



COUNTY OF HUMBOLDT

For the meeting of: 11/13/2018

File #: 18-1312

To: Board of Supervisors

From: Treasurer/Tax Collector

SUBJECT:

Collection of Court-Ordered Debt and Debt Owed the County

RECOMMENDATION(S):

That the Board of Supervisors authorize the Humboldt County Treasurer-Tax Collector's Office to notice the Humboldt County Superior Court of the county's intent to discontinue its collection of court-ordered debt as required by California Government Code Section 77212(b); authorize the Humboldt County Treasurer-Tax Collector's Office to enter into negotiations with the Humboldt County Superior Court concerning the development of a new cooperative plan regarding collection of court-ordered debt as required by California Penal Code Section 1463.010(b); authorize the Humboldt County Treasurer-Tax Collector's Office to enter into contractual negotiations with private third-party collection companies regarding the collection of debt owed the county; direct the Humboldt County Treasurer-Tax Collector's Office to return to the Board of Supervisors with a mutually agreed upon cooperative plan regarding the collection of court-ordered debt which allows for the discontinuance of collection activity by the Revenue Recovery Division of the Humboldt County Treasurer-Tax Collector's Office; direct the Humboldt County Treasurer-Tax Collector's Office to return to the Board of Supervisors with a mutually agreed upon professional services agreement with a private third-party debt collection company regarding the collection of debt owed the county; and direct the Treasurer-Tax Collector office to work with the Human Resources Department to ensure merit system rules are adhered to for all Personnel that will be impacted by the elimination of any Revenue Recovery positions.

SOURCE OF FUNDING:

General Fund

DISCUSSION:

The Humboldt County Treasurer-Tax Collector's Office - Revenue Recovery Division ("Revenue Recovery") is currently responsible for collecting court-ordered debt for the Humboldt County Superior Court ("Court"), as well as debt owed to various county departments. Revenue Recovery was established on or about July 1, 2002, after it was decided that having county staff collect court-ordered debt as part of a comprehensive collection program would be in the best interest of both the county and the Court. The Humboldt County Administrative Office was responsible for the management of Revenue Recovery until such responsibility was transferred to the Humboldt County Treasurer-Tax Collector's Office ("Treasurer-Tax Collector") on July 1, 2016.

The Treasurer-Tax Collector recommends establishing a new cooperative plan with the Court in order to be more fiscally responsible to the taxpayers of Humboldt County. This recommendation is based on the long term financial results of Revenue Recovery's collection efforts, an understanding of past and present legislative decisions reducing the effectiveness of the tools needed for collection activities, an operational partnership with the Court which is struggling to maintain collection effectiveness while adhering to legislative changes, staff retention difficulties and an antiquated operating system which has proven to be much more difficult, time consuming and expensive to upgrade than originally expected.

The net profit results of Revenue Recovery's operations since its inception in 2002 show inconsistent yearly returns with an average net profit of Twenty-Nine Thousand Eight Hundred Eight Dollars (\$29,808.00) over the last ten (10) years. Current and projected future circumstances also show a trend toward an increasingly unreliable revenue stream going forward. As a result, it is recommended that the new cooperative plan regarding the collection of court-ordered debt allow for the discontinuance of the collection services currently provided by Revenue Recovery.

In addition to Revenue Recovery's inconsistent profit history, the following factors also support the recommendation to discontinue

Revenue Recovery's collection of court-ordered debt:

1. **Legislation.** As with the recent abolition of "money bail" in California there has been, and most likely will continue to be, additional legislation reducing or eliminating effective tools currently used to enforce collections.
 - a. On June 24, 2015, the Governor of California signed into law a traffic amnesty program which mandated forgiveness of court fees and fines for certain traffic violations. Prior to its expiration on April 3, 2017, this program required Revenue Recovery to employ one (1) full time employee to manage amnesty accounts which by their nature did not generate any revenue.
 - California Senate Bill 185 currently requires California courts to reduce base fines and associated fees by eighty percent (80%), and provide alternatives such as payment plan options, if it is established that a defendant is indigent.
 - b. Revenue Recovery is currently obligated to release any holds placed on drivers licenses once ten percent (10%) of a delinquent account is paid, which significantly decreases the likelihood that additional payments will be received.
 - c. As previously proposed, California Assembly Bill 412 would have required California courts to allow defendants to file a motion to vacate a civil assessment at any time. While California Assembly Bill 412 was not put into law, future legislation will likely continue to make it increasingly more difficult and time consuming to collect delinquent court-ordered debt.
 - d. The Legislative Analyst's Office report from November 10, 2014 recommends that the California courts become solely responsible for the collection of delinquent court-ordered debt.
2. **Workload and Staff Turnover.** Large workloads and persistent staff turnover has been a long-term problem for Revenue Recovery as indicated by the one hundred percent (100%) turnover rate experienced thereby in the last three and one-half (3.5) years.
 - a. Current Revenue Recovery staffing consists of eight (8) full time positions, six (6) of which are currently filled, with one (1) on medical leave, and one (1) extra help position. Interviewing to fill vacancies was recently postponed until Board direction regarding Revenue Recovery's involvement in the collection of court-ordered and debt owed the county is received.
 - b. There are approximately one hundred seven thousand six hundred seventy-seven (107,677) accounts for which Revenue Recovery is currently performing collection activities. Roughly eighty-five percent (85%) of the accounts under collection pertain to court-ordered debt which includes, without limitation, criminal fines, court fees and victim restitution. The remaining fifteen percent (15%) of accounts handled by Revenue Recovery are comprised of debt owed to various County departments, which includes, without limitation, fees and fines imposed by Animal Control, Payroll, Public Works, Environmental Health, Weights and Measures, Code Enforcement and Public Health.
3. **Technological Issues.** Revenue Recovery's current collections operating system known as "CUBS" is a disc operating system that will no longer be supported in the near future. Accordingly, Revenue Recovery has attempted to upgrade its current software in order to maintain a functioning collections system.
 - a. In August of 2017, Revenue Recovery began transitioning to a windows based operating system known as "RevQ" which is managed by Ontario Systems, LLC, the same company that currently manages the CUBS system.
 - Revenue Recovery was informed that the upgrade to RevQ would take approximately three (3) months. However, Revenue Recovery is still using the CUBS system due to problems that have occurred during the data conversion process. The current go-live date for the RevQ system is scheduled for November 5, 2018.
 - Testing has shown that repetitive task processing takes more time with the RevQ system than the CUBS system. Thus, Revenue Recovery's productivity may actually decline once the transition to the RevQ system is complete.
 - b. The transition to the RevQ system has been postponed until Board direction regarding Revenue Recovery's involvement in the collection of court-ordered and debt owed to county departments is received.

It should be noted that the recommended discontinuance of Revenue Recovery's collection of court-ordered debt will not affect the county's responsibility for collecting debt owed to county departments. Options related to the collection of such debt owed the county include all of the following:

- 1. Continued Collection by Revenue Recovery.** The Board could choose to have Revenue Recovery continue collecting debt owed the county. This option would be the least impactful to other county departments since Revenue Recovery staff would continue to perform various data calculation, processing and reporting tasks associated with the collection of delinquent debt owed to such departments.
 - a. Revenue Recovery staff currently spends approximately thirty-two (32) hours per month calculating, entering and processing data pertaining to the Humboldt County Sheriff's Work Alternative Program for reporting purposes.
 - b. Revenue Recovery staff spends approximately thirty (30) hours per month processing and entering data pertaining to accounts received from the Humboldt County Probation Department.
 - c. If Revenue Recovery were to no longer collect debt owed the county, each county department which generates collection accounts, including, without limitation, the Humboldt County Sheriff's Office and Probation Department, would be responsible for calculating, entering and processing all applicable fines and fees imposed and updating all relevant information associated with that debt.
- 2. Collection by a Private Third-Party Collection Company.** The Board could choose to enter into a professional services agreement with a private third-party collection company regarding the collection of debt owed the county. This option would entail collections reporting by each county department for whom Revenue Recovery now collects delinquent debt.
 - a. The private third-party collection company selected by the county would send collection data regarding debt owed the county to each applicable county department who would then be responsible for completing any and all reports and disbursements associated with that debt collection.
 - b. Linebarger, Goggan, Blair & Sampson, the private third-party collection company currently utilized by Revenue Recovery, charges a fifteen percent (15%) to twenty percent (20%) commission based on the type of debt the company collects.

Due to the inconsistent and minimal profits generated through Revenue Recovery, the current legislative environment reducing the tools needed for effective collection efforts, and the persistent difficulty in retaining long term staffing, the Treasurer-Tax Collector, in conjunction with the Humboldt County Administrative Office, recommends discontinuing Revenue Recovery's collection of court-ordered and debt owed to the county. It is anticipated that transitioning to a new cooperative plan which allows for the discontinuance of Revenue Recovery's collection of court-ordered debt will take approximately two (2) to three (3) months once approval for a new cooperative plan with the Court is received. Contract negotiations with a private third-party collection company regarding the collection of debt owed the county could take place simultaneously with the transition to the new cooperative plan regarding the collection of court-ordered debt. Such action should take place while the economy remains strong, in order to provide displaced Revenue Recovery staff with the best opportunity for continued county employment.

Upon Board approval of the recommended actions, the Treasurer-Tax Collector will notify the Court of the county's intent to discontinue its collection of court-ordered debt as required by California Government Code Section 77212(b). Once such notice has been issued, the Treasurer-Tax Collector will request that Court and county staff meet to discuss the necessary procedures for discontinuing Revenue Recovery's collection of court-ordered debt as required by California Penal Code Section 1463.010(b). Various county departments will also be notified of the county's intention to discontinue Revenue Recovery's collection of debt owed the county. The Treasurer-Tax Collector will meet with personnel from each affected county department in order to ensure a smooth transition for the collection of debt owed the county by a private third-party collection company.

FINANCIAL IMPACT:

Revenue Recovery's total operating budget for fiscal year 2018-2019 is Nine Hundred Ninety-Five Thousand Seven Hundred and Ninety-Two Dollars (\$995,792.00). Approval of the recommended actions will eventually eliminate the need for expenditure appropriations related to collection activities currently conducted by Revenue Recovery. Positive financial impacts will also be realized by the Humboldt County Human Resources Department and Auditor-Controller's Office due to workload reductions resulting from the elimination of personnel recruitments for, and disbursement requests from, Revenue Recovery.

However, expenditures related to additional staff time needed by various county departments to absorb certain duties and responsibilities that are currently being handled by Revenue Recovery will be required. For example, the Humboldt County Sheriff's Office will incur approximately Five Thousand Nine Hundred Seventy-Six Dollars (\$5,976.00) per year in additional expenses related to the performance of various data calculation, processing and reporting tasks. Similarly, the Humboldt County Probation Department will incur approximately Five Thousand Six Hundred Four Dollars (\$5,604.00) per year in additional expenses once Revenue Recovery's collection of debt owed the county is discontinued. Other county departments that will require additional staff time to perform the data processing and reporting tasks that will result from the discontinuance of Revenue Recovery's collection activities, include, without limitation, Public Works, Environmental Health, Weights and Measures, Code Enforcement, Public Health and the Humboldt County Library. The financial impact on such departments will most likely be minimal since the accounts generated thereby would be collected by a private third-party collection company in a manner that is substantially similar to Revenue Recovery's current process.

The recommended actions support the Board of Supervisors' Strategic Framework by managing county resources to ensure sustainability of community services.

OTHER AGENCY INVOLVEMENT:

Humboldt County Superior Court

ALTERNATIVES TO STAFF RECOMMENDATIONS:

The Board may choose not to authorize the Treasurer-Tax Collector to enter into negotiations with the Humboldt County Superior Court concerning the development of a new cooperative plan regarding collection of court-ordered debt. The Board could also choose not to authorize the Treasurer-Tax Collector to enter into contractual negotiations with a private third-party collection company regarding the collection of debt owed the county. However, these alternatives are not recommended since they would both result in maintaining a collections program that is not efficient due to restraints beyond the control of the county.

ATTACHMENTS:

Revenue Recovery Actual and Adjusted Budget

PREVIOUS ACTION/REFERRAL:

Board Order No.: N/A

Meeting of: N/A