



## Board Report

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**File #:** A 19-360, **Version:** 1

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- a. Approve and authorize the Treasurer-Tax Collector, on behalf of Monterey County, to sign and execute a Memorandum of Understanding (MOU) and all necessary related documents with California State Association of Counties Finance Corporation (CSAC-FC) Tax Refund Exchange and Compliance System (CalTRECS), a Local Government Debt Offset Program operated with the State Franchise Tax Board (FTB), to compile local government debts for processing through an automated centralized clearinghouse for potential offset against delinquent unsecured property taxes.
- b. Approve non-standard terms and conditions as recommended by the Treasurer-Tax Collector.

### RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve and authorize the Treasurer-Tax Collector, on behalf of Monterey County, to sign and execute a Memorandum of Understanding (MOU) and all necessary related documents with California State Association of Counties Finance Corporation (CSAC-FC) Tax Refund Exchange and Compliance System (CalTRECS), a Local Government Debt Offset Program operated with the State Franchise Tax Board (FTB), to compile local government debts for processing through an automated centralized clearinghouse for potential offset against delinquent unsecured property taxes.
- b. Approve non-standard terms and conditions as recommended by the Treasurer-Tax Collector.

### SUMMARY/ DISCUSSION:

The California State Association of Counties Finance Corporation (CSAC-FC) Tax Refund Exchange and Compliance System (CalTRECS) debt offset clearinghouse program allows counties to easily and efficiently collect delinquent debt through the withholding of a debtor's personal income tax refunds, lottery proceeds or unclaimed property. California Government Code §12419.2-§12419.12 authorizes the California State Controller (SCO), in conjunction with the California Franchise Tax Board (FTB), to establish the state's offset program, and authorizes counties to participate. CalTRECS builds upon the existing FTB's Interagency Intercept program to increase local government efficiencies and revenue collections through a new automated process. While California state agencies and local governments, including Monterey County, have been using debt offset for years to collect debts, the existing process is labor intensive; the clearinghouse concept significantly reduces staff time needed to collect the debt through a more efficient and cost-effective automated process. The success of the pilot based on Merced and Mariposa County's debts showed that California counties can expect significant debt repayment at substantially reduced costs by utilizing the CalTRECS program.

CalTRECS has worked with several California Counties as well as the FTB and SCO to develop an automated online interface/clearinghouse that will help streamline the process of managing debtor files submitted to the FTB. CalTRECS receives individual debt files from each participating local government, processes these files, provides a social security number lookup service, and submits the compiled debts to the Franchise Tax Board. (See Attachment B for CalTRECS Clearinghouse Process.)

The MOU includes fee provisions to offset the costs of the services rendered by the program. These MOU fees will be collected as part of previously approved fees for this collection service, therefore not requiring a fee adjustment at this time. It is the opinion of the Treasurer-Tax Collector's Office that, even with non-standard terms and costs imposed, the MOU will result in a larger recovery of debt at a lower County cost and should

therefore be implemented.

The MOU for this service begins upon execution until rescinded by the local agency with 90 days' notice.

**OTHER AGENCY INVOLVEMENT:**

County Counsel has reviewed the MOU but is not able to approve it due to the existence of non-standard terms, including but not limited to indemnification, insurance, fees, and off-sets.

**FINANCING:**

There is no additional cost to register or participate in CalTRECS; MOU required fees are already covered under the existing approved fee for the collection of debt via the FTB. The Treasurer-Tax Collector expects costs will be offset by labor savings and efficiencies of the automated program, and there is no negative impact on the budget.

**BOARD OF SUPERVISORS STRATEGIC INITIATIVES:**

*This program will assist in collecting outstanding debts in a timely, cost-effective manner, reduces staff time with the opportunity for an increase in the number of successful intercepted tax refunds, lottery winnings or unclaimed property to pay existing unsecured debt.*

- ☐ Economic Development
- ☒ Administration
- ☐ Health & Human Services
- ☐ Infrastructure
- ☐ Public Safety

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Approved by: Mary A. Zeeb, Treasurer-Tax Collector, x5015

All attachments are on file with the Clerk of the Board:

Attachment A: Memorandum of Understanding and Agreement (MOU)

Attachment B: CalTRECS Clearinghouse Process