



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Treasurer – Tax
Collector – Public
Administrator
Department No.: 065
For Agenda Of: 3/2/2010
Placement: Administrative
Estimated Time: 10 Minutes on 3/9/2010
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Bernice James, Treasurer – Tax Collector
Director(s) (805) 568 - 2490
Contact Info: Harry Hagen, Assistant Treasurer – Tax Collector
Stacey Matson, Investment & Debt Officer
(805) 568 - 2490

SUBJECT: Replacement of Property Tax and Cashiering System

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Debt Advisory Committee, Chief
Information Officer

As to form: Yes

Recommended Actions:

That the Board of Supervisors set a hearing for March 9, 2010 to consider and authorize the Treasurer – Tax Collector to pay for the implementation and development of the Manatron Property Tax and Cashiering system from the capital designation, in an amount not to exceed \$2.434 million, contingent upon Board approval of a contract with Manatron, or to:

- 1) Authorize the Treasurer – Tax Collector to pay for the implementation and development of the Manatron Property Tax and Cashiering system with proceeds from the issuance of Certificates of Participation, in a project amount not to exceed \$2.434 million, contingent upon Board approval of a contract with Manatron; or
- 2) Authorize the Treasurer – Tax Collector to pay for the implementation and development of the Manatron Property Tax and Cashiering system with financing provided by Manatron, in a project amount not to exceed \$2.434 million, contingent upon Board approval of a contract with Manatron.

Summary Text:

The current property tax collection system collects over \$675 million annually for the County, school districts, and special districts. It is running on an antiquated mainframe and urgently needs to be replaced. Purchasing a vendor developed property tax management system has been determined to be the best solution for replacement. The options to pay the \$2,434,000 cost of the recommended Manatron vendor system are to pay as you go from the capital designation, or to finance either in a proposed Certificates of Participation (COP) issuance or with the vendor.

Background:

The goal of the property tax management system replacement initiative is the elimination of risk to the County of Santa Barbara derived from processing tax operations with obsolete and difficult to support technology. Property tax assessment, collection and distribution are mandated functions of the county, which not only impact individual homeowners and businesses, but almost every local government agency within the county. Improving and modernizing these systems is a critical priority.

At your FY 2008-2009 budget hearings, the Treasurer-Tax Collector identified the following risks associated with the current property tax system and the computer on which it resides (Z-frame):

1. The current system is 32 years old and obsolete; it runs on a small computer in what is known as mainframe emulation mode and is written in an outdated language.
2. The employees that support the Z-frame are nearing the end of their professional careers. Much undocumented knowledge that is difficult to replace would leave the County should any of them retire prior to shutting down the mainframe environment.
3. A number of system software products running in the mainframe environment are no longer vendor supported. However, they are used extensively inside our applications. Expert industrial knowledge of these products is rapidly disappearing.
4. On July 3, 2008, the Z-frame overheated when the Gap fire caused the air conditioning in the Administration building to shut down. It took two IBM field engineers plus internal staff several days to diagnose and repair the computer. Part of the delay in resolving the problem was due to the age of the hardware (IBM staff are no longer trained or familiar with our current equipment).

In FY 2007-2008, a Financial Systems Analyst (FSA) was added to the Tax Collectors budget to assist in designing a new property tax system. The position was never filled and in order to meet budget targets and operate within available funding, was eliminated from the FY 2008-2009 budget.

Your board requested the Treasurer-Tax Collector meet with the Chief Information Officer (CIO) to develop a recommendation concerning the property tax system. On December 9, 2008 four possible strategies and associated risks were identified and presented to your board.

Working with the CIO, each potential option was analyzed and researched and it was determined that purchasing a readily available property tax system from a commercial vendor was the best solution operationally and fiscally.

The County of Santa Barbara General Services-Purchasing Division issued a Request For Information for an Integrated Property Tax System. Seven firms responded by the November 9, 2009 submission deadline. Manatron was determined to be the best option for a successful implementation.

Manatron has successfully implemented its property tax application in over 10 states and is currently implementing it in the County of Santa Cruz. This vendor has made a multi-year investment in the study of California's property tax regulatory environment in order to develop a solution that meets the requirements of all California Counties. Manatron represents the best option for supporting the property tax collection responsibilities of the County. This solution addresses the essential requirements of moving the County from the antiquated mainframe computing environment to a state-of-the-art environment, while also leveraging the software engineering and support talents of a large commercial vendor. Manatron's timeline to complete the project is two years.

The County Debt Advisory Committee considered the option to release funds available in the capital designation on a pay as you go basis and the options of a COP or vendor financing for the purchase, development and installation of the Manatron application. They unanimously approved presenting the three options to the Board of Supervisors, along with their recommendation that the project be fully funded from the capital designation.

Fiscal and Facilities Impacts:

Budgeted: Select_Budgeted

Fiscal Analysis:

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
General Fund			
State			
Federal			
Fees			
Other:			
Total	\$ -	\$ -	\$ -

Narrative:

The least impact to the general fund would be to use the capital designation to pay the vendor on a pay as you go basis. This option is the least costly because there would be no financing costs for interest and costs of issuance.

Although estimated to be similar in cost, the impact to the general fund would be less if financed with a COP as compared to vendor financing, over a four year period.

The overall financing costs in each scenario are estimated as follows:

Source of Project Funds	Net Financial Impact to the General Fund	Term
Capital Designation	\$2,434,000	2 Years
Certificates of Participation	\$2,597,170	4 Years
Vendor Lease Financing	\$2,661,720	4 Years

Staffing Impacts:

Legal Positions:

FTEs:

Special Instructions:

Attachments:

Authored by: Harry Hagen, Assistant Treasurer - Tax Collector
Stacey Matson, Investment & Debt Officer

cc: