

1011000000—Treasurer-Tax Collector

General Government

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www.sjgov.org/department/ttc

General Fund	2021-2022 Actual	2022-2023 Adjusted	2023-2024 Requested	2023-2024 Recommended	Increase/ (Decrease)
Expenditures					
<i>Salaries & Benefits</i>	\$4,176,031	\$4,473,134	\$4,933,227	\$4,933,227	\$460,093
<i>Services & Supplies</i>	711,031	1,185,711	1,259,100	1,259,100	73,389
<i>Centrally-Budgeted Expenses</i>	2,857,887	2,884,862	2,212,141	2,212,141	(672,721)
<i>Operating Transfers Out</i>	230,000	230,000	260,000	260,000	30,000
<i>Total Expenditures</i>	\$7,974,949	\$8,773,707	\$8,664,468	\$8,664,468	(\$109,239)
<i>Expenditure Reimbursements</i>	(799,022)	(751,792)	(701,792)	(701,792)	50,000
<i>Total Appropriations</i>	\$7,175,927	\$8,021,915	\$7,962,676	\$7,962,676	(\$59,239)
Earned Revenues By Source					
<i>Licenses/Permits/Franchises</i>	\$201,035	\$200,000	\$195,000	\$195,000	(\$5,000)
<i>Fines/Forfeitures/Penalties</i>	194,885	300,000	280,000	280,000	(20,000)
<i>Interest/Rents</i>	455,257	400,000	400,000	400,000	0
<i>Aid From Other Governments</i>	8,671	20,000	5,000	5,000	(15,000)
<i>Charges For Services</i>	2,576,979	2,363,700	2,651,089	2,651,089	287,389
<i>Miscellaneous Revenues</i>	54,127	78,500	80,500	80,500	2,000
<i>Operating Transfers In</i>	0	50,000	0	0	(50,000)
<i>Total Revenues</i>	\$3,490,954	\$3,412,200	\$3,611,589	\$3,611,589	\$199,389
Net County Cost	\$3,684,973	\$4,609,715	\$4,351,087	\$4,351,087	(\$258,628)
Staffing					
<i>Allocated Positions</i>	41.0	40.0	40.0	40.0	0.0
<i>Temporary (Full-Time Equivalent)</i>	0.7	0.7	0.7	0.7	0.0
<i>Total Staffing</i>	41.7	40.7	40.7	40.7	0.0

Purpose

This narrative includes the following budgets:

- 1011000000 Treasurer-Tax Collector (TTC)
- 1011600000 Revenue and Recovery Division (RRD)

Functions of the TTC are mandated, while service levels are discretionary. Duties of the TTC include the safekeeping and investing of funds for the County and other public entities and the collection and processing of property tax payments. The investments generate interest earnings for 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.

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Board Strategic Priorities 2022-2023 through 2024-2025

The TTC’s 2023-2024 recommended budget focuses on the implementation of the Board Strategic Priorities as adopted on May 24, 2022 (B-22-243). The following SMART (Specific, Measurable, Attainable, Realistic, and Timely) goals have been developed in support of the Strategic Priorities:

Organizational Capacity/Technology Utilization			
Augment Digitization and Automation	Current	Target	Deadline
➤ Modernize mail communication with taxpayers	Legacy FileMaker Pro database	Laserfiche database with Megabyte Property Tax System connectivity	June 2025
➤ Increase social media outreach to promote online payments and reduce delinquencies	2 Accounts	3 Accounts 4 Accounts 5 Accounts	June 2023 June 2024 June 2025
Fiscal Optimization	Current	Target	Deadline
➤ Increase online property tax payments to reduce costs and improve services	21%	22% 23% 24%	June 2023 June 2024 June 2025
➤ Reduce parcels with disqualifying conditions for tax sale	70 Parcels	60 Parcels 45 Parcels 30 Parcels	June 2023 June 2024 June 2025

Major Budget Changes

- \$14,433 Increase in Casualty insurance costs.
- (\$34,183) Decrease in Workers’ Compensation insurance costs.
- (\$782,377) Cost Allocation Plan adjustment.

Salaries & Employee Benefits

- \$377,432 Salary and benefits adjustments.
- \$169,060 Add a Department Information Systems Analyst III.
- (\$86,399) Delete a vacant Senior Collections Clerk.

Operating Transfers Out

- \$30,000 Increase in operating transfers out to the Equipment Maintenance Fund (#10330).

Services & Supplies

- \$25,000 Increase in professional services for counsel.
- \$25,000 Increase in office supply costs.

Expenditure Reimbursements

- (\$50,000) Decrease in charges to San Joaquin General Hospital.

Centrally-Budgeted Expenses

- \$120,312 Increase in data processing charges.

Revenues

- \$181,662 Increase in property tax administration fees.

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- \$112,927 Increase in Treasury investment service fees.
- \$25,000 Increase in unsecured property tax collection fees.
- (\$35,000) Decrease in collection of fees for the Probation Department.
- (\$20,000) Decrease in penalties on delinquent taxes.

Operating Transfers In

- (\$50,000) Decrease in operating transfers due to tax payment kiosk purchased in the previous year.

Program Discussion

The 2023-2024 recommended budget for the Treasurer-Tax Collector (TTC) totals \$8,664,468, a decrease of \$109,239 from the 2022-2023 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 investing all funds within the County investment pool and managing banking services for the entities above. The funds on deposit are predominantly derived from local government revenues consisting of property taxes, State and Federal funding, and other fees.

Investment Strategy

In 2022-2023, the TTC managed liquidity and risk effectively to meet short-term cash needs. With the Federal Open Market Committee increasing rates seven times in 2022 and additional rate increases expected for 2023, the TTC has incorporated longer-term securities into the portfolio, resulting in improved earnings for pool participants. The TTC will monitor market conditions and adjust its strategy accordingly. The TTC continues to prioritize safety and liquidity concerning the investment portfolio.

Investment Pool

During 2022-2023, the average daily balance of the investment pool was approximately \$5.2 billion, an increase of \$800 million from 2021-2022. Investment earnings of approximately \$125 million are expected to be apportioned to all participating entities in 2022-2023. This represents an estimated increase of \$106.3 million from the \$18.7 million

apportioned in 2021-2022. The increase is mainly due to the rising interest rate environment.

In July 2023, the Health Plan of San Joaquin (HPSJ) is expected to discontinue using County financial services such as accounting and treasury. As a result, funds belonging to HPSJ will be transferred to its treasurer for financial management. Although the investment pool is expected to decrease, the transfer will not have a material impact on the investment pool.

Cybersecurity Awareness

In 2022-2023, TTC staff continued to thwart attempts to defraud the County, preventing taxpayer funds' loss. In February 2023, the Department held cybersecurity training for its financial partners, including County departments, special districts, and school districts. This training promoted cybersecurity awareness and best practices to prevent cyberattacks.

Tax Division

The Tax Division is responsible for billing and collecting property tax, Transient Occupancy Tax (TOT), and business license fees. In 2021-2022, approximately 300,000 secured, unsecured, and supplemental property tax bills, representing approximately \$1.4 billion in charges, were mailed and processed; and approximately \$1.3 billion was collected and processed for the County, schools, special districts, and cities. Approximately \$1.0 million in TOT and \$175,000 in business license fees were collected.

Tax Division Chief

In 2018-2019, the TTC requested a Chief Deputy to oversee the Tax Division. A Management Analyst III was added in 2019-2020. In 2022-2023, a reclassification study was completed to reclassify the Management Analyst III to a Chief Deputy Treasurer-Tax Collector. The position has allowed the Department to complete modernization projects, improve collections, enhance succession planning, and assist the Department with its strategic goals.

Property Tax Outreach Efforts

In 2022-2023, the TTC distributed a property tax information brochure to all property owners to educate taxpayers about the billing process and how to avoid common issues when paying property taxes. The TTC also began posting public announcements on the Nextdoor neighborhood social media platform and increasing targeted mailing campaigns. These efforts resulted in increased public interactions and awareness. In 2023-2024, the TTC will continue to expand on methods of informing constituents and property owners by engaging additional media outlets and community newspapers Countywide. These efforts will inform the public

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about the Department's services, such as online tax notification, billing, and payment options. Outreach will continue to expand with additional social media channels.

Property Tax Assistance

In June 2022, California Housing Finance Agency (CalHFA) launched a new property tax assistance program to help homeowners who fell behind on their property taxes due to financial hardship they experienced during the COVID-19 pandemic. The TTC promoted the program to San Joaquin County homeowners, and as of March 2023, nearly 400 qualified homeowners received assistance with nearly \$8.5 million in CalHFA grants. As this program expands, the TTC will continue to help distressed San Joaquin County homeowners benefit from available relief.

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, social media content, email communications, and in the Office. The Tax Division will also continue to enhance its online services to reduce costs and efficiently deliver vital information.

Sealed Bid Tax Auction

The TTC held a sealed bid tax auction for tax-defaulted properties that are not eligible for sale at a public tax sale due to lack of access or disqualifying conditions. These tax sales aim to return tax-defaulted properties to a tax-generating status.

In 2023-2024, the Tax Division intends to pursue the following:

- **Cash Payment Kiosk** – After years of research and discussion, the TTC has received approval from its property tax system vendor to develop a kiosk to accept cash payments. The TTC identified a low-cost solution and projects to have a cash payment kiosk available to the public in 2023-2024.
- **Lockbox** – The TTC selected a lockbox vendor in 2022. A lockbox service receives and processes payments on behalf of TTC and would allow TTC staff to perform other essential duties. The lockbox vendor is refining its service, and a trial is scheduled for 2023.
- **Business License Automation** – 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. In 2021-2022, Accela was selected and approved. The Countywide solution is expected to streamline the process to obtain and renew business licenses while allowing the public to verify the validity of a business's license. This project is expected to be completed in 2023-2024.

- **TOT Enhancement Project** – In 2018, the TTC initiated a TOT Enhancement Project. This resulted in a Voluntary Collections Agreement (VCA) with Airbnb generating approximately \$140,000 in TOT annually. In 2022-2023, an agreement with Deckard Technologies was approved to identify compliance with short-term rentals. In addition, the TTC is working with Accela for online registration, payment, and licensing. These enhancements are expected to increase and streamline collections.
- **Document Content Management System Modernization** – The TTC is actively working to replace an obsolete letter generation and storage system with the County's Laserfiche enterprise content management system. Once implemented, document images would be accessible directly from the property tax system, improving customer service and reducing the cost associated with paper documents. The project is scheduled to be completed in 2023-2024.

Revenue & Recovery Division

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

In 2021-2022, assignments decreased to \$44.2 million from \$54.1 million in the prior year due to issues with preparing and transferring debts to the RRD. Additionally, legislation changes canceled Probation fees.

Collections increased to \$5.5 million in 2021-2022 compared to \$4.7 million in 2020-2021 due to the return of RRD staffing and the resumption of State income tax refund intercepts.

Collection System Replacement

The RRD debt collection system is nearly obsolete and may no longer be supported. In 2022-2023, the RRD collaborated with the Information Systems Division (ISD) to evaluate and select a replacement system. A new debt collection system is anticipated to be implemented in 2023-2024.

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Outside Collection Agency

The RRD is pursuing a replacement collection service agreement with an outside agency in 2022-2023. Debt requiring significant collection resources is referred to as an outside collection agency. Much like RRD employees, external collection agency employees must follow the Fair Debt Collection Practices Act's provisions, be courteous, and respect the debtor's rights.

San Joaquin General Hospital

In 2021-2022, the RRD received over \$600,000 in revenue from SJGH for its collection services on delinquent medical bills. In 2021-2022, assignments from SJGH decreased to \$36.9 million from \$53.3 million in the prior year. In 2021-2022, collections totaled \$2.1 million compared to \$2.2 million in 2020-2021. Collections are estimated to be \$2.3 million for 2022-2023 and increase to \$2.4 million for 2023-2024.

Probation Department

The RRD collects probation fines, supervision fees, probation pre-sentence report fees, processing fees, and restitution accounts. In 2021-2022, the RRD received approximately \$240,000 in revenue from the Probation Department for collection services. Total collections in 2021-2022 were approximately \$670,000, slightly decreasing from the \$675,000 collected in 2020-2021.

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 were not affected. In 2022-2023, the RRD worked with the Probation Department to identify and cancel fees pursuant to AB 1869 and AB 177. The Division discharged associated debts, returned affected payments, and issued satisfaction of judgment. Total fees canceled amounted to \$1.6 million. Probation account referrals and collections have significantly decreased due to both laws. Assignments decreased to \$1.9 million in 2021-2022 from \$4.6 million in 2020-2021.

RRD collection revenue is based on collection activity performed. The decline in assignments of Probation fees will result in a corresponding decrease 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. The 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.

Fund Balance

Equipment Maintenance Fund

As of March 31, 2023, the TTC Equipment Maintenance General Fund Special Account (#10330) had a balance of \$2,776,426. The funds are derived from delinquent fee charges transferred from the TTC budget and are set aside for future replacement costs of equipment and systems.

Unclaimed Tax Refund Fund

As of March 31, 2023, the Unclaimed Tax Refund Trust Fund (#81110) had a balance of \$78,595. The fund is a clearing account for unclaimed and outlawed property tax refund warrants.

TTC Tax Collection Cash Overage Fund

As of March 31, 2023, the TTC Tax Collection Cash Overage Trust Fund (#81235) had a balance of \$24,702. The fund is used to offset property tax payment differences.

Supplemental Request

The TTC is requesting supplemental funding totaling \$169,060 for the following:

Department Information Systems Analyst III (DISA III)

Funding of \$169,060 is requested to add a DISA III. The additional DISA III will enhance public service by providing departmental information technology administration and project management.

The recommended budget has been augmented to address this request.

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	Actual			Est./Act. 2022-2023	Projected 2023-2024
	2019-2020	2020-2021	2021-2022		
Treasury Division					
<i>Investment Pool-Daily Avg.</i>	\$3.4 billion	\$4.0 billion	\$4.7 billion	\$5.2 billion	\$4.5 billion
<i>Investment Earnings</i>	\$60,030,710	\$21,068,465	\$18,677,740	\$125,000,000	\$150,000,000
Property Tax Division					
<i>Total Tax Charge</i>	\$1.2 billion	\$1.3 billion	\$1.4 billion	\$1.5 billion	\$1.5 billion
<i>Total Tax Collected</i>	\$1.1 billion	\$1.2 billion	\$1.3 billion	\$1.4 billion	\$1.4 billion
<i>Property Tax Bills Produced</i>	280,222	289,244	278,712	295,000	300,000
<i>Delinquent Notices</i>	21,376	24,477	27,819	32,000	33,000
<i>Property Tax Defaulted</i>	16,318	17,179	16,281	16,500	16,700
<i>Properties</i>					
<i>Approved-Auction</i>	153	127	75	10	110
<i>Redeemed/Removed</i>	87	93	54	2	50
<i>Sold</i>	53	32	15	1	40
<i>Tax Proceeds from the Auction</i>	\$2,142,857	\$3,199,015	\$985,000	\$50,000	\$2,000,000
<i>Business Licenses Issued</i>	1,888	2,027	1,963	2,050	2,100
Revenue & Recovery Division					
<i>Referrals Processed</i>	23,663	12,349	15,463	16,000	16,500
<i>Statements Mailed</i>	120,800	103,003	91,924	73,000	75,000
<i>Dollars Collected</i>	\$5,734,341	\$4,671,229	\$5,485,039	\$4,800,000	\$4,900,000