

# OFFICE OF THE TREASURER COUNTY OF CHESTER

## 2008 ANNUAL REPORT



**Alan J. Randzin,  
Treasurer**

# **OFFICE OF THE TREASURER OF CHESTER COUNTY**

## **Annual Report**

**2008**

### **TABLE OF CONTENTS**

**Executive Summary**

**Foreword**

**Points of Interest**

**Mission Statement**

**Goals and Objectives**

**Financial Information (2007 Results / 2008 Annual Budget)**

**Brief Overview of Services**

**Performance Units Update (2007 Results)**

**New This Year**

## **Executive Summary**

We in the Treasurer's Office remain committed to the accomplishment of our annual goals and objectives while meeting our fiduciary responsibilities in a way that continues to provide the most economic benefit in keeping with the most judicious use of County funds and revenues.

Looking back at 2007, we experienced an excellent year, with many accomplishments. We completed the departmental Business Continuity Plan, implemented the State Fishing License POS system, and collectively began an investigation into the County-wide use of an Electronic Receipt of Payments system.

In 2008, we will be experiencing many economic challenges. As you will see in the financial section of this report, we too are beginning to experience the effects of a slowing economy. A major source of revenue for our department is the revenue earned through the preparation of tax payment certificates. This revenue source will likely be impacted, in 2008, by recent economic trends as fewer new houses are built, and the ever increasing inventory of unsold houses continues to climb.

Our focus will be directed to the full implementation of the new PA State Hunting POS system, and a new EFT payment system. Both of these are a continuation of our efforts to provide the service that all of our residents depend on, and expect of the Treasurer's Office.

I would like to personally commend the staff of the Treasurer's Office for their continuous dedication, contributions, and hard work in allowing us to achieve our 2007 goals and objectives, and because I believe they will apply that same spirit towards fulfillment of our expectations in 2008.

Please visit our website, <http://www.chesco.org/treasurer>, to learn more about the important functions served by our office.

Respectfully,

Alan J. Randzin, Treasurer

## FOREWORD

This report is intended to provide a useful comparative analysis for the citizens of the County. The report contains information about the final results of 2007 and also expected results for 2008. Content is modified each year, as necessary, to provide the essentials required in order to gain a clear grasp of our services.

**NOTE:** The first annual report titled Special Report, Presented To The Board Of Commissioners, and published in 2006, will serve as a baseline for background information with regard to the services offered by the Treasurer's Office, and only important changes will be mentioned in this report. Wherever necessary, some of the previous report will be excerpted and included to provide clarity. All reports are posted on our website.

The Treasurer's Office continues be staffed with the same number of personnel. This is an important consideration for two reasons. First, it demonstrates the commitment of elected officials to hold the line on economic cost (taxes), and second, it also demonstrates efficiency of management and dedication of county employees to provide a high level of public service, while continuing to meet the demands of increased expectations, both real and perceived.

We trust that this report will provide the reader with a reasonable and accurate accounting of the Office of The Treasurer of Chester County for the period ending December 31<sup>st</sup>, 2007 and a view forward to 2008.

Thank you,

Office of the Treasurer

# THE OFFICE OF THE TREASURER OF CHESTER COUNTY

## *POINTS OF INTEREST*

*(Updated to reflect all 2007 activity)*

### **Did you know?**

- That the dollar value of all deposits processed either directly or indirectly by the Treasurer's Office has grown to approximately **\$1.6 Billion** on an annual basis.<sup>1</sup>
- That County residents may make tax payments at any one of 7 different tax banks or their member branches, all of which total to 58 separate locations (not including the Courthouse or mail-ins), *and*
- That all of the collected tax money is first recorded by the Treasurer's Office, *and*
- That the number of real estate transactions processed annually exceeds 180,000, *and*
- That the yearly amount of real estate taxes collected, recorded and deposited by the Treasurer's Office is approximately \$130 million annually.
- That most money received by the various departments of County government is deposited by the Treasurer's Office.
- That all money deposited in the County's main Concentrated Cash Account is examined by the Treasurer's Office as part of a bank statement reconciliation process on a monthly basis.
- That payroll and retirement transactions are examined by the Treasurer's Office on a monthly basis.
- That all money collected and received by registered hotels, under the Chester County Hotel Room Rental Tax law, is recorded and distributed by the Treasurer's Office, and was estimated at around \$1.6 million in 2007, *and*
- That collected hotel tax relates to approximately \$82 million of net taxable room rental revenue (2007), which is examined during the annual hotel tax audits, *and*
- That approximately 70 hotels are audited by the Treasurer's Office on an annual basis, and this number is expected to climb to approximately 75 by 2009.
- That an estimate of the combined number of State Agent licenses (fishing, hunting, dogs, pistol permits, small games of chance and bingo) and Certificates of Tax Payments distributed by the Treasurer's Office is estimated at approximately 65,000 documents and processing transactions per year.

<sup>1</sup> **NOTE:** This estimate is derived from the County's Accounts Receivable module by the use of database queries developed and executed by the County's Department of Computer and Information Services, and is regarded as highly accurate and reliable. The actual 2007 amount extracted by this process is \$1,585,348,427.19 which represents all deposit activity processed through the Treasurer's Office. This final number is the sum of all tax payments, and other monies deposited through the Treasurer's Office.

# OFFICE OF THE TREASURER COUNTY OF CHESTER

## *Mission Statement*

To provide collection, receipt, and deposit services for all funds due to and received by the County of Chester in a courteous, efficient, accurate, accountable and timely manner, and further to provide all other support services as required in a way that allows us to meet the combined needs of community, business and government while operating within the framework of the County's overall mission statement.

## *Purpose*

The Office of the Treasurer serves primarily to receive, record and deposit most County funds resulting from payment of taxes, payment due on the sale of various state and county licenses, funds collected in the performance of public services, other state-related revenues (as agent for the State of PA), and payment of judgments and fines.

Other major functions (related to collection of tax payments) involve generating annual and interim real estate tax invoices, and the processing of resultant payments. Additional areas of responsibility include:

- Agent for the state regarding the issuance of licenses for hunting, fishing, pistol permits, and dog ownership
- Selling licenses for small games of chance
- Issuing certifications of tax payment
- Management of the county hotel tax program, including an annual audit of all businesses meeting the legal definition of "hotel"
- Providing an internal-control function within the county's accounting function, by performing a reconciliation of various bank statements
- Filing liens for delinquent taxes
- Distribution of Chester County payroll and accounts payable checks
- Serving the public in all matters related to our mission and purpose

# GOALS AND OBJECTIVES

*(Revised and Updated)*

Our primary objective is to provide the materials and services expected of the Treasurer, and as put forth in our *Mission Statement*, in an efficient and effective manner, but the spirit of this administration is to rise above mediocrity with an eye toward constant and continual improvement. The only change worthy of note is that our goals and objectives will be heightened by, and focused on how to meet our goals in a demanding economic environment.

We have periodically and historically explored and reviewed how services are provided relative to other alternative processes. A frequently asked question, which continues to drive our management strategy is, “how can we speed up or improve our services in a more cost effective, efficient manner?” Previously reported examples included: the use of *technology* in the handling of a function or task; the use of current spreadsheet technology to *measure daily activities* and inventories; *added workstations* for the processing of state agent licenses; *conversion of hotel tax accounting* from spreadsheets to the PeopleSoft database for added accuracy and data integrity; intradepartmental *cross-training* system and offsite training (through currently available programs) for staff; promotion from within.

In 2007 we introduced and implemented a new philosophy in order to answer the question, “how is County information protected in the event of a major catastrophe?” by developing a Business Continuity Plan. In 2008 we will be examining how to implement a new County-wide electronic payment feature, referred to as electronic funds transfer (EFT), in order to facilitate Internet-based payment of real estate taxes. Also, for 2008, we expect fully-implemented point-of-sale services in order to facilitate fishing and hunting license sales. By constantly asking “is there a better way?” we will be able to meet the needs of future demands on our services. We can only discover answers to questions, if we first dare to ask the questions. Overall, all objectives will be met by leaving no question unanswered.

## 2007 RESULTS

The following data are provided to measure 2007 results against expectations as provided in the 2007 Annual report.

	2007 Budget	2007 Actual	Fav/(Unfav) 2007 Variance
Small Games of Chance & Bingo	\$ 19,360.00	\$ 17,890.00	\$ (1,470.00)
State Agent Licensing Fees - Fishing	450.00	382.00	(68.00)
State Agent Licensing Fees - Hunting	475.00	608.00	133.00
State Agent Licensing Fees - Dog	27,750.00	14,335.50	(13,414.50)
State Agent Licensing Fees - Antlerless Deer	24,000.00	27,501.00	3,501.00
State Agent Licensing Fees - Pistol	600.00	300.00	(300.00)
Departmental Earnings	192,000.00	203,932.00	11,932.00
Hotel Tax Fees	57,000.00	66,170.32	9,170.32
Other Misc Rev	4,500.00	3,305.00	(1,195.00)
<b>Total Revenue:</b>	<b>326,135.00</b>	<b>334,423.82</b>	<b>8,288.82</b>
Elected Officials	70,241.00	70,191.48	49.52
Regular Salaries	378,505.00	387,960.41	(9,455.41)
Wages	11,326.00	7,491.23	3,834.77
Overtime	6,500.00	1,024.15	5,475.85
Materials and Services	161,918.00	154,098.13	7,819.87
PC Hardware/Software	2,750.00	2,738.00	12.00
<b>Total Expenditures:</b>	<b>631,240.00</b>	<b>623,503.40</b>	<b>7,736.60</b>
<b>NET ACTIVITY <sup>1</sup>:</b>	<b>\$ (305,105.00)</b>	<b>\$ (289,079.58)</b>	<b>\$ 16,025.42</b>

<sup>1</sup> Before FICA, Fringe & Pension Benefits, & Worker's Comp Premiums

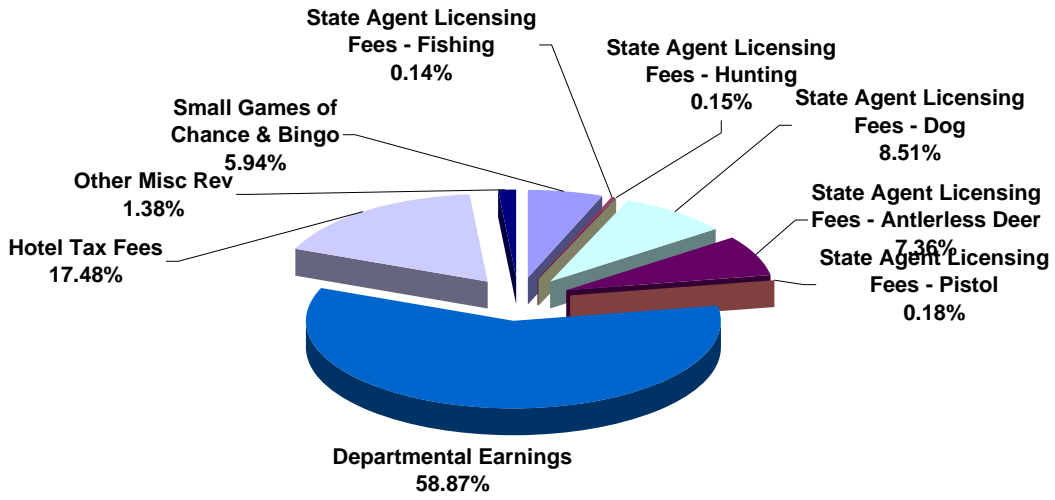
As you might expect in any budget analysis, certain features of revenue and expenditures tend to follow expected trends, which allows for fairly close tolerances when comparing budget to actual amounts. Certain expenditures are easy to pinpoint, and this is due to the expectations placed on the Treasurer's Office as a result of routine tax processing. That is, we know from year to year about how many parcels are taxed, and therefore, can predict with a fairly high degree of accuracy what our salary/wage/overtime demand will be.

Consider the current effects, on a national scale, of the poor housing/mortgage markets, and how that can affect the demand for tax payment certifications, which in 2007 were within about 6.0% of our targeted budget amount. Based on available information in 2007, the 2008 budget for Departmental Earnings (primarily earned through the issuance of Tax Payment Certifications aka Tax Certs) was adjusted downward to recognize the slowdown in the housing market.

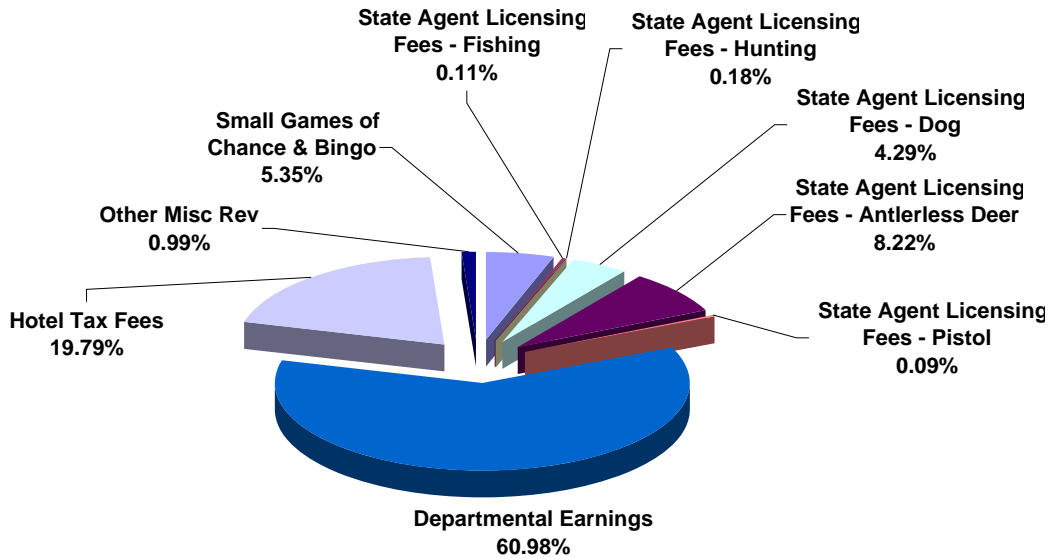
Similarly, hotel room rental tax revenue (Hotel Tax Fees), while far ahead of budget in 2007 will likely slow as business travelers and others adjust to the effects of negative media coverage of the economy. Some hotels, polled during early 2008 audits, have expressed their concerns about meeting their 2008 goals. To account for this, our budget was adjusted accordingly, when finalized for the 2008 calendar period.

The area expected to show the largest increase in 2008 is the sale of dog licenses, which is due to the large mailing of renewal-dog-license-application-letters by PA State Dog Law, which occurred in the latter part of January 2008. Dog license renewals are expected to soar above 20,000 in 2008 and attain levels reached in 2006 as a result of a similar mailing.

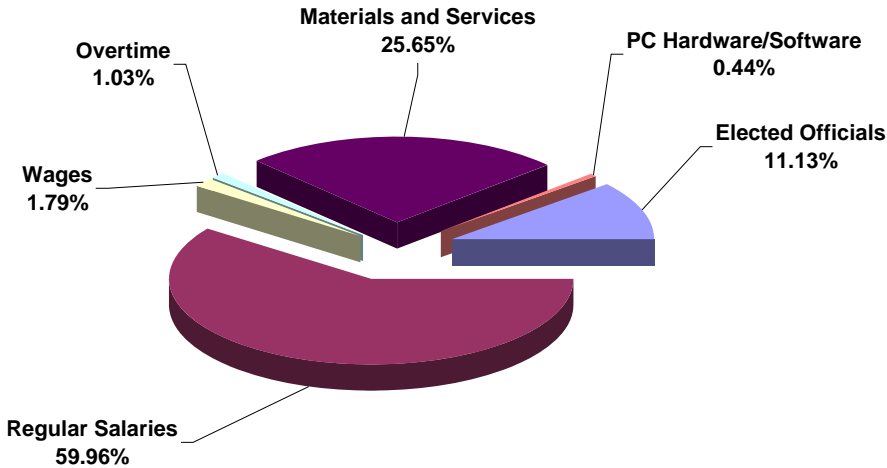
2007 Budget Revenue



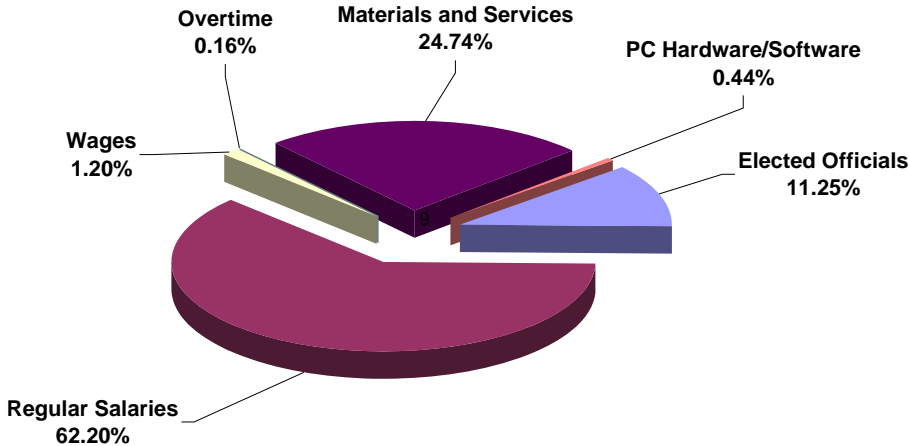
2007 Actual Revenue



2007 Budget Expenditures



2007 Actual Expenditures



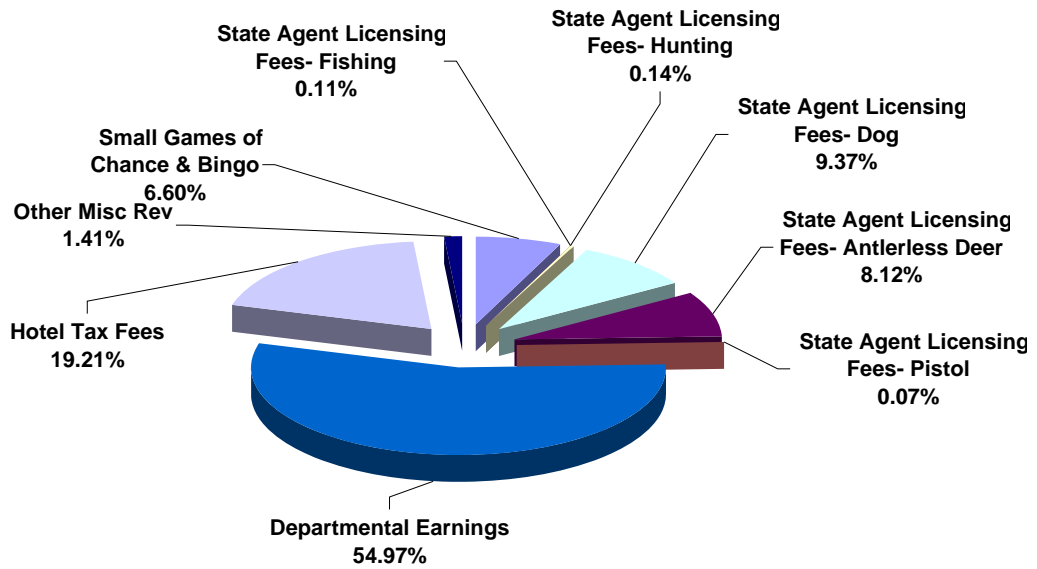
## 2008 ANNUAL BUDGET

2008 marks our third year utilizing a new presentation of revenue, which features a breakdown of State Agent revenue according to license type. This presentation allows the analyst and casual reader alike to focus on how changes occur in each category in response to changes in law, economy, and individual interests among outdoor enthusiasts. With regard to Small Games of Chance and Bingo, the Office of the Treasurer has taken a proactive position regarding the sale of renewal licenses. This is made possible through the use of a separate database that was begun in 2002, which allows us to examine those institutions/organizations most likely to reapply for a license in a subsequent period. At the beginning of each year we contact all likely candidates on a monthly basis. From 2000 until 2008, we have observed a slow but steady increase in the number of licenses sold each year. Compare 150 licenses sold in 2000 to over 200 sold in 2007. This year we hope to reach our target of 250.

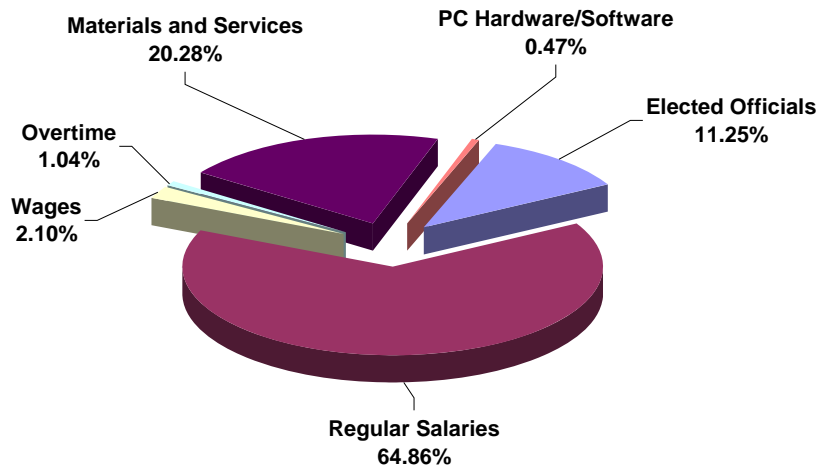
		<b>2008</b>
		<b>Revenue Budget</b>
<b>Small Games of Chance &amp; Bingo</b>		<b>\$ 21,120.00</b>
<b>State Agent Licensing Fees- Fishing</b>		<b>350.00</b>
<b>State Agent Licensing Fees- Hunting</b>		<b>450.00</b>
<b>State Agent Licensing Fees- Dog</b>		<b>30,000.00</b>
<b>State Agent Licensing Fees- Antlerless Deer</b>		<b>26,000.00</b>
<b>State Agent Licensing Fees- Pistol</b>		<b>240.00</b>
<b>Departmental Earnings</b>		<b>176,000.00</b>
<b>Hotel Tax Fees</b>		<b>61,500.00</b>
<b>Other Misc Rev</b>		<b>4,500.00</b>
<b>Total Revenue Budget</b>		<b>320,160.00</b>
		<b>2008</b>
		<b>Expenditures Budget</b>
<b>Elected Officials</b>		<b>70,240.00</b>
<b>Regular Salaries</b>		<b>404,898.00</b>
<b>Wages</b>		<b>13,088.00</b>
<b>Overtime</b>		<b>6,500.00</b>
<b>Materials and Services</b>		<b>126,620.00</b>
<b>PC Hardware/Software</b>		<b>2,950.00</b>
<b>Computer Hardware/Software</b>		<b>-</b>
<b>Total Expenditures Budget</b>		<b>624,296.00</b>
<b>Net Budget Activity <sup>1</sup></b>		<b>\$ (304,136.00)</b>

<sup>1</sup> Before FICA, Fringe & Pension Benefits, & Worker's Comp Premiums

### 2008 Revenue Budget



### 2008 Expenditures Budget



# OVERVIEW OF SERVICES

## *State Agency*

The County Treasurer serves as the local authority, which represents the State of Pennsylvania, in the sale of various state-controlled licenses. The County, for its services, receives a small percentage of the revenue.

## *Real Estate Tax Process*

The Office of the Treasurer invoices all owners of taxable property, after the Commissioners approve a budget, which determines the millage to be applied to assessed property values. Updates to individual properties, as a result of improvements, may require interim billing, which is also performed by the Treasurer.

Upon receipt of payment of real estate taxes, the Office of the Treasurer records this information and is frequently called upon to certify that payment was received. This process normally occurs during the transfer of ownership.

The property owner is not always the party who remits the tax payment. There are several organizations, which engage in multiple payment transactions simultaneously.

These are typically mortgage or title companies who are making payment from escrowed funds, and these payments are processed in batches, electronically.

## *Centralized Depository*

All receipts of cash or checks, once processed and recorded, are deposited on a daily basis.

## *Small Games of Chance & Bingo*

The County Treasurer is the legal "Licensing Authority" recognized under Pennsylvania's Local Option Small Games of Chance Act (the Act), 10 P.S., 311-327.

Only not-for-profit organizations, those who qualify under the Act, may apply for and receive a license to operate a small game of chance.

Five games of chance may be conducted as defined in the Act. They are:

1. Punchboards
2. Pull – Tabs
3. Raffles (Includes lotteries)
4. Daily Drawings
5. Weekly Drawings

The County retains all proceeds from the sale of these licenses.

## *Hotel Tax Management*

Ordinance #2-99 was declared into county law on 11/30/1999 with an effective date of 01/01/2000. Its purpose is to provide funds to promote tourism (and hence, economic development) within the county's borders. Senate Bill No. 366 (Session of 1999) provides the legal right to enact this tax.

The Treasurer is responsible for rules and regulations regarding collection and disbursement of tax money to the Chester County Convention & Visitors Bureau (CCCVB). Ordinance #2-99 defines the collection and remittance date restrictions imposed on hotels and the Office of the Treasurer.

***Internal Control: Reconciliation of Bank Statements***

The Office of the Treasurer serves as an internal accounting control function. In this capacity it tests for agreement between the general ledger and various bank statements for Chester County's main cash account, and payroll and pension accounts.

***Disbursement***

Similar to the account reconciliation process, an internal accounting control, the Treasurer's office serves as the disbursement function. All checks written by Accounts Payable are reviewed by and distributed from the Office of the Treasurer.

***Additional Duties***

- Filing liens for delinquent taxes
- Distribution of Chester County payroll and retirement checks
- Serving the public in all matters related to our Mission Statement

# PERFORMANCE MEASURES

(2007 Units Update)

In our first annual report, 2006, we provided a detailed review of the *performance measures* analyzed in the Treasurer's Office. The categories listed in 2006 are repeated here along with actual 2007 results.

Performance categories are:

- **Department Revenue**
- **Department Expenditures**
- **Interim and Annual Tax Bills mailed**
- **Tax Payments Processed Annually (Lockbox, Electronic, Office, Tax Banks)**
- **Refund Processing**
- **Certifications (ordinary and duplicate tax payments)**
- **State Agent licenses sold**
- **Depository**
- **Internal Control**
- **Active Hotels**
- **Hotel Taxes Collected Annually**
- **Hotel Audits**
- **Hotel Tax Assessments**

## 2007 Actual Performance Units

Department Revenue (See Financials section for more detail): **\$334,423.82**

Department Expenditures (See Financials section for more detail): **\$623,701.80** (net of FICA, Fringe and Pension Benefits, and Worker's Compensation Premiums)

Annual and Interim Tax Bills Mailed: **186,422**

Refunds Processed (Qty, Dollar Amount): **2,064, \$694,911.43**

Tax Certification Units Issued: **12,678**

State Agent Licenses Sold <sup>1</sup> : Fish	<b>377</b>
Hunting	<b>603</b>
Dog	<b>19,845</b>
Antlerless Deer	<b>27,496</b>
Pistol Permits	<b>50</b>
Small Games of Chance	<b>211</b>

Deposit Transactions (Qty, Dollar Amount): **11,378, \$1,585,348,427.19**

Internal Controls: **12** bank reconciliations for Cash Concentration, Payroll/Pensions, and Office of Managed Behavioral Health

Hotel Activity (Active Hotels, Dollars Collected, Audits, Dollars Assessed): **71, \$1.65M, 71, \$2,032.14**

<sup>1</sup> At approximately \$1.00 of revenue for each license transaction, you would expect the total of State Agent units above to agree with 2007 actual revenue, but this is not the case. The difference is caused by timing differences between the date sold and the date recorded.

## NEW THIS YEAR

Last year we announced our intentions to launch a newly-initiated Business Continuity Plan. The plan was completed and awaits a rollout trial sometime in the spring of 2008.

New for 2008 is the evaluation and adoption of the use of a County-wide program referred to as *electronic receipt of payment*, which utilizes *electronic funds transfer* technology (EFT).

This technology will provide yet another means for taxpayers, who may be searching for an even faster way to pay real estate taxes, to do so on-line via a link through the County's website. Currently, tax payers may use any of the following methods to make a tax payment: mail a payment to a designated lockbox account; visit any one of several tax payment locations (Tax Banks) listed on our website [www.Chesco.org/Treasurer](http://www.Chesco.org/Treasurer); visit the Courthouse (1<sup>st</sup> floor of the Annex building, Suite 120); or, allow their mortgage company to make payment.

For those who rely on credit cards to keep track of household expenses and other personal payments, the EFT method will provide yet another convenient and trustworthy device for the fast and accurate payment of real estate taxes.

Also new this year is the expected implementation and completion, respectively, of PA State initiated point-of-sale stations for both hunting and fishing license sales.