August 4, 2021

John M. Monterosso, Presiding Judge
Superior Court of California, County of Riverside
4050 Main Street
Riverside, CA 92501

Dear Judge Monterosso:

On behalf of the office of the Riverside County Treasurer-Tax Collector, I am submitting a written response to the 2020-2021 Civil Grand Jury Report on Short Term Rentals. As directed in the report, my response solely encompasses Finding 4 and Recommendation 4 of the report.

If there are any further questions or concerns regarding my response, please feel free to contact me using the information provided below.

Respectfully,

Matthew Jennings
Treasurer-Tax Collector
Riverside County Treasurer-Tax Collector
mjennings@rivco.org
951-955-3982

cc: Riverside County Grand Jury
Riverside County Clerk-Recorder
Riverside County Board of Supervisors
GRAND JURY FINDINGS:

Grand Jury Finding #4:

The databases used for short-term rental certificates (STRCs) and transient occupancy tax certificates (TOTCs) were found to have discrepancies that may result in lost revenues for the County.

Response to Grand Jury Finding #4:

The Treasurer-Tax Collector partially disagrees with the findings. Specifically, the Treasurer-Tax Collector disagrees that discrepancies may result in lost revenues for the County. There are discrepancies between the two databases; however, those discrepancies are immaterial to revenues. Most of the discrepancies are typographical errors or transpositions in names and addresses. This is primarily due to the fact that the sources of information for STRCs and for TOTCs are different. Secondarily, discrepancies can be caused by simple human error during the input process.

However, in either case, TOT revenue is tracked by a designated and assigned certificate number, which uniquely identifies all short-term rentals. Therefore, even if a typographical or other error occurs with the name and/or address of a short-term rental, payment and non-payment will be tracked correctly as long as that short-term rental is registered. In addition, the sole reason the Treasurer-Tax Collector reconciles the two lists on an annual basis is to ensure all short-term rentals have TOTC numbers assigned and the owners are submitting returns. Therefore, the reconciliation process will ensure revenues are not lost.

GRAND JURY RECOMMENDATIONS:

Grand Jury Recommendation #4:

The databases used for the STRCs and TOTCs should be reconciled and all discrepancies corrected. One common database should be used for both certificates. To be completed by December 31, 2021.

Response to Grand Jury #4:

With respect to the recommendation to reconcile the databases and correct discrepancies, the recommendation will be implemented in the future. Specifically, it will be implemented by December 31, 2021. As previously stated, the two databases are already reconciled on an
annual basis, however, it is solely reconciled to ensure all short-term rentals are registered and submitting returns for TOT revenue. It is not currently reconciled to correct errors in spelling, typographical errors, transpositions, etc. We will reconcile the two databases to correct those errors. In addition, to ensure the shortest possible timeframe for potentially delayed revenue, the databases will be reconciled quarterly, when returns are due, instead of annually.

With respect to the recommendation to use one common database for both STRCs and TOTCs, the recommendation will not be implemented because it is not warranted. This recommendation is not warranted considering the aforementioned implementations. In addition, this recommendation would be unreasonable and incur substantial complications in an implementation process. This is due to several obstacles including IT security issues as the Treasurer-Tax Collector, due to the nature of its business, has closed systems maintained and controlled by its own internal resources. Also, the roles of the two different databases serve completely different purposes. The STRC database is used to register and track short-term rentals in accordance with Ordinance No. 927. In contrast, the TOTC database is used to enroll and track the payment of all TOT-paying properties in accordance with Ordinance No. 495, which includes not only short-term rentals but also all hotels, motels, and inns in Riverside County unincorporated areas. These divergent purposes make utilizing a single database for both certificates difficult, if not impossible.