Oswego County

Centralized Tax Database Study

Draft

Submitted December 1, 2008

SYSTEMS EAST, INC.

INNOVATIONS IN FINANCE AND COLLECTIONS

December 1, 2008

Mr. John W. Kruk, Treasurer
Oswego County
46 East Bridge Street
Oswego, New York 13126

Dear Mr. Kruk,

Enclosed you will find a draft copy of our findings pursuant to the Centralized Tax Database study that we were commissioned to complete for Oswego County. We ask that you review the document and our findings and notify us of any items that we may have omitted or if there any items that you would like us to expound upon.

We would like to thank you for selecting Systems East to perform this task for the county. Your patronage is greatly appreciated, and we look forward to working with you and your associates in the future.

Sincerely,

Brian G Campbell

Brian G. Campbell
Senior Account Representative

BGC/jd

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Cortland, New York 13045
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Mr. John W. Kruk, Treasurer
Oswego County
46 East Bridge Street
Oswego, New York 13126

Dear Mr. Kruk,

Enclosed please find our results for the countywide tax collection study and related services. The effort consisted of a thorough review of the tax collection infrastructure within Oswego County, for the purposes of identifying deficiencies, potential improvements, and recommending a path towards the development and maintenance of a countywide outstanding tax database.

We will be contacting you in the near future to answer any questions you may have. In the meantime, thank you for selecting Systems East to perform this study and for your continued support of the products and services we offer.

Sincerely,

Brian G Campbell

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Enclosure

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Survey Background

In late 2007, New York State Office of Real Property Services (NYSORPS) established the Centralized Property Tax Administration Program (CPTAP). The program is intended to encourage county and municipal officials to study reform opportunities for their local property tax systems.

Two CPTAP grants of up to $50,000 each are available to almost every county in the state. One of the grants targets assessing methods, while the other focuses on potential improvements to real property tax collections. It is this second grant that made this study possible.

The CPTAP Tax Collection grant contains two components of up to $25,000 each. The first component funds a review of a county's tax collection infrastructure and recommendations for establishing a countywide tax database. The second component will provide much of the funding to assist in the implementation of the recommendations in the initial study.

Compared to most other states, New York's property taxation, collection, and delinquency enforcement system is notoriously complex and confusing, particularly for taxpayers. New York is one of only three states that does not have a statewide standard of assessing and one of only twelve states that does not mandate a periodic reassessment cycle. Meanwhile, we have nearly 700 school districts randomly overlapping 1,128 assessing units (compared to a national median of 85 assessing units).

The intent of the grant program is for counties to chart their own paths to reform. The program does not presuppose a one-size fits all approach to such improvements. By analyzing the particulars of their county, local officials can determine what will work best for their taxpayers and the taxing jurisdictions alike.

The tax collection study grant enables counties to explore options for harnessing technology to the benefit of all participants. The requirement for the initial $25,000 of the CPTAP grant is that counties commission or prepare a study for the implementation of a common database through which the taxable status and tax and payment history of every real property parcel in the county may be ascertained. Beyond that, counties may opt to explore county-run, municipal-coordinated and/or hybrid collection options for collaborative property tax collection.

The second CPTAP tax collection grant of $25,000 is available to help defray the cost of implementation for those counties that elect to pursue the recommendations of the initial study. This would result in a common outstanding tax database being available at the county level as well as to all taxing jurisdictions.

Executive Summary

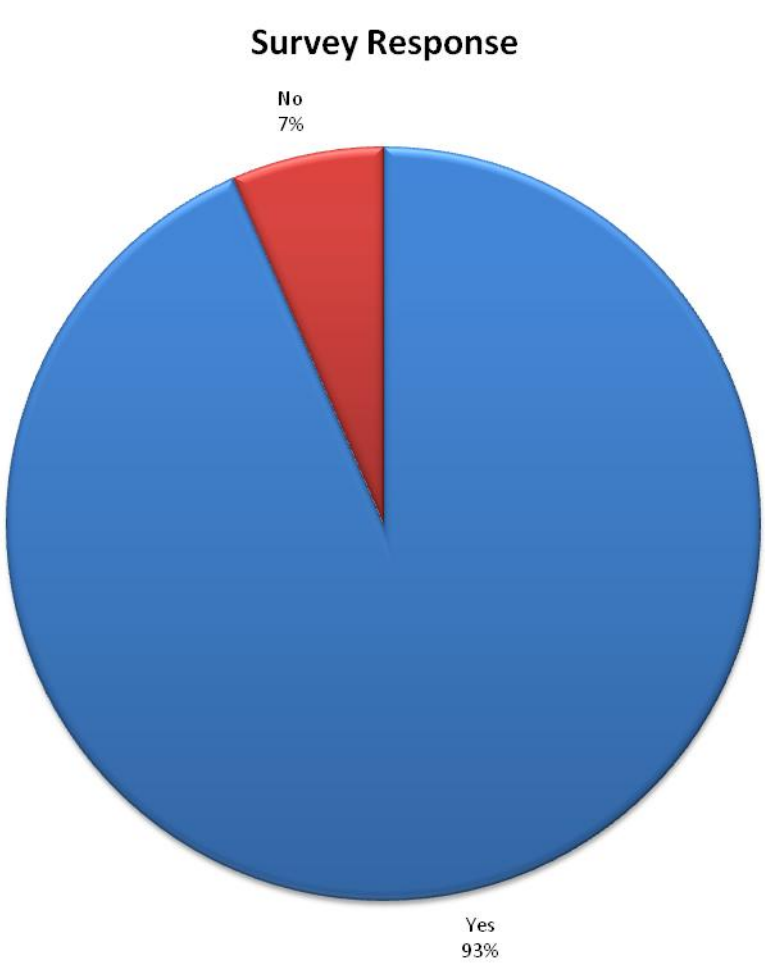
This study was commissioned in response to a two phase grant program offered by the New York State Office of Real Property. Phase one of this grant program provided the county with $25,000 to conduct a study of the tax collection environment within the county. The only provision mandated by the state was that the study include a review of the feasibility of establishing a central database containing information on real property taxes and tax payments for every parcel within the county. Outside of this mandate, counties were free to study any other tax collection ideas they may wish to explore. Phase two of this grant will provide an additional $25,000 to help offset the cost of establishing this central database. In order to obtain the second payment, the county must submit a copy of this study along with a copy of the contract for the establishment of this central database by March 31, 2009.

Earlier this year the Oswego County Treasurer submitted an application to NYSORPS for the grant and was awarded funds for the study in the middle of 2008. Meetings were held with the County Treasurer and staff to determine the approach to the study and establish the goals and objectives. It was decided that the best approach was to develop a survey to be distributed to each town, village, city, and school collector.

At the end of the survey period, the results were reviewed and compiled. Forty-three of the forty-six collecting units within the county responded to the survey. The results show an approximately 80/20 split between those collectors who have a computerized system for collections and those who still record tax payments manually.

For the most part, those who collect manually report doing so because of the relatively small number of bills for which they are responsible. Though the cost for tax collection software has declined in recent years, it can still be somewhat prohibitive for a small collection office on a limited budget.

Those who have a computerized collection system utilize numerous third party vendors with Allen Tunnell and Williamson Law Books being the most popular. The County Treasurer uses an in house written tax collection system running on an IBM AS400. They have used this system for several years. Creating and implementing a centralized database would afford the Treasurer's office the opportunity to upgrade to a new system that would increase automation, reduce costs, and improve efficiencies for both the county and the public they serve. A new system should be based around a contemporary database system, such as Microsoft SQL server.



Of the 46 taxing jurisdictions, 43 (93%) provided a response to the survey

It was concluded that with their existing environment and moderate additional effort, the county could meet the minimum requirements set forth by NYSORPS to establish the central tax database, and thus qualify for the second $25,000 grant. While the county could meet the minimum standards, it is the desire of the County Treasurer to greatly surpass these standards and strive for establishing a single database that would be available for use by all collectors for the collection of taxes and also be accessible to the general public as an information source.

A central database also affords several other benefits including automation for all collectors, reduction of manual data entry by the County Treasurer's office and the ability for the general public to make tax payments online through this central database. Accomplishing this goal would require additional funding sources and that the collectors have Internet access, preferably high-speed. A comprehensive database could then be systematically implemented in stages, starting first with those collectors who have high-speed Internet access already familiar with using a software application to receive taxes and generate the corresponding reports.

Objectives and Methodology

The first step in the process was to establish the following goals for this study:

1. Determine the steps necessary to meet the requirements for the CPTAP Phase II grant
2. Review the tax collection processes and procedures throughout the county
3. Discover the tax collection software applications in use countywide
4. Establish the availability of Internet access to the municipal collectors
5. Identify possible improvements and cost savings

An initial meeting with the County Treasurer's Office allowed us to perform a thorough review of the County Treasurer's office processes, procedures, and workflows as they relate to real property tax collection and delinquency enforcement. In this meeting, we also outlined the steps that would be taken to survey all of the town, school and village tax collectors.

A survey containing twenty-eight questions, a copy of which is included herewith, was developed and mailed to all collectors. After the initial mailing of this survey, a second copy of the survey was sent to any collectors, and the supervisors of those towns who did not respond to the original mailing. We attempted to reach any collectors who failed to respond to either of the mailings via telephone. In all, we were successful in receiving input from forty-three of the forty-six collectors.

Current Environment

Real Property Tax Cycle

New York State currently has one of the most complicated tax collection structures in the United States. New York is one of only a few states where the entire real property tax collection process is not handled by a central office at the county level.

Currently in Oswego County, the tax collection process is handled by several levels of government. This cycle begins at the county Real Property Tax Services Office (RPTS) who collects all of the assessment and valuation information from local assessors for every parcel in the county. At various times throughout the year and after the appropriate tax rates are determined and approved, the RPTS office creates and prints the tax bills. The actual collection process then begins at the local town, village, city, or school level.

Local collectors except for the City of Fulton collect the taxes for a short period of time (3 to 4 months) before the unpaid taxes are turned over to the county for enforcement during the delinquency return process. Once the unpaid taxes are in the hands of the county, the enforcement steps vary depending on the type of tax. Returned village and central school taxes are collected for a brief period of time in November before they are relevied onto the next year's county/town tax bill mailed on or about January 1st of each year. Unpaid town/county bills then enter into a two or four year foreclosure process.

The exception to this rule is for parcels contained within the City of Fulton. The City collects the county portion of the property tax and remits those payments back to the county. With the City being a separate entity from the county it also levies a separate city property tax on those parcels contained within the city limits. Unlike the towns, schools, villages, and City of Oswego who return their delinquent taxes to the county for enforcement the City of Fulton handles its own delinquent enforcement. The timing and steps taken by the City are not included as they are outside the scope of this study.

County Treasurer's office

The County Treasurer's office accepts payments for delinquent taxes during normal business days from 9:00am to 5:00pm. Payment may be made by cash, check, or money order. Payment via credit or debit card is not accepted.

In order to accomplish the collection and enforcement of delinquent taxes, the County Treasurer has a computer system it uses to manage the county's 59,700 parcels of real property. This system allows the Treasurer's Office to view information on any parcel within the county. The system was written in-house and runs on an IBM AS400. Currently, the data is stored on county owned and maintained servers.

County IT staff are responsible for all routine database maintenance and for establishing and executing an appropriate data backup schedule. The County Treasurer's Office is responsible for entering payment information and general data upkeep. If the Treasurer's Office has a question or an issue with the program, the county IT staff is available during normal business hours for support.

Collector's offices

The town, school, city, and village collectors accept payments for current taxes during their respective collection periods. The number of parcels varies greatly from a low of 22 parcels for one school district to almost 6,000 parcels in the larger towns and school districts. A mixture of full and partial payments of cash or check via mail or in-person payment are accepted by the collectors.

While there are several different software programs used by local tax collectors, many collect via manual methods with no computerization of any kind. Some of those who collect manually do so out of preference and some simply lack the funding for computer equipment and software.

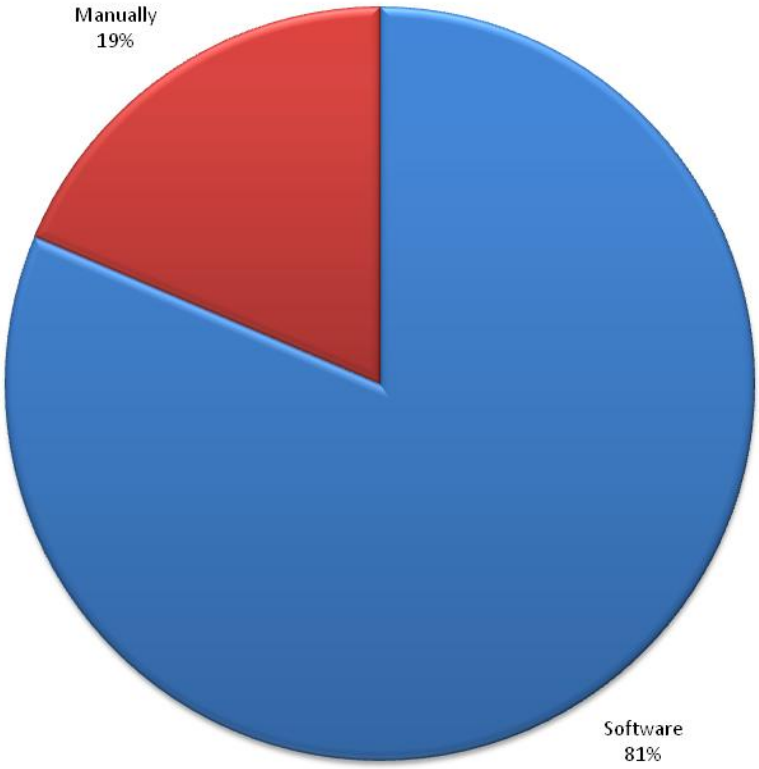
All of the real property tax collection software applications in use at the localities provide a basic set of tools allowing collectors to search parcels, receive payments, mark bills as paid, view history, and produce reports. Amongst the applications however, there are several differences in functionality, features, acquisition costs, and annual maintenance and support costs. In some cases, acquisition and support costs are linked to the parcel count of a collecting jurisdiction.

The providing vendors are also responsible for providing support to the collectors when a question or issue arises with their program. All of the collectors responded that the level of support they received from their vendor was acceptable or better. While all the software packages are based on a single database, some employ less than contemporary technology.

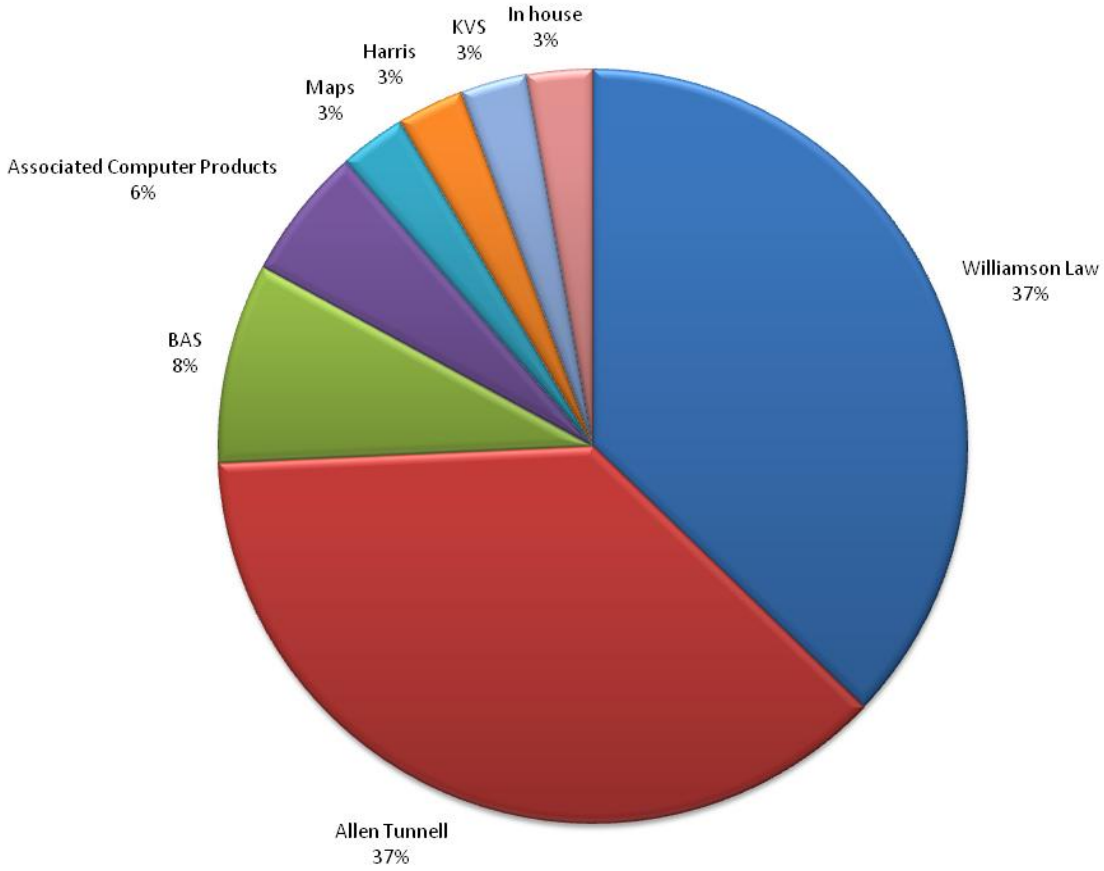
With respect to available Internet infrastructure, not all collectors currently have access to high-speed services. In some cases, there was a decision not to acquire high-speed Internet while in others, high-speed access is simply not available in their respective geographic area. In all cases where high-speed is not a current option, modem access remains available however, when incorporating this type of access into a solution, care must be taken to minimize traffic.

Regardless of the software application eventually deployed, Microsoft SQL Server is an excellent tool for reducing client-side traffic as queries are satisfied by delivering only the appropriate results to the client PC. Lesser database models deliver all data to the client and allow the client-side computer to perform the query. This vastly increased traffic results in a less than viable solution where as an Internet connection is supported by a modem (low-speed) connection.

Collection Methods



Software Vendors



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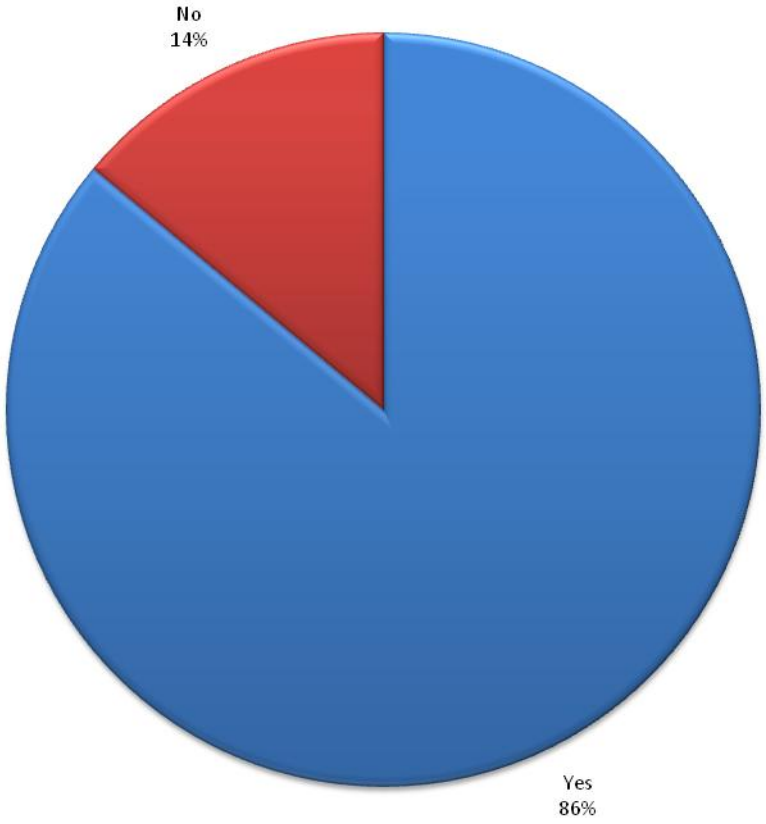
High Speed Internet Access



For individual results from the surveys please see the attached CD-ROM

Recommendations

Recommended approach

While meeting the minimum specifications for Phase II of the CPTAP are obtainable, they do little in actually improving the complicated current tax collection processes or information accessibility. A vastly superior approach would be to create a real time centralized collection database and make it accessible to the County Treasurer, local collectors, and the general public. This solution has many benefits:

1) Reduction of manual data entry at the town, village, city, and school level and the elimination of redundant mirrored processing or data entry at the county level. Those town, village, city, and school collectors who currently collect manually would have access to a computerized system to automate their collections. With collection recording occurring within the central database at the county, delinquency returns would be eliminated, as the county would always have the most current information in their system. The elimination of the delinquency return and balancing process will also eliminate numerous hours of data entry at the county level.

2) Public access and payment: With proper setup and security, the general public could have access to the database. By allowing the public to access the information, they would have a 24x7 information source for finding out information on their property and the corresponding taxes. This would reduce the residents' need to call the local collector or county to inquire about the amount they owe as they could look up the information online. It would also be possible to permit a resident to review their property tax obligations online.

3) Online payments: A central database with limited public access would allow residents to make payments online via eCheck, credit cards and debit cards. Doing so will increase public service and decrease collection and receipt processing by the County Treasurer and the local collectors.

4) Universal information access: With a central database, collectors would have access to all unpaid taxes. This would help eliminate the need for a taxpayer to make separate phone calls to each tax office to find out the outstanding amounts.

5) Monetary and environmental savings: The current tax collection process involves a large amount of paper. This comes at a significant monetary and environmental cost. Currently, the county generates well over 100,000 bills annually, of which the majority are produced in duplicate. One copy is given to the town, village, city, or school collectors to be mailed to the taxpayer and the other copy is retained and stored by the county for six years. New York State Real Property Tax Law not withstanding, with a centralized database, the county would have the ability to view or print a tax bill on demand for as long as the data remains in the system. Therefore, the county could implement a new policy of only printing one copy of the tax bill, thus reducing the number of printed pages by fifty percent, saving the cost of paper, toner/ink, printer consumables, and storage of the copies.

6) Software savings: Currently, each individual collector is left to select, and purchase their tax collection software and corresponding hardware. Annual maintenance costs for each taxing jurisdiction ranges from a low of $300 to over $3,000, with the average being $500. A central database with a countywide license would result in significant cost savings as there would be one license to cover the entire county and collectors would only have to pay a small per user fee.

7) Hardware savings and data integrity: Presently, each collector is responsible for providing adequate hardware to support the operation of their selected solution. Stand alone collection systems require significant processing power as they dually operate the system and database engine. Also each collector is left to implement a proper data backup and recovery plan. With a central database, the responsibility of data management and backup processes are centralized at the county level. With the shift to a central database, the computing power needed is greatly reduced as users would only need to have a computer capable of running an internet browser as the database engine is powered by the database server.

Implementation

A project of this scope and magnitude would require an implementation plan consisting of several phases. The first phase would consist of designing, acquiring, and installing the server environment to host the centralized database. This must include a reliable, high-speed Internet component. The second phase would entail the acquisition and installation of tax collection and delinquency enforcement software capable of operating in a distributed environment, specifically, on the Internet. This would provide and satisfy the centralized database, update, and access components.

Once this is in place and tested, the third phase, consisting of connecting the County Treasurer's Office and a small cross-section of collectors, can begin. After proving and refining the system over one tax collection cycle, its deployment to the remaining participants can commence.

Whereas the collection periods for county/town, village, city, and school bills differ, the deployment timeframe will also determine the initial sample audience. Village collectors tend to have far fewer bills compared to the towns, although since some school districts reside substantially in adjoining counties, they may also be excellent low-volume initial candidates.

The ideal scenario involves commencing with the village collectors in 2009. With proper planning and a call to action, this allows enough time for the county to establish the necessary technical environment and select a cross section of villages for the pending collection period.

Soon after the close of the delinquency return following the phase three deployment, the fourth and final phase would commence. This would entail a rollout to school collectors in the summer, town collectors in December, and the remaining village collectors in early 2010. In all three cases, the rollout would be coordinated with a training program scheduled to occur only weeks prior to the mailing of the respective bills. Conducting training sessions near the mailing will maximize retention of the information and skills conveyed during training.

Minimum requirements to qualify for CPTAP Phase II grant funds

The tax collection system currently in place in the County Treasurer's office contains the taxable status of every parcel in the county except those contained within the City of Fulton. Accordingly, meeting the minimum requirements to apply for the CPTAP Phase II grant would require cooperation and involvement from the City. On a periodic basis the City would need to provide a file containing payment data to the County Treasurer to update the central database. The requirements of the County Treasurer's office are very minimal and could be accomplished by the having the County IT staff create a new report for their tax collection system. The Treasurer could then run the report and place the report on the county's website. A login and password could be required to access the report therefore, only making it available to tax collectors and not the general public.

Requests for NYSORPS

We wish to commend the State of New York, Governor Paterson, the State Legislature, and NYSORPS for establishing the CPTAP grant program and for providing the funding required to improve the real property tax collection process across New York State. Improving a complex, sensitive, and highly evolved process, such as tax collection, is an endeavor of great magnitude, but certainly one whose time has arrived. The combination of state sponsorship and local implementation jurisdiction is an ideal formula for both progress and efficiency.

Though there are many challenges associated with implementing a program such as this, the major concern remaining is project and support funding. With today's technology, a single tax collection database accessible by multiple collectors is available from the technical perspective, but the cost to establish and maintain such an environment can be a prohibiting factor. Accordingly, we respectfully request that the above named participants continue to appropriate the funds necessary to advance this initiative, with future consideration being given to the ongoing costs of this considerable endeavor.

We also feel it is in the best interest of all participants for NYSORPS to consider the expansion of the Rps160D1 file produced by the tax billing process. While providing a sound vehicle for simplified data transport, the current file format does not include the prior parcel ID, an important component for historical tax searches. If this or any other RPS v4 extract is to be used for effective data transport to tax collection systems, this data element should be included.

In addition with respect to the Rps160D1 file, we recommend that the name and address fields become static rather than allowed to float. Placing these fields in a predictable location is consistent with industry standards and would allow the file to be used reliably to update an external tax collection database with the production of each new tax levy.

We also call upon Governor Paterson and New York State Legislature to amend New York State General Municipal Law Article 2, Section 5(f) to allow intermunicipal agreements permitting a County Treasurer or another individual to be designated as an additional tax collector. Doing so would allow consolidation of Internet collections, extending this convenience to taxpayers without requiring each collecting entity to participate individually. This action would permit even the smallest of jurisdictions to offer a service which may otherwise be prohibitively expensive. Note

that such an amendment has been submitted by Ms. Barbara Lifton, State Assemblywoman from the 125th Assembly District. We strongly encourage legislative and executive support of this amendment.

Beyond the scope of NYSORPS, we also recommend the enthusiastic support of the New York State Council for Universal Broadband initiative to offer high-speed Internet access to every citizen in New York.

Prompt and decisive action on the above measures will result in the vast improvement of New York State's real property tax collection process. Simplification and consolidation are within reach, and effective implementation is clearly in the interests of the taxpayers served.

Appendix A: Vendor Information

Name and Address

Systems East, Inc.

6 Locust Avenue

Cortland, New York 13045

Company History

Systems East, Inc. was organized in 1981 as a sole proprietorship and incorporated in the State of New York in 1998. The company operates from its solely owned 3,800 square foot office building situated on one acre of land in the City of Cortland, New York. Systems East, Inc. employs nine full time and one part time people performing sales, support, and administrative functions.

Over the years, we have devoted our time to ensuring that our clients are our first priority, and our proven track record has allowed us to be operational in over 175 clients within New York State. In addition, we have clients in ten other states including Pennsylvania, Virginia, North Carolina, South Carolina, Georgia, Florida, Louisiana, Texas, Ohio, and Vermont. Our Internet collection sites process payments from nearly every state in the nation totaling over $6 million monthly and growing. Our clients range in size from mid-sized towns and villages to large counties and commercial entities of all sizes.

Company's ability to perform task

Our history of tax collection and delinquency management experience began in 1984 coupled with an even longer tenure of service to New York State municipalities. Accordingly, we are optimally positioned to perform this task. The staff at Systems East has been working with the New York State Real Property System since the early days of the Assessment Roll and Levy Module (ARLM) and the Data Management Module (DMT) and currently with RPSv4. This experience, combined with our knowledge of New York State Real Property Tax Law and applicable General Municipal Law, allows us to develop cutting edge products that meet or exceed the needs of New York State municipalities. It also uniquely positions us to perform a complete project from the initial study to the design stage to implementation and finally ongoing support.

Examples of experience

The staff of Systems East collectively has over eighty years of tax collection experience. As part of our product portfolio, we offer three tax collection products.

Total Collection Solution (TCS)

TCS is a complete delinquent enforcement solution for New York counties operating pursuant to Article 10, Article 11, and individual county charter. Currently, there are ten New York counties using TCS. TCS was originally developed and delivered in 1985 for Madison County, New York for a Unisys mainframe computer. In 1990, it was rewritten and enhanced for the PC/DOS environment. Since then, the system kept pace with the contemporary Windows 32 bit platform and once again yielded a highly capable and viable product. The current system which uses a single SQL database was developed to support centralized collections. With the proper security, remote locations can access the central database for data manipulation and/or reporting capability. This functionality would allow for a centralized database of tax information to be hosted by the county with real-time access for town, school, and village collectors at their respective offices.

Tax Receiving System (TRS)

First created in 1990 the Tax Receiving System was specifically developed to simplify and expedite the tax collection process for towns, cities, villages, and school districts in New York State. TRS is a supplemental application to the New York State Real Property System and operates exclusively in the Microsoft Windows environment.

Municipal-Payments.com (MPC)

MPC is a *Universal eCommerce Solution*. This innovative product allows residents to make payments or purchases by credit card, debit card, or electronic check over the Internet or over the counter any time, any day.

Previous Experience

The individuals involved in this project are extremely knowledgeable with tax collection procedures, New York State Real Property Tax Law, New York State General Municipal Law, and Microsoft SQL database design.

James L. Buttino, President

Years with the company: 27

Experience: The company founder and sole shareholder, Mr. Buttino has an extensive background in municipal finance, collections, delinquency enforcement, eCommerce, NYS RPS, General Municipal Law, and Real Property Tax Law. Mr. Buttino was instrumental in the design of our delinquency enforcement and Internet/Commerce offerings and plays an active role in the firm's administration, management, and product development.

Brian G. Campbell, Senior Account Representative

Years with the company: 11

Experience: Mr. Campbell has an extensive background in municipal operations, collections, delinquency enforcement, eCommerce, NYS RPS, and extensive technical knowledge and experience. He has participated in the design and development of our of our Total Collection Solution (TCS) and our Internet/eCommerce solution. Mr. Campbell has also participated as project director on several installations.