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**DATE:** OCTOBER 14, 2021

**TO:** HONORABLE BOARD OF SUPERVISORS

**FROM:** SHARI L. SCHAPMIRE, TREASURER-TAX COLLECTOR

**RE:** STRUCTURE REVIEW OF FINANCIAL COUNTY OFFICES

As the Board of Supervisors is currently reviewing the structure of the County financial offices, this letter serves to share my thoughts on the potential creation of a Director of Finance with consolidation of the offices of the Auditor-Controller and the Treasurer-Tax Collector.

As Treasurer-Tax Collector, I would like to take this opportunity to outline some of the critical functions this office is responsible for:

- Managing the Countywide Treasury Pool;
- Managing the Countywide checkbook;
- Working directly with our service bank on all banking issues;
- Tracking all electronic payments received by all County departments;
- Accepting Treasury deposits from all Pool Participants;
- Collecting in excess of \$160 million annually for various property taxes;
- Collecting approximately \$7 million annually for Transient Occupancy Taxes;
- Collecting approximately \$6 million annually for Cannabis Business Taxes;
- Collecting approximately \$2 million for Court fines and fees.

Although the Auditor-Controller and Treasurer-Tax Collector's Offices are both financial offices, they have very different primary functions. The Treasurer-Tax Collector has nothing to do with the budget, accounts payable, payroll, or travel reimbursements. The Treasurer-Tax Collector does not issue checks, but ensures adequate funds are available in the checking account to clear all checks. This separation of duties is a critical function to safeguard the funds of the County, Schools, and Special District. Millions of dollars flow through the Treasurer-Tax Collector's Office on a daily basis. It is the responsibility of the Auditor-Controller to audit not only this office, but all departments, as well as Special Districts.

Along with CEO Carmel Angelo, I remain the only other financial team member currently on staff that was intimately involved a decade ago during the financial meltdown. I will never forget the difficult times the County faced and the difficult decisions that the Board of Supervisors at the time was forced to implement.

County employees were mandated to take a 10% pay-cut and County retirees lost their health insurance coverage, as the County's long-term credit rating was downgraded to BBB-, one step above an elevated vulnerability to default risk. Throughout this difficult time, the Auditor-Controller and the Treasurer-Tax Collector remained stable forces to assist the CEO in addressing these catastrophic financial times. These offices remain extremely stable today and serve the citizens of Mendocino County well.

I mention the above scenario as I believe decisions made at that time were among the most financially consequential decisions that a sitting Board of Supervisors has made in recent decades. I believe that those difficult decisions that were made a decade ago saved the County from financial ruin. As a public servant for more than four decades, I also believe the following financially consequential decisions by a sitting Board of Supervisors have set the County on a particular path going forward:

#### Purchase of Property System Software

The Board of Supervisor's approval to spend \$2 million to purchase the new property system software was a major commitment and investment benefiting the financial future of the County. Please understand, this conversion has been extremely difficult and overwhelming for all offices involved. In the short run, the Assessor, Auditor, and Tax Collector all still face significant challenges as we continue to move through the year and complete yearly tasks for the first time. Many issues still exist with converted data from our previous mainframe system that had been in place for nearly 25 years, it will take many, many months to resolve these issues. That being said, we are now able to see where this modern technology will assist the County in the next several years. There has been, and will continue to be, many billing, tracking, and reporting opportunities that were simply unavailable with our extremely outdated mainframe system. The streamlining of processes will also provide time and resources for staff to discover opportunities to generate much needed revenues.

In my opinion, if the offices of the Auditor-Controller and the Treasurer-Tax Collector are combined, the success of this project is in jeopardy. The limited staff coordinating this project would also be the staff responsible for implementing policies and procedures to ensure separation of duties for all staff responsibilities. All energy needs to be devoted to developing the new property system. In all honesty, I would also have major concerns that these same key staff members may look for employment opportunities with other County departments or other agencies.

#### Independence of the Mendocino County Employees' Retirement Association

In 2007, the Board of Supervisors approved the independence of the Mendocino County Employees' Retirement Association (MCERA), thereby removing any direct administrative responsibility of MCERA from the Treasurer-Tax Collector. Separating this responsibility from the County and having dedicated full-time staff with a singular focus of administering this important financial task has proven extremely beneficial for all stakeholders.

**When too much financial responsibility is placed without a singular focus on critical functions, important items run the risk of not being attended to, this was clearly the previous issue with MCERA.**

#### Consolidation of the Assessor and Clerk-Recorder

Over two decades ago, the Board of Supervisors approved the consolidation of the offices of the Clerk-Recorder and the Assessor. At that time, the Clerk-Recorder was an incumbent with name recognition and the current Assessor had planned to retire. The Assistant Assessor at the time

challenged the sitting incumbent, after a contentious election, the incumbent Clerk-Recorder was the successful candidate. The deterioration of the Assessor's Office started immediately with extremely knowledgeable, long-standing employees vacating the office for other departments or other Counties. I witnessed the Assessor responsibilities take a backseat to everything else that was going on in the office, particularly elections.

Beginning in about 2010 or so, the Assessor's Office went an entire decade without the Assistant Assessor position being filled. This was a critical function and should have absolutely been filled. Again, in my opinion, this left appraisers to flail with very little instruction and oversight. I believe this substantially contributes to the Assessor's Office having a lack of senior appraisers to this day.

My goal is not to degrade the Assessor's Office, but to tell you I have had a front row seat to witness a mass deterioration of a County office over the past two decades. All the tools to generate additional revenue for the County, such as finding unassessed properties, were severely hindered due to a lack of critical focus on functions of the Assessor. I know finding unassessed properties is very important to the current Board and I completely agree, losing out on this increased revenue source is a significant lost opportunity.

To summarize, I am adamantly opposed to the creation of a Director of Finance position. The current structure has been successful for decades, it allows for critical functions to remain at the forefront and not minimized by lack of time and focus. It also allows for the separation of duties that is absolutely vital for financial offices. Like with the consolidation of the Assessor-Clerk-Recorder, I fear if this consolidation takes place it will set the County on an extremely negative path going forward. We have learned a lot over the decades, one thing we know for sure, it is imperative that our financial offices remain stable.

I would be happy to address any questions that any Board members may have.