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May 30, 2013

Honorable David P. Warner
Presiding Judge San Joaquin County Superior Court
222 East Weber Avenue, Room 303
Stockton, CA 95202

Response to 2012-2013 Grand Jury Report

Dear Judge Warner:

On April 12, 2013, the San Joaquin County Grand Jury issued its 2012-2013 Grand Jury Report regarding delinquent property taxes. Pursuant to Section 933.05 of the California Penal Code, please find the attached San Joaquin County Treasurer & Tax Collector and the Assessor-Recorder-Clerk joint response to the 2012-2013 Grand Jury Report for the following case:

County's "Most Wanted" Delinquent Property Taxes 2012-2013 Case No. 0612

If you have any questions regarding these responses, please contact Phonxay Keokham, Assistant Treasurer & Tax Collector at (209) 468-2172.

Sincerely,

Shabbir A. Khan
Treasurer & Tax Collector

Kenneth W. Blakemore
Assessor-Recorder-Clerk

SAK:KB:pk

C: Board of Supervisors
County Administrator's Office
Trisa Martinez, Grand Jury Staff Secretary/ Judicial Secretary

Attachment

Response to 2012-2013 Grand Jury Report

County's "Most Wanted" Delinquent Property Taxes 2012-2013 Case No. 0612

1.0 Public Tax Auction

Finding 1.1 - By conducting a tax auction of defaulted properties only once a year, the San Joaquin County Treasurer-Tax Collector decreases the number of opportunities for the County to realize a more rapid recovery of revenue from defaulted property taxes.

We disagree with the finding.

Finding 1.2 - The San Joaquin County Treasurer-Tax Collector uses only face-to-face auctions as a means to conduct property sales thereby limiting the number of participants in tax auctions.

We agree with the finding.

Finding 1.3 - San Joaquin County Treasurer-Tax Collector has insufficient staff to manage an ever-increasing volume of delinquent property tax demands.

We disagree with the finding.

Recommendation 1.1 - Beginning Tax Year 2013-2014, the Tax Collector conduct two tax sales each year.

Although there were 8,301 properties with defaulted taxes not all properties were eligible for tax auction. Revenue and Taxation Code Section 3691 specifically states that a property must be in tax default for five years or more, or three years or more in the case of nonresidential commercial property, then the tax collector shall have the power to sell and shall attempt to sell in accordance with Section 3692. After excluding the non-eligible properties with defaulted taxes only 125 properties were included in the November 2012 tax auction. Of the 125 properties 31 properties were offered in prior years and 42 properties did not sell at all.

Revenue and Taxation Code Section 3692 requires a tax auctions to be held at least once every four years. It is preferable to hold sales at least once a year, if the number of parcels justifies an annual auction, because regularly scheduled sales can often motivate redemption. Having multiple tax auctions and reoffering properties that did not sell along with a few new properties will not generate enough revenue for a cost efficient tax auction.

Due to the cost of reoffering properties that did not sell at a face-to-face tax auction the Tax Collector may consider reoffering these properties at a second online auction. The legal requirements and the preliminary research will have already been completed which may make the online auction more cost efficient.

Recommendation 1.2 - Beginning Tax Year 2013-2014, the Tax Collector implement an on-line tax sale and use its website to describe properties offered at the sale.

The Tax Collector may consider offering properties that do not sell at the tax auction on-line at a later date after the initial tax auction. The Tax Collector does use its website to advertise properties. However, descriptions of properties consist of specific mandated information to reduce litigation risk. Properties offered at a tax auction are offered on an “as is” basis and potential bidders are advised to research and investigate the properties before they bid in regards to descriptions, zoning ordinances, building codes, and permits.

Recommendation 1.3 - Prior to December 31, 2013, the Tax Collector request additional funds to augment office staffing to better manage the high rate of tax defaulted and facilitate a more rapid collection of tax revenues.

Delinquent taxes are correlated to economic conditions. The Tax Collector sends statements annually, publishes legal notices in newspapers, and issues press releases to radio stations and all major newspaper companies in the County. Additional funding for notifications and staffing will not have a material impact on decreasing delinquent property taxes if taxpayers do not have any economic motivation or financial means to pay.

2.0 Inter-Departmental Communications

Finding 2.1 - There is no regular, scheduled communication between the Tax Collector’s office and the Assessor-Recorder’s office regarding foreclosed and/or abandoned properties which contributes to the inaccuracy of affected records.

We disagree with the finding.

Finding 2.2 - The use of two different computer programs within the tax valuation/collector structure hinders the daily exchange of critical information among departments charged with overseeing public assets.

We disagree with the finding.

Recommendation 2.1 - By December 31, 2013, the Assessor-Recorder and the Tax Collector develop, revise and/or refine departmental policies and procedures that will facilitate meaningful, timely and accurate communication between and among all parties to ensure the accuracy of all records shared by both offices.

The Tax Collector and the Assessor’s Office already have policies and procedures that facilitate meaningful, timely, and accurate communication.

The Assessor’s Office has procedures and policies in place regulating the processing of the various documents that are recorded and result in a change in ownership and therefore require that the ownership information be updated. These documents must be processed chronologically and are processed with as little delay as is possible with the current staffing constraints. Prior to the annual

ownership/ mailing address update request from the Tax Collector, the Assessor's Office makes every effort to insure that the most current information possible is reflected in the system.

The annual tax bills, which are required to be mailed once each year by November 1st, are mailed in mid-October to the address on the tax roll filed with the Assessor's Office. Prior to mailing these tax bills the Tax Collector obtains the latest ownership information from the Assessor's Office. If properties are foreclosed and/or abandoned the new owner may not receive a tax bill. However, failure to receive a tax bill does not relieve the fee owner, or assessee, from the liability to pay taxes owed. The Tax Collector's Office will continue to improve on the meaningful, timely, and accurate communication between both offices.

Recommendation 2.2 - The Assessor-Recorder and the Tax Collector evaluate the computer systems used in their respective offices to create sufficient computer linkage to support compatible, efficient communication throughout both departments and implement action necessary to achieve mutual effectiveness within both offices by November 30, 2013.

Although the two different systems used by the Assessor's Office and the Tax Collector are not seamless there is no obstruction in the exchange of critical information. Each office has access to the other's tax system and can visually confirm the most current information for owner's and address changes. This information is also supplied anytime a mass update is required for bulk mailings or annual tax bills.

Recommendation 2.3 - By November 30, 2013, the Assessor-Recorder create and formalize an interoffice communication system to relay information regarding foreclosed properties to the Tax Collector identifying owner address changes.

The Tax Collector's Office has access to the Assessor's Office system and can visually confirm the most current information for owner's and address changes. This information is also supplied anytime a mass update is required for bulk mailings or annual tax bills. The Assessor's Office could produce a weekly report indicating those parcels that have undergone a change in ownership or mailing address in the system.

3.0 Delays Between Change of Ownership Filing and Property Reassessment

Finding 3.1 – There is no time frame established for processing changes of ownership to expedite tax collection.

We disagree with the finding.

Finding 3.2 – The back-log of documents requiring processing is mounting due to staff shortages.

We agree with the finding.

Finding 3.3 – The computer technology used by the Assessor-Recorder’s Office is insufficient to keep pace with the demand on processing time, especially of agricultural properties.

We agree with the finding.

Finding 3.4 – While not totally obsolete, the aging 18 year-old computer hardware system in use at the Assessor-Recorder’s Office does not provide for the most efficient use of staff time or effort.

We agree with the finding.

Recommendation 3.1 - The Assessor-Recorder establish defined timelines for the processing of regular changes of property ownership by December 31, 2013 and conduct training for all staff on methods to achieve established timelines.

The variable nature of this task does not lend itself to a meaningful date certain timeline. The Assessor’s Office has procedures and policies in place regulating the processing of the various documents that are recorded and result in a change in ownership or vesting and therefore require that the ownership information be updated. These documents must be processed chronologically and are processed with as little delay as is possible with the current staffing constraints. The simplest transactions, are currently processed and the information input into the system within six weeks of the recording date. A Trustee’s Deed Upon Sale, the recorded document that consummates a foreclosure and grants the property to the mortgage holder, is among this group of documents. The Assessor’s Office Transfer Section staff members are currently provided with ongoing training to facilitate the processing of documents and the determinations regarding changes in ownership mandated by the California Revenue & Taxation Code. The Assessor’s office will continue to provide training and seek options to facilitate and expedite the process with the staff currently in place.

Recommendation 3.2 – The Assessor-Recorder explore all options available to reduce the data entry back-log and fulfill current and proposed administrative projects. This plan is to be implemented by December, 2013.

The Assessor-Recorder’s Office will continue to explore options to reduce the delay and backlog in processing of change in ownership documents and still meet the mandated requirements of the office with the staffing restriction that are currently in place. The nature of the processing of these documents requires personnel to validate and apply the proper code section to each document and while the Assessor’s office has made great strides in automation as much of the process as possible, staff must ultimately make the final determination and input the necessary changes.

Recommendation 3.3 – The Assessor-Recorder and the Tax Collector work collaboratively to identify and apply new technology that will accelerate the valuation to collection process and improve operation within both departments by December 31, 2013.

The Assessor’s Office Information Technology staff is currently being consolidated with the County Information Systems Division and the system is being upgraded to the most up-to-date applications. The Assessor-Recorder and the Tax Collector will continue to work collaboratively to identify and apply new technology improve operation within both departments.