

Treasurer-Tax Collector COUNTY OF ORANGE 2011 BUSINESS PLAN UPDATE



Shari L. Freidenrich, CPA, CCMT, CPFA, CPFIM
Orange County Treasurer-Tax Collector



Office of the Treasurer-Tax Collector
SHARI L. FREIDENRICH, C.P.A.

HALL OF FINANCE & RECORDS
11 CIVIC CENTER PLAZA, SUITE G76
SANTA ANA, CA 92701

INTERDEPARTMENTAL COMMUNICATION

TO: FRANK KIM, DIRECTOR
FROM: SHARI FREIDENRICH, CPA, CCMT, CPFA, CPFIM
DATE: 3/23/2011
SUBJECT: TREASURER-TAX COLLECTOR-2011 BUSINESS PLAN UPDATE

We have attached an update of our 2010/2011 Business Plan Performance Measures based on our Business Plan submitted in 2010.

A summary of the Department's core services are found below:

Property Tax and Agency Collections

The Department continues to focus on replacement of the legacy Assessment Tax System (ATS) with the Property Tax Management System (PTMS). This new system brings the current process of billing, collecting, allocating property taxes, and managing assessment appeals from the current mainframe environment to an open server platform in order to reduce operational costs. This year the project team implemented three modules: Claim for Refund, Fee-Based Data Services Management, and Mello-Roos/1915 Bond Assessment Management. These processes were previously manual and now benefit from automated functionality.

The Department continued implementation of its long-range goal of consolidating County cashiering, billing and collection efforts. In FY 2010-11, five additional staff members from the Auditor Controller Department transferred into the Treasurer-Tax Collector to support collections for various County agencies including OC Animal Care. Previously in FY 2009-10, five staff members of the Revenue Collection Division in the Auditor Controller Department transferred down. The Department is currently meeting with various Departments to determine what billing, collection and cashiering efficiencies can be provided especially during these fiscally challenging times. The Treasurer-Tax Collector Department has invested in technology to handle the large volume of tax payments and therefore can efficiently process all types of payments and then upload payment data back to individual departments for research and/or posting to accounting records. The Department is currently working with several Departments on streamlining processes by mailing customer payments directly to our Department, offering additional online payment options and redesigning their invoices to provide a more cost-effective process.

Last year the Department initiated the development of a new Collector job classification series. The new series creates a clear career progression within the Collector function, which facilitates retention of Collection staff members. Retention of trained staff is important because of the learning curve to fully understand the many facets of the Revenue and Taxation Code associated with property tax, which is required to ensure the

Department can deliver a high-quality of accurate, timely customer service.

In the last year, the Department completed implementation of a new cashiering system and expanded the public service counter from 3 to 10 stations and each station now accepts all forms of payment. The improved technology has allowed the Department more flexibility, better use of staff resources and better customer service to the taxpayers.

Treasury and Investments

The Treasurer-Tax Collector's foremost objective in investing public funds is to ensure public funds are invested in a manner that provides for maximum security of principal and preservation of capital, while conforming to all Federal, State and local laws statutes and resolutions governing investment of public funds. The second objective is to maintain sufficient liquidity to enable participants to meet their operating requirements. Liquidity is essential to the safety of principal. The third and least important objective is to obtain a reasonable rate of return throughout budgetary and economic cycles within the investment policy risk parameters and cash flow needs.

The Treasurer-Tax Collector invests only in high-quality investment securities and as of February 28, 2011, over 73% of the portfolio is rated in the highest rating category and over 20% is rated in the second highest rating category. Finally, at all times during the year the Department maintained a stable net asset value in the two Money Market Funds. The Treasurer-Tax Collector in 2010 sold the last of its investments related to structured investment instruments from the Extended Fund which created a realized loss of \$7,622,715. Because of this loss and continued low interest rates, the earned yield for the FY 2010-11 is expected to be .60%, lower than the original budget estimate of 1.20%.

On January 10, 2011, the Standard and Poor's Rating Services reaffirmed their AAAm Principal Stability Fund Rating to the Orange County Money Market Fund and the Orange County Educational Money Market Fund.

Cost Reduction Efforts/Streamlining of Processes

In each of the past four fiscal years, the Department achieved reductions in its actual Net County Cost. This represented a reduction in costs to the County General Fund because, in effect, instead of adding to County's operating costs, the Treasurer-Tax Collector reduced its net operating cost and lowered its cost of the Department to the County. The Department anticipates it will again be at or below budgeted NCC for FY 2010-11.

The Department further reduced its Net County Cost for FY 2011-12 in compliance with the County's Budget guidelines. The Department will continue to identify opportunities for cost reduction and greater operating efficiencies in the Treasury, Administration and Collection Divisions to assist the County during these fiscally challenging times without significantly impacting customer service levels.

The Department currently has 97 budgeted positions and seven Extra-help staff. In FY 2010-11, the Treasurer-Tax Collector did not experience any layoff or furlough days.

ACTION PLAN AND PERFORMANCE MEASURE UPDATE

COLLECTIONS:

Strategic Goal #1: Cost-effectively improve customer services and streamline tax and agency processes in order to improve collection percentages of property tax and County agency revenues.

Strategies to meet Goal # 1:

- Continue to cross-train staff to improve customer service levels
- Strategically assign trained staff to high customer need areas during peak payment periods
- Redesign agency invoices to process payments through automated remittance machines
- Work with Departments to provide billing, collection and payments options to help reduce their overall department costs
- Redesign delinquent notices to process payments through remittance machines
- Streamline the payment processing and offer additional no-cost payment options for all County invoices

PERFORMANCE MEASURE: Annual Property Tax Collection Rates.
WHAT: Percent of property tax collected during the fiscal year.
WHY: Measures the County's revenue by identifying the % and amount of property taxes received.

FY 09-10 Results	FY 10-11 Plan	FY 10-11 Anticipated Results	FY 11-12 Plan	How are we doing?
Attained the following tax collection rates: secured taxes - 97.8% and unsecured Taxes- 96.6%.	To maintain or exceed property tax collection rates.	On track to maintain or exceed prior year collection results, collection rates as of 3-11-11: secured taxes - 60% and unsecured taxes- 95%.	Work with County Departments to streamline billing, cashiering, and collections efforts.	Expected to meet FY 10-11 goal of maintaining or exceeding FY 09-10 tax collection rates.

Source: Fiscal Year 2009-2010 Property Tax Collections (http://www.sco.ca.gov/Files-ARD-Tax-Info/TaxDelinq/fiscalyear_0910.pdf)

INVESTMENTS:

Strategic Goal # 2: Meet public funds investing objectives (in order of priority): Safety, Liquidity and Yields for the investments managed by the Treasurer-Tax Collector.

Strategies to meet Goal # 2:

Safety

- Purchase only high credit quality investments, focusing on those in the highest rating categories
- Maintain compliance with the Investment Policy Statement (IPS), with actual practice generally more restrictive than IPS
- Maintain updated credit reviews on all issuers in inventory and on approved issuer list
- Diversify by investment type, issuer and maturity to meet cash flow needs

- Require new investment types to be approved by Treasury Investment and Oversight Committees before purchasing even though allowed in the IPS

Liquidity

- Estimate major cash inflows and outflows using prior year trends and current operating information from Agencies/Departments
- Plan investment purchases and maturities dates using current weighted average maturity (WAM) worksheet
- Maintain overnight liquidity using approved investment types such as Money Market Funds
- Maintain less than a 60 day WAM in the Money Market Funds
- Purchase securities with active secondary and resale markets

Yield

- Analyze spreads vs. Treasuries/Agencies when making investment purchases
- Analyze portfolio yield to other agencies with similar liquidity needs

PERFORMANCE MEASURE: Safety – Average Monthly Net Asset Value (NAV) for County and Educational Money Market Funds.
WHAT: NAV measure for the OC County and Educational Money Market Funds (MMF).
WHY: The NAV levels required by rating agency for money market funds are from .995 to 1.005 meaning that if the investments needed to be sold, customers would get 100% of principal returned if the NAV was 1.00.

FY 09-10 Results	FY 10-11 Plan	FY 10-11 Anticipated Results	FY 11-12 Plan	How are we doing?
Maintained an average NAV of 1.0000	Maintain an average NAV of 1.0000	In FY 10-11 so far have maintained an average NAV of 1.0000	Maintain an average NAV of 1.0000	Expected to meet the 1.00000 NAV values in both the County and Educational Money Market Pools.

PERFORMANCE MEASURE: Liquidity – Rolling 3-Day Investment Maturities.
WHAT: Percentage of entire Investment Portfolio Maturing within a Rolling 3 Day period.
WHY: Measures the percentage of relative ease by which assets are convertible to cash especially in emergency situations.

FY 09-10 Results	FY 10-11 Plan	FY 10-11 Anticipated Results	FY 11-12 Plan	How are we doing?
Maintained an average of 15% of the entire Portfolio maturing within 3 business days.	An average of 15% of the entire Portfolio matures within 3 business days.	An average of 15% of the entire Investment Portfolio matures within 3 business days.	An average of 15% of the MMF Portfolios matures within 3 business days.	Preliminary results for FY 10-11 show an average of 8% of the Portfolio maturing within 3 business days.

BANKING/PORTFOLIO COMPLIANCE:

Strategic Goal #3: Develop and monitor sound risk principles using policies, organizational roles, operating procedures and internal controls to identify and mitigate current and possible future financial, operational, and compliance risks.

Strategies to meet Goal #3:

- Ensure that the Investment Pools are in compliance with the current IPS
- Continue to utilize technology to assist with investment compliance requirements
- Perform an financial analysis of each broker/dealer and each financial institution doing business with the County annually per the IPS
- Annually monitor each County Agency for compliance with Payment Card Industry Data Security Standard (PCI DSS)

PERFORMANCE MEASURE 1: Number of Compliance Incidents reported within the Investment Pool(s).

WHAT: Number of compliance incidents reported.

WHY: Measures how effective the controls around Investment Pool compliance are.

FY 09-10 Results	FY 10-11 Plan	FY 10-11 Anticipated Results	FY 11-12 Plan	How are we doing?
2 Compliance Incidents in a 12 month period. (12/2009 and 1/2010)	# of non-Compliance Incidents-0-2/month.	Expect to be under the # of non-Compliance Incidents of -0-2/month.	Keep # of non-Compliance Incidents to 0-4 per year.	Only one non-compliance incident reported so far in FY 10-11.

RESOURCES/COST CONTAINMENT:

Strategic Goal #4: Reduce operating costs throughout the Department.

Strategies to meet Goal #4

- Focus resources on implementing new Property Tax Management System to replace current outdated system
- Implement technology to automate and streamline collection efforts
- Standardize, where possible, Agency collection efforts on a single software program
- Expand pool participants to reduce further overall investment operating costs
- Work with other Counties to identify best practices to implement in operating areas
- Conduct updated fees studies to ensure cost savings are being passed on to users
- Standardize, where possible, on-line payment software to reduce operating costs

WHAT: Percentage maintenance or reduction in Net County Cost.
WHY: Measures the levels at which we can reduce overall Net County Cost to the General Fund.
PERFORMANCE MEASURE: Maintenance or Reduction in Actual Net County Cost (NCC).

FY 09-10 Results	FY 10-11 Plan	FY 10-11 Anticipated Results	FY 11-12 Plan	How are we doing?
Actual NCC was \$1.592 million below budgeted NCC.	Reduction or maintenance of NCC.	On track to meet budgeted NCC.	Continue to meet or be below budgeted NCC.	The preliminary FY 10-11 monthly income statement results indicate that the TTC is on track to meet its budgeted Net County Cost.