a midyear budget adjustment, if necessary.

### Equipment Maintenance Fund

As of March 31, 2021, the TTC Equipment Maintenance General Fund Special Account (#10330) had a balance of \$2,280,898. The funds are derived from delinquent fee charges and are set aside for future replacement costs of equipment and systems. TTC is developing a payment kiosk system for contactless payments that will be available at outlying County locations. Planned property tax software upgrades include business licensing, electronic document recording, and property tax sales database modules.

### Unclaimed Tax Refund Fund

As of March 31, 2021, the Unclaimed Tax Refund Trust Fund (#81110) had a balance of \$74,146. The fund acts as a clearing account for unclaimed and outlawed property tax refund warrants.

### TTC Tax Collection Cash Overage Fund

As of March 31, 2021, the TTC Tax Collection Cash Overage Trust Fund (#81235) had a balance of \$21,532. The fund is used to offset property tax payment differences.

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	Actual			Est./Act. 2020-2021	Projected 2021-2022
	2017-2018	2018-2019	2019-2020		
<b>Treasury Division</b>					
<i>Investment Pool-Daily Avg</i>	\$3.0 billion	\$3.2 billion	\$3.4 billion	\$3.6 billion	\$3.4 billion
<i>Investment Earnings</i>	\$44,623,329	\$64,211,259	\$60,030,710	\$21,000,000	\$21,000,000
<b>Property Tax Division</b>					
<i>Total Tax Charge</i>	\$1,054,545,61	\$1,123,223,676	\$1,218,010,242	\$1,255,000,000	\$1,280,000,000
<i>Total Charge Paid</i>	\$994,949,985	\$1,048,814,513	\$1,135,353,477	\$1,170,000,000	\$1,194,000,000
<i>Property Tax Bills Produced</i>	253,540	285,511	280,222	274,000	279,000
<i>Delinquent Notices</i>	*26,620	21,852	21,376	26,000	27,000
<i>Property Tax Defaulted</i>	17,313	15,896	16,318	17,000	18,000
<i>Properties Approved-Auction</i>	122	-	153	127	120
<i>Properties Redeemed/Removed</i>	70	-	87	51	58
<i>Properties Sold</i>	34	-	53	64	53
<i>Tax Proceeds from Auction</i>	\$680,676	\$0	\$2,142,857	\$1,550,000	\$2,000,000
<i>Business Licenses Issued</i>	2,050	2,051	1,888	1,900	1,950
<b>Revenue &amp; Recovery Division</b>					
<i>Referrals Processed</i>	22,478	16,698	23,663	27,000	26,000
<i>Statements Mailed</i>	120,895	99,046	120,800	107,000	105,000
<i>Dollars Collected</i>	\$6,701,824	\$6,093,262	\$5,734,341	\$4,600,000	\$4,400,000
* Amount corrected.					