

COUNTY OF HUMBOLDT

AGENDA ITEM NO.  
M-1

For the meeting of: May <sup>10</sup>~~8~~, 2016

Date: April 11, 2016  
To: Board of Supervisors  
From: Amy S. Nilsen, County Administrative Officer *AN*  
Subject: Creation of a Finance Department, Transfer of Revenue Recovery and Economic Development within the Aviation Division

RECOMMENDATION(S):

That the Board of Supervisors:

1. Receive a report on the creation of a Department of Finance and the subsequent steps involved and provide further direction to staff;
2. Adopt the attached Resolution containing the ballot measure questions of creating a Department of Finance and whether the director of this department should be an elected position for the November 8, 2016 ballot;
3. Direct County Counsel to develop an impartial analysis on the creation of a Department of Finance and an elected Director of Finance position;
4. Transfer the responsibility of the Revenue Recovery Team from the County Administrative Office to the Treasurer Tax Collector as of July 1, 2016;

Prepared by Amy S. Nilsen CAO Approval *E. S. Heston*  
REVIEW: Auditor *MBM* County Counsel *B* Human Resources \_\_\_\_\_ Other *SE*

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

PREVIOUS ACTION/REFERRAL:  
Board Order No. M-1 and H-1  
Meeting of: November 3, 2015 and February 9, 2016

**BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT**  
Upon motion of Supervisor \_\_\_\_\_ Seconded by Supervisor \_\_\_\_\_  
Ayes \_\_\_\_\_  
Nays \_\_\_\_\_  
Abstain \_\_\_\_\_  
Absent \_\_\_\_\_  
**SEE ACTION SUMMARY**  
and carried by those members present, the Board hereby approves the recommended action contained in this Board report.  
Dated: \_\_\_\_\_  
By: \_\_\_\_\_  
**Kathy Hayes, Clerk of the Board**

5. Transfer a 1.0 Full-Time Equivalent (FTE) Senior Administrative Analyst (position # 01, class 0605, salary range 465) from budget unit 114 Revenue Recovery to budget unit 103 County Administrative Office; and
6. Provide additional direction to staff as appropriate.

SOURCE OF FUNDING: General Fund

DISCUSSION:

On November 3, 2015, your Board directed the County Administrative Office (CAO) "to review, in consultation with department heads, the current county department structure and responsibilities and report back to the Board with any recommended changes." The CAO returned to your Board on February 9 with a number of possibilities for reorganizing county departments. These included:

1. Combine Environmental Health, Planning & Building, and most Public Works functions into a new department (tentatively titled "Development & Resource Management"). Move Code Enforcement from County Counsel to this new department.
2. Separate Motor Pool and Facilities Management from Public Works and re-form the prior General Services Department; remove Purchasing and Information Technology (IT) from the CAO and place them into General Services.
3. Place the major public information and legislative functions of Department of Health and Human Services (DHHS) under the CAO.
4. Ask voters to combine the elected offices of Auditor-Controller and Treasurer-Tax Collector into a new Finance Department; remove Revenue Recovery from the CAO and place it into Finance.
5. Restructure the Aviation Division to enhance the focus on airports as an economic development tool.

Your Board approved options 3, 4 and 5 and directed staff to return with more details. Items 1 and 2 will also be brought back to your Board after discussion and input is received from department heads.

Today, staff is returning to your Board with more details on options 4 and 5 (item 3 will be brought back at a later date), combining the elected office of Auditor-Controller and Treasurer-Tax Collector into a new Finance Department with an elected Director of Finance and transferring Revenue Recovery from the CAO and placing it into the Finance Department, and restructuring the Aviation Division to enhance the focus on airports as an economic development tool.

Creating a Finance Department is allowable through various California Government codes. California Government Code Section 26980 provides:

*The board of supervisors of any county may establish the office of director of finance.*

*(a) The board of supervisors shall submit to the electors of the county the question of whether the office of director of finance shall be established. If a majority of the voters voting on the question at that election favor the establishment of the office, the board of supervisors shall, by ordinance, create the office.*

*(b) The board of supervisors at that election may also submit to the voters the question of whether the office, if so established, shall be elective, or appointed by the board of supervisors. If a majority of the voters voting on the question favor making the office elective, the board of supervisors shall, in the ordinance creating the office, make it an elective one.*

*(c) Any person may be appointed by the board of supervisors, or be a candidate for election, to the office of director of finance, consolidated from other offices pursuant to this chapter, if he or she meets the qualifications set forth in Section 26945 or Section 27000.7.*

Section 26981 goes on to state:

*The office of director of finance shall be consolidated with the offices of auditor, controller, tax collector, and treasurer and the director of finance shall have all the powers and duties of such offices so consolidated together with such other powers and duties as the board of supervisors may provide.*

And Section 26982 provides:

*The consolidation of the office of director of finance with any elective office shall become effective only upon the expiration of the current term of office of the incumbent of the office so consolidated.*

### ***Department of Finance***

Your Board on February 9 approved placing the creation of the Finance Department on the November 2016 ballot and in addition, and also approved placing a question on the ballot to determine if the position of Director of Finance should be an elected position. In order to begin to place these questions on the November 2016 ballot your Board will need to adopt a resolution to place a measure on the ballot. The last day for placing an item on the ballot for November 8 is August 12. However, the Elections Office states that they would prefer to have the item in July. In order for the consolidation of the Auditor-Controller and Treasurer-Tax Collector's offices to occur several things must happen.

- Adopt the attached resolution placing the questions of creating a Department of Finance and it being an elective office on the ballot for the November 8, 2016 election.
- County Counsel to develop an impartial analysis on the creation of a Department of Finance and an elected Director of Finance position.
- If approved by voters, staff will need to prepare an ordinance for adoption creating the Department of Finance.

The rationale for considering this consolidation is not to save costs but to provide better coverage for the financial functions of the county. Currently, the county has elected offices of Auditor-Controller and Treasurer-Tax Collector. The Auditor-Controller has 13 funded positions (four of which are dedicated specifically for payroll functions) and the Treasurer-Tax Collector has 8 funded positions. These small staff sizes are of concern for departmental operations, as has been noted in the past with respect to other small departments. The Treasurer-Tax Collector does not have an Assistant position for coverage and succession planning purposes. Conversely, the Auditor-Controller does not have back-up positions for a number of functions and the low staffing levels have been consistently noted in outside audits as well as the DHHS organizational assessment.

Attachment 4 is a potential organizational chart depicting how the departments could be combined under a Department of Finance. Essentially, the Director of Finance position would allow for the removal of two other department head positions, the Auditor-Controller and Treasurer-Tax Collector. The Director of

Finance is intended to be an elected position per your Board's direction on February 9. The Auditor-Controller's Office currently has an allocated Assistant Auditor-Controller. However, the Treasurer-Tax Collector does not have an assistant position. Should the attached organizational chart be amendable to a Director of Finance an additional assistant position may be needed on the Treasurer-Tax Collector's side. This could either be accomplished through the reallocation of a current position or the allocation of a new position. This will enable each sphere of the Department of Finance to have a responsible position and would fall under the overall direction of the Director.

### ***Qualifications for Director of Finance***

Government Code Section 26980 (c) begins to address the qualifications for the position of Director of Finance.

*Any person may be appointed by the board of supervisors, or be a candidate for election, to the office of director of finance, consolidated from other offices pursuant to this chapter, if he or she meets the qualifications set forth in Section 26945 or Section 27000.7.*

However, Section 26945 of California Government Code provides the sufficient detail on qualifications. At least one of the criteria must be met in order to run for the office of Director of Finance.

- (a) The person possesses a valid certificate issued by the California Board of Accountancy under Chapter 1 (commencing with Section 5000) of Division 3 of the Business and Professions Code showing the person to be, and a permit authorizing the person to practice as, a certified public accountant or as a public accountant.*
- (b) The person possesses a baccalaureate degree from an accredited university, college, or other four-year institution, with a major in accounting or its equivalent, as described in subdivision (a) of Section 5081.1 of the Business and Professions Code, and has served within the last five years in a senior fiscal management position in a county, city, or other public agency, a private firm, or a nonprofit organization, dealing with similar fiscal responsibilities, for a continuous period of not less than three years.*
- (c) The person possesses a certificate issued by the Institute of Internal Auditors showing the person to be a designated professional internal auditor, with a minimum of 16 college semester units, or their equivalent, in accounting, auditing, or finance.*
- (d) The person has served as county auditor, chief deputy county auditor, or chief assistant county auditor for a continuous period of not less than three years.*

Government code section 27000.7 also states that at least one of the following qualifications must be met:

*No person shall be eligible for election or appointment to the office of county treasurer, county tax collector, or county treasurer-tax collector of any county unless that person meets at least one of the following criteria:*

- (1) The person has served in a senior financial management position in a county, city, or other public agency dealing with similar financial responsibilities for a continuous period of not less than three years, including, but not limited to, treasurer, tax collector, auditor, auditor-controller, or the chief deputy or an assistant in those offices.*

- (2) *The person possesses a valid baccalaureate, masters, or doctoral degree from an accredited college or university in any of the following major fields of study: business administration, public administration, economics, finance, accounting, or a related field, with a minimum of 16 college semester units, or their equivalent, in accounting, auditing, or finance.*
  - (3) *The person possesses a valid certificate issued by the California Board of Accountancy pursuant to Chapter 1 (commencing with Section 5000) of Division 3 of the Business and Professions Code, showing that person to be, and a permit authorizing that person to practice as, a certified public accountant.*
  - (4) *The person possesses a valid charter issued by the Institute of Chartered Financial Analysts showing the person to be designated a Chartered Financial Analyst, with a minimum of 16 college semester units, or their equivalent, in accounting, auditing, or finance.*
  - (5) *The person possesses a valid certificate issued by the Treasury Management Association showing the person to be designated a Certified Cash Manager, with a minimum of 16 college semester units, or their equivalent, in accounting, auditing, or finance.*
- (b) This section shall only apply to any person duly elected or appointed as a county treasurer, county tax collector, or county treasurer-tax collector on or after January 1, 1998.*

This means both current staff in the Treasurer Tax Collector’s Office and the Auditor-Controller’s Office would be eligible to either run for the elected position of Finance Director or be appointed, as well as other community members with the appropriate qualifications.

***Process and timing for placing a measure on the ballot***

As to the election cycle, the terms of the incumbents in both current elected offices expire on the first Monday in January following the general election in November 2018 (January 7, 2019). This means your Board can place the question of creation of a single office on the ballot for Humboldt County voters in November 2016. If the voters decide to combine the offices, there would be a full two years to plan an orderly transition and begin position analysis and cross-training efforts (including the implementation of effective internal controls). If the voters decline the combination, CAO staff could return at a later date with alternative plans to enhance the capabilities of the separate offices. This would likely entail an additional General Fund cost for new positions.

The Elections Office will need a resolution from your Board approving consolidation of this item with the November 8 election, as well as the language of the measure itself. County Counsel would also need to prepare an impartial analysis of the measure for the voters’ guide.

A potential timeline for the Department of Finance is as follows:

<i>May 3</i>	Adopt a resolution for placing a measure on the ballot
<i>August 12</i>	Last day a measure may be placed on the November ballot
<i>August 17</i>	Deadline for arguments for or against any measure
<i>November 8</i>	Election Day
<i>December</i>	If voter approved, staff drafts ordinance
<i>February, 2017</i>	If voter approved, adopt ordinance creating the Department of Finance
<i>March, 2017</i>	Begin transition discussions
<i>January, 2019</i>	Department of Finance Ribbon Cutting

***Merging of Treasurer-Tax Collector and Revenue Recovery***

A combined Finance Department provides opportunities to increase cross-training, upgrade position capabilities, establish backup coverage and succession planning structures. It has been recommended that the Revenue Recovery office be combined with the new Finance Department, further increasing these opportunities. Merging Revenue Recovery with either the Auditor-Controller or Treasurer-Tax Collector's offices does not need an election and can take place at any time with your Board's approval. Staff recommends merging Revenue Recovery with the Treasurer-Tax Collector's office since both offices serve the functions of collecting revenue via court ordered debt and property taxes respectively. In order for the Treasurer-Tax Collector's office to merge with Revenue Recovery several items should be considered.

Under the provisions of Penal Code Section 1463.007, the Revenue Recovery Team operates a Comprehensive Collection Program to collect court ordered debt for the Superior Court of Humboldt County. Revenue Recovery also serves as the collection agent for county departments. Revenue Recovery currently resides under the umbrella of the CAO. Because Revenue Recovery collects debt and is able to charge for this service, this team makes a financial contribution to the General Fund.

Because Revenue Recovery collects court-ordered debt, Revenue Recovery is in a unique relationship with the Superior Court of Humboldt County, meaning Revenue Recovery is a county office yet provides contractual work for the Superior Court. This, at times, has proven difficult due to a myriad of reasons but most impactful is both the courts and the county do not use the same collection tools and there are no statewide collection standards. In addition, the Governor signed into law a one-time amnesty program for unpaid traffic and non-traffic infraction tickets from October 2, 2015 to March 31, 2017 for which eligible persons may receive a reduced fine. Unfortunately the amnesty program has increased Revenue Recovery's workload as well as reduce their ability to receive reimbursement for their services through cost of collections. The Amnesty program limits fees to \$50 which reduces the amount of revenue collected.

Revenue Recovery currently has 10 allocated positions. These include:

	<u>Title</u>	<u>Salary Range</u>
1.0 FTE	Program Coordinator	418
1.0 FTE	Senior Administrative Analyst	459
7.0 FTE	Revenue Recovery Officer I/II	309/337
1.0 FTE	Senior Revenue Recovery Officer	362

The Treasurer-Tax Collector's Office currently has eight allocated positions. These include:

	<u>Title</u>	<u>Salary Range</u>
1.0 FTE	Treasurer-Tax Collector	*
4.0 FTE	Treasurer & Tax Assistant I/II	295/313
2.0 FTE	Senior Treasury & Tax Assistant	347
1.0 FTE	Administrative Services Officer	413

Both teams collect revenue whether it is court ordered debt or property taxes. While the processes for collecting this revenue is different in each department, their general goal is the same. However, the Revenue Recovery Officer I/II and Treasurer & Tax Assistant I/II are not paid at equal rates. Therefore, classification reviews for both the Revenue Recovery Officer I/II and Treasurer & Tax Assistant may be necessary in order to properly allow for cross-training. A classification review could result in the upgrade of positions. An estimated cost for this upgrade is \$6,466 per position, for a total estimated cost of \$38,796.

Due to the additional workload the Treasurer-Tax Collector would also request the reallocation of a current position to an Assistant Treasurer-Tax Collector if this merger is approved by your Board. This would be accomplished by taking an existing position and upgrading it. This position reallocation will not impact the ability of Revenue Recovery to financially contribute to the General Fund.

Attachment 5 is a potential organizational chart depicting how the Revenue Recovery and the Treasurer-Tax Collector can be combined. Essentially, the Revenue Recovery Team will report directly to the Treasurer-Tax Collector.

Staff recommends transferring responsibility of the Revenue Recovery team to the Treasurer-Tax Collector effective July 1, 2016. This is at the start of the fiscal year and simpler for budget purposes. There will be several months available for the CAO and Treasurer-Tax Collector and staff to determine an appropriate transition plan. As an alternative, your Board could choose to move the team at a later, possibly after the outcome of the November election.

Staff also recommends transferring the Revenue Recovery Senior Administrative Analyst position to the County Administrative Office (1100-103). This position is currently responsible for Revenue Recovery and the Headwaters Fund Director. The intent was to transfer this position out of Revenue Recovery (budget unit 114) once the Revenue Recovery Program Coordinator position was filled. The Program Coordinator position has now been filled and the Senior Administrative Analyst position needs to be transferred in order for Revenue Recovery to optimize revenues. In addition, this position used to reside in the County Administrative Office. Transferring this position will likely mean that a position in the CAO will need to be frozen.

### ***Economic Development within the Aviation Division***

As with most transportation facilities, the county's airports serve a dual role as not only infrastructure for the movement of people and goods, but also a significant contributor to the economic vitality of the community. This is especially true of the commercial-service airport (ACV, or the California Redwood Coast Humboldt County Airport). Commercial aviation is so important to the business community that a combined effort of business leaders has supported attraction of additional air service to ACV and the local economic development commission is spearheading airline recruitment efforts. However, the split balance between needed infrastructure repairs and maintenance (and the funding necessary for this) and the energy that must be committed to airline recruitment and retention efforts has created a downward trajectory that has been noted in quarterly budget reports for several years. Ultimately, the current situation is unsustainable, which led to the creation of a Board ad hoc committee.

The Aviation Advisory Committee, in its last annual report to your Board, called for the vacant Airports Manager position to be filled. However, given current staffing costs for airport operations, there is simply not funding to do so. Some in the community have asked whether the airports should be transferred out of the Public Works Department (or out of the county structure altogether). However, given the fact that the airports are transportation infrastructure and that no other department within the county has experience operating such facilities (and likewise, no other local entity has the financial wherewithal to assume control of the airport system), this does not appear to be a viable option.

Instead, a path forward would be to utilize Economic Development staff to begin to develop a business plan for the airport in order to enhance the focus of the county's airports as an economic development tool. As part of the development of the business plan Economic Development staff will:

- Review strengths, opportunities, threats and weaknesses of the airport

- Conduct some community outreach (What does the community want? What will they support? What is possible? Friends of the Airport?)
- Review and analyze current revenue and expenses
- Review current staffing levels

This path forward does not come without a cost. Utilizing economic development staff means utilizing set-aside funds. Utilizing economic development set-aside funds reduces those funds to be used on other economic development activities in the future. The set-aside funds are likely to be fully expended at the end of FY 2016-17, thereby requiring a General Fund contribution for additional airport or other economic development related activities.

FINANCIAL IMPACT:

Efficiencies should be realized with the blending of banking operations between the Treasurer Tax Collector and Auditor-Controller Offices. Additional potential costs include an equalization of pay between position classifications. The estimated cost for equalization of pay for revenue collecting positions is \$6,466 per position, or for six positions an estimated cost of \$38,796.

In addition, there is a likely need for the creation of a new Assistant Treasurer-Tax Collector position to help manage the larger department. However, this would likely involve taking an existing position and upgrading it and dis-allocating a position through retirement or attrition once operations have been blended together. However, these cost increases are likely offset by banking operation efficiencies, improved coverage for revenue collection and the potential dis-allocation of one position within the merged department.

Transferring the Senior Administrative Analyst position from Revenue Recovery to the CAO will have no net effect on the General Fund.

Utilizing Economic Development set-aside funds to pay for staff to work on the airports as an economic development tool will cost approximately \$65,732 annually. It should be noted that the set-aside funds are not a long-term funding source and are estimated to be expended at the end of fiscal year 2016-17. By expending these funds this will likely require a General Fund contribution to continue with county Economic Development efforts, as the only funding available for economic development is Workforce Innovation and Opportunity Act grant funding and Headwaters.

This request also meets your Board's Strategic Framework, Priorities for New Initiatives, by providing community appropriate levels of service and managing resources to ensure sustainability of services.

OTHER AGENCY INVOLVEMENT: None.

ALTERNATIVES TO STAFF RECOMMENDATIONS:

1. Your Board could choose not to place a question on the November 2016 ballot to create the Department of Finance.
2. Your Board could choose not to place the question on the November 2016 ballot to create an elected office for the Director of Finance.
3. Your Board could choose to move Revenue Recovery to the Treasurer-Tax Collector's office at a later date to be determined by your Board.

ATTACHMENTS:

1. Resolution
2. Ballot Measure 1
3. Ballot Measure 2
4. Proposed Organization Chart for Department of Finance
5. Proposed Organization Chart for Treasurer-Tax Collector and Revenue Recovery

**BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT, STATE OF CALIFORNIA**

Certified copy of portion of proceedings, Meeting of May 10, 2016

RESOLUTION NO. 16-55

**RESOLUTION OF THE HUMBOLDT COUNTY BOARD OF SUPERVISORS TO DETERMINE THE CREATION OF A DEPARTMENT OF FINANCE AND IT BEING AN ELECTIVE OFFICE**

**WHEREAS**, California Government Code section 26980 *et seq* provides that a county Board of Supervisors may establish a Department of Finance by ordinance if approved by the votes of the county; and

**WHEREAS**, after public meetings at which members of the public and county staff have provided testimony related to the proposal to establish the Department of Finance and would result in synergies across like departments and better service to the public; and

**WHEREAS**, Government Code section 26980 *et seq* requires the Board of Supervisors to submit questions to create the Department of Finance to the voters of the county for approval.

**NOW, THEREFORE, BE IT RESOLVED** as follows:

1. The first measure to be submitted to the voters on November 8, 2016 shall read substantially as follows: "Shall the Humboldt County Board of Supervisors establish by ordinance the Department of Finance and consolidate therewith the offices of the county Auditor-Controller and county Treasurer-Tax Collector?"
2. The second measure to be submitted to the voters on November 8, 2016 shall read substantially as follows: "Shall the Humboldt County Board of Supervisors create an elective office for the Department of Finance?"

Dated: May 10, 2016



MARK LOVELACE, Chair  
Humboldt County Board of Supervisors

Adopted on motion by Supervisor Fennell, seconded by Supervisor Bass, and the following vote:

AYES:	Supervisors	Sundberg, Fennell, Lovelace, Bohn, Bass
NAYS:	Supervisors	--
ABSENT:	Supervisors	--
ABSTAIN:	Supervisors	--


**BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT, STATE OF CALIFORNIA**  
Certified copy of portion of proceedings, Meeting of May 10, 2016

RESOLUTION NO. 16-55

STATE OF CALIFORNIA    )  
County of Humboldt     )

I, KATHY HAYES, Clerk of the Board of Supervisors, County of Humboldt, State of California, do hereby certify the foregoing to be an original made in the above-entitled matter by said Board of Supervisors at a meeting held in Eureka, California.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Seal of said Board of Supervisors.

  
\_\_\_\_\_  
By ANA HARTWELL  
Deputy Clerk of the Board of Supervisors of the  
County of Humboldt, State of California

<b>MEASURE ____, Humboldt County Creation of Finance Department Measure.</b> Shall the Humboldt County Board of Supervisors establish by ordinance the Department of Finance and consolidate therewith the offices of the county Auditor-Controller and county Treasurer-Tax Collector?	YES	
	NO	

<b>MEASURE ___, Humboldt County Finance Department Elective Office Measure.</b> Shall the Humboldt County Board of Supervisors create an elective office for the Department of Finance?	YES	
	NO	

