



County of San Mateo

Inter-Departmental Correspondence

Department: TREASURER

File #: 21-1025

Board Meeting Date: 12/14/2021

Special Notice / Hearing: None

Vote Required: Majority

To: Honorable Board of Supervisors
From: Sandie Arnott, Treasurer-Tax Collector
Subject: Caltrecs Collection Program

RECOMMENDATION:

Adopt a resolution authorizing a Memorandum of Understanding (MOU) with the California State Association of Counties Finance Corporation (CSAC) for the Tax Refund and Exchange and Compliance System (Caltrecs) debt offset program for the Treasurer-Tax Collector, for the term of December 15, 2021 through December 15, 2026, at no net County cost, to allow the Treasurer-Tax Collector to collect associated cost recovery fees for the Caltrecs Collection Service Program and distribute these fees to both CSAC and the State Franchise Tax Board (FTB), and waiving the competitive solicitation requirements for unsecured property tax debt collection services.

BACKGROUND:

The San Mateo County Treasurer-Tax Collector collects Secured, Unsecured, and Supplemental Property Taxes. As of 2021, the Treasurer-Tax Collector currently has around 20,000 Unsecured Property Tax bills that are delinquent. San Mateo County desires to enter into this agreement with CSAC to participate in the Caltrecs program. Through this program, CSAC will act on behalf of the County as the clearinghouse agency to process delinquent debts.

DISCUSSION:

CSAC's Caltrecs program allows any local government agency to submit eligible delinquent debts through the Caltrecs clearinghouse to the California FTB Debt Offset Program. FTB will run a match file of the debtor's name and Social Security number against all taxpayers to determine if a personal income tax refund, lottery winnings, or state unclaimed property payment is due. If a match is found, the FTB offsets the refund for unpaid debts and submits these finds to the participating local agency.

Pursuant to the California Government Code 12419.8, the California State Controller (SCO), in conjunction with the FTB, is authorized to offset personal income tax refunds, lottery winnings and unclaimed property payments to satisfy an eligible debt due a city, county, or special district. The FTB has set the minimum debt eligible for offset at \$10 dollars.

The Treasurer-Tax Collector currently uses third party software to research and locate delinquent taxpayer account holders for Unsecured taxes. The process to gather and format the debtor files and locate Social Security numbers to participate in this program is costly and time prohibitive. CSAC has worked closely with several California counties as well as the FTB and SCO to develop an online interface or clearinghouse that will help streamline the process of creating and maintaining the debtor files submitted to the FTB. The Treasurer-Tax Collector believes that this program will be a valuable tool in attempting to collect the delinquent Unsecured debt owed to the County.

Included in this authorization is the ability for the Treasurer-Tax Collector to recover all fees associated with the program. These new fees can be found on the updated Treasurer-Tax Collector's Fee Schedule. The fees are added to the collection and only payable when a successful collection has been made. Taxpayers are notified prior to the inclusion of their accounts in the program and can contact the Treasurer-Tax Collector's office for additional information.

CSAC was selected to provide clearinghouse services to the County's Treasurer-Tax Collector because they are a sole source provider. The Caltrecs program closely aligns with the Tax Collector's collection needs due to the ability to perform Social Security number lookup and validation. CSAC is the only vendor approved by the FTB's Chief Security Officer to operate in a secured cloud environment. Procurement has reviewed and approved both the Waiver of Competitive Requirement and Three-Year Contract Waiver Request.

The Caltrecs program charges \$25 per collection plus a FTB fee that varies from year to year, both of which are passed on to the delinquent account. The amount is included in the payment to the County by the FTB, and those charges are then sent to both CSAC and the FTB. CSAC will invoice the County at a monthly rate for the previous month's successful collections, and the FTB will invoice the County at a yearly rate for the previous year's successful collections. Therefore, the program has a zero net cost to the County.

County Counsel has reviewed and approved the MOU as to form.

The Board is being asked to authorize the Treasurer-Tax Collector or Treasurer-Tax Collector designee to execute subsequent amendments which do not exceed an aggregate of \$25,000.

PERFORMANCE MEASURES:

Measure	2021 Actual	2022 Projected
Number of delinquent Unsecured bills	20,000*	20,000*
Revenue collected through the Caltrecs program	N/A	\$390,000

*This is an estimate number of bills due to pay offs and additional bills rolling into delinquency.

FISCAL IMPACT:

There is no Net County Cost associated with this agreement.