



COUNTY OF LAKE

Department of the Treasurer - Tax Collector

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RECEIVED
AUG 01 2011

July 29, 2011

By: TS

Honorable Judge Richard Martin
Lake County Superior Court
255 North Forbes Street, 4th floor
Lakeport, CA 95453

Re: 2010/11 Grand Jury Response - Treasurer-Tax Collector

Dear Judge Martin:

Please extend my appreciation to the Grand Jury for another thoughtful and thorough review of the Treasurer-Tax Collector operations. Their recognition of the department's effectiveness in collecting and managing the County's money is especially meaningful given the staffing challenges we have faced. I would also like to commend my staff for their hard work and dedication. They have done an outstanding job under difficult circumstances.

The Treasurer-Tax Collector is profoundly aware of the morale issue cited in Finding 1. The department has dedicated significant time and energy toward developing and implementing practices to manage long-term intermittent leaves of absence in an effort to minimize the impact on staff and productivity to the greatest extent possible.

Multiple temporary employees have been hired to assist the department, but the use of temporary employees to fill ongoing lapses in permanent staffing has not been an effective long term solution. Recruiting and training temporary staff on a recurring basis also takes considerable time which diverts the supervisor and management from other essential duties.

There is an abundance of work in all three divisions and the department continues to demonstrate a high level of productivity throughout. It would be to our advantage if all positions could be utilized to their full capacity, but employees are very effective at their jobs and many processes have been improved resulting in greater efficiency.

My responses to the findings and recommendations of the Grand jury are as follows:

1. Flexible Schedules (R1, F1)

- The department considered flexible schedules and staff was specifically involved in evaluating the feasibility. It was determined that the operational needs of the department were not conducive to flexible schedules because one of our most essential and time consuming functions is responding to telephone and counter inquiries during business hours.
- It remains the firm view of the Treasurer-Tax Collector that productivity would actually be diminished under flexible work schedules because phone and counter coverage would be impaired; after hours supervision would be required; and management would need to devote more time to monitoring attendance, coverage and productivity.
- The Treasurer-Tax Collector is also not convinced that flexible schedules would improve morale because it would not change the underlying issue affecting morale. Flex scheduling would reduce office coverage during business hours which puts added stress on employees which has a negative affect on morale.
- Department policy does allow for "*Alternative Hours*" on a limited basis if the "*requested change is minor, limited in duration, does not result in reduced hours or overtime and does not diminish office coverage or productivity*". This policy is intended to allow a measure of flexibility so staff can attend appointments, activities, school events, etc...

2. Staff meetings and Training (R2, F1)

- The department has conducted more than 80 scheduled staff meetings since my first term started in January 2007. That is an average of 1.5 staff meeting per month. These meetings are specifically structured to address all of the recommended issues and to allow staff an opportunity to respond and contribute. Staff and management frequently engage in informal meetings and discussions as the need arises. Employees are encouraged to share their views and suggestions during annual performance evaluations and often do so. There have also been two staff retreats and a third is scheduled for September. I am not always able address every issue presented to me immediately or in a manner that everyone agrees upon, but I do make a sincere effort listen to staff and to respond to their questions, suggestions and concerns as quickly and effectively as possible.
- There are many occasions when I am not at liberty to discuss issues with staff due to confidentiality. I understand their desire to know more, but I have a duty to maintain that confidentiality, particularly as it may relate to another employee's health or performance.
- There are definitely areas we have identified where more training would be beneficial and where training will ultimately be provided, but I would note that significant hours have been invested in training and cross training. In fact, the department has hired or promoted seventeen permanent and temporary employees over the last five years, each of them receiving extensive training. Six of those employees were in our

highest job classifications and have been trained to perform our most difficult and complex duties.

- Several staff members have been cross trained in order to improve coverage in all divisions during absences and peak periods, for example; Treasury Technician trained to process tax payments; Tax Clerk reassigned to Treasury; Tax Accountant trained in Treasury; Tax Clerk trained as Collection Assistant and later promoted to that position. Both managers are well versed in Tax and Treasury functions and the department head is trained to cover many court collection duties. Job classifications do restrict the assignment of duties which can limit cross training opportunities.
- Each time a new process or software application is implemented training is provided. Collection software, check imaging, correspondence, electronic payments, and system cashing are among the more recent processes and applications that have necessitated training.
- Training takes time and is an investment in the department and the employee. Balancing time and resources is an ongoing challenge, and management is less likely to invest time and resources training an employee if they are seeking other employment or if they have not demonstrated an aptitude or desire to develop new skills.

3. Third Party Collectors (R3, F2)

- The Tax Collector supports the Grand Jury recommendation to enlist a third party collector for delinquent unsecured accounts. The department contracted with a third party collection agent for court ordered debt in February of 2009 with the intention of adding unsecured taxes in the future. As with any major project, thorough planning and advance preparations are necessary prior to implementation to ensure success and minimize problems.
- The department has been developing a plan to extract delinquent tax accounts from the property tax system and move them to the third party collection agent. These plans have included legal research, and conceptual and technical discussions with Megabyte and our third party collection agent. In the course of those discussions, some technical challenges have been identified that may require program modifications or enhancements to the tax system prior to implementation.
- The department has also been making preparations to the tax roll by reducing the delinquency rate, improving our notification and lien processes, identifying and resolving problem accounts, researching and redirecting return mail and discharging low value and uncollectible accounts. These efforts have had the positive effect of increasing delinquent unsecured tax revenue by over \$100,000 in fiscal 2010/11. Staff deserves credit for this significant accomplishment and for a job well done.
- The timeline for this project has not yet been set because available resources are currently devoted to the implementation of a state mandated court ordered debt amnesty program that starts January 1, 2012 and continues through June 30, 2012. Once the amnesty program is complete, we will begin refining our plans to enlist a third party agent to collect delinquent unsecured tax.

4. Property Tax System (R4, F4)

- The Treasurer-Tax Collector conducted a survey of all California counties in the fall of 2010 to obtain a better understanding of what, if any, alternative systems were available. 54 counties responded to the survey. The vast majority were either using the Megabyte system or using legacy systems that were not to their satisfaction. A few counties were in the process of developing new systems that are not yet operational.
- Those counties developing new systems include; Santa Cruz, Riverside, and Santa Barbara, all of whom are under contract with Manatron; and Orange County, who is developing an in-house system. These systems will ultimately integrate the Assessor, Auditor and Tax Collector functions as does Megabyte.
- Manatron will receive \$2.5 million from Santa Cruz County plus maintenance costs of \$203,988 per year for the first seven years. Riverside will pay \$16 million plus \$1,300,000 annually in maintenance for the first five years. Lake County acquired Megabyte for \$130,000 and maintenance costs are currently \$163,594 or \$2.26 per parcel. Megabyte has been operating for 22 years and is used by 21 counties.
- Orange County has a \$20 million budget to develop a new in-house system, but only the Assessor's module is operational at this time. I have been monitoring their progress for several years, as it may have potential in the future.
- GTerra recently developed an Assessor only system with an annual maintenance cost of over \$100,000.
- As an alternative comparison, the cost to acquire the Auditor's financial accounting system, HTE, was \$250,000 and the maintenance costs are \$36,000 per year for a single department. The lower cost for this system is largely because financial accounting is standardized in the United States, and software providers have a significantly larger customer base from which to draw and profit.
- Costs associated with the development or acquisition and maintenance of a property tax system are significantly influenced by the complex and specialized nature of the product and the limited customer base. While concerns over the annual cost for the Megabyte tax system are understandable, an established alternative that would result in a true reduction in cost is not apparent at this time.

5. New Courthouse (R5, F5)

- There are no plans to relocate the Collection Division to the new Courthouse, nor has that been a topic of any discussion. The Treasurer-Tax Collector did consult with the Court Administrative Officer on July 11, 2011 and was assured that adequate office space to accommodate our limited needs was part of the master plan, and that a work station and a public window would be available.

My goal has always been to provide continuous improvement to the reliability and efficiency of the Treasurer-Tax Collector operations. Everyday I work at making that a reality. I believe we are making progress and I am confident that my plans for the department are sound. As a public official and as a citizen, I will continue to do everything within my control to see that the best interests of this county and the public are served.

Sincerely,

A handwritten signature in black ink, appearing to read "S M Shaul". The signature is written in a cursive, flowing style.

Sandra M. Shaul
Treasurer-Tax Collector

cc: Lake County Board of Supervisors
Kelly Cox, Chief Administrative Officer

12. As of the date of the committee's oversight, there had been no involvement by the Treasurer - Tax Collector's office in the design of the new court house in Lakeport regarding the Treasurer - Tax Collector's space requirements.
13. The committee performed an unannounced observation of one of the change fund counts and found the fund in balance. A computer spreadsheet was utilized by the department to facilitate the cash count of the change fund.

Findings:

- F 1. The Treasurer - Tax Collector struggles with the problem of intermittent and extended leaves. The need for staff members to fill in for absent staff impacts overall productivity. Testimony of staff members indicated a different perspective; a feeling office morale was also impacted. The perception of inadequate cross training also affects morale.
- F 2. Property tax collection and secured debt collection are regulated and take priority, leaving minimal time for unsecured debt collection.
- F 3. Regarding the accounting software, there is only anecdotal evidence of what the other 37 counties in California use for the Treasurer - Tax Collector activities. No formal or documented study of the options available to Lake County has ever been done.
- F 4. A study of options for accounting software could also compare the costs of converting the process and document the costs relative to the current \$160,000+ maintenance charges. This study would hopefully put to bed the recurring concern over these high maintenance charges.
- F 5. The lack of interaction on the new court house design could easily result in a less than efficient or effective court fines/fees collection activity.

Recommendations:

- R 1. Management consider implementing flex hours to improve productivity and morale. (F1)
- R 2. Management conduct bi-monthly staff meetings to listen to and update staff regarding issues concerning hours and training and other issues affecting productivity and morale. (F1)
- R 3. The Treasurer - Tax Collector utilize third party collectors to collect the unsecured delinquent accounts. (F2)
- R 4. The County form a task force to study the different processes and tools used by the other 37 counties in California to accomplish the current accounting system functions in order to possibly reduce the \$160k+ maintenance cost. (F3, F4)

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- R 5. The Treasurer - Tax Collector take an active role in the layout and design of the new court house to assure the department is allocated adequate space. (F5)

Request for Responses:

Pursuant to Penal Code 933.05 the Grand Jury requests responses as follows:

- Treasurer - Tax Collector (60 days)
- Board of Supervisors (90 days)