



General Fund	2020-2021 Actual	2021-2022 Adjusted	2022-2023 Requested	2022-2023 Recommended	Increase/ (Decrease)
<b>Expenditures</b>					
<i>Salaries &amp; Benefits</i>	\$4,155,749	\$4,526,165	\$4,654,709	\$4,473,134	(\$53,031)
<i>Services &amp; Supplies</i>	756,500	977,912	1,185,711	1,185,711	207,799
<i>Centrally-Budgeted Expenses</i>	2,059,731	2,677,053	2,884,862	2,884,862	207,809
<i>Operating Transfers Out</i>	230,000	230,000	230,000	230,000	0
<i>Total Expenditures</i>	\$7,201,980	\$8,411,130	\$8,955,282	\$8,773,707	\$362,577
<i>Expenditure Reimbursements</i>	(719,514)	(851,792)	(751,792)	(751,792)	100,000
<i>Total Appropriations</i>	\$6,482,466	\$7,559,338	\$8,203,490	\$8,021,915	\$462,577
<b>Earned Revenues By Source</b>					
<i>Licenses/Permits/Franchises</i>	\$206,860	\$190,000	\$200,000	\$200,000	\$10,000
<i>Fines/Forfeitures/Penalties</i>	384,750	270,000	300,000	300,000	30,000
<i>Interest/Rents</i>	346,049	400,000	400,000	400,000	0
<i>Aid From Other Governments</i>	14,905	20,000	20,000	20,000	0
<i>Charges For Services</i>	2,433,822	2,135,200	2,363,700	2,363,700	228,500
<i>Miscellaneous Revenues</i>	54,810	118,500	78,500	78,500	(40,000)
<i>Operating Transfers In</i>	0	50,000	50,000	50,000	0
<i>Total Revenues</i>	\$3,441,196	\$3,183,700	\$3,412,200	\$3,412,200	\$228,500
<b>Net County Cost</b>	\$3,041,270	\$4,375,638	\$4,791,290	\$4,609,715	\$234,077
<b>Staffing</b>					
<i>Allocated Positions</i>	42.0	41.0	41.0	40.0	(1.0)
<i>Temporary (Full-Time Equivalent)</i>	0.7	0.7	0.7	0.7	0.0
<i>Total Staffing</i>	42.7	41.7	41.7	40.7	(1.0)

**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 investing and safekeeping of funds for the County and other public entities and the collection and processing of property tax payments. 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  
2022-2023 through 2024-2025**

On February 22, 2022, the Board of Supervisors held a public meeting to discuss their Strategic Priorities for fiscal years 2022-2023 through 2024-2025. The County Administrator and County Department Heads participated in the development, sharing their most significant achievements and

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emerging trends affecting their areas. As a result of the meeting, six draft Priorities emerged:

- Organizational Capacity/Technology Utilization
- Fiscal Optimization
- Public Safety/Criminal Justice/Quality of Life
- Homelessness
- Water Management
- Economic Development

The County Administrator’s Office then met with Department Heads to determine broad goals for each Priority that are SMART (Specific, Measurable, Attainable, Realistic, and Timely). Once the Priorities are finalized and adopted by the Board of Supervisors, an update will be included in the 2022-2023 Final Budget document.

In an effort to embed the Strategic Priorities into the organization, the County Administrator’s Office will work with departments to develop department-specific SMART goals that align with the new Strategic Priorities. It is anticipated that process will require several months to complete, thus the SMART goals and first-year accomplishments will be included in the 2023-2024 recommended budget.

### Major Budget Changes

#### Salaries & Employee Benefits

- \$26,268 Salary and benefits adjustment.
- (\$79,299) Delete a vacant Senior Collections Clerk.

#### Services & Supplies

- \$125,000 Increase in Laserfiche license and Megabyte programming costs.
- \$50,000 Increase in professional services for Laserfiche and Megabyte programs.
- \$25,000 Increase in professional services for counsel services.

#### Centrally-Budgeted Expenses

- \$121,966 Increase in data processing charges.
- \$19,890 Increase in Workers’ Compensation insurance costs.
- \$53,251 Cost Allocation Plan adjustment.

#### Expenditure Reimbursements

- (\$100,000) Decrease in charges to San Joaquin General Hospital.

#### Revenues

- \$228,794 Increase in property tax administration fees.
- \$50,000 Increase in collection of fees for the Probation Department.
- (\$50,000) Decrease in Treasury investment service fees.

### Program Discussion

The 2022-2023 recommended budget for the Treasurer-Tax Collector (TTC) totals \$8,773,707, which is an increase of \$362,577 from the 2021-2022 adjusted budget.

#### Treasury Division

State law requires that all funds of the County, school districts, and certain special districts be held by the TTC. The Treasury Division performs the County’s treasury functions including the investment of all funds within the County investment pool and associated banking services for the aforementioned entities. The funds on deposit are predominantly derived from local government revenues consisting of property taxes, State and Federal funding, and other fees and charges.

#### Investment Pool

During 2021-2022, the average daily balance of the investment pool was approximately \$4.4 billion, an increase of \$400.0 million from 2020-2021. Investment earnings of approximately \$15.0 million were apportioned to all participating entities in 2021-2022. Due to the current low interest rate environment, this represents a decrease of \$6.1 million from the \$21.1 million that was apportioned in 2020-2021.

#### Investment Strategy

In 2021-2022, the TTC continued to implement a liquidity management and risk mitigation investment strategy to meet short-term cash needs in anticipation of declining revenues and increasing expenditures. The strategy provided sufficient access to liquid funds and averted any potential breaches of financial obligations and impacts to pool participants. The TTC adapted to the low-interest rate environment by adjusting its investment maturity requirements. As the economy and interest rates recover, the TTC will monitor and

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adjust its strategy accordingly. The TTC continues to prioritize safety and liquidity with respect to the investment portfolio.

### *Cybersecurity Awareness*

In 2021-2022, the TTC promoted cybersecurity awareness and preventative measures. TTC staff has continued to thwart attempts to defraud the County which prevents the loss of taxpayer funds. In addition, the Department has held cybersecurity training for stakeholders within the County and for members of the California Association of County Treasurers and Tax Collectors.

### **Tax Division**

The Tax Division is responsible for the billing and collection of secured, unsecured, and supplemental property tax, and Transient Occupancy Tax (TOT). In 2020-2021, approximately 290,000 secured, unsecured, and supplemental property tax bills, representing approximately \$1.3 billion, were mailed and processed; and approximately \$1.2 billion was collected and processed for the County, schools, Special Districts, and cities.

### *Automation of Business License Process*

In 2020-2021, the TTC began evaluating 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, taxpayers, and the County. The TTC has collaborated with various County departments in evaluating Countywide permitting and business licensing proposals, and in 2021-2022, a vendor was selected and approved. The Countywide solution is expected to streamline the process to obtain and renew business licenses while providing the public with the ability to verify the validity of a business's license. The TTC is also seeking modules for the collection of TOT.

### *Property Tax Outreach Efforts*

In 2021-2022, the TTC distributed a property tax information brochure to all property owners to educate taxpayers about the property tax billing process and how to avoid common issues when paying property taxes. The TTC will continue to expand on methods of informing constituents and property owners by engaging various media outlets and community newspapers Countywide to educate the public about the Department's services including: online tax notification, billing, and payment options.

### *Electronic Payments*

The Tax Division will continue to promote the use of electronic payments by highlighting the benefits on the TTC's website, tax bills, and in the Office. The Tax Division will

also continue to enhance its online services to reduce costs and deliver vital information in an efficient manner.

### *Refund Filing System*

In 2021-2022, an online claim for refund filing system was implemented and replaced a physical document review process used by the TTC, Assessor-Recorder-County Clerk, and the Auditor-Controller's Office. This system improved coordination and the processing of claims between the departments while reducing cost associated with the paper claim forms.

### *Franchise Tax Board*

In 2021-2022, agreement (A-21-380) was established with the National Association of Counties Financial Service Center (CSAC FSC) and California Local Government Debt Offset (CalTRECS) for services to compile and collect these taxes through the Franchise Tax Board (FTB) debt offset program. Although the Tax Division performs this function, this service is expected to streamline the collection of delinquent unsecured property taxes by intercepting State income tax refunds, lottery winnings, unclaimed funds, and to reduce staff time associated with performing these functions.

In 2022-2023, the Tax Division intends to pursue:

- **Cash Payment Kiosk** – The 2019 Novel Coronavirus (COVID-19) pandemic has increased interest from other counties considering the installation of kiosks to accept cash payments without in-person interaction. In 2021-2022, the TTC identified several vendors to provide this solution, however, the proposals were not feasible. The TTC will continue to pursue a low-cost solution.
- **Lockbox** – The TTC's two remittance scanner machines will no longer be serviceable as they reach their end of life in 2022. In an effort to reduce costs and staff time, the TTC selected a third-party vendor, R.T. Lawrence (RTL), to process mailed tax payments and image checks. RTL is fully integrated with the Megabyte property tax system and will receive, open, and process payments on behalf of the TTC. The lockbox service is expected to improve cash flow, reduce costs, and allow TTC staff to perform other essential duties during the collection process. A trial is planned for 2022-2023.
- **Voluntary Collection Agreement (VCA)** – In 2018, the Board of Supervisors authorized the TTC to execute a VCA with Airbnb to collect TOT for rental of homes in unincorporated areas (A-18-427). The agreement has since resulted in an increase of over \$260,000 collected in TOT. In 2021, the TTC was pursuing a VCA with HomeAway/VRBO. During the

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process, Senate Bill (SB) 555 was introduced and would have established a State-administered TOT collection program. However, SB 555 did not pass. The TTC will continue to pursue a VCA with HomeAway/VRBO.

- **Document Content Management System Modernization** – The TTC is working to replace an obsolete letter generation and storage system with the County’s Laserfiche enterprise content management system. Upon completion, the Tax Division expects increased efficiency, enhanced management of records retention, and improved customer service while contributing to a paperless environment.

### Revenue & Recovery Division

The Revenue and Recovery Division (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.

The COVID-19 pandemic continues to impact collectors and debtors. Additionally, the San Joaquin County Superior Court is postponing or limiting civil proceedings. This includes the filing of legal actions, writs, and the scheduling of and participation in trials. On February 22, 2021, the 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. As a result, RRD collections decreased from \$5.7 million in 2019-2020 to \$4.7 million in 2020-2021. With the resumption of Court functions and State collection programs, referrals for collections are expected to increase through 2022-2023.

The RRD debt collection system, Revenue Plus Collector System (RPCS), will reach end of life in July 2023. RPCS is used by many government entities for collection of court-ordered debt. In 2022-2023, the RRD will collaborate with the Information Systems Division to evaluate and select a replacement system.

#### *San Joaquin General Hospital*

In 2020-2021, the RRD received \$605,209 in revenue from SJGH for its collection services on delinquent medical bills. In 2020-2021, assignments from SJGH decreased to \$53.3 million from \$90.0 million in the prior years. Assignments are estimated to be \$41.3 million for 2021-2022 and decrease to

\$39.2 million for 2022-2023. In 2020-2021, collections totaled \$2.3 million compared to \$2.9 million in 2019-2020. Collections are estimated to be \$2.4 million for 2021-2022 and decrease to \$2.2 million for 2022-2023.

The Federal No Surprises Act, established as part of the Consolidated Appropriations Act of 2021, places requirements on health insurers and health care providers beginning January 1, 2022, and is designed to protect consumers from surprise billing situations. “Surprise billing” refers to large, unexpected bills charged to individuals by out-of-network providers at in-network facilities. The RRD will work with SJGH to analyze the impact the legislation will have on bad-debt referrals.

### *Probation Department*

The RRD is responsible for collecting probation fines, supervision fees, probation pre-sentence report fees, processing fees, and restitution accounts. In 2020-2021, the RRD received approximately \$370,000 in revenue from the Probation Department for collection services provided. Total collections in 2020-2021 were approximately \$675,000, which is a \$368,000 decrease from the amount collected in 2019-2020.

In September 2020, Assembly Bill (AB) 1869 was signed into law. AB 1869 eliminates many administrative fees in the criminal justice system effective July 1, 2021. Additionally, in November 2021, AB 177 was signed into law and further eliminated fees and outstanding debt. 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 continues to work with the Probation Department to identify and cancel fees pursuant to AB 1869 and AB 177. The Division will discharge associated debts, return affected payments, and issue satisfactions of judgment. Probation account referrals and collections have significantly decreased as a result of both laws. Assignments decreased to \$3.0 million in 2020-2021 and are projected to decrease another \$2.5 million to \$500,000 in 2021-2022 and 2022-2023.

RRD collection revenue is based on collection activity performed by the division. The decline in assignments of Probation fees will result in a corresponding decline in Probation collection revenue. To offset the anticipated reduction in revenue, the 2022-2023 recommended budget includes the deletion of a vacant Senior Collections Clerk. RRD will continue to analyze the impacts of AB 1869 and AB 177 and may return to the Board of Supervisors for a midyear budget adjustment, if necessary.

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### Fund Balance

#### Equipment Maintenance Fund

As of March 31, 2022, the TTC Equipment Maintenance General Fund Special Account (#10330) had a balance of \$2,519,054. The funds are derived from delinquent fee charges and are set aside for future replacement costs of equipment and systems.

#### Unclaimed Tax Refund Fund

As of March 31, 2022, 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, 2022, the TTC Tax Collection Cash Overage Trust Fund (#81235) had a balance of \$23,176. The fund is used to offset property tax payment differences.

### Supplemental Request

The Treasurer-Tax Collector is requesting supplemental funding of \$181,575 to add a Chief Deputy Treasurer position to manage the Tax Division. If approved, the existing Management Analyst III position would be deleted. The estimated net cost of the request is \$8,600. The position will allow the Department to complete needed modernization projects, improve collections, and enhance succession planning and staff retention.

The County Administrator’s Office and Human Resources Division (HR) reviewed and evaluated the request for appropriate classification and number of positions. The TTC and HR are currently in the final stages of a re-classification of an existing filled Management Analyst III to a Deputy Treasurer Tax Collector. The re-classification is supported by HR and on the agenda for the next Civil Service Commission Meeting. The new position is anticipated for approval by the end of the fiscal year.

The 2022-2023 recommended budget does not include funding for an additional Chief Deputy Treasurer position.

### Workload Data

	Actual			Est./Act. 2021-2022	Projected 2022-2023
	2018-2019	2019-2020	2020-2021		
<b>Treasury Division</b>					
<i>Investment Pool-Daily Avg.</i>	\$3.2 billion	\$3.4 billion	\$4.0 billion	\$4.4 billion	\$4.8 billion
<i>Investment Earnings</i>	\$64,211,259	\$60,030,710	\$21,068,465	\$15,000,000	\$17,500,000
<b>Property Tax Division</b>					
<i>Total Tax Charge</i>	\$1,123,223,676	\$1,218,010,242	\$1,267,478,731	\$1,360,000,000	\$1,390,000,000
<i>Total Tax Collected</i>	\$1,048,814,513	\$1,135,353,477	\$1,191,022,052	\$1,270,000,000	\$1,300,000,000
<i>Property Tax Bills Produced</i>	285,511	280,222	289,244	300,000	310,000
<i>Delinquent Notices</i>	21,852	21,376	24,477	29,000	30,000
<i>Property Tax Defaulted</i>	15,896	16,318	17,179	16,500	17,000
<b>Properties</b>					
<i>Approved-Auction</i>		153	127	75	111
<i>Redeemed/Removed</i>		87	93	50	56
<i>Sold</i>		53	32	15	42
<i>Tax Proceeds from Auction</i>	\$0	\$2,142,857	\$3,199,015	\$3,200,000	\$3,100,000
<i>Business Licenses Issued</i>	2,051	1,888	2,027	2,100	2,150
<b>Revenue &amp; Recovery Division</b>					
<i>Referrals Processed</i>	16,698	23,663	12,349	19,000	20,000
<i>Statements Mailed</i>	99,046	120,800	103,003	90,000	95,000
<i>Dollars Collected</i>	\$6,093,262	\$5,734,341	\$4,671,229	\$5,000,000	\$4,500,000