COUNTY OF SACRAMENTO
CALIFORNIA

For the Agenda of:
June 9, 2009
9:30 a.m.

To: Board of Supervisors

From: Dave Irish, Director of Finance

Subject: Report Back – Impact of Property Tax Collection Budget Reductions

Supervisorial
District: All

Contact: Dave Irish, Director of Finance, 874-5791
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Overview
On May 19, 2009, as part of the 2009-10 Budget Workshops, the Board of Supervisors requested a report back on two questions related to proposed reductions in property tax collection activities:

1. Report back on whether or not it would be cost effective to stop sending delinquency notices after the first installment of real property taxes.
2. Report back on feasibility of remailing returned tax bills that have forwarding addresses.

DISCUSSION

As requested for the budget process, the Tax Collection and Licensing Division prepared a list of "enhanced core/noncore" activities that were not mandated as part of the Tax Collection function. While a number of these activities have an impact primarily on internal workflow, several have substantive impacts on customer service. Staff was reduced by four positions in 2008-09 and two additional staff reductions are associated with the enhanced core/noncore workload reductions for 2009-10. The following is a brief report back on two of the proposed reductions.

Elimination or reduction of non-mandated first installment delinquency notices

Based on a subsequent review the consequences of this proposed elimination, we have determined that to cease the mailing of courtesy delinquency notices is not cost effective. Staff has reviewed the ramifications of completely eliminating the first installment delinquency notices and will continue to mail them.

Historically, between 45% and 50% of the first installment delinquencies are paid after the delinquency notices are mailed out in February or March, but before the second installment delinquency notice (three months later in late April/early May). We are conservatively estimating that 85% of these payments will be delayed until after the second installment notices.

As an example, for the 2008-09 tax year, the delayed collections would total approximately $21 million (with a General Fund component of approximately $3.3 million). Complaints, correspondence and penalty cancellation requests would increase significantly in the last two months of the fiscal year taking staff away from other core duties. Additional impacts include an increase in payment processing issues related to attempts to pay the second installment before the first installment is paid. The Revenue and Taxation Code requires installments be paid in the correct order, and without notifying taxpayers of their first installment delinquency we expect to receive many second installment payments that cannot be processed until the first installment is received. In lieu of this elimination, Finance will adopt the following process.

Currently, for main roll delinquencies, a delinquency notice is mailed and followed by an additional separate notice if there are foreclosable bonds on the delinquent tax bill for an estimated annual cost of $24,000. Approximately half of the delinquencies receive both notices. It is a logical streamlining effort to eliminate duplication and reduce the number of notices mailed, which would save $15,000 annually. OCIT has estimated programming costs at $15,000 to make the changes, which is equivalent to the first year savings if duplication of notices is eliminated. This is dependent on the availability of OCIT staff to complete changes early in 2009-10. Finance will absorb this cost by re-prioritizing our IT budget. We estimate annual savings of $15,000 in subsequent tax years and collections will not be delayed.

Re-mailing returned tax bills with forwarding addresses

Annual tax bills are mailed each year by November 1, and installment delinquency dates are December 10 and April 10. Annually, property owners either are mailed an original tax bill or an owner information copy (if tax bill has been requested by their mortgage company). Supplemental tax bills are mailed every month except January. Additional or corrected tax bills (addenda tax bills) are currently mailed weekly.

The Revenue and Taxation Code requires the County to mail the tax bills to the address on file with the Assessor. There is no legal requirement for remailing tax bills returned by the Post Office. In accordance with section 2610.5, *"…Failure to receive a tax bill shall not relieve the lien of taxes, nor shall it prevent the imposition of penalties imposed by this code…"* Approximately, 20,000 tax bills (annual, supplemental, additional/corrected) are returned by the Post Office annually.

In the past, as both a customer service effort and a collection enhancement, tax staff manually input into a database approximately 12,500 parcel numbers of original tax bills returned by the Post Office. Approximately 7,500 returned tax bills are owner's information copies of tax bills without a forwarding address. These are not worked by tax staff because a mortgage company received the original tax bill information.

Original tax bills returned to us with a forwarding address are remailed to the forwarding address provided by the Post Office. If time permits, staff remails owner information copies of tax bills returned by the Post Office with a forwarding address. Approximately 2,100 tax bills are remailed with a Post Office forwarding address. The forwarding addresses received from the Post Office are between six and twelve months from the date the property owner submitted a change of address to the Post Office. The Post Office will forward mail for the first six month period. Between six months and one year, the mail is returned to the sender with the forwarding address information. *Many forwarding orders (nearly half) pertain to former property owners* *who no longer have an interest in the property, while others are for current owners who have moved.*

Approximately 2,300 of the original tax bills returned by the Post Office are supplemental or addenda tax bills. Because the property owner does not know when the supplemental and additional/corrected tax bills will be issued (unlike annual tax bills), staff must research to find new addresses and remail these tax bills.

The remaining 8,100 returned original annual tax bills are retained in the office. If a taxpayer contacts us, we can remail their original tax bill.

Input of about 20,000 returns and remailing of approximately 10% of tax bills with forwarding addresses and 11% with better addresses researched is an enhanced core activity and if eliminated entirely as proposed, will result in net budgetary savings of approximately $13,400.00.

We will make every effort to continue to input returned supplemental and addenda tax bills and remail those tax bills with forwarding addresses or better addresses rather than eliminate the activity completely. This cost would be absorbed through reduction of other tax collection areas.

Respectfully submitted,

APPROVED
TERRY SCHUTTEN
County Executive

Dave Irish, Director
Department of Finance

By:

Mark Norris, Administrator
Internal Services Agency