



County of El Dorado

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Legislation Text

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Child Support Services, Revenue Recovery Division, recommending the Board approve Budget Transfer in the amount of \$36,000 from contingency to cover the Fiscal Year 2009/10 anticipated department budget shortfall, pursuant to Board of Supervisors Policy B-1. (4/5 vote required) (Est. Time: 15 min.)

FUNDING: General Fund

BUDGET SUMMARY:		
Total Estimated Cost		\$36,000
Funding		
Budgeted	\$	
New Funding	\$	
Savings	\$	
Other-Contingency	\$36,000	
Total Funding Available	\$	
Change To Net County Cost		\$36,000

Fiscal Impact/Change to Net County Cost:

The FY 2009-10 Net County Cost for the Revenue Recovery Division was budgeted at -\$24,968 (a negative Net County Cost). Projected Net County cost is \$10,711 resulting in an increase of approximately \$36,000 over budgeted Net County Cost.

Reason for Recommendation:

On March 2, 2010, the Chief Administrative Office presented the Mid-Year budget report to the Board. In that report, the Revenue Recovery program was projected to exceed budget by \$14,247 based on collections through December 2009. The report noted that this budget would be closely monitored as the year progressed.

The Child Support Services Department continues to project a budget shortfall at year end in the Revenue Recovery Division due to the inability to earn and retain more in program revenues than the funds expended to perform collection duties. The budget expectation of -\$24,968 Net County Cost can not be realized. The agency exists to collect debts, cover costs and forward what it collects to the Departments it serves. Zero Net County cost is the best that can be expected or realized.

Revenue Recovery's mission is to collect fines, fees and unpaid debts for the County and for the Courts. Since assuming responsibility for Revenue Recovery in October 2008, the Department has increased collections by 89.8%--from \$1,704,000 in FY 2007-08 to a projected total of \$3,234,295 in

FY 2009-10. Collection activity and program revenues from the Court provide the County with sufficient funding to maintain a well-staffed collection unit that has the capacity to also collect otherwise uncollectable debts owed to numerous County departments.

The Division receives offsetting program revenues from both sources, each calculated differently, and each recorded to the Division's budget at the end of the month:

- Revenue Recovery invoices the Superior Court for all costs incurred when collecting court debts. Court related collections costs account for approximately 91% of the divisions costs; therefore, cutting overall costs (and subsequently the reimbursement of those costs) does not reduce the Divisions bottom line.
- The second revenue source for the Division is the 13% collection fee charged to County of El Dorado departments for whom we collect. That 13% fee is difficult to project, as level of effort does not always equate to a collection recovery.
- The division has set a goal of zero Net County Cost, however, realizing any profit is prohibited, therefore, falling just above or just below zero may be as close as the Division can get without over charging or realizing more revenues than are allowable.

The Department has worked to comply with Board Policy B-1 by attempting to maximize revenues and realize cost savings through business process improvements such as bulk mailing discounts. Additionally, the management position over Revenue Recovery was eliminated and replaced with a supervisory position to better serve the needs of the Department at a lower salary cost. Revenue Recovery's budgeted negative Net County Cost was based on an assumption that Revenue Recovery could, on its own, realize more revenue than it was costing the County to run. In reality, that is not possible. Revenue Recovery collects and retains only enough to offset costs incurred. Any revenues in excess of costs are passed to the departments.

The FY 2010-11 Requested Budget for Revenue Recovery is set at Zero Net County Cost and the Department will be reviewing current billing methodologies with the CAO and Auditor-Controller to ensure that they achieve maximum cost recovery for the program.

Action to be taken following Board approval:

Board Chair to sign Budget Transfer moving \$36,000 from contingency to the Revenue Recovery Division budget.

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