



# ANNUAL REPORT

**FISCAL YEAR 2005-2006**

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



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## LETTER FROM TREASURER JOSÉ CISNEROS



Welcome to the 2005-06 Annual Report for the Office of the Treasurer & Tax Collector. In November of 2005 I was elected by the people of San Francisco to serve as Treasurer – the City’s banker, tax collector, collection agent and investment officer. I am proud to have been entrusted to this important role by the San Francisco voters, and am equally proud to be able to report on an extremely successful year in office.

This year was the second year of the Working Families Credit (WFC) program, which provides San Francisco low-income working families with a percentage match to the Earned Income Tax Credit. Applications grew by 13% citywide, with the largest area of growth concentrated in the Southeast section of the City. More than 11,500 families received the credit this year, which means almost 2,000 additional families kept more of what they earned in 2005. The average credit amount was \$200, and our eligible families received approximately \$26.5 million from the federal government. The program has now moved beyond the pilot phase, and will continue to be budgeted each year. In 2007, the Human Services Agency will take over as the managing agency for the WFC and start linking these families with other federal, state and local benefits.

In addition to the exciting progress of the Working Families Credit, my staff in the Office of the Treasurer has been hard at work delivering high-level service in the areas of tax collection and investing. The amount of transactions we processed in 2005-06 increased greatly – an additional \$180 million over the previous year.

To ensure that everyone is paying their fair share, our auditors conducted 531 audits in Fiscal Year 2005-06, bringing in \$5.1 million in deficiency billings. This represents an increase of \$1.4 million over 2004-05. Our delinquent revenue collections also increased by \$7.8 million to \$67 million. This is the highest amount collected in city history.

The Office of the Treasurer & Tax Collector not only collects all taxes and fees owed to the City; we also invest and safeguard the City’s money. This past fiscal year, our portfolio grew by \$750 million due to increased revenues and an increase in interest rates.

All of these achievements mean more money for the things that are important to San Franciscans – better transportation, cleaner parks, safer streets, and improvements in our city schools and programs which help everyone in our community to thrive.

On behalf of the over 200 staff of the Office of the Treasurer & Tax Collector, I am proud to report on a very successful Fiscal Year 2005-06. You may be assured that we will continue to uphold and expand this level of service in the coming years.

Sincerely,

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

José Cisneros

## MISSION STATEMENT

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 customer service;
- to collect all taxes and fees due to the City; and
- to 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 basic functions for the citizens 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, the Office of the Treasurer & Tax Collector 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 Office of the Treasurer & Tax Collector investigates and collects unreported and delinquent tax obligations. Through the City Payment Center and the Bureau of Delinquent Revenue, the Office of the Treasurer & Tax Collector 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 Office of the Treasurer & Tax Collector 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 Treasurer administers and monitors the bank accounts and wire transactions used by all city agencies, contracts with banks for their services, and disburses payments on the City's General Obligation municipal bonds.

## HIGHLIGHTS OF FISCAL YEAR 2005-2006

- **Working Families Credit Program:** In its second year of operation, the Working Families Credit program issued checks to more than 11,500 low-income San Francisco families in 2006, an increase of 19% over the previous year.
- **High Number of Transactions and Dollars:** The Cashier Section processed 1.36 million transactions totaling \$2.418 billion, an increase of \$180 million (or 8%) over the last fiscal year.
- **Collection of Development Impact Fees:** The Cashier Section collected \$31.4 million in Development Impact Fees during the fiscal year, an increase of \$23.4 million (or 300%) from \$8 million collected in the last fiscal year.
- **Property Tax Collection Increased:** Property tax collection rose in Fiscal Year 2005-06 to \$1.287 billion, an \$82 million (7%) increase over the last fiscal year.
- **Property Tax Delinquency Rate:** 2nd Lowest Ever for the City: The Property Tax Section achieved the 2nd lowest ever delinquency rate of secured property taxes at 1.19% – only slightly higher than the lowest ever recorded delinquency rate of 1.10% a year ago.
- **Regulatory Business License Collection:** The Business License Unit of the Property Tax Section collected \$10.2 million in regulatory business license fees, and successfully collected over \$2.2 million in alarm registration fees and false alarm penalties for the Emergency Communications Department.
- **Audit Deficiency Billings Increased:** The Business Tax Audit Division completed 531 audits and generated \$5.1 million in audit deficiency billings, a \$1.4 million increase (37%) over Fiscal Year 2004-05.
- **Increased Delinquent Revenue Collections:** Delinquent Revenue collections increased by \$7.8 million (or 13%) from \$59.2 million in the last fiscal year to \$67 million in Fiscal Year 2005-06, the highest collection in the Bureau of Delinquent Revenue's history.
- **Investment Portfolio:** The Investment portfolio of \$3.6 billion earned \$132 million, an earned income yield of 4.2% for the fiscal year ending June 30, 2006.
- **Bank of America (BA) Direct:** The Investment Section implemented this online banking system for a number of city departments, thus enabling departments to access their bank accounts and obtain various online reports. It is anticipated that all remaining city departments will be provided this service in the next fiscal year.

# DEPARTMENT DESCRIPTION

## Background

The position of San Francisco Treasurer is an elective office created by the City Charter in 1850. In July 1979, a charter amendment added the office and duties of Tax Collector to the Treasurer’s responsibilities. The Office of the Treasurer & Tax Collector serves as the banker, collection agent, and investment officer for the government of San Francisco, the only combined city and county in the state of California.

## Programs and Services

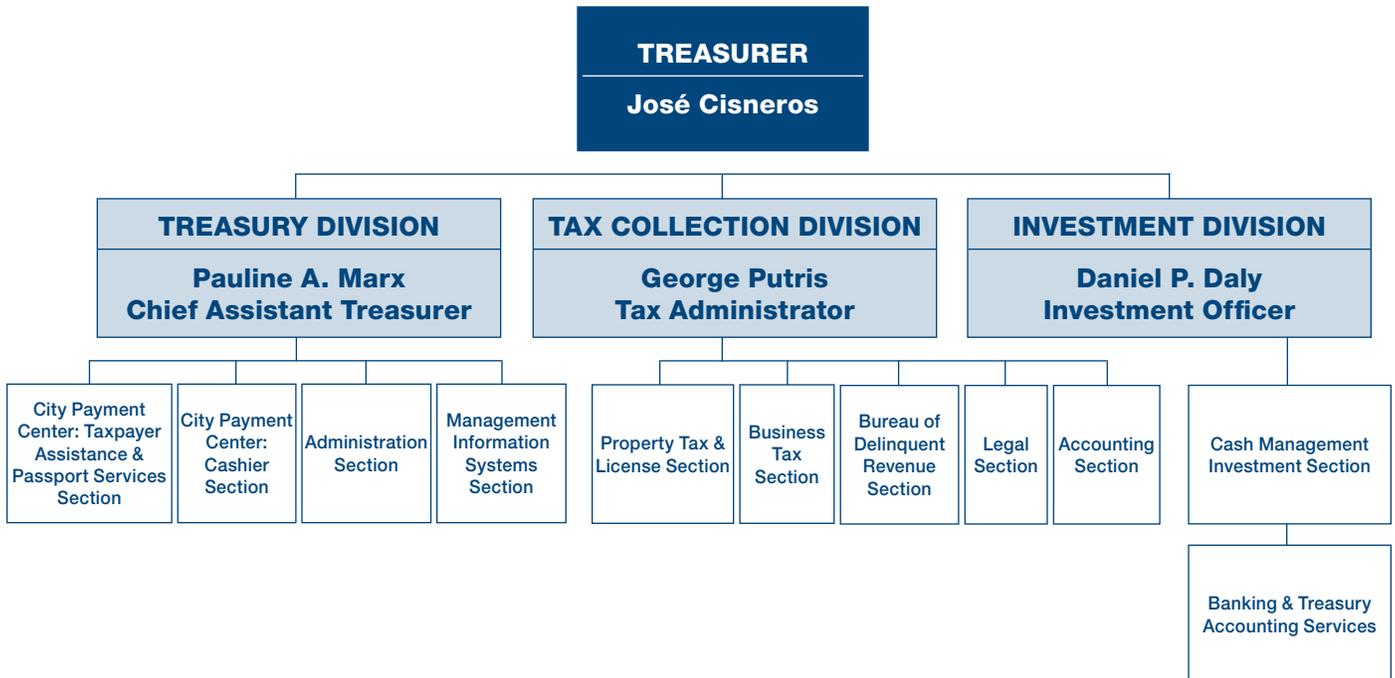
The Office of the Treasurer & Tax Collector serves the citizens of San Francisco by providing information and service in the following areas:

- Property Tax
- Business Taxes (Payroll, Hotel/Occupancy, Parking, Roofers, Stadium, Utility)
- Business Registration and Regulatory Licenses
- Dog Licenses
- U.S. Passport Application Acceptance
- Water Department Payments
- Recreation and Parks Services (Golf Resident Card, Swimming Pool Scrip)
- Transit Passes (MUNI, BART, Caltrain, Golden Gate Transit, AC Transit, SamTrans)
- Social Programs – Working Families Credit Program, Bank On SF Initiative

## Organizational Structure

The Office of the Treasurer & Tax Collector is organized into three divisions comprised of a total of ten sections:

### City and County of San Francisco - Office of the Treasurer & Tax Collector



## TREASURY DIVISION

### CITY PAYMENT CENTER

The **City Payment Center**, located in City Hall Room 140, provides a centralized location for taxpayers, city departments, city employees and the general public to make payments, transact business, and receive information about local taxes and other government services effectively and courteously. In addition to providing information and service with regard to property taxes, business taxes, business registration and licensing, the City Payment Center also offers services regarding water bill payment, acceptance of U.S. passport applications, and purchase of various public service commodities, including transportation passes for Muni, BART, Caltrain, and other local transit carriers

The City Payment Center now consists of two sections: **Taxpayer Assistance & Passport Services** and **Cashier**. In July 2005, all non-cashiering City Payment Center service staff were consolidated into one section and received cross-training on all City Payment Center services. This has greatly increased the section's ability to serve the public quickly and efficiently.



### TAXPAYER ASSISTANCE & PASSPORT SERVICES SECTION

The **Taxpayer Assistance (TPA) Unit** offers assistance in San Francisco's business registration, property tax, licenses, city services, collection notices, and other matters of general assistance. Staff members with extensive training work with customers to assess need, provide specialized assistance, and make referrals to appropriate sections within the Office of the Treasurer & Tax Collector as well as to other city and county departments. The TPA staff provides efficient and courteous service in a variety of capacities – in person at various service counters located within the City Payment Center, over the phone by means of a 45-hour-per-week

call center, and through electronic and traditional written communications. Senior staff members also perform outreach to a variety of community, neighborhood and business organizations, educating the public about local requirements and available city resources. This section embodies the department's philosophy that customers' needs are a priority and that the public should receive quality service and accurate information in a timely manner.

The **Passport Services Unit** was created in 1999 to serve as an acceptance office for U.S. Passport applications. Staff members serve as authorized acceptance agents, verifying the identity of passport applicants, ensuring that all required documentation is submitted, accepting payment for the passport and related fees, and serving as an information resource for the public regarding passport issuance and legislation. The Passport Services unit has earned a reputation as the premier passport acceptance facility in Northern California and the primary referral by the San Francisco Passport Agency for passport services in the Bay Area. The unit continues to simplify the passport application process for thousands of travelers and new citizens.

### Fiscal Year 2005-06:

- The TPA Unit responded to over 100,000 customer inquiries through service counters, customer service phone lines, email, and written correspondence; it processed applications for 9,584 new businesses.
- 93.6% of customers who voluntarily submitted "Customer Service Feedback" surveys (146 out of 156) ranked TPA's overall service as either "Excellent" or "Good", marking the seventh consecutive year TPA has exceeded a 90% approval rating for service.
- The Passport Services Unit processed 9,372 passport applications, earning \$281,010 in revenue for the City.
- TPA conducted or participated in leading 23 different informational seminars, including a monthly hour-long workshop on "Starting a Small Business in San Francisco".

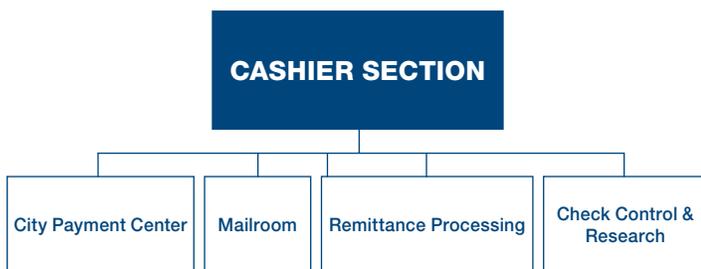
### CASHIER SECTION

The **Cashier Section** is responsible for accepting and processing 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 also processes payments for the Department of Public Works, the Public Utilities Commission, and the Emergency Communications Department and receives and banks deposits from several city departments.

In addition to processing payments, the Cashier Section provides goods and services to the general public as well as to city employees. The Cashier Section is an authorized vendor for Golfer’s Resident Cards and swimming pool scrip tickets on behalf of the Recreation and Parks Department as well as numerous types of Bay Area public transit passes. Effective December 2005, the Cashier Section began selling Municipal Transportation Agency (MTA) Parking Meter Debit Cards, with sales ranging from 200-300 cards per month.

The Cashier Section is comprised of four units, which work together to process and post all payments:



The **City Payment Center Cashier Unit** accepts payments from taxpayers, sells transit items, issues taxi driver “A Cards” and Golfer’s Resident Cards, receives deposits from other City departments and processes mail payments. The **Mail Room Unit** sorts, opens, verifies, and distributes mail for the Office of the Treasurer & Tax Collector, Water Department and the Port of San Francisco. The **Remittance Processing Unit** processes water bills and other tax payments using high-speed National Cash Register (NCR) remittance machines. This unit also researches water payments received without account numbers or payment stubs. The **Check Control and Research Unit** researches and processes unidentified tax payment stubs for all sections of the Office of the Treasurer & Tax Collector.

**Fiscal Year 2005-06:**

- The mail room sorted, opened and distributed 1.1 million pieces of mail totaling over \$2.498 billion.
- The Cashier Section processed over 1.35 million

payments in Fiscal Year 2005-06. The Remittance Unit processed 1.08 million of these payments (51% of which consisted of water bills collected for the Water Department) while over 270,000 payments were processed over the counter.

- The Check Control Unit processed 13,947 items, and Research processed 85,089 items.
- Cashier staff scanned 13,000 applications for the Working Families Credit Program.

Cashier Collections Fiscal Year 2005-06		
REVENUE TYPE	ITEMS	DOLLARS
Real estate taxes	404,993	\$1,365,242,351
Business & payroll taxes & fees	119,479	\$324,009,892
Parking, utility users, & hotel occupancy taxes	14,417	\$307,327,549
Sales tax & other state collections	26,554	\$164,341,521
Water bills	695,253	\$250,113,336
Emergency communications fees	746	\$41,832,637
Licenses	31,660	\$8,202,207
Other	62,781	\$37,139,153
<b>Total</b>	<b>1,355,883</b>	<b>\$2,498,208,646</b>
PAYMENT TYPE		DOLLARS *(Rounded)
Online		\$28,300,000*
Credit Card - IVR (Interactive Voice Response)		7,500,000*
Credit Card, Over-the-Counter		43,200,000*
Cash, Checks		2,419,000,000*
<b>Total</b>		<b>\$2,498,000,000*</b>

**ADMINISTRATION SECTION**

The **Administration Section** provides centralized support services to the various operating sections of the Office of the Treasurer & Tax Collector. The section also responds to requests for reports for the Mayor, Board of Supervisors, citizen interest groups and individuals, and other city departments.

The **Personnel and Payroll Management Services Unit** is responsible for the recruitment and hiring of department personnel, employee compensation and



## MANAGEMENT INFORMATION SERVICES SECTION

The Management Information Services (MIS) Section provides the department with full-time centralized support for all technological equipment, systems, and applications, including specialized mainframe and web-based applications for banking, investment and other business and finance-related functions. The MIS section is also responsible for the system administration of the department's local area network (LAN) and wide area network (WAN) services at the department's two locations – City Hall and the War Memorial Building.

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. The section is also responsible for maintaining server resources and web design and contents. MIS ensures that sufficient documentation is maintained for all existing financial systems, and continues to work with the Office of the Controller as well as with other city departments to refine emergency preparedness plans and procedures.

### Fiscal Year 2005-06:

- Provided system support and maintenance for the Working Families Credit project in its second year of implementation, including the automated processing of applications, reports and feedback queries
- Developed a customized Interactive Voice Response System (IVR) program for the Bureau of Delinquent Revenue's Columbia Ultimate Business Systems (CUBS). The customized program will automatically route unattended calls relating to billing information to a collector's phone extension.
- Upgraded the Legal Section's server to Microsoft Windows Server 2003 Enterprise; upgraded Compulaw to SQL database
- Completed the conversion to SQL server database of the False Alarm System in collaboration with the DTIS database system management team for the city alarm program
- Upgraded the NetVantage System for the Cashier Section and migrated NetVantage to new Microsoft Windows Server 2003

employee records. The unit also provides management with recommendations relating to personnel decisions, interpretations regarding civil service regulations, and guidance with regard to disciplinary and accountability matters. Personnel staff monitors Workers' Compensation cases and ensures compliance with the American with Disabilities Act, Affirmative Action and the Family Medical Leave Act. The Payroll staff processes daily attendance data and prepares and submits bi-weekly time rolls.

The **Purchasing and Supply Management Services Unit** provides support to all sections by providing 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. This unit coordinates the department's participation in citywide efforts such as the Combined Charities Campaign, recycling programs, blood drives, and trainings.

The **Departmental Accounting Services Unit** is responsible for accounts payable and for monitoring and analyzing spending patterns and historical data as part of the annual budget preparation process.

The **Budget Management Unit** staff and senior managers develop the department's annual budget in collaboration with the managers of ten separate operating sections. The operating budget for Fiscal Year 2005-06 was \$22 million.

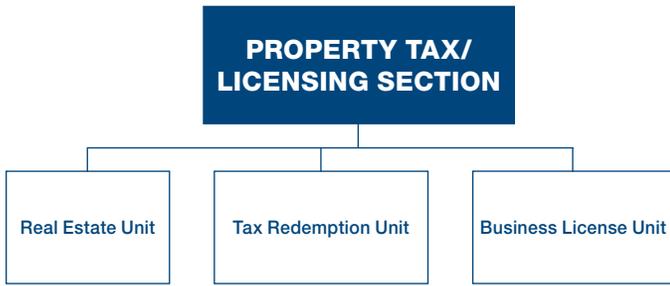
### Fiscal Year 2005-06:

- Filled 92 vacancies for the Office of the Treasurer & Tax Collector
- Worked with section managers to screen over 1600 candidates to fill those vacancies
- Coordinated with the Department of Human Resources to provide "How to Identify and Prevent Sexual Workplace Harassment" training for all department staff; coordinated with Department of Human Resources "Work Plus Development Program" to provide supervisory training to supervisors and managers

# TAX COLLECTION DIVISION

## PROPERTY TAX & LICENSING SECTION

The **Property Tax & Licensing Section** is made up of three primary units:

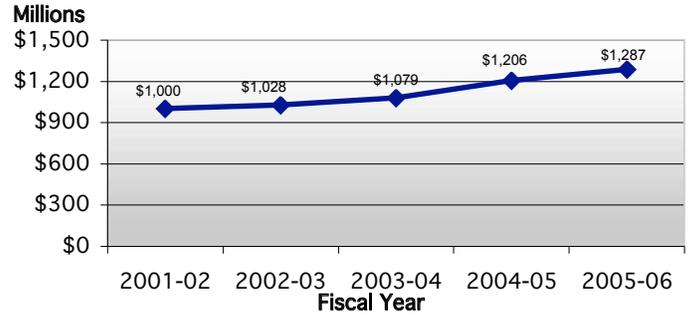


The **Real Estate Unit** bills and processes regular, escaped and supplemental tax bills for secured and unsecured taxes. It is also responsible for processing approved refund requests for overpayments and duplicate payments of current and prior years' property taxes as well as refunds for the rent board fees program, alarm registration fees, false alarm penalties, dog license fees and other business license fees.

### Fiscal Year 2005-06

- Collected over 450,000 property tax bills and statements including 40,000 unsecured tax bills and 65,000 business license fees.
- Property tax revenue increased by nearly \$82 million (7%) compared to the previous fiscal year.
- The delinquency rate for secured property taxes was 1.19% – the second lowest rate in its history. The previous fiscal year (2004-05) marks the City's lowest delinquency rate at 1.10%.

**Secured Property Tax Revenue Collection  
5 Year Comparison**

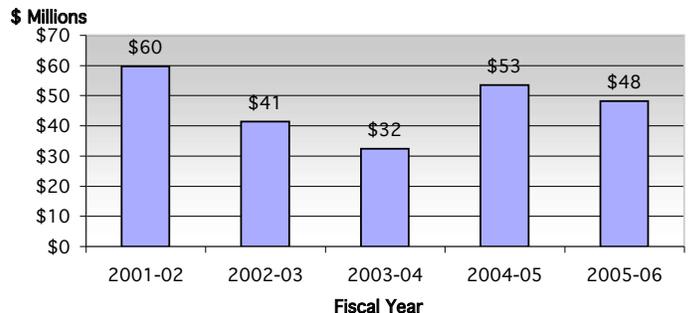


- Supplemental property tax collection decreased by \$5 Million (10%) from previous fiscal year due to a decline in the number of changes in ownership and reduction in the prior year's assessed values of commercial properties.
- The collection rate for the Apartment House License, Hotel License, and Rent Board Fees on the Secured Property Tax bills was 98.9%. The average delinquency rate for all special assessments was 1.85%.

**Secured Property Tax Delinquency Rate  
5-Year Comparison**

Fiscal Year	Delinquency Rate
2001-2002	1.46%
2002-2003	1.55%
2003-2004	1.19%
2004-2005	1.10%
2005-2006	1.19%

**Supplemental Property Tax Revenue Collection  
5 Year Comparison**



Special Assessment	\$ Charged	\$ Collected	% Collected
Rent Board Fee	\$3,642,450	\$3,604,305	99.0%
Apartment House License Fee	\$3,555,660	\$3,522,115	99.1%
Hotel License Fee	\$277,123	\$267,281	96.4%
<b>Total</b>	<b>\$7,475,233</b>	<b>\$7,393,701</b>	<b>98.9%</b>

The **Tax Redemption Unit** processes and computes payments for prior years' delinquent secured property taxes and maintains complete records on taxes being paid under five-year installment plans.

#### Fiscal Year 2005-06

- The redemption delinquency rate was slightly lower as compared to the prior fiscal year as a result of the Tax Redemption Unit's continuing efforts to work with the offices of the Assessor-Recorder and Controller to cancel incorrect assessments recorded on the redemption file.

Tax Redemption - Delinquency Rate 5-Year Comparison	
Fiscal Year	Delinquency Rate
2001-2002	49.1%
2002-2003	46.8%
2003-2004	46.6%
2004-2005	46.7%
2005-2006	46.0%

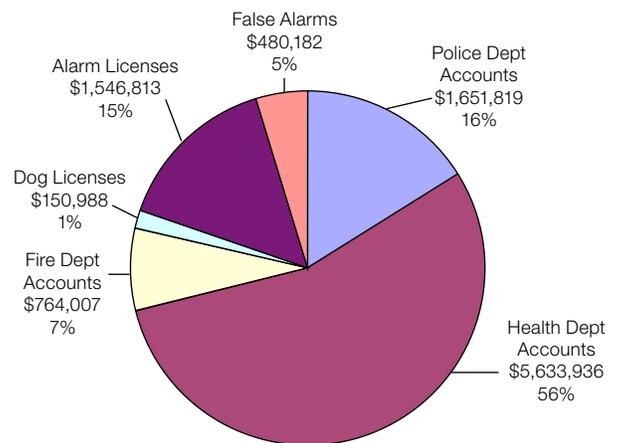
The **Business License Unit** collects, records, and reports regulatory business license fees mandated by the San Francisco Municipal Code, Part III.

#### Fiscal Year 2005-06

- Processed 69,560 license accounts for the Police, Fire, Public Health, Emergency Communications, and Animal Care and Control Departments totaling \$10.2 million, a decrease of \$401,088 (3%) from last fiscal year's revenue of \$10.6 million. The decrease was primarily due to a decline in the number of false alarms penalties. License fees that have been delinquent for more than 90 days are promptly reported to the regulatory departments for collection.

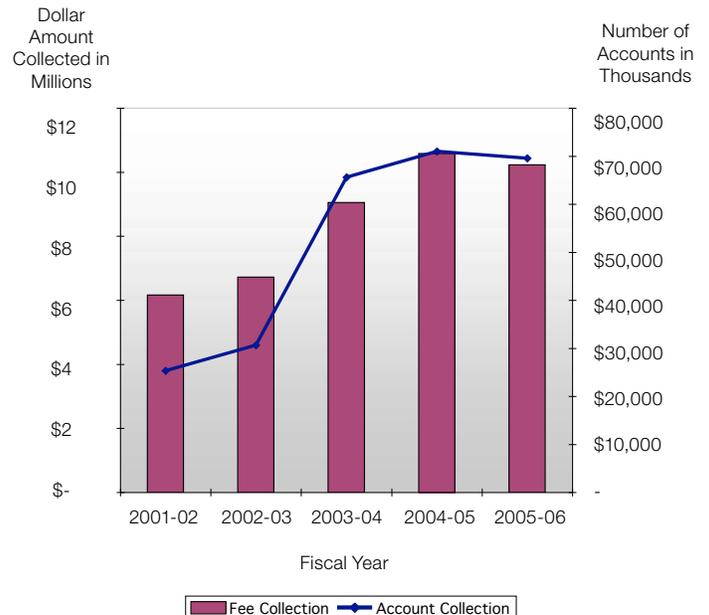
#### Business License Dollar Collected

Fiscal Year 2005-06



#### Business License Dollar Collected

5 Year Comparison



## BUSINESS TAX SECTION

The Business Tax Section of the Office of the Treasurer & Tax Collector is responsible for the implementation and enforcement of the business registration fee, payroll expense tax, roofers' vehicle tag fee and third party taxes for parking, hotel, and stadium operators, utility users, and for emergency response fees. The Division is comprised of the two distinct units – the Account Services Unit and the Audit Unit.



The **Account Services Unit** is responsible for 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
- Requests for Taxpayer Refunds
- Quarterly & Monthly Hotel, Parking and Utility Users Taxes
- Requests for Extensions for Filing the Annual Tax Statement
- Processing of various Tax Credits and Exemptions

### Fiscal Year 2005-06

Business Tax Account Services FY 2005-06				Inc (Dec) from Prev Year		
Tax Type	# of Stmt Mailed	# of Pmts Posted	\$ of Pymts Posted	# of Stmt Mailed	# of Pmts Posted	\$ of Pymts Posted
Payroll Tax Year 2005	93,576	8,022	\$273,925,655	5%	3%	10%
Business Tax Registration FY 06-07	93,173	64,841	5,230,785	6%	3%	3%
Payroll Determination Tax Year 2004	4,758	760	1,717,258	(76%)	257%	(65%)
Payroll Tax Prepayments	7,805	7,388	135,413,645	(6%)	(25%)	(1%)
Hotel Tax	2,579	1,331	179,076,494	(1%)	1%	15%
Parking Tax	2,342	2324	53,536,441	(1%)	6%	8%
Utility Users Tax	1,976	1,936	74,797,015	(1%)	8%	15%
<b>Total</b>	<b>206,209</b>	<b>86,602</b>	<b>\$723,697,293</b>	<b>(2%)</b>	<b>1%</b>	<b>9%</b>

The **Audit Unit** is comprised of two audit teams dedicated to performing business tax audits. One team is dedicated to performing payroll expense tax audits; the other performs parking and hotel third party tax compliance audits.

**Fiscal Year 2005-06**

- The Audit Unit completed 531 audits (482 payroll, 30 parking and 19 hotel).
- Generated \$5,170,684 in audit deficiency billings, a 39.2% increase compared to previous fiscal year

Type Of Audits	2002-03	2003-04	2004-05	2005-06
Payroll Tax	\$19,508,478	\$4,881,835	\$3,318,035	\$3,666,933
Parking Tax	\$944,556	\$2,717,963	\$373,283	\$417,592
Hotel Tax	\$1,248,018	\$462,143	\$22,398	\$1,086,159
<b>Total Billings</b>	<b>\$21,701,052</b>	<b>\$8,061,941</b>	<b>\$3,713,716</b>	<b>\$5,170,684</b>

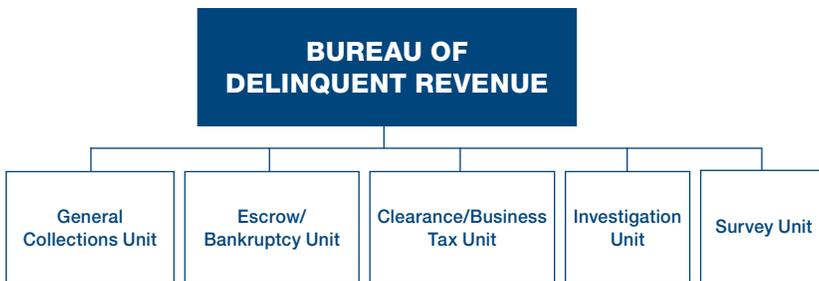
- The top twelve audits, each generated billings in excess of \$100,000, and totaled \$3.1 million or 56% of total billings for Fiscal Year 2005-06. These audits are listed below:

Business Tax Large Deficiency Audits (Billings greater than \$100,000) FY 2005-06		
TAXPAYER	AUDIT TYPE	AMOUNT
Hotel Operator	Hotel Tax	\$1,048,140
Utility Provider	Payroll Tax	426,224
Linen Supplier	Payroll Tax	267,387
Parking Operator	Parking Tax	254,469
Venture Capital Company	Payroll Tax	240,060
Management Solutions Provider	Payroll Tax	186,093
Interior Designers	Payroll Tax	151,636
Art & Design School	Payroll Tax	127,233
Real Estate Asset Managing Company	Payroll Tax	121,299
Investment Banking Company	Payroll Tax	112,727
Limousine Service Provider	Payroll Tax	100,297
Hotel Operator	Payroll Tax	100,154
<b>Grand Total</b>		<b>\$3,135,719</b>

Audit Impact (5 Year Average)						
	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06	5 Yr Avg
Number of Audits	400	438	515	540	<b>531</b>	485
Audit Hours	9,640	11,915	15,286	19,116	<b>21,195</b>	15,430
Avg Hours per Audit	24	27	30	35	<b>40</b>	32
Audit Billings	\$5,083,304	\$21,701,053	\$8,061,941	\$3,713,716	<b>\$5,170,684</b>	\$8,746,140
Avg Billing per Audit	\$12,708	\$49,546	\$15,654	\$5,998	<b>\$9,738</b>	\$18,041

## 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, Department of Public Works, Adult Probation, Fire Department, Mayor's Office of Community Development, Department of Parking and Traffic, City Planning, Ethics Commission, Trial Courts, Recreation & Parks and the Water Department.



The Bureau of Delinquent Revenue is divided into five units, each of which has separate and distinct roles:

The **General Collections Unit** processes delinquent accounts from various departments. A majority of accounts are referred from S.F. General and Laguna Honda hospitals. Various additional accounts are referred from the Department of Public Works, the Mayor's Office, Recreation & Parks, the Water Department, Trial Courts, and S.F. Housing and Redevelopment.

The **Escrow/Bankruptcy Unit** researches, compiles data and files claims on outstanding debts owed to the City once escrow or bankruptcy is filed. The unit's extensive database research begins when notices are published or notices are received. All title company demands are referred to this unit.

The **Clearance/Business Tax Unit** works with business owners and with the Business Tax and Property Tax sections 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 Fiscal Year 2005-06, Clearance expanded its collections to include delinquent unsecured supplement taxes.

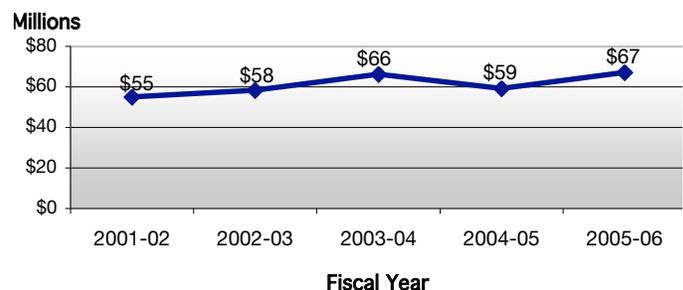
The **Investigations Unit** ensures that taxpayers comply with city and state tax regulations. The unit operates in support of all sections in the Tax Collection Division and is responsible for a wide range of enforcement activities including: surveys, surveillance, small claims filings, judgment renewals, post-judgment execution, seizures, summary judgments, complex accounts, Franchise Tax Board offsets, citations, and business and unsecured personal property tax liens.

Within the **Survey Unit**, investigators are assigned to systematically research, inspect and interview city businesses with potentially high revenue. Overall, approximately 20% of businesses surveyed in this manner were unregistered. In addition to surveys of unregistered businesses, investigators collect on delinquent accounts regarding third party taxes. Third party tax enforcement efforts include two sub-units: Clerical and Accounting. The Clerical Unit performs data entry, tracks check controls, provides counter service, liaisons with the citywide Purchasing function, distributes mail, and other clerical functions. The Accounting Unit prepares financial reports, posts, adjusts and balances accounts, and performs accounting related duties.

### Fiscal Year 2005-06

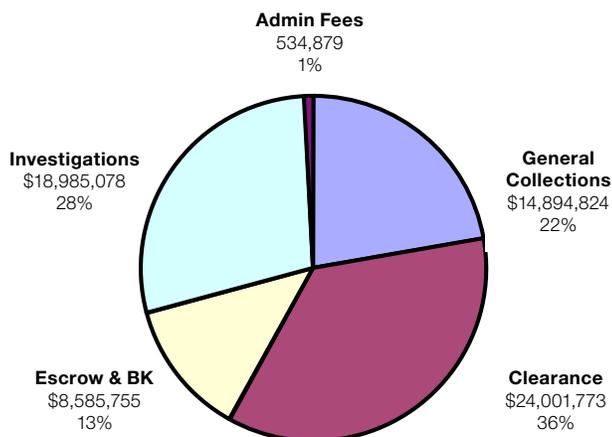
- BDR collected \$67,002,310 in delinquent revenue, the highest collection in its history.

**BDR Collections**  
5 Year Historical Comparison

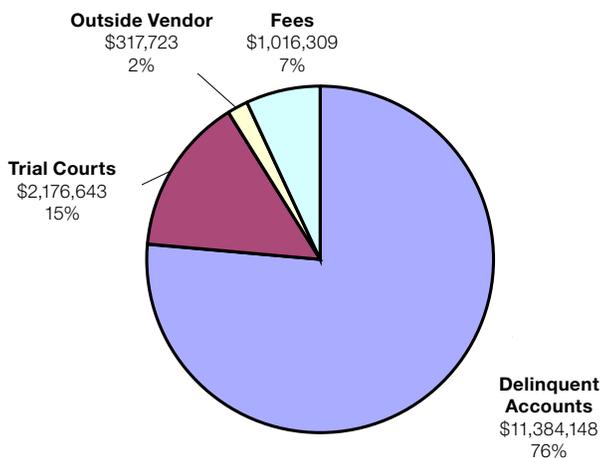


- A breakdown of delinquent revenue collected by unit is as follows:

**Bureau of Delinquent Revenue  
Total Collections FY 2005-06  
BT & UPP**



**Bureau of Delinquent Revenue  
General Collections FY 2005-06**



- The General Collections Unit collected \$14.9 with over three quarters generated from delinquent city accounts.
- The Escrow/Bankruptcy Unit collected \$8.5 million, a \$96,478 (or 1%) decrease from last fiscal year.
- The Clearance Unit collected \$24 million in delinquent business-related taxes and \$413,514 in administrative fees. The unsecured personal

property tax (UPP) delinquency rate for FY 2005-06 was 2.52%, a slight decrease from 2.53% last fiscal year. Administrative fees collected for unsecured personal property taxes totaled \$121,365.

- Investigators were creative in research approach and generated \$17.0 million from its survey activities, a \$7.4 million (or 6%) increase from previous fiscal year. During Fiscal year 2005-06, the survey unit collected a total of just under \$19 million.
- With counter activity continuing to increase, the clerical unit provided initial customer service to 28,205 customers, a 7% increase in customers compared to last fiscal year. Further, clerical staff unit also coordinated the issuance of over 139,472 notices.

**LEGAL SECTION**

The **Legal Section** files collection actions and litigates delinquent accounts within the Office of the Treasurer & Tax Collector’s jurisdiction, becoming involved in specific cases only when other collection efforts have failed. The Legal section also responds to legal challenges to the Department’s claims in bankruptcy court, probate court, and the state superior courts on judicial foreclosure and hospital cost recovery liens, and serves as legal advisor on collection issues.

The Legal Section provides legal advice and representation to the Bureau of Delinquent Revenue whenever a creditor claim or tax lien is in jeopardy of not being paid in the course of administering the bankruptcy case. Legal Section attorneys are called upon to give legal advice and recommendations to section supervisors and line staff on a variety of collection issues. The most significant topics were:

- Residential exemption in the parking tax ordinance
- Demand payment on claims where the statute of limitations has expired
- Procedure for disallowing erroneously claimed new jobs tax credit
- Making a subsequent tax determination for the same tax year
- Legal collection strategies on specific parking operator cases

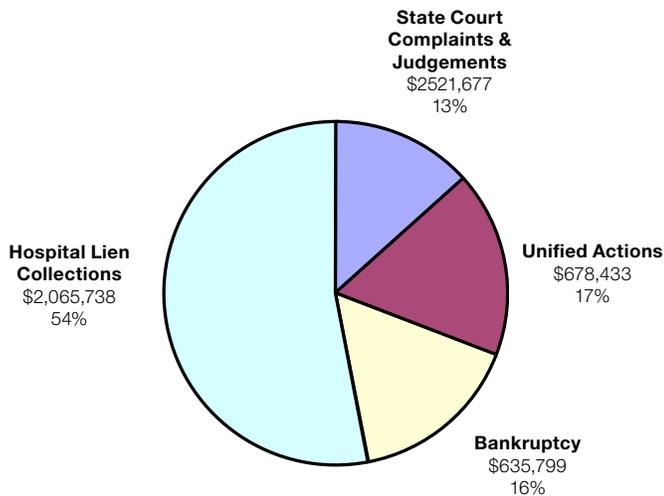
The Legal Section also performs a variety of tasks in support of various departmental initiatives that required legal expertise. These include:

- Providing advice to the Tax Collector on issues arising from Court of Appeals remand
- Acting as liaison on regulatory compliance by valet parking operators
- Recommending code amendments regarding valet parking operators
- Participating and provide legal advice on parking tax deficiency determinations
- Preparing administrative subpoenas in support of audit investigations

**Fiscal Year 2005-06**

- The Legal Section assisted in the collection of \$3.9 million from legal cases.

**Legal Section Collections  
FY 2005-06**



**ACCOUNTING SECTION**

The **Accounting Section** provides accounting and support services to the Office of the Treasurer & Tax Collector. The section batches, balances, posts and performs daily and monthly reconciliation of tax collections for the Property Tax and Business Tax sections, and reconciles transactions on the City's Financial Accounting Management Information System (FAMIS). The Accounting Section also generates various statistical reports for the department and for the Office of the Controller.

The primary goals of the Accounting Section are to:

- Provide adequate internal control systems to safeguard the City's assets
- Ensure payments are recorded timely and accurately
- Provide reports to other city agencies
- Assist the department with improving efficiency and productivity

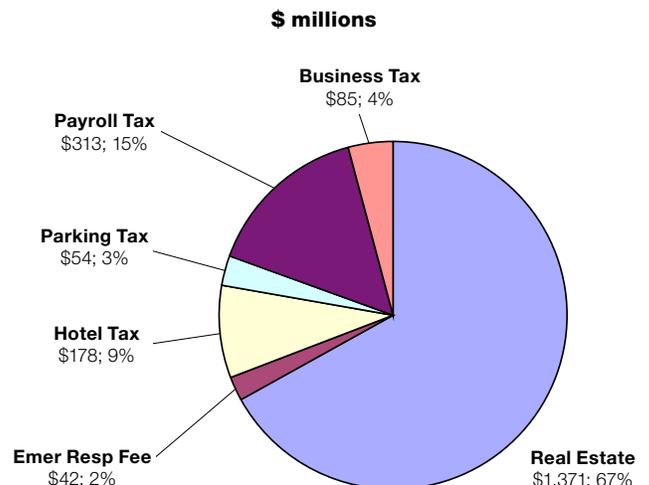
**Fiscal Year 2005-06**

- The Accounting Section reconciled 600,000 tax related transactions, totaling \$2.0 billion.

Accounting Section Reconciled Collections FY 2005-06			
Tax Type	\$ millions	%	# Payments
Real Estate (Property Tax)	\$1,371	67%	467,719
Emergency Response Fee	42	2%	744
Hotel Tax	178	9%	4,725
Parking Tax	54	3%	6,847
Payroll Tax	313	15%	33,246
Business Tax <sup>1</sup>	85	4%	86,639
<b>Total</b>	<b>\$2,044</b>	<b>100%</b>	<b>599,920</b>

1 (Gross, Roofers Fee, Reg Fee, Utility Tax)

**Accounting Section  
Reconciled Collections FY 2005-06**



## INVESTMENT DIVISION

The Investment Division is responsible for managing and investing the City and County of San Francisco's funds to ensure sufficient liquidity to meet all anticipated disbursements. It is the policy of the department to invest public funds in a manner that will provide:

- Preservation of capital
- Liquidity to meet the daily cash flow demands of the City
- Investment return while conforming to all state and local statutes governing the investment of investment of public funds
- Social responsibility

The Investment Division is comprised of the Cash Management Section and Banking and Treasury Accounting Services.



### CASH MANAGEMENT SECTION

The **Cash Management Section** manages the investment function and daily operations of the City's cash management program. This section is responsible for the general investment pool of approximately \$3.25 billion, cash flow analysis and projections, strategy development, trade execution, credit review and compliance activities. The department invests city funds in compliance with the Office of the Treasurer's Investment Policy, City Charter Section 6.106 and with the California State Government Code, Section 53600, when purchasing investment securities. The types of permissible investment securities include Negotiable Certificates of Deposits, Commercial Papers, Banker's Acceptances, Federal Agency Notes and U.S. Treasury instruments. Common stocks are excluded

from permissible investments. The Cash Management Section has consistently demonstrated prudent portfolio management with excellent results.

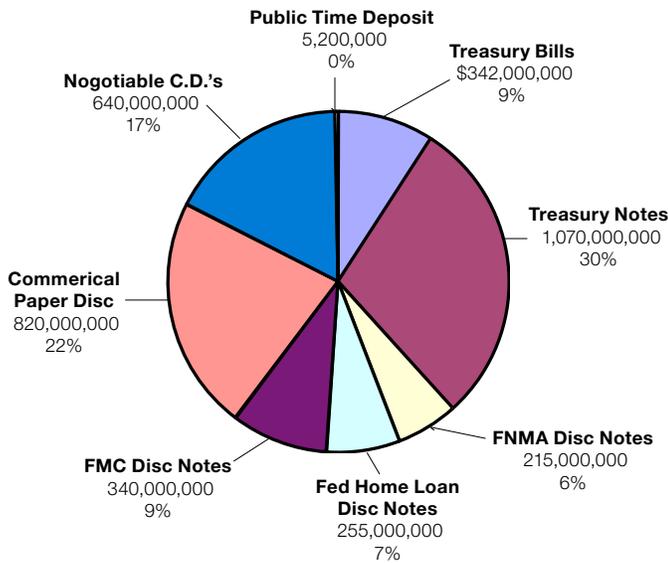
### Fiscal Year 2005-06

- The Treasurer acts as paying agent for various CCSF-issued General Obligations bonds. The Investment Division paid out \$70 million in interest payments and \$89 million in principal payments to bondholders.
- The Investment Policy of the City and County of San Francisco was substantially revised in format to conform with the standard endorsed by the Public Treasurers Association of the United States and Canada. In addition, the policy was modified to add an additional objective subordinate to those involving safety, liquidity and yield. This new objective, social responsibility, includes encouraging investment entities that support equality of rights regardless of sex, race, age, disability or sexual orientation. Investments are discouraged in entities that manufacture tobacco products, firearms, or nuclear weapons. Investments are encouraged in entities that offer banking products to serve all members of the local community, and investments are discouraged in entities that finance high-cost check-cashing and deferred deposit (payday-lending) businesses.
- The Investment portfolio of \$3.6 billion earned \$132 million, an earned income yield of 4.2% for the fiscal year ending June 30, 2006.

Investment Type	Par Value (\$ Millions)	% Of Total	Book Value (\$ Millions)	Accrued Interest (\$ Millions)
Treasury Bills	\$342	9.2%	\$334	
Treasury Notes	1,070	29.0%	\$1,061	\$7+
Fnma Notes	215	5.8%	\$212	
Fed Home Loan Notes	255	7.0%	\$254	
Fmc Disc Notes	340	9.2%	\$335	
Commercial Paper	820	22.2%	\$813	
Negotiable C.D.'S	640	17.5%	\$640	\$3+
Public Time Deposit	5	0.1%	\$5	
<b>Total</b>	<b>\$3,687</b>		<b>\$3,654</b>	<b>\$11</b>

**Investment Division Portfolio Statistics**  
**Investment Outstanding as of June 30, 2006**

\$ in Millions



In addition to the investment function, the Cash Management Section also manages the City's relationships with financial service providers, and develops and implements citywide banking policies and services including wire transfers, check processing, convenience fees, and credit card acceptance.

This section provides other city departments with banking services and depository services. This includes sending wire or automatic clearing house (ACH) payments to various vendors and financial institutions on behalf of requesting department and includes providing any department with the ability to accept wire payments or electronic funds transfers from their customers through the City's wiring account.

**Fiscal Year 2005-06**

- Processed 1,678 wires valued at \$1.5 billion  
 Aside from managing the investment function and the daily deposit and disbursement of city funds, the Cash Management Section also implemented the following major projects:
- Implemented Bank of America (BA) Direct - an online banking system to eleven city departments which allowed them to access their bank accounts and obtain various online reports. More departments will be implemented in the next fiscal year
- Implemented a centralized email address for wires requests and confirmation

**Portfolio statistics for FY 2005-06**

	<b>Pooled Funds</b>	<b>All Funds</b>
Interest Received	\$119,311,232	\$123,903,953
Net Earnings	\$131,785,203	\$136,977,923
Earned Income Yield	4.196%	4.185%
Average Age of Portfolio	148 days	148 days

**Investment Yield Comparisons**

	<b>FY 01-02</b>	<b>02-03</b>	<b>03-04</b>	<b>04-05</b>	<b>05-06</b>
San Francisco Pooled	4.139%	2.766%	1.890%	2.331%	4.196%
Average 90 Day US T Bills	2.670%	1.200%	1.280%	2.210%	4.050%
State Local Agency Fund Pooled	3.430%	2.180%	1.530%	2.256%	3.850%

## 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 performed in accordance with generally accepted accounting principles.

The Banking Operations staff processes the Port's lockbox collections and all monies collected from the State and through electronic fund transfers. It also accounts for the receipt and deposit of all payments received by and through the cashiering section of the Office of the Treasurer & Tax Collector and records them in the City's general ledger system (FAMIS). These payments come through the cashiering windows, mailroom, Internet/online, phone and over-the-counter credit card payments. Banking Operations also provides verifications to the City's banking institutions and provides banking support services to various City departments.

The Treasury Accounting Services staff reconciles city bank accounts, processes accounting entries such as accounts payable transactions, bank adjustments, and revenue transfers, It also assists in the department's annual budget process and processes payment requests for missing/absent heirs.

## SOCIAL PROGRAMS

In January 2005, Mayor Gavin Newsom and Treasurer José Cisneros launched the Working Families Credit Program. The Credit, which is funded partly by city funds and partly by private donations, provides a 10% match to the federal Earned Income Tax Credit. The Working Families Credit was created to help low-income working families live and thrive in San Francisco and to encourage more families to apply for the federal Earned Income Tax Credit. In its second year of operation, more than 11,500 families received the credit in 2006, an increase of 19% over the previous year. The average credit amount was \$200, and our eligible families received approximately \$26.5 million from the federal government. The program has now moved beyond the pilot phase, and been written into the City's permanent budget. In 2007, the Human Services Agency will take over as the managing agency for the WFC and will start linking these families with other federal, state and local benefits

In Fiscal Year 2005-06, the Treasurer embarked upon another initiative for working families in San Francisco. It is estimated that approximately 50,000 San Franciscans are "un-banked." The initiative is to enlist the commitment of San Francisco financial institutions to help families and individuals to join the financial mainstream, safeguard their money and build assets for the future by offering products to those un-banked individuals. The program will aim to eliminate barriers that prevent people from opening bank accounts such as the perceived high costs of accounts, lack of standard personal identification, or a poor credit history.

## BIOGRAPHIES



### **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. He was elected to a full term by San Francisco voters in November 2005.

Treasurer Cisneros is proud to lead an accomplished and effective city department. Under his tenure, the office has achieved the lowest-ever property tax delinquency rate in the history of San Francisco. This means more services for the people of San Francisco, and lessens the pressure to increase taxes. Treasurer Cisneros has also achieved high investment returns, outpacing other large California counties—while preserving the safety and liquidity of the City's money. He is also proud of the excellent customer service offered to the people of San Francisco, which has consistently been rated “excellent” or “good” by more than 90% of those surveyed.

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. More than 11,500 of the City's lowest-income working families have received over \$2 million from 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 an MBA at Boston University. He lives with his partner in San Francisco.



### **GEORGE PUTRIS, TAX ADMINISTRATOR**

**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 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. He is the Chair of the Legislative Committee of the California Association of County Treasurers and Tax Collectors.



**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 & Tax Collector in January of 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 sector and the public sector, always focusing on the intersection of business and public policy at the local government level.



**DANIEL P. DALY,  
CHIEF INVESTMENT OFFICER**

Since June of 1981, Daniel P. Daly has served as the **Chief Investment Officer** for the City and County of San Francisco. During his tenure, the City "Pooled Portfolio" has grown from \$500 million to the present portfolio of \$3.8 billion dollars.

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

Prior to joining the Office of the Treasurer & Tax Collector, Mr. Daly worked for Citibank in New York City as an Assistant Vice President for marketing. Mr. Daly also worked as a Vice President for First Interstate Bank (Wells Fargo) managing securities broker-dealer relationships. Mr. Daly

is an alumnus of Fordham University and a veteran, having served in the United States Marine Corps in Vietnam.

## KEY CONTACTS

Treasurer	José Cisneros	554-4478
Tax Administrator	George Putris	554-4874
Chief Assistant Treasurer	Pauline Marx	554-5260
Chief Investment Officer	Daniel P. Daly	554-4487
Policy and Legislative Manager	David Augustine	554-7601

## SECTION MANAGERS:

Accounting Section	Wilson Hsu	554-4327
Administration Section	Pauline Marx	554-5260
Bureau of Delinquent Revenue	Florence Mar	554-4608
Business Tax Section	George Putris (*acting)	554-4874
Cash Management Section	Janet Tolenada	554-5263
Cashiering Section	Sonia Martinez	554-4490
Legal Section	Robert Fletcher	554-4492
Management Information Section	Darrell Ascano	554-4438
Property Tax & License Section	Francis Nguyen	554-4448
Taxpayer Assistance & Passport Services	DJ Dull-MacKenzie	554-4643

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