



COUNTY OF HUMBOLDT

AGENDA ITEM NO.  
C-18

For the meeting of: June 23, 2015

Date: May 22, 2015  
To: Board of Supervisors  
From: Phillip Smith-Hanes, County Administrative Officer *PSH*  
Subject: Revenue Recovery Discharge of Accountability

RECOMMENDATION(S):

That the Board of Supervisors approve Revenue Recovery's application for discharge of accountability for specified debt collection accounts pursuant to Government Code sections § 25257, 25258, and 25259.

SOURCE OF FUNDING:

General Fund

DISCUSSION:

Under the provisions of Penal Code Section 1463.007, Revenue Recovery operates a Comprehensive Collection Program to collect Court Ordered Debt (COD) for the Superior Court of Humboldt County. In addition, Revenue Recovery serves as the collection agent for County departments and victims of crime. Penal Code § 1463.010(c) states that the Judicial Council shall develop performance measures and benchmarks to review the effectiveness of the cooperative Superior Court and County collection programs operating pursuant to this section. This section goes on to say that the Judicial Council shall report to the Legislature annually on the extent to which each court or county is following best practices for its collection program. One of the best practices recommended is the implementation of a process to discharge accountability for uncollectable court

Prepared by: Nicole Morrow Sr Administrative Analyst CAO Approval

*Amy Nissen*

REVIEW: Auditor \_\_\_\_\_ County Counsel Sm Human Resources \_\_\_\_\_ Other \_\_\_\_\_

TYPE OF ITEM:  
 Consent  
 Departmental  
 Public Hearing  
 Other \_\_\_\_\_

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT  
Upon motion of Supervisor *Bass* Seconded by Supervisor *Sundberg*  
Ayes *Sundberg, Fennell, Bohn, Bass*  
Nays \_\_\_\_\_  
Abstain \_\_\_\_\_  
Absent *Lovelace*

PREVIOUS ACTION/REFERRAL:

Board Order No. C-9, C-8, C-8  
Meeting of: 6/19/12, 6/18/13, 6/17/14

and carried by those members present, the Board hereby approves the recommended action contained in this Board report.

Dated: *June 23, 2015*  
By: *Kathy Hayes*  
Kathy Hayes, Clerk of the Board

ordered debt. It is a prudent practice for Revenue Recovery to take steps to discharge uncollectable debts that accumulate over time and one that supports the Board's strategic framework of managing resources to ensure sustainability of services. Discharging debt that meets the qualifications for discharge allows Revenue Recovery to focus on enforcing laws and regulations through the collection of more recent and more collectable debt.

Government Code § 25257 authorizes a county department, officer or employee to apply to the Board of Supervisors for a discharge of accountability for the collection of both county debts and court ordered debts. To qualify for discharge, the amount of the debt must be too small to justify the cost of collection or the likelihood of collection thereof does not warrant the expense involved. Government Code § 25258 sets forth the elements of the application: the names of the debtors (unless disclosure of the name is proscribed by law), the amounts of the debts, the grounds for the discharge and a verified application for discharge. Provided these elements are met, under Government Code § 25259, the Board of Supervisors may make an order discharging the department from further accountability and direct the county auditor to adjust any charge against the department in a like amount.

Attachments 1 and 2 to this report comprise the Application for Discharge of Accountability and identify a total of 8,890 accounts (less than three percent of active debt accounts assigned to Revenue Recovery) with a total balance of \$6,219,007.81. The discharge from accountability does not constitute a release of the debtor's liability for payment of any amount. Should any money be received on any of these accounts, the individual account will be credited.

Un-collectability is determined by an individual review of each account assessing the cost effectiveness of continued efforts. The determination that all collection efforts have been exhausted and the likelihood of collection does not warrant the expense is based on the following criteria:

- Revenue Recovery has exhausted collection efforts, the account has been referred to the Franchise Tax Board Court Ordered Debt Collection Program and/or Inter-Agency Intercept Program (Tax Intercept), and/or a third party collection agency and results have been unsuccessful;
- The account was established more than 10 years ago;
- The debt has been discharged via bankruptcy proceedings;
- The defendant/debtor is deceased and there are no attachable assets;
- The balance of the account is too small to justify the cost of collection;
- The defendant has been deported or otherwise resides outside of the United States.

Revenue Recovery determined accounts assigned prior to January 1, 2013 with a balance of less than \$25.00 are too small to justify the cost of further collection efforts and are unlikely to net collection results. Accounts in this category total 1,143 accounts totaling \$17,040.01 with an average balance of \$14.90 for the time period of November 1995 to December 2012. Of the debts that fall into the category of balances less than \$25.00, \$12,983.63 is Court-ordered debt and \$4,056.38 is debt owed to the county.

This year's application for discharge of accountability represents uncollectable debt dating back as far as 1995. Revenue Recovery did a comprehensive analysis of its debt and determined that uncollectable debt in the category of accounts originating ten or more years ago totals 7,564 accounts in the amount of \$6,065,259.56 and a time period of May 1995 to April 2005. Revenue Recovery has exhausted all collection efforts, these accounts have been referred to the Franchise Tax Board Court Ordered Debt Collection Program and/or Inter-Agency Intercept Program and/or a third party collection agency and results have been unsuccessful. Of the

debts that fall into this category \$5,940,693.23 is Court ordered debt and \$124,566.33 is debt owed to the county.

Revenue Recovery determined that 22 accounts totaling \$14,111.45 are due to individuals whose debts were discharged in bankruptcy court. Six accounts discharged in bankruptcy, totaling \$4,334.77, were owed to the county.

Revenue Recovery determined that 155 accounts totaling \$118,262.02 are due to deceased individuals for whom it has been determined that no attachable assets remain. Court ordered debts account for \$118,030.16 in this category while debts owed to the county account for \$231.86 of this category.

Since 2011 it has been the practice of Revenue Recovery to bring an application for Discharge of Accountability before your Board annually. This year's request is higher than last year's request primarily due to a substantial increase in the number and average balance of accounts to be discharged older than ten years. The number of accounts increased from 5,459 to 7,564 and the average account balance nearly doubled from approximately \$400 to approximately \$800.

#### FINANCIAL IMPACT:

There is no financial impact anticipated. Should any money be received for any of these accounts, the individual account will be credited.

#### OTHER AGENCY INVOLVEMENT:

Humboldt County Superior Court

#### ALTERNATIVES TO STAFF RECOMMENDATIONS:

The alternative would be to leave the account in an "active" status, where they would be reported as part of active accounts receivable statistics. For COD accounts it would mean that Revenue Recovery is not meeting one of the performance measures established for comprehensive collection programs.

#### ATTACHMENTS:

1. Revenue Recovery Discharge Application, Court Ordered Debt
2. Revenue Recovery Discharge Application, County Owed Debt