



County of Santa Cruz

COUNTY ADMINISTRATIVE OFFICE

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SUSAN A. MAURIELLO, J.D., COUNTY ADMINISTRATIVE OFFICER

September 18, 2003

Agenda: September 23, 2003

BOARD OF SUPERVISORS
County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

CONSIDERATION OF THE CONSOLIDATION OF OFFICES

Dear Members of the Board:

During 2002-03 Budget Hearings, the Auditor-Controller suggested that the Board of Supervisors consider the possibility of combining certain compatible fiscal office functions, upon the retirement of one or more elected department heads. Subsequently, the Board directed the County Administrative Officer to work with the Assessor, Auditor-Controller, and Treasurer-Tax Collector/Clerk-Recorder on the feasibility of combining compatible functions.

During Budget Hearings, your Board directed my office to continue to review the consolidation options that were available with regard to a re-organization of the County's fiscal offices, upon the vacancy of one or more of these offices.

Staff has prepared a report (Attachment A) which provides an overview of both the steps that have been taken during the investigation process and of the Government Code that governs the consolidation of offices. At this time, this report is presented for your information, as there is no indication that a vacancy is anticipated in the near term.

It is therefore RECOMMENDED that your Board accept and file a report on options with regard to the possible consolidation and re-organization of the County's fiscal offices, and direct that the County Administrative Officer return with a further report in January 2004 to discuss the next phases of the review process.

Very truly yours,

SUSAN A. MAURIELLO
County Administrative Officer

SAM: sp/consolcoversept03.wpd

Attachment

cc: County Counsel, Assessor, Auditor-Controller, Treasurer-Tax Collector/Clerk-Recorder

**REPORT ON THE POSSIBLE CONSOLIDATION AND RE-ORGANIZATION OF
SANTA CRUZ COUNTY'S FISCAL OFFICES**

Prepared the County Administrative Office
September, 2003

I. Introduction

During 2002-03 Budget Hearings, the Auditor-Controller suggested that the Board of Supervisors consider the possibility of combining certain compatible fiscal office functions, upon the retirement of one or more elected department heads.

Subsequently, the Board directed the County Administrative Officer to work with the Assessor, Auditor-Controller, and Treasurer-Tax Collector/Clerk-Recorder on the feasibility of combining compatible functions. Over the course of several months, the elected officials have met with CAO staff, County Counsel, and colleagues in both their professional associations and other California counties to explore various consolidation options that could improve efficiencies, eliminate redundancies, achieve budgetary savings, and improve and streamline services to the public.

These conversations and investigations have occurred in the context of the extraordinary fiscal challenges facing County governments, and in the context of the possible desire of at least one or more of the incumbents to contemplate retirement in the near term. As importantly, it is well understood that the financial management of California counties has become increasingly complex. The Auditor Controller is also of the opinion that the public should consider the benefit of a financial management structure that allows boards to recruit their financial manager from the broadest possible pool of candidates, best qualified by education, training and experience, rather from a smaller pool of those who choose to run for office.

II. Investigation Process

The following summary provides a brief overview of the steps that have been taken during the investigation process and in developing the various scenarios for consideration by the Board of Supervisors. Each of the steps is discussed in more detail in the report that follows.

- The Board of Supervisors directed the County Administrative Officer to confer with the Assessor, Auditor-Controller, and Treasurer-Tax Collector/Clerk-Recorder on the feasibility of combining compatible functions.
- The elected officials have met with CAO staff, County Counsel, and colleagues in their professional associations and other California counties to explore various consolidation options.
- Staff evaluated the effects of a possible consolidation of complementary functions in terms of cost savings incurred in the elimination of a department head's salary and benefit package, and those benefits associated with streamlining and restructuring the new combined organization to take advantage of complementary functions, cross training of staff, and the use of human capital and budgetary resources.
- County Counsel reviewed the statutes and concluded that the California

Government Code grants boards of supervisors the authority to combine certain elective offices upon the vacancy of one or more independent offices. A vacancy occurs upon the death or retirement, during the term of office, of an incumbent elective office holder, or at the end of an elected official's term of office.

- Staff, in conjunction with the consolidation team, developed a number of scenarios provided for under the consolidation codes, and in the process of discussing the pros and cons of the various scenarios, developed a list of assumptions to work from:
 - ✓ The consolidation of the Treasurer and Tax Collector functions has been successful, and a scenario would not be suggested that would separate them.
 - ✓ There is a natural confluence between the recording and assessment functions, and the numerous technology improvements that have already occurred to streamline the interface between the two offices could be considered for consolidation.
 - ✓ Efficiencies, reductions of redundancies, and cost savings could be achieved by merging the fiscal functions of Treasurer, Tax Collector and Auditor-Controller; however, the Treasurer has expressed concerns regarding the possible consolidation of these functions.
 - ✓ Determining an appropriate placement of the elections functions requires further review.
- Staff reviewed the organizational structure of all **58** California counties, and met with key executives within the Santa Clara County Finance Agency, where the offices of the Auditor-Controller, Treasurer-Tax Collector, and Recorder are consolidated.

III. Review of Government Code and Statutes

Across the State there has been a trend to consolidate offices as a way to achieve greater efficiencies in operations, and budgetary savings. This is especially critical in these times of economic uncertainty and in the context of unprecedented losses in local funding and local funding discretion.

The County of Santa Cruz currently has many examples of consolidated elective offices, including the Auditor-Controller, Sheriff-Coroner, District Attorney and Public Administrator, and most recently, the consolidation of the offices of Treasurer-Tax Collector and County Clerk- Recorder.

With the assistance of County Counsel, staff has reviewed those sections of the Government Code related to the consolidation of offices and government functions. The California Government Code grants boards of supervisors the authority to combine elective offices upon the vacancy of one or more independent offices. A vacancy occurs upon the death or retirement, during the term of office, of an incumbent elective

office holder, or at the end of an elected official's term of office.

Section 25304 provides that the Board of Supervisors shall fill by appointment all vacancies that occur in any office of an elected county officer until the unexpired term, or until the first Monday after the January 1st succeeding the next general election. This date is in accordance with the Government Code, whereby in the event that there has been no resignation or retirement by an incumbent, the time of office consolidations must be made effective on dates that do not cause an elected official to be removed from office prior to expiration of the elective term.

Sections 24300, 24300.5, and 24304 of the Government Code authorize the Board of Supervisors to consolidate various county offices by ordinance. Combinations which can be created by ordinance include the following:

Auditor Combinations
Auditor and Controller
Auditor and Recorder
Auditor and Clerk and Recorder

Assessor Combinations
Assessor and Treasurer
Assessor and Clerk and Recorder
Assessor and Recorder

Clerk Combinations
Clerk and Auditor and Recorder
Clerk and Public Administrator
Clerk and Recorder
Clerk and Auditor
Clerk and Tax Collector
Clerk and Assessor and Recorder
Clerk and Tax Collector and Treasurer

Recorder Combinations
Recorder and Auditor
Recorder and Auditor and Clerk
Recorder and Clerk
Recorder and Treasurer
Recorder and Treasurer and Tax Collector
Recorder and Assessor and Clerk
Recorder and Assessor

Treasurer Combinations
Treasurer and Tax Collector
Treasurer and Recorder
Treasurer and Assessor
Treasurer and Public Administrator
Treasurer and Tax Collector and Recorder
Treasurer and Tax Collector and
Public Administrator
Treasurer and Tax Collector and Clerk

Tax Collector Combinations
Tax Collector and Sheriff
Tax Collector and Treasurer
Tax Collector and Clerk
Tax Collector and Treasurer and Recorder
Tax Collector and Sheriff and Coroner
Tax Collector and Treasurer and
Public Administrator
Tax Collector and Clerk and Treasurer

Section 24300.5 of the Government Code provides that in addition to the duties of the county offices which may be consolidated under the provisions of Section 24300 (and listed above), the board of supervisors may by ordinance consolidate the offices of auditor, controller, treasurer, tax collector, and director finance. If the duties of offices are consolidated pursuant to this chapter, the board of supervisors, by ordinance, may elect to separate the duties without re-consolidation, and provide that the duties of each office shall be performed by a separate person, if it deems the change to be in the public interest.

Sections 26970 and 26980 of the Government Code prescribes the process undertaken by

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the board of supervisors of a county which may wish to establish the office of director of finance as follows:

- a Section 26970 provides that at any general or special election, the board of supervisors may submit to the electors of the county the question of whether the elective office of county auditor shall be replaced by the appointive office of county director of finance. The following Section, 26971, states that if a majority of the voters voting on the question at that election favor the replacement by the appointive office of county director of finance, the board of supervisors appoints the incumbent county auditor as the first director of finance. Thereafter, appointments to the office are made by the board of supervisors on merit and fitness and according to civil service rules and regulations. The director of finance may be removed or suspended by cause as provided in the civil service rules and regulations. If the director of finance position is created under this section, a board of supervisors may if it so desires consolidate the offices of auditor, controller, treasurer, and tax collector with the director of finance under Government Code Section 24300.5
- a Alternatively, Section 26980 of the Government Code creates a consolidated office of director of finance. Under this Section, the Board of Supervisors submits to the electors of the county the question of whether the office shall be established. If a majority of the voters agree, the board by ordinance creates the position. At the same election, the Board of Supervisors may also submit to the voters the question of whether the office, if so established, shall be elective, or appointed. If the director of finance position is created under this Section, the following Section, 26981, provides that the office of director of finance shall be consolidated with the offices of auditor, controller, tax collector, and treasurer, and the director of finance shall have all the powers and duties of such offices so consolidated, together with such other powers and duties the board of supervisors may provide.

With regards to Elections duties, Section 26802 specifies that the county elections official shall register as voters any electors that apply for registration and shall perform any other duties as required of him or her by the Elections Code. The Board of Supervisors may designate a county elections official by Resolution.

Section 24302 of the Government Code provides that when the duties of elective offices are united and consolidated, the person elected to fill the offices shall take the oath and give the bond required for each, discharge all the duties pertaining to each, and receive the compensation for the consolidated duties, as the Board of Supervisors determines.

IV. Consolidation in General

The consolidation concept is not new. Previously, the County successfully consolidated several elective offices including Treasurer-Tax Collector/County Clerk-Recorder, District Attorney-Public Administrator, and Sheriff-Coroner. The County Agricultural Commissioner and County Sealer of Weights and Measures, the Public Works Director, which consolidates the duties of road commissioner and surveyor, and the Human Resources and Health Services Agencies' Director positions, which consolidate a number of compatible duties, are some examples of previously undertaken consolidations of appointive county offices.

In general, consolidation of complementary functions serves the public good in terms of cost savings incurred in the elimination of a department head's salary and benefit package, and those associated with streamlining and restructuring the new combined organization to take advantage of complementary functions, cross training of staff, and a more efficient use of human capital and budgetary resources.

At this time, working with the Auditor Controller, an initial cost savings of approximately \$200,000 annually could be achieved if the three financial elected offices were consolidated to two. Going forward over the next decade, this could represent a budgetary savings of \$2 million.

Assessor/Clerk-Recorder

The combination of the Assessor with the Clerk-Recorder is one that has precedents across the State. Approximately 20 California counties have already combined the Assessor with Recorder, or Assessor with Recorder and Clerk functions. Counties with this combination include large ones, such as Riverside and San Diego, and those similarly sized to Santa Cruz, including Kings, Glenn, Marin, San Mateo, Santa Barbara, Monterey, and Sonoma. These counties have taken advantage of the natural confluence between the assessment and recording functions.

In our county, this combination would allow staff to take further advantage of the numerous joint interfaces that have already been developed, using new technologies to share, store, and retrieve indexed, multi-media, electronic files. There exists also the potential for cost savings in terms of cross-training, and assignment of staff from one operating division to another, especially in times of peak staffing requirements such as the close of the roll, or end-of-the year property transaction recordings.

Director of Finance and the consolidation of Treasurer-Tax Collector and Auditor-Controller Functions

The combination of the Treasurer-Tax Collector with the Auditor-Controller is one that also has precedents across the state. The counties of Fresno, Sacramento, Santa Clara, and in part, San Francisco, have all consolidated these financial functions under a director of finance organizational approach.

Some argue that a potential conflict exists when the Auditor-Controller is combined with the Treasurer-Tax Collector functions, for example, the Auditor's responsibilities to audit and reconcile the monthly statements of cash balance, receipts, and disbursements. Alternatively, an argument supporting this consolidation would be that in these modern times, there are numerous checks and balances to assure an adequate separation of duties, including sophisticated computer technologies, as well as internal control structures and layers of oversight that have been put into place since the original consolidations were prescribed several decades ago.

Examples of these new layers of oversight include the Treasury Oversight Commission, our County's Audit Committee which recommends the County's independent auditor, the creation of the Governmental Accounting Standards Board in 1984 which promulgates

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uniform accounting principals and reporting requirements, and audits of the Auditor's property tax administration by the State Controller, among others. The County's current independent auditor could assume the additional duties of rendering an opinion and a review of the required quarterly Treasury Cash Counts. The costs for this additional service would be nominal, in the \$2,000 per year range.

The Treasurer-Tax Collector, Auditor-Controller, and County Administrative Officer met with key executives within the Santa Clara County Finance Agency, where the offices of the Auditor-Controller, Treasurer-Tax Collector, and Recorder are consolidated.

The executive financial staff in that County have had extensive experience working in both the consolidated and unconsolidated offices of the Auditor-Controller and Treasurer-Tax Collector, and these staff expressed their opinion that the efficiencies and budgetary savings gained through consolidation were accomplished without new risks, and without compromising the separation of duties. Staff did report that they believed that the Recorder would be better consolidated with the Assessor. The County's Auditor-Controller has also had extensive conversations with staff in Glenn and Sacramento Counties, who report the same findings with regard to the separation of duties.

By whichever method the County may employ to consolidate the financial functions of the Auditor, Controller, Treasurer, and Tax Collector, the board of supervisors of every county having the office of director of finance shall cause an annual, independent audit to be made of such office.

County Elections Official

At present, the County Clerk serves as the Ex-Officio Registrar of Voters. Your Board has the authority to consolidate by ordinance the Clerk's elections' duties with the Assessor, the Auditor-Controller, or the Public Administrator, upon a vacancy of the Clerk-Recorder's office. If the financial offices are consolidated, the placement of the elections function would have to be determined. While a stand alone elections official would be possible, there are advantages to placing the function under an independently elected officer rather than having an appointed position. Among these are the independence of the office to carry out the complex task of managing the county elections process. This aspect requires further consideration by the working committee.

V. Actions to Affect Consolidations

To affect the consolidation of offices, the following procedural steps would apply, upon the vacancy of one or more of the County's independent offices. A vacancy occurs upon the death or retirement during the term of office, of an incumbent elective office holder, or at the end of an elected official's term of office. ***At this time, there is no indication that a vacancy is anticipated in the near term.***

- **Consolidating Assessor with Clerk-Recorder:** Government Code Section 24304 (x) specifically allows the Board of Supervisors to adopt an ordinance consolidating the offices of County Clerk, Recorder and Assessor.

- **Consolidating Treasurer-Tax Collector with Auditor-Controller:** Government Code Section 24300.5 provides that in addition to the various consolidations permitted under section 24300, a board of supervisors may by ordinance consolidate the offices of auditor, controller, treasurer, tax collector, and director of finance. Government Code Sections 26970 and 26980 prescribe how a board of supervisors of any county may establish the office of director of finance. Under either scenario, the board submits to the electors of the county the question of whether that office should be established as a single office, or as a consolidated office. If a majority of voters agree, the board creates the office by ordinance, and the board of supervisors may, or must consolidate the office of the director of finance with the offices of auditor, controller, tax collector, and treasurer, depending on the applicable Government Code.
- **Establishing a County Elections Official:** Prior to 1994, if a county did not establish a registrar of voters' office, the County Clerk was responsible for registering voters and performing elections-related duties. In 1994, Government Code Section 26802 was amended to specify that the "county elections official" had these responsibilities. Under Elections Code Section 320(b), the elections official can be the county clerk, city clerk, registrar of voters, elections supervisor, governing board, or any other person charged with the duty of conducting an election. The Board of Supervisors may by resolution establish an elections official, and determine whether to make the County Administrative Officer or the Board the appointing authority. Alternatively, a board of supervisors can consolidate the entire Clerk function, including the elections function, under either the Assessor, Recorder, or Auditor, or a director of finance.

VI. Next Steps

In order to further address a consolidation of the fiscal offices, our office will continue conversations with the Assessor, Auditor-Controller, and Treasurer-Tax Collector/Clerk Recorder and develop a timeline of appropriate actions. In addition, further conversations will inform recommendations on how to address the organizational structure for the Elections function. Upon the completion of these tasks, staff will develop recommendations for consideration of the Board of Supervisors.

VII. Conclusion

In conclusion, since no vacancies in elected offices are currently contemplated, it is proposed that staff continue to investigate the feasibility of consolidating the County's fiscal offices, with the understanding that such a consolidation would not occur until the end of the current term or when one of the incumbents vacates an elected office by other means, such as retirement. Staff will develop a timeline of proposed actions, determine how to address issues with regard to the Elections function, and return with recommendations on how to proceed for consideration by the Board of Supervisors in January 2004.

