BOARD OF SUPERVISORS
AGENDA LETTER

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

Agenda Number:

Department Name:	Treasurer-Tax Collector
Department No.:	065
For Agenda Of:	05/25/2010
Placement:	Administrative
Estimated Tme:	
Continued Item:	Yes
If Yes, date from:	03/09/2010
Vote Required:	4/5

TO:	Board of Supervisors	
FROM:	Department Director(s)	Bernice James, Treasurer-Tax Collector (805) 568-2490
	Contact Info:	Kim Tesoro, Treasury Finance Chief (805) 568-2153
SUBJECT:	**Manatron Inc. Contract to Replace the Property Tax and Cashiering System**	

Bernice James

County Counsel Concurrence
As to form: Yes

Auditor-Controller Concurrence
As to form: Yes

Other Concurrence: Debt Advisory Committee
As to form: Yes

Recommended Actions:

That the Board of Supervisors:

1. Approve and authorize the Chair to execute the attached contract with Manatron, Inc. for an amount not to exceed $3,225,670 for the development and implementation of property tax/treasury software and five years of maintenance,

2. Approve the attached budget revision request no. 858 transferring $2,000,000 from the 2009-2010 capital designation and $434,000 from the strategic reserve for a total of $2,434,000, and

3. Determine that approval of the contract with Manatron is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(3) and 15378(b)(5) of the CEQA Guidelines, because it will not result in a direct or reasonably foreseeable indirect physical change in the environment, and approve the attached Notice of Exemption.

Summary Text:

The County has been working to modernize the County computing environment by migrating operations from the mainframe to new hardware and software systems to provide a reliable and maintainable information systems structure for the County. The property tax system is the only system remaining on the mainframe. The Tax Collector is responsible for collecting over $675 million in property taxes each year for the County, schools and special districts. We are requesting the capital designation/strategic reserve be used to pay for the Manatron vendor system.

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.

The current property system, created 32 years ago, is used to meet the state mandated duties of the tax collector to bill, collect, and account for 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. It is no longer possible to recruit programmers to maintain and update the system. A vendor developed property tax management system has been determined to be the best solution for replacement.

Manatron has been in business since 1969 and specializes in property tax software. It has successfully implemented its property tax application in 12 states and is currently implementing 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 has 370 employees and over $50 million in annual revenues. These resources will allow Manatron to devote the resources to develop the software as needed by the County and to provide a stable, long-term support relationship. Manatron's timeline to complete the project is 18 to 24 months.

Contract

The contract provides some notable protections for the County. The County may terminate the contract without prior notice if sufficient funds are not available. The County may also terminate the contract with 30 days notice for its convenience. The County would pay Manatron for satisfactory work completed and would receive all documentation, data, estimates, graphs, summaries, reports, records and papers produced by Manatron whether completed or in process. If Manatron fails to correct any software errors during user acceptance testing (except minor impacts that do not prevent operating the software), the County has the right to terminate the contract and have all monies paid to that date fully refunded. The contract is not the County's standard form of agreement for services of independent contractor because the contract is for specialized software implementation services and licensing.

Fiscal Analysis:

The total contract not-to-exceed amount of $3,225,670 is comprised of $2,000,000 for software and implementation, $150,000 for vendor reimbursable expenses, 10% contingency and five years of maintenance. Maintenance is paid annually and totals $860,670 over five years. The $69,000 of hardware is being paid separately and is not a part of the Manatron contract.

The amount requested from capital designation/strategic reserve of $2,434,000 is comprised of $2,000,000 for software and implementation, $150,000 for vendor reimbursable expenses, 10% contingency, and $69,000 for hardware. On-going maintenance will be paid from the departmental budget and is not included in the request.

The County Debt Advisory Committee considered the options of using the capital designation on a pay as you go basis, 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 funded from the capital designation. On March 9, 2010, your Board considered these options and directed the Treasurer-Tax Collector to negotiate a contract with the vendor and return to the Board with additional information on the capital designation and COP options.

The COP option is significantly more costly than originally thought and is no longer considered a viable option. Bond Counsel has advised that an amortization schedule of at least 7 years is required for a tax exempt issuance (as opposed to 4 years) increasing the estimated interest and issuance costs to $625,000. A separate building would be demised requiring additional appraisals and clear title reports. Also, we cannot comply with the strict timeline required by the state of California to issue COPs using Recovery Zone Economic Development Bonds.

The CEO has advised that there is $2,000,000 available in the 2009-10 capital designation. The remaining $434,000 will come from the 2009-10 strategic reserve.

Attachments:

Manatron Contract

Contract Summary Form

Budget Revision Request

Notice of Exemption

Authored by: Bernice James

cc: