

# Annual Report Fiscal Year 2003-2004

Office of the Treasurer & Tax Collector  
Hon. José Cisneros, Treasurer  
City and County of San Francisco





## Letter from Treasurer José Cisneros

*In September* of 2004 I was sworn in as Treasurer for the City and County of San Francisco. I am now fortunate to be leading one of the most well-managed departments in the City. Although I was not the Treasurer during the fiscal year detailed in this annual report, I am proud to be reporting on the successes of the office during that time. In my exciting new role, I am dedicated to upholding the high standards of the office and continuing the legacy of dedicated service to the people of San Francisco.

In the 2003-2004 fiscal year, the annual yield of our pooled City funds remained high, at 1.89%, again surpassing our peers in Los Angeles, San Diego and Sacramento, as well as the State of California. The Treasurer executed \$29.5 billion in investment transactions during this time.

The Office continued to increase our collections and generate revenue for the City. The Bureau of Delinquent Revenue increased collections to over \$66 million – a 13.5% rise over the previous year – and our Business tax investigators reported an increase of 55 percent. Collections consistently exceed expectations.

Our Property Tax section achieved the lowest ever delinquency rate for secured property taxes – a remarkable achievement considering the economic circumstances of the last few years.

We continued to deliver an exceptional level of customer service, with 97% of customers surveyed rating our services as good or excellent. We also processed a significantly higher number of passports, providing efficient service to over 8,000 travelers and new citizens.

These are just a few of the accomplishments highlighted in the 2003-2004 Annual Report. For more information on the Office of the Treasurer & Tax Collector, please visit our web site at [www.sfgov.org/tax](http://www.sfgov.org/tax). You can also call, e-mail or write to me – our contact information is listed at the end of the report.

I am honored to be serving this great city and its residents. During my term as Treasurer I will continue to safely invest our money and collect all taxes and other revenue owed to the City, while maintaining a strong focus on providing the very best customer service available.



José Cisneros  
Treasurer



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# Statement of Purpose

*Treasurer José Cisneros* and his staff serve as the banker, tax collector, collection agent, and investment officer for the government of San Francisco, the only combined City and County in the State of California. The Treasurer, an elective office created by the City Charter in 1850, supervises a department of ten sections that receives over \$10.6 Billion annually.

## **The mission of the Office of the Treasurer & Tax Collector is to:**

- Facilitate voluntary compliance with the tax laws of the City and County of San Francisco by simplifying all processes and procedures and by providing efficient and customer-friendly service.
- Collect all taxes and fees due to the City.
- Provide safekeeping for all City funds, prudently investing the monies to achieve maximum yield with low risk and high liquidity.

## **The Office of the Treasurer & Tax Collector serves two broadly-defined functions for the residents of the City and County of San Francisco:**

### **1. The collection of taxes and other city revenue.**

Through the mail, in person at the City Payment Center, and via the Internet and other electronic means, the Department collects taxes and other obligations owed to the City including business

taxes, property taxes and fees for various business licenses and permits required by the Municipal Code. Tax Collection units collect over \$2 billion annually in property taxes, business taxes and license fees. Additionally, the Department investigates and collects unreported and delinquent tax obligations. Through the City Payment Center and the Bureau of Delinquent Revenue, the Department contracts to collect current and delinquent obligations owed to other City Departments, such as water and hospital bills.

### **2. The oversight of monies before disbursement.**

The Treasurer manages all City funds in order to gain the maximum return with low risk and high liquidity, including investing the City's portfolio of pooled funds. The Treasurer works with all City departments to ensure that funds are received, deposited and reconciled as quickly and accurately as possible, providing the maximum interest and investment returns for the people of San Francisco. The Department administers and monitors the bank accounts and wire transactions used by all City agencies and contracts with banks for their services. The Treasurer also disburses payments on the City's General Obligation municipal bonds.

## Highlights of 2003-2004

➤ **Yield Remains High:**

The annual yield of San Francisco pooled funds, managed by the Treasurer, was 1.89%, with the Treasurer executing \$29.5 billion in investment transactions.

➤ **Delinquent Revenue Collections Rise:**

Bureau of Delinquent Revenue collections increased 13.5% over the previous fiscal year, to over \$66 million. Business tax investigations generated increased revenue of 54.5%, or \$10,285,675.

➤ **Property Tax Delinquencies Remain Low:**

Property Tax achieved the lowest ever delinquency rate of secured property taxes at 1.19%. This represents a remarkable accomplishment considering the declining economy that affected the Bay Area and particularly the City and County of San Francisco.

➤ **Passport Services Increase Significantly:**

Passport Services processed 8,598 passport applications in 2003-04, representing a 5.7% increase from the previous year's total of 8,127. As a result, the Treasury passport services unit earned \$257,930 in revenue for the City, and continues to simplify the passport application process for thousands of travelers and new citizens.

➤ **Alarm Registration Fee Program Successful:**

The Office collected over \$2.2 million in Alarm Registration Fees and False Alarm Penalties for the Emergency Communications Department.

*The City Payment Center* is a consolidated information and payment facility where taxpayers can conduct a multitude of City transactions in a user-friendly environment focused on providing premium levels of customer service. The City Payment Center staff provides guidance and direction regarding all City transactions, tax ordinances and outstanding City obligations. The Center also houses the Bay Area's leading passport acceptance facility.

### **The City Payment Center was created to:**

1. Collect and process all City payments received from taxpayers by the Treasurer & Tax Collector's Office;
2. Provide substantive information and assistance to taxpayers, other members of the public, and City departments;
3. Establish a service-oriented unit dedicated to ensuring a positive environment for all customers.

The City Payment Center consists of four sections: a Service & Information Counter, Taxpayer Assistance, Passport Services, and Cashiering.

### **Taxpayer Assistance**

The Taxpayer Assistance (TPA) section provides efficient and courteous help to San Francisco taxpayers via the phone and in person. The staff is cross-trained on all City tax procedures and places strong emphasis on customer service. This section embodies the Department's philosophy that customers' needs are a priority and that the public should receive quality service and accurate information.

During FY 2003-2004, approximately 27,000 taxpayers worked with TPA staff regarding their questions about business taxes, property taxes, business licenses/permits and general inquiries regarding starting a business.

During the fiscal year, TPA registered 10,442 new businesses, a 5% decrease from the last fiscal year. This decline is directly related to the state of the economy. In total, business registrations resulted in the collection of \$1,047,418 in registration fees and \$5.16 million in business taxes, penalties and interest.

In addition, the phone bank received more than 64,600 calls. According to our customer surveys, TPA received a 96% "Excellent" rating on its overall service.

To further assist taxpayers, The Treasurer's office houses an Automated Teller Machine (ATM), operated by the San Francisco Federal Credit Union. It is accessible to the blind and partially sighted and does not impose surcharges on customers.

## Passport Services

The Office of the Treasurer's U.S. Passport Application Acceptance facility opened in Fiscal Year 1999-00. Serving as authorized passport acceptance agents, department staff process U.S. passport applications and serves as an information resource for the public regarding passport issuance and legislation. The staff's excellent service has quickly made this the premier Passport Application Acceptance facility in Northern California and the primary referral by the San Francisco Passport Agency for passport services in the Bay Area.

Passport Services processed 8,598 passport applications in 2003-04, representing a 5.7% increase from the previous year's total of 8,127. As a result, the Treasury passport services unit earned \$257,930 in revenue for the City, and continues to simplify the passport application process for thousands of travelers and new citizens.

## Service & Information Counter

Employees who staff the Service & Information Counter are cross-trained in San Francisco's property and business taxes, licenses, City services, passport processing and a wealth of other useful information. Staff members work with taxpayers to assess their needs and assist them or refer them to the appropriate sections within the Office of the Treasurer & Tax Collector. They act as liaisons on behalf of taxpayers with other City and County departments and serve as resources beyond City Hall regarding taxpayer issues.

Additionally, these staff members conduct outreach to a variety of community, neighborhood and business organizations, educating the public about local requirements and available City resources.

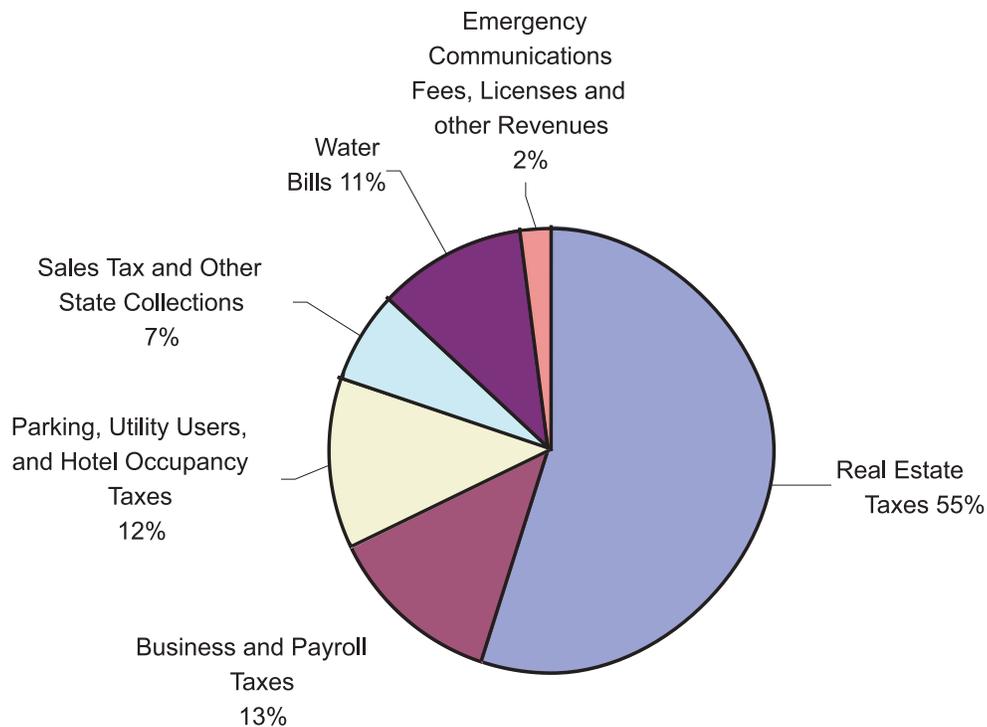
### ***Mission:***

*To provide tax information effectively and expediently to taxpayers and other member of the public and city departments; to promote and perpetuate outstanding public relations as a service oriented unit; and to serve as the Office of the Treasurer & Tax Collector's primary public contact unit.*

*The Cashier Section* is responsible for the acceptance and processing of all types of tax payments, registration and license fees. These items include payments received through the mail, presented in person, paid by credit card or wire, and via the Internet. The Cashier Section processes payments for other City departments, including the Department of Public Works, Public Utilities Commission, and the Emergency Communications Department. This section also handles departmental deposits.

As part of the City Payment Center, the Cashier Section provides goods and services to the general public as well as to City employees. Cashiers issue Golf Resident Cards and sell swimming pool scrip tickets to the public on behalf of the Recreation and Parks Department. A host of public transportation passes and products are available for numerous transit services. City employees can purchase Airport Parking discount tickets and redeem Commuter Checks to save on local transportation.

## Cashiering Collections 2003-2004



# Cashiering

The Cashier Section is comprised of four areas, working together to process and post all payments:

- City Payment Center Cashier: accepts payments from taxpayers, sells transit items, issues taxi driver “A” cards and Golf Resident cards, receives department deposits and processes mail payments.
- Mailroom: sorts, opens and verifies all mail for the Treasurer & Tax Collector, Water Department and Port of San Francisco and distributes to designated departments.
- Remittance Processing: processes water bills and other tax payments using high-speed National Cash Register Remittance machines. This unit also researches water payments received without account numbers or payment stubs.
- Check Control and Research: researches and processes unidentified tax payments. Produces payment stubs for all sections of the Office of the Treasurer & Tax Collector.

Revenue Type	2003-2004	2002-2003
Real Estate Taxes	\$1,177,746,814	\$1,128,599,412
Business and Payroll Taxes	275,446,613	279,266,918
Hotel Occupancy Tax	145,205,857	132,282,976
Parking Tax	49,161,806	45,204,033
Utility Users Tax	72,305,174	66,188,207
Sales Tax and Other State Collections	147,351,332	145,041,028
Licenses	6,906,240	6,493,144
Water Bills	229,767,156	210,203,644
Emergency Communications Fees	24,499,581	18,118,046
Other	15,974,547	10,899,499
<b>Total</b>	<b>\$2,144,365,120</b>	<b>\$2,042,296,907</b>

### ***Mission:***

*To collect and process all City payments received from taxpayers in an efficient and expedient manner; and to provide substantive information and assistance to taxpayers and other members of the public.*

# Investment Section

*The Investment Section* is responsible for investing the City and County's funds to ensure sufficient liquidity to meet all anticipated disbursements. The Section's main objectives are:

- preservation of capital
- liquidity to meet all disbursement requirements
- yield that is most favorable return on investments without compromising the safety of capital and liquidity

The Investment Section has consistently demonstrated prudent portfolio management with excellent results, executing approximately \$29.5 billion in investment transactions annually. Direct wire lines maintained by major investment houses enable the Chief Investment Officer to make investments on behalf of the City through rapid and competitive online bidding.

The Section is required to comply with the City's Administrative Code and Charter and

by the California State Government Code when purchasing investment securities. As such, there are no investments in stocks but only in Negotiable Certificates of Deposits, Commercial Papers, Bankers Acceptances, Federal Agency Notes and U.S. Treasury instruments.

The Investment Section also serves as the City's liaison to the banking community. It coordinates the implementation of any required banking service for any City department. These banking services include opening and closing bank accounts, installing credit card machines to accept credit card payments, opening lockbox accounts, implementing positive pay systems, negotiating bank courier services, and providing depository needs to various City departments. It also sends wire or ACH payments to various vendors and financial institutions on behalf of requesting departments. On the other side of transactions, the section provides any department the ability to accept wire payments or electronic funds transfers from their customers through the City's wiring account.

Yield Comparisons FY 2003-2004	
San Francisco (Pooled)	1.890%
San Francisco (all funds)	1.859%
Average 90 Day US T bills	1.28%
San Diego (Pooled)	1.34%
Los Angeles (Pooled)	1.36%
State Local Agency Fund (Pooled)	1.53%

# Banking and Treasury Accounting Services

*Banking and Treasury Accounting Services* is responsible for reconciling and accounting for the receipt and deposits of all revenues collected by the Office of the Treasurer & Tax Collector. These functions are completed in compliance with all applicable accounting standards.

The Unit is divided into two sections:

## **Banking Operations:**

- Ensures that all monies collected from the State and through electronic fund transfers are recorded in FAMIS for various respective departments. This task includes daily notifications sent through fax or e-mail to affected departments for more detailed FAMIS recording.
- Accounts for and reconciles payments received through the Internet and IVR (Interactive Voice Response) system.
- Provides warrant verification to the City's banking institutions for warrant/check encashment purposes.
- Provides banking support services to various City departments such as check and deposit slip ordering, researching bank entries and providing related documentation.

## **Treasury Accounting Services:**

Accounts for all monies received through direct bank deposits, mail center, electronic fund transfers, Internet payments, Port lockbox operations, and credit card payments.

- Reconciles the above receipts as recorded in FAMIS against deposits as reflected on the bank statements. Prepares bank reconciliation summaries for over 50 bank accounts under the Treasurer's group of accounts
- Processes various bank adjustments as well as returned items or 'Not Sufficient Funds' checks for all City departments
- Records and adjusts the department's accounting transactions in FAMIS
- Manages missing/absent heirs accounts, receives deposits and issues payments against claims under Section 11850-11854 of the Probate Code
- Oversees lease deposits and bequest documents sent by various City departments to the Treasurer for safekeeping
- Participates in the development of the department's annual budget

*The Business Tax Section* is responsible for the implementation and enforcement of the payroll expense tax, business registration fee, roofers vehicle tag fee, and third party taxes such as parking taxes, hotel taxes, utility users tax, emergency response fees, and stadium tax. The Section is comprised of two distinct units—the Audit Unit and the Account Services Unit. The Audit Unit primarily performs scheduled and unscheduled audits to promote taxpayer compliance with tax ordinances and to detect underreporting. The Account Services Unit reviews and processes all tax filings, business registration renewals, and prepayments. This unit also maintains taxpayer accounts on the computerized Business Tax System (BTS).

### **Audit Unit**

The Audit Unit is comprised of 25 auditors divided into three audit teams. A Principal Auditor heads each audit team and has responsibilities for an alpha range of audits and a specific tax. The Audit Unit is primarily responsible for performing business tax compliance audits with the City's tax ordinances. Two audit teams are dedicated to performing business tax audits. The third audit team, besides performing payroll expense tax audits, concentrates on parking tax compliance audits.

### **Audit Performance**

The audit teams generated \$8,061,941 in audit deficiency billings this fiscal year (see Table 1, Page 16). Eleven audits, totaling \$4,717,300, each generated billings in excess of \$250,000 (see Table 3). These top eleven audits generated 58.5% of the fiscal year's total billings.

### ***Operational Highlights***

- *Audit staff generated \$8,061,941 in audit deficiency billings during the fiscal year.*
- *The Business Taxes Section collected over \$4,785,738 from its audit deficiency billings during the fiscal year.*
- *The Business Tax computer system migration project and upgrades were completed in March 2004.*

## Business Tax Section

**Table 1: Audit Deficiency Billings  
FY 2002-03 vs. FY 2003-04**

Types of Audits	Fiscal Year		%
	2002-03	2003-04	Increase (Decrease)
Business/Payroll Tax	\$19,508,478	\$4,881,835	-75.0%
Parking Tax	\$944,556	\$2,717,963	187.8%
Hotel Tax	\$1,248,018	\$462,143	-63.0%
<b>Total Audit Billings</b>	<b>\$21,701,052</b>	<b>\$8,061,941</b>	<b>-62.8%</b>

**Table 2: Audit Impact for 5 Fiscal Years  
FY 1999-00 through FY 2003-04**

	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	5-Year Average
No. of Audits	906	681	400	438	515	588
Audit Hours	16,923	13,605	9,640	11,915	15,286	13,474
Average Hours per Audit	18.7	20.0	24.1	27.2	29.7	22.9
Audit Billings	\$4,639,124	\$9,319,767	\$5,083,304	\$21,701,053	\$8,061,941	\$9,761,038
Average Billing per Audit	\$5,120	\$13,685	\$12,708	\$49,546	\$15,654	\$16,600

**Table 3: Large Deficiency Audits(greater than \$250,000)  
Fiscal Year 2003-04**

Taxpayer	Audit Type	Amount
Parking Operator	Parking Tax	\$ 917,700
Financial Services	Business/Payroll Tax	728,600
Parking Operator	Parking Tax	425,200
Financial Services	Business/Payroll Tax	381,000
Utility Provider	Business/Payroll Tax	373,800
Hotel Operator	Hotel Tax	368,100
Parking Operator	Parking Tax	352,800
Parking Operator	Parking Tax	307,900
Manufacturer	Business/Payroll Tax	296,900
Parking Operator	Parking Tax	283,100
Software Company	Business/Payroll Tax	282,200
<b>Total</b>		<b>\$4,717,300</b>

## Out-of-Area Audits

During the last week of June 2003 and the first week of July 2003, two auditors performed audits in the Los Angeles vicinity. Eight audits generated a total of \$488,544 in audit deficiency billings.

Two auditors performed payroll expense tax and utility tax audits of several telephone providers in the Atlanta, Miami, and the New York-New Jersey areas during the year. These audits are ongoing and expected to be completed in the next fiscal year.

## Account Services Unit

The Account Services Unit provides taxpayer account maintenance and related services for the Office of the Treasurer & Tax Collector. This unit is comprised of a team of fourteen permanent staff and six seasonal temporary employees. During the period from July 1, 2003 to June 30, 2004, the Account Services Unit's main responsibilities included administering, maintaining, and processing accounts for the following:

- Annual Business Registration Renewals
- Quarterly and Semi-Annual Payroll Tax Prepayments
- Annual Payroll Tax Filings
- Business Payroll Tax Determinations
- Requests for Waiver of Penalties & Reinstatement of the Small Business Exemption

- Requests for Taxpayer Refunds
- Quarterly & Monthly Hotel & Parking Taxes
- Monthly Utility Taxes
- Processing of Tax Credits (New Jobs, Enterprise Zone, Garment Manufacturer, and Summer Youth)

## Year 2003 Annual Business Payroll Tax Statement Filing

For the year 2003 tax filing, staff prepared a total mailing of 82,969 statements, an increase of 3.5% from last year. From the number of statements mailed in year 2003, 7,888 accounts had Payroll Tax obligations posted to their accounts. The remaining accounts were all categorized as Small Business taxpayers.

## Registration Renewals

92,402 Business Registration Renewal statements were mailed out for the FY 04-05 period compared to the FY 03-04 mailing of 91,616.

## Determination Notices

Determination Notices were sent to 17,936 taxpayers who failed to file their 2002 Annual Payroll Tax Statement on time (of which only 984 were required to pay Payroll Taxes). Taxpayers were encouraged to file immediately to avoid the assessment of additional, more stringent penalties,

and collection activity. The amount of the determination is based on a formula that consists of several factors, such as the Growth Factor, Zip Code Factor and Ownership Factor.

## **Year 2003 Quarterly and Semi-Annual Business Payroll Tax Prepayments**

Taxpayers are mailed either quarterly or semi-annual prepayments due the last day of April, July, and October for accounts with tax obligations exceeding \$50,000 in tax liability or semi-annual prepayments due the last day of July for tax obligations between \$2,500 and \$50,000. For the year 2003 prepayment filings, the Business Tax Section mailed a total of 9,042 notices compared to 8,904 last year, an increase of 1.5%.

## **Year 2003 Hotel Tax and Parking Tax Filings**

The Account Services staff is responsible for the management of the City's Hotel Tax (Transient Occupancy Taxes) and City's Parking Tax. The Hotel Tax is collected from over 800 hotels (hotels, inns, motels, rooming-houses, etc.). The City's Parking Tax accounts for 25% and is collected from over 350 parking operators. These types of taxes are known as third party taxes as they pass from the consumer to the hotel or parking operator and then to the City and County of San Francisco. For FY 2003-04, 1,408 hotel tax statements were mailed compared to 1,409 last year, 907 parking tax statements were mailed compared to 942 last year.

## **Utility Users Tax and Emergency Response Statement Filings**

1,795 Utility Tax Statements were mailed compared to 1,813 last year. Minor changes were made to the Utility Tax Statement in order to improve the uniformity of how taxpayers file their monthly returns. This effort allows staff to process accounts more efficiently when the correct information is provided in a format suitable for data-entering purposes.

The Emergency Response filings for FY 03-04 yielded a response of 538 compared to 368 in FY 02-03. This increase is attributed to the efforts of staff to ensure that taxpayers registered with the Tax Collector. Emergency Response Fee rates increased for standard telephone lines from \$1.00 to \$1.25 per month, from \$7.50 to \$9.38 per month for trunk lines, and from \$135.00 to \$168.75 per month for high capacity trunk lines.

## **Requests for Waiver of Penalties**

Annually, the Account Services Unit receives a number of requests for waivers of penalties. Taxpayers who make this request are usually delinquent in filing their tax statement for either current or prior year's filings of tax obligations. In the year 2003, the Account Services Unit received 799 requests for waiver of penalties. Of this amount, 747 were approved, 44 were denied, 1 is pending, and 7 were not applicable.

## Comparative Summary of Key Responsibilities of the Account Services Unit

Tax Type	Payments Posted	\$ Amount Of Payments Posted	Statements Mailed
Payroll Tax 2003	7,830	\$231,316,915	82,969
Business Registration FY 04-05	66,882	5,282,719	92,402
Payroll Determination 2002	91	3,511,087	17,936
Payroll Tax 2004 Prepayments (Quarterly & Semi-Annual)	8,814	149,121,799	9,042
Hotel Tax 2004	1,344	154,248,803	1,408
Parking Tax 2004	841	43,596,901	907
Utility Tax 2004	1,789	67,484,651	1,795

### ***Mission:***

*To implement and enforce Business Tax ordinances; to ensure taxpayer compliance through accurate and responsive account maintenance systems; to monitor voluntary compliance through a post-audit program; to promote revenue maximization.*

# Property Tax & Licensing

*The Property Tax & Licensing Section* bills, collects, records, and reports payments of secured and unsecured property taxes, special assessments and business license fees for the Health, Police, and Fire Departments as well as dog licenses for the Department of Animal Care and Control. The three major units of this section are Real Estate, Tax Redemption and Business License. During fiscal year 2003-2004, more than 425,000 property tax bills and statements including over 45,000 unsecured tax bills and 65,000 business license fee statements were mailed to taxpayers.

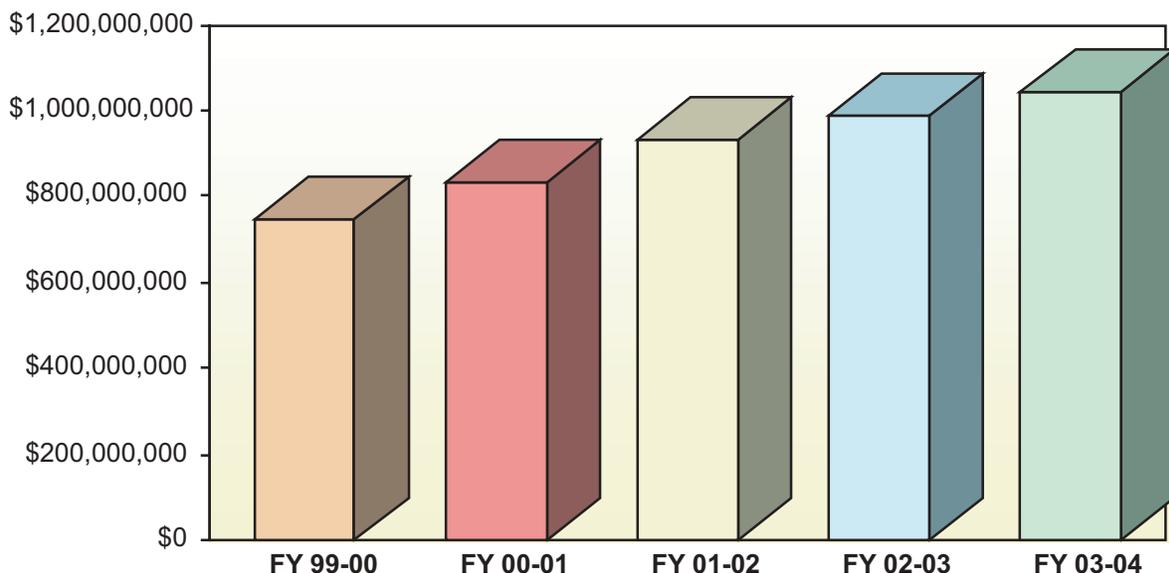
## Real Estate Unit

The Real Estate Unit processes regular, escaped and supplemental tax bills throughout the year for both secured and unsecured taxes. It provides resolution

of issues and concerns involving property taxes to the public either in person, over the telephone or by correspondence. It also establishes and maintains complete records of payments made under the four-year installment payment plans for the secured and unsecured escaped assessments for prior fiscal years. This unit also collects various special assessments on the secured property tax bills including the rent board fees, apartment house, and hotel license fees.

The Real Estate unit is also responsible for processing refund requests for overpayments and duplicate payments of current and prior years' property taxes approved by the Assessment Appeals Board or the Assessor-Recorder's Office and authorized by the Controller's Office. This Section also administers the rent board fees program and provides assistance to taxpayers at the front counter.

**Secured Property Tax Revenue Collection  
5-year Comparison**



# Property Tax & Licensing

## A. Secured Property Taxes

During fiscal year 2003-2004, collected property taxes increased by \$50,885,101, or 5 percent, as compared to the previous fiscal year. The increase in revenue collection was due largely to home-price appreciation and the maximum annual increase of 2% in property assessment value based on the Consumer Price Index (CPI).

## B. Supplemental Property Taxes

Revenue collection of secured supplemental taxes during the fiscal year 2003-2004 decreased by \$9,444,800 or 22% as compared to the same period a year ago. The decrease in revenue collection of secured supplemental taxes was primarily due to a decline in the number of changes in ownership and a reduction in prior years' assessed values of commercial properties.

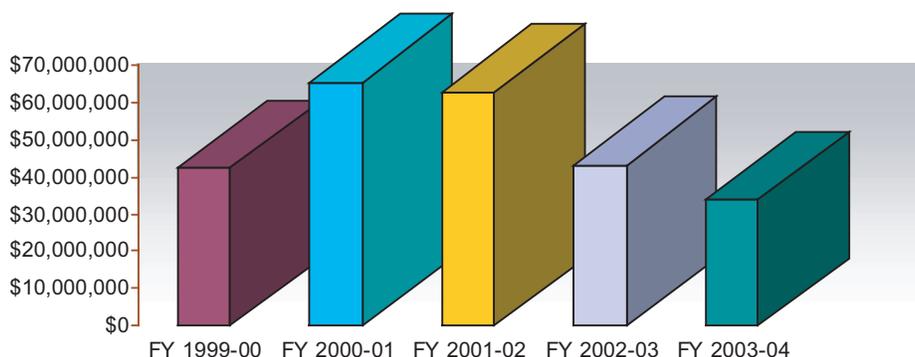
## C. Special Assessments

The collection of Apartment House Licenses, Hotel Licenses and Rent Board fees on the Secured Property Tax bills continues to be exceptionally effective and efficient. The average delinquency rate for these special assessments was 1.01% during fiscal year 2003-2004.

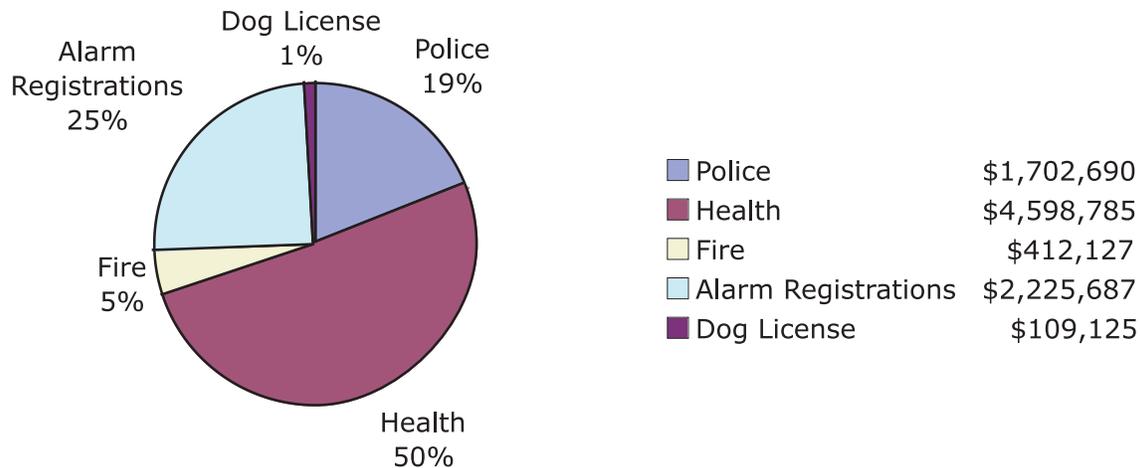
## II. Tax Redemption Unit

The Tax Redemption Unit processes and computes payments of prior years' delinquent secured property taxes. It also maintains complete records on taxes being paid under five-year installment payment plans. This unit is also responsible for publishing several notices throughout the year in a newspaper of general circulation as required by State law. It must also attempt to sell tax-defaulted properties at either public auction or sealed bid within four years after the property becomes subject to power to sell.

**Supplemental Property Tax Revenue Collection  
5-year Comparison**



## Business License Fees Collected



### III. Business License Unit

The Business License Unit bills, collects, records and reports business license fees mandated by the San Francisco Municipal Code, Part III. During fiscal year 2003-2004, this unit processed over 65,000 business license accounts for the Public Health, Police, Fire and Animal Care and Control departments. These included the new alarm registration fees and false alarm penalties totaling \$9,048,414, a 40% increase of \$2,556,688 from last fiscal year's revenue of \$6,491,726.

Business license fees that have been delinquent for more than 90 days are promptly reported to the regulatory departments for collection and/or possible revocation if they remain unpaid after the initial delinquent license notices.

#### ***Mission:***

*The Property Tax & License Section strives to serve the general public by providing timely and accurate property tax and business license information in a fair, legal and courteous manner.*

## *Highlights Of Fiscal Year 2003-2004*

- *Achieved the lowest ever delinquency rate of secured property taxes at 1.19 percent. This represents a remarkable accomplishment considering the declining economy that affected the Bay Area and particularly the City and County of San Francisco.*
- *Successfully collected over \$2.2 million in Alarm Registration Fees and the False Alarm Penalties for the Emergency Communications Department.*
- *Mailed more than 180,000 secured property tax bills by October 10, 2003, three weeks before the deadline set by State law.*
- *Processed over 8,000 requests for refunds of overpayments of all property taxes and business license fees within 30 days from the date a payment was made.*
- *Successfully conducted a public auction of secured real properties subject to the tax collector's power to sell on April 30, 2004. The total amount received at the public auction sale was \$571,267 including \$466,778 in excess proceeds.*
- *Implemented a newly created dog license web application that allows dog owners to purchase or renew their dog license online.*

# Bureau of Delinquent Revenue

*The Bureau Of Delinquent Revenue (BDR)* is the official collection arm of the City and County of San Francisco. It is authorized to collect all accounts receivable over \$300 and at least 90 days overdue. Current departmental clients include San Francisco General Hospital, Laguna Honda Hospital, The Department of Public Works, the City Attorney, the Fire Department, the Mayor's Office of Community Development, and the Water Department.

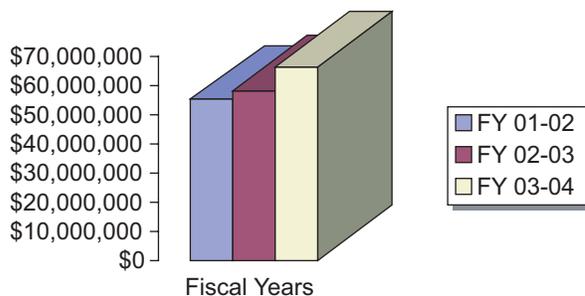
BDR staff is divided into five units, each of which has separate and distinct roles:

## General Collections Unit

The General Collections unit processes delinquent accounts from various departments. A majority of accounts are referred from San Francisco General and Laguna Honda hospitals. In addition, various accounts are referred from the Department of Public Works, the Mayor's Office, Department of Recreation & Park, the Water Department and the Department of Elections.

The Collections unit's new clients include: The Environmental Control Office of Department of Public Works, Emergency

## BDR Collections



**Total 2001-02: \$54,882,577**  
**Total 2002-03: 58,235,338**  
**Total 2003-04: 66,081,498**

### *BDR Highlights Of 2003-04*

- *Collections increased 13.5% \$66,081,498*
- *Business tax surveys generated increased revenue of 54.5% \$10,285,675*
- *Added 3 new departmental clients*
- *Implemented new escrow fee*
- *Enhanced collection tools*
- *Issued RFP for delinquent collections*

# Bureau of Delinquent Revenue

<b>General Collections Unit</b>	
San Francisco General Hospital	\$9,309,425
Ambulance	502,210
Via Collection Agency	454,661
Laguna Honda	478,072
Water Dept.	24,816
Mayors Office of Community Development	158,629
Trial Courts	2,618,699
Emergency Communications Department	22,298
Department of Public Works-ECO	19,485
Police	14,854
Adult Probation	15,244
Miscellaneous Fees	726,661
Other	21,637
<b>TOTAL</b>	<b>\$ 14,366,691</b>

Communication Department, and the San Francisco Housing Authority.

Since August 2002, the Office of the Treasurer & Tax Collector has been collecting all delinquent moving violation citations issued by the Trial Courts. In November 2003, the Trial Courts referred their backlogged cases for collection. Off site credit card processing was also designed to facilitate payments from the Hall of Justice. In FY 03-04, these collections generated \$2,618,699.

## Escrow/Bankruptcy Unit

The Escrow/Bankruptcy unit researches, compiles data and files claims on outstanding debts owed to the City once escrow or bankruptcy is filed.

The research phase begins when notices are published or sent to the Escrow/Bankruptcy unit and the Unit conducts extensive database research. During fiscal year 2003-04, this research led to the successful collection of \$4,273,643.

Claims are directly related to the state of the economy. The significant increase is attributable to one particular account involving over \$2 million in real estate taxes. Otherwise, collections were comparable with last fiscal year, especially since staff decreased in this unit from three collectors to two.

Further, in a continuous effort to recover the cost of collection, in March 2003 BDR began charging an escrow fee of \$50 to title companies requesting a clearance from the department.

# Bureau of Delinquent Revenue

## Clearance/Business Tax Unit

The Clearance staff works with business owners, the Business Tax section and the Property Tax section to collect or resolve delinquent business-related taxes, such as payroll taxes, registration fees, and unsecured personal property taxes. All outcomes are resolved in a manner equitable to both the customer and the City. In a continued effort to collect delinquent business taxes, 4 new collectors were added to the Clearance Unit during the fiscal year.

Clearance collected \$34,587,137 in delinquent business-related taxes in FY 03-04. Clearance expanded its collections to include unsecured supplement taxes as well.

## Investigations Unit

The Investigations unit ensures that taxpayers comply with City and State tax regulations. The unit operates in support of all sections in the Tax Collection Division. The Investigations unit is responsible for a wide range of enforcement activities such as surveys, surveillance, small claims filings, post-judgment execution, seizures, summary judgments, Franchise Tax Board offsets, complicated accounts, citations, business tax and Unsecured Personal Property tax liens and judgment renewals.

### Surveys

Investigators are assigned to systematically research, inspect and interview city

businesses with potentially high revenue. Overall, approximately 14% of businesses surveyed were unregistered. This year, Investigations worked on a file purchased from the Franchise Tax Board pursuant to AB 63, which provided us with businesses on record with FTB to match our business records.

At full capacity, the unit has increased its productivity, particularly in the area of surveys. For fiscal year 2003-04, the unit collected a total of \$10,285,675 in surveys alone, as compared to the \$6,654,983 collected in FY 02-03.

### Third Party Tax Enforcement

Surveillance at over 220 parking lots was conducted, generating \$25,132 in citation fees. With the access of the Geographical Information System from the Department of Telecommunications and Information Services, mapping of the parking lots will expedite enforcement and increase compliance in this area.

### Clerical Unit

This sub-unit is responsible for providing all clerical work for the various units of BDR. Clerical staff conducts the initial screening of customers and determines the section or employee most appropriate to address the customer's questions. Clerical staff provides counter coverage on a rotational basis. Also, BDR has set a goal requiring each clerk to be cross-trained to handle and/or assist any unit that needs staff support.

## Bureau of Delinquent Revenue

Counter activity continues to increase. Clerical staff provided initial customer service to 21,676 customers as compared to 20,962 for last fiscal year. Further, clerical staff coordinated the issuance of over 163,700 notices, an increase of 41% from last fiscal year.

### ***Mission:***

*To serve with expertise in all collection matters; to recover debts accrued; to enforce the local ordinances and achieve compliance therewith, while providing efficient, effective and equitable service and support to the public and to the business community.*

*The Accounting Section* provides accounting and support services to the Department. It batches, balances, posts and performs daily and monthly reconciliation of tax collections for real estate, unsecured personal property and business taxes.

Following reconciliation, the Accounting Section reviews transactions on the Financial Accounting Management Information System (FAMIS) to assure the proper posting of revenues, initiating corrective entries whenever necessary. The unit closely monitors collections and related financial activities that involve tax collections. Other responsibilities include various statistical reports for the Department.

The Accounting team is grouped according to function: Real Property Taxes (Secured and Unsecured), Supplemental Taxes (Secured

and Unsecured), Redemption Payments, Property Installment Payments and Business Taxes, which include payroll, hotel, utility, parking, emergency response fees, business registration fees, stadium taxes and roofers fees.

The two primary goals of the Accounting Section are

- 1) to provide adequate internal control systems to safeguard the City's assets; and;
- 2) to assist the Office of the Treasurer & Tax Collector in improving the Department's efficiency and productivity.

***Mission:***

*To better serve the public through increased accounting efficiency and to reconcile all accounts in an accurate and timely fashion.*

## Statistical Report by Activity and Collection Amount

	FY 99-00	FY 00-01	FY 01-02	FY 02-03	FY 03-04
Complaints and Responsive Pleadings Filed	5	7	5	4	0
Abstracts & Liens Recorded	5	1	1	1	4
Hospital Liens Collected	\$688,562	263,531	291,921	619,485	568,277
Bankruptcy Cases Transferred	14	17	8	9	16
Creditor Claims Resolved	\$193,303	958,728	351,313	915,331	6,467,504
<b>TOTAL RECOVERY</b>	<b>\$2,355,68</b>	<b>\$3,084,31</b>	<b>\$2,220,207</b>	<b>\$1,542,578</b>	<b>\$1,971,467</b>

*The Legal Section* pursues collection litigation on delinquent accounts that fall under the Office of the Treasurer & Tax Collector's jurisdiction, becoming involved only when all other collection efforts have failed. This section also responds to legal challenges against the Office of the Treasurer & Tax Collector – primarily claims in bankruptcy, judicial foreclosure and hospital lien cases. In addition, this section serves as the legal advisor on collection-related issues to both the Tax Collector and section supervisors.

### Litigation Activity:

- 2 judgments entered  
\$4,614,194
- 1 judgment satisfied after full payment  
\$343,182
- 5 judgments renewed  
\$1,847,015
- 3 cases dismissed after successful resolution

Legal Section successfully litigated to judgment 6 hotel tax claims against 5 interrelated corporate hotel operators and then litigated the same tax liability to

judgment against the controlling individuals in the United States Bankruptcy Court.

### BDR – Hospital Cost Recovery Liens

- \$568,277 Collected

This collection level is the result of zealous and effective advocacy by Legal Section attorneys in negotiating and litigating payment on third party and Worker Compensation Appeals Board lien cases.

### Bankruptcy Litigation

- 16 cases referred  
\$4,518,953
- 16 cases successfully completed  
\$6,467,504
- 34 cases in inventory  
\$11,222,287

Legal Section represents the Bureau of Delinquent Revenue whenever a creditor claim or a tax lien is in jeopardy of not being paid in the course of a bankruptcy. Legal Section responds most frequently to objections to creditor claims by the debtor, another creditor, or the bankruptcy trustee.

# Legal Section

Legal Section also opposes attacks on tax claims, liens and other bankruptcy-related improper treatment of tax claims in business debtor reorganization or Chapter 13 plans, and reclassification and/or subordination of tax claims. Sixteen bankruptcy cases were successfully resolved during the fiscal year, preserving the Department's right to collect \$6,467,504 in bankruptcy creditor claims.

Legal Section also obtained dismissal of two bankruptcy lawsuits against the City, demanding total payment of \$57,025. These cases were vigorously prosecuted, and the experience from their successful defense will serve as a reference for expeditious disposition of future cases of this type.

## Non-Litigation Collection Activities

- 3 cases collected in full  
\$623,320
- 4 installment payment cases fully collected  
\$558,260
- 3 consensual liens paid in full  
\$60,818

Legal Section attorneys collected a total of \$623,320 by direct negotiation with the debtors. Closely related to bankruptcy and included in this total is assignment for the benefit of creditors, where an insolvent entity transfers its assets to a neutral party for pro-

rata distribution to creditors. Legal Section successfully negotiated the recovery of more than \$100,000 in one such case during the fiscal year.

## Administrative Support Activities

- Represented Business Tax Section at Tax Collector Administrative Hearings in support of three parking tax determinations which assessed \$932,290 in delinquent taxes.
- Implemented administrative collection procedure under City Tax Code to obtain assignment of the tax debtor's contract payments from a third party to the department - the first time that this administrative collection procedure was successfully used.
- Throughout the year Legal Section prepared administrative records subpoenas for use by Business Tax auditors in support of audits of major telecommunication companies.

## Legal Advice

Staff attorneys respond to legal inquiries from other Tax Collector sections throughout the year. The attorneys prepare major legal advice memoranda in addition to providing informal case advice and settlement recommendation.

### ***Mission:***

*To provide litigation services in all cases under the Tax Collector's jurisdiction where court action is the only effective collection tool and to provide legal advice to the Tax Collector and section supervisors on collection-related issues.*

## *The Administration Section*

provides centralized support services to the various operating sections of the Office of the Treasurer & Tax Collector. These services include personnel, payroll, purchasing, information services, departmental accounting, budget preparation, and general administrative services.

The section also responds to requests for reports for the Mayor, Board of Supervisors, citizen interest groups and individuals, and other City departments.

### **Budget Management**

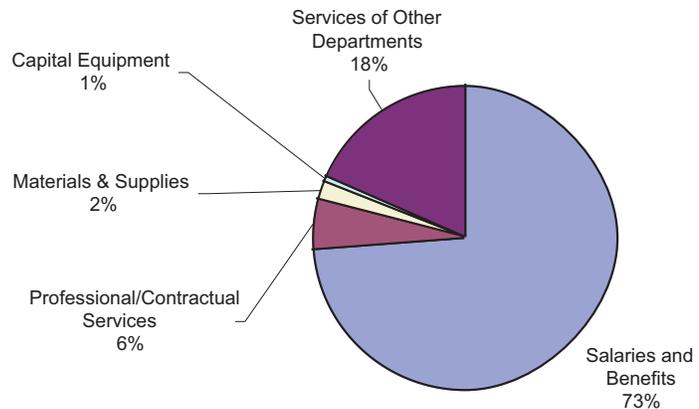
The Department's annual budget request is developed by budget staff and senior managers in collaboration with the managers of nine separate operating sections. The final budget appropriation for FY 03-04 totaled \$19.4 million.

### **Personnel Management**

The Personnel staff assist managers in the recruitment and hiring of personnel and in addressing disciplinary matters in a fair and equitable manner. Ten hiring campaigns were conducted this year.

Most importantly, the Payroll Clerk processes daily attendance data and prepares and submits bi-weekly time rolls.

## **Operating Budget FY 2003-04**



The staff also prepares and presents orientation for new employees and training sessions on such matters as harassment prevention, sensitivity to the needs of individuals in protected categories, illness and injury prevention, and in the basics of handling day-to-day personnel issues and complaints.

### **Departmental Accounting**

The Administration Section is responsible for accounts payable and for monitoring and analyzing spending patterns and historical data as part of the budget preparation process.

### **Purchasing and Supply Management**

Staff provides support to all sections by ordering office supplies, equipment and other minor furnishings, arranging for maintenance of copiers and other office equipment, and managing a large inventory of forms, envelopes and statements.

### ***Mission:***

*To provide effective support services to the Office of the Treasurer & Tax Collector.*

# Management Information Services

## *The Management Information Services Section* provides

centralized support services for computer and information system needs. Staff of this section is responsible for the system administration of the Department's local area network (LAN) and wide area network (WAN) services. The section is also responsible for the procurement of services, hardware, software and data processing supplies, and for administering the hardware and software maintenance agreement for all systems.

The section oversees projects for the enhancement of the Delinquent Revenue's Columbia Ultimate Business System (CUBS) and the Cashiering's ItemAge system (NETVANTAGE).

The department's Citrix terminal server allowed remote network connectivity through dialup access and virtual private network (VPN) Internet connection to the department's network resources (i.e. email, mainframe, AS/400, Unix, office files, CUBS). The Department of Telecommunications and Information Services (DTIS) provides the main point of entry for this application. The department plans to expand these resources in a wireless environment providing real time

information for auditors and investigators conducting fieldwork.

Specialized applications used by the department include:

- Cardiff Teleform Information Capture System
- Alchemy Imaging
- Columbia Ultimate Business System
- Netvantage-ITEMAGE
- Anacomp-Alva
- Timeslip
- Compulaw
- SmartLaser2000
- EPISUITE Pro
- Macromedia: Dreamweaver4 and Fireworks4 Studio
- Patton & Patton Flow Charting 5
- GIS/ARVIEW software (MAPINFO)

### ***Mission:***

*To support the various Information Technology needs of the Department by providing high levels of customer service, maximizing revenue collection and providing the necessary management tools and services required to increase staff productivity and efficiency.*

# Management Information Services

The MIS Section coordinates custom programming issues, service requests, production support maintenance and

security issues with the Department of Telecommunication and Information Services (DTIS), vendors and consultants.

## *Highlights Of Fiscal Year 2003-2004*

- *Assisted in the application of a database used by the new False Alarm Unit*
- *Upgraded desktop stations to Windows 2000 and Windows XP*
- *Coordinated with Department of Telecommunications and Information Services in the administration of a new Business Tax system; Identified inefficiencies and created continuous process improvement, enhancing program productivity*
- *Upgraded the Business Tax Server to the Windows 2000 operating system and upgraded the Teleform software for scanning BTS forms*
- *Designed, developed and deployed the new online dog license renewal program in collaboration with the SPCA and Animal Care & Control*
- *Redesigned the Department's intranet server, TTXCENTER, for easy navigation and more functionality*
- *Procurement of software upgrades and licensing to keep up with the latest technology*
- *Consistently updated the property tax bill CD-ROM for fiscal years 1993 through 2003, allowing staff to print prior tax bills without the use of microfiche machines*
- *Continuous improvements on MS Access database application for tracking passport applications*

## Treasurer José Cisneros

*In September 2004*, Mayor Gavin Newsom appointed José Cisneros as Treasurer for the City and County of San Francisco. As Treasurer, he serves as the City's banker and chief investment officer, managing all tax and revenue collection for San Francisco.

Finding new sources of revenue and closing the budget gap is Treasurer Cisneros' top priority. Since taking office, this strategy has resulted in the collection of millions in increased revenues – far exceeding targeted projections. By closing loopholes and collecting money owed to the City the Treasurer is ensuring that everyone pays their fair share. This means more services for the people of San Francisco, and lessens the pressure to increase taxes.

Treasurer Cisneros strongly believes that his role of safeguarding the City's money extends to all San Francisco residents. In January of 2005 Treasurer Cisneros led the implementation of the Working Families Credit Program, an innovative public/private partnership providing a tax credit to qualified San Francisco families. So far, more than 11,000 of the City's lowest-income working families have applied for the program, which provides a match to the federal Earned Income Tax Credit. Treasurer Cisneros continues to expand his role as a financial educator and advocate for low-income San Franciscans through creating innovative programs aiming to give all city residents access to a bank account and lessen the need for check cashers and payday lenders.

Prior to his appointment, Treasurer Cisneros served as Deputy General Manager for the San Francisco Municipal Transportation Agency. In this capacity, he managed



MUNI's \$7 billion capital program designed to repair, replace and enhance system assets – including the 3rd Street Rail extension serving Chinatown, Mission Bay and the residents of Bay View and Hunters Point. Before working at MUNI, Treasurer Cisneros served as a member of the MTA Board of Directors and was instrumental in creating Proposition E, the Muni Reform Charter Amendment.

Treasurer Cisneros has a strong business background in the private sector, previously working for IBM Corporation and Lotus Development Corporation as a Senior International Product Manager. Prior to this, he was an Assistant Vice President at Bank of Boston where he managed financial product portfolios valued at over \$100 million.

José Cisneros received his Bachelor of Science from Sloan School of Management at the Massachusetts Institute of Technology (MIT) and studied for his MBA at Boston University.

## George Putris, Tax Administrator

*George Putris* is a lawyer who has spent his career specializing in taxation law. Through both private practice and public service, he has gained extensive experience in the areas of federal income taxation, property taxation, state and local taxation, tax litigation, municipal finance, tax-exempt organizations and tax legislation. Immediately prior to undertaking the position of Tax Administrator, Mr. Putris practiced law in the San Francisco City Attorney's Office, where, as Deputy City Attorney, he served primarily as counsel to the Office of the Treasurer & Tax Collector.

Mr. Putris places a high value on efficiency, simplicity and fairness in the administration of the various tax services and regulatory functions performed by the Office of the Treasurer & Tax Collector. He believes that sound tax policy encourages voluntary compliance with the law, and that sound tax administration enhances the City's attractiveness as a place for businesses to locate their facilities and jobs. He is committed to revitalizing the policies and procedures that enable taxpayers to take full advantage of the services offered by the Office of the Treasurer & Tax Collector.

Mr. Putris is a graduate of the Martin Luther King, Jr. School of Law at the University of California, Davis. He also has an

LL.M. degree in Taxation Law from New York University. He received his BA degree from the University of California, Berkeley. Mr. Putris is a member of the California Bar Association.



## Pauline Marx. Chief Assistant Treasurer

*As Chief Assistant Treasurer,* Pauline Marx serves as Deputy to José Cisneros in administering the operations of the Office of the Treasurer & Tax Collector, formulating citywide financial policies, the Department's budget and controlling the receipts, management and disbursement of City funds.

Pauline Marx joined the Office of the Treasurer and Tax Collector in January, 2005 after serving nine years with the City of Emeryville as Finance Director and Treasurer. In Emeryville her duties included management of the City's accounting and revenue collection functions, budgeting, debt and investments, and the City's information technology efforts.

Pauline Marx grew up in New York City. She has a bachelor's degree from the University

of Michigan and an MBA from Yale School of Management. She has lived in the San Francisco bay area since 1979, working for both the private

and the public sector, always focusing on the intersection of business and public policy at the local government level.



## Daniel Patrick Daly, Chief Investment Officer

*Daniel Patrick Daly* commenced employment with the City and County of San Francisco in the newly created position of City Cash Manager in June of 1980. In June of 1981, he was promoted to the Chief Investment Officer. During his tenure, the City "Pooled Portfolio" has grown from \$500mm to the present portfolio of \$3 billion dollars. In the past ten years City's investment performance has consistently generated yields in excess of the major counties within the State of California (including the California State Pool Portfolio). The ten-year average is 5.198%.

In addition to his investment duties, Dan also directs the banking relationships for the City and County and is a trustee of the Transport Workers Union Municipal Railway Trust Funds.

Prior to joining the Treasurer's Office, Mr. Daly worked for Citibank in New York City as an Assistant Vice President for marketing



in midtown Manhattan. Mr. Daly also worked as a Vice President for First Interstate Bank (now Wells Fargo) managing securities broker-dealer relationships in both Northern California and New York City. Dan served as a Vietnam Veteran in the U. S. Marine Corp and is an alumnus of Fordham University.

# Contacts

Treasurer .....	José Cisneros
Tax Administrator .....	George Putris
Chief Assistant Treasurer .....	Pauline Marx
Chief Investment Officer .....	Daniel Daly
Assistant to the Treasurer .....	Leigh Phillips
Policy and Legislative Manager .....	David Augustine

## **Section Managers:**

Accounting Section.....	Manuel Valle
Administration Section.....	Gail Hemenway
Bureau of Delinquent Revenue.....	Florence Mar
Business Tax Section .....	Mark Buckley
Cashiering Section .....	Sonia Martinez
Customer Payment Center.....	DJ Dull
Investments.....	Daniel Daly
Legal Section.....	Robert Fletcher
Management Information Section .....	Darrell Ascano
Property Tax & License Section.....	Francis Nguyen
Taxpayer Assistance Section.....	Anita Jin



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