



# ANNUAL REPORT FISCAL YEAR 2006–2007

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 2006-07 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 I am equally proud to be able to report on another extremely successful year in office.

This year, the continued success of the Bank on San Francisco initiative was evident in the numbers: 11,110 accounts were opened in the first year of the pilot alone, with an average monthly account balance of \$793. Bank on San Francisco proves that with the right mix of products and outreach the unbanked can succeed in the financial mainstream. In light of this success, we are increasing our goals and are aiming to open 20,000 accounts by October 2008.

The 2006-07 year was marked by success within our various taxation and collection sections. In Property Tax we billed, collected, and processed over 450,000 property tax bills and statements, and our staff’s diligent efforts resulted in another very low delinquency rate – just 1.42% – for secured property taxes. The Bureau of Delinquent Revenue collected \$65 million in fees due to the City – its second highest total ever, just 2.9% shy of last year’s record collections of \$67 million. The Business Tax Audit Unit successfully conducted 556 audits, bringing in approximately \$7.1 million in deficiency billings, a 37.5% increase over the last fiscal year.

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, the investment portfolio of \$3.57 billion earned \$188 million, with an earned income yield of 5.19% as of June 30, 2007.

With respect to a different type of “green”, this year we developed a FY 2007-08 budget that includes innovative efficiency programs for the Office, with an emphasis on increasing the utilization of technology, while reducing the use of paper.

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 2006-07. The citizens of San Francisco may be assured that we will continue to uphold and expand this level of service and excellence in the coming years.

Sincerely,

A handwritten signature in black ink, consisting of several 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. The Office of the Treasurer & Tax Collector also 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 2006–07

## **Bank on San Francisco**

The innovative “Bank on San Francisco” program, which assists unbanked households by helping them obtain bank accounts and eliminating the need to use costly check cashers, opened with great success with more than 11,000 accounts being opened in the first year of the pilot program.

## **High Number of Transactions and Dollars**

The Cashier Section processed 1.4 million payments in Fiscal Year 2006-07 totaling just under \$2.5 billion, an increase of \$80 million over the previous fiscal year.

## **Investment Portfolio**

The Investment portfolio of \$3.57 billion during the period earned \$188 million and an earned income yield of 5.19% for the fiscal year ending June 30, 2007.

## **Property Tax Collection Increased**

Property tax revenue increased by nearly \$111 million to just under \$1.4 billion, a nearly 9% increase from the previous fiscal year.

## **Regulatory Business License Collection**

The License Section processed 71,532 license accounts for the Police, Fire, Public Health, Emergency Communications, and Animal Care and Control Departments totaling over \$10.9 million, an increase of \$698,319 (7%) from the previous fiscal year.

## **Large Increase in Registration of Independent Contractors and Other Businesses**

The Taxpayer Assistance Unit processed 25,821 new business registrations, nearly double the annual average. This figure includes thousands of new business accounts for a variety of categories of previously unregistered independent contractors.

## **Audit Deficiency Billings Increased**

The Audit Unit completed 556 audits, generating \$7,109,404 in audit deficiency billings, a 37.5% increase compared to previous fiscal year.

## **Thorough and Exhaustive Survey of City Parking Operations**

The department conducted and completed a survey of parking station locations in San Francisco as an instrumental component of enforcing the newly enacted Revenue Control Equipment ordinance.

## **Delinquent Revenue Collections at Near Record**

The Bureau of Delinquent Revenue collected \$65 million, its second highest total ever, just shy of the previous year's record collection of \$67 million.

## **Successful Collections through Legal Efforts**

Legal Section was instrumental in collecting over \$4.4 million through its diligent efforts in the areas of Third Party Hospital Cost Recovery Liens, Unfiled Actions, Filed Actions in State Courts, and Bankruptcy Collection litigation.

## **Expansion of Passport Services and Large Increase in Passport Processing**

The Passport Services Unit became the first and only public facility to work with the federal passport offices to serve in an annex capacity, providing applicants with emergency “Will Call” service. This vital service has been immensely popular and successful. In an unprecedented year of nationwide passport demand, the Passport Services Unit processed 11,110 passport applications – a 19% increase over the previous 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

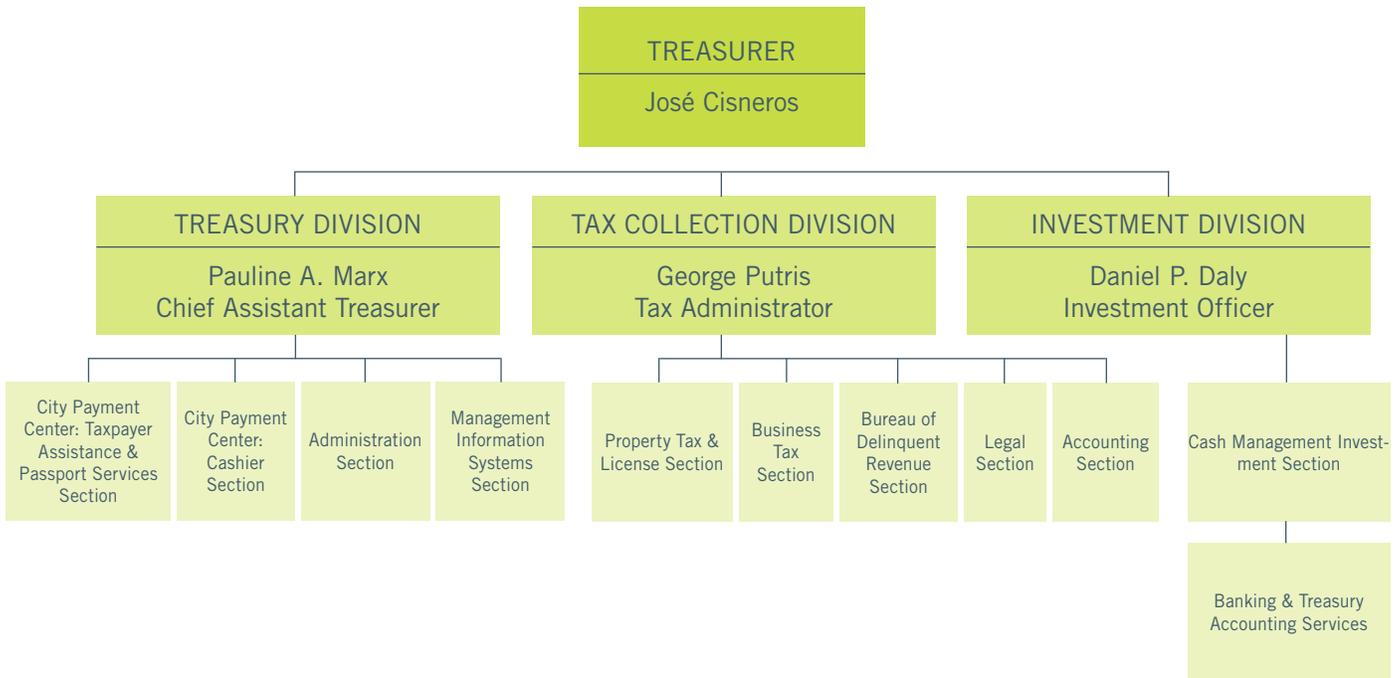
The Office of the Treasurer & Tax Collector serves the citizens of San Francisco by providing information and services to the public in the following areas:

- 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 San Francisco Initiative

## ORGANIZATIONAL STRUCTURE

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



# 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 consists of two sections: **Taxpayer Assistance & Passport Services** and **Cashier**.



## 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

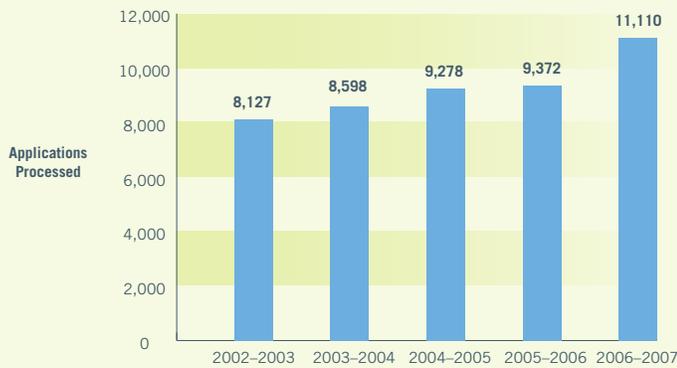
documentation is submitted, accepting payment for the passport and related fees, and serving as an information resource for the public regarding passport issuance and legislation. The Passport Services unit has earned a reputation as the premier passport acceptance facility in Northern California and is 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 2006-07

The TPA and Passport Services Section had perhaps the busiest and most productive year in its history, while maintaining its unflinching emphasis on customer service.

- TPA processed 25,821 new business registrations, nearly double the annual average. This figure includes several thousand new business accounts for many previously unregistered independent contractors (including limousine drivers, taxi drivers, residential landlords of building of four or more units, et. al.) and responded to well over 100,000 customer inquiries through service counters, customer service phone lines, email, and written correspondence.
- In an unprecedented year of nationwide passport demand, the Passport Services Unit processed 11,110 passport applications – a 19% increase over the previous year – and earned over \$330,000 in revenue for the City. Additionally, the unit became the first and only public facility in the Bay Area to work with the federal passport offices to be able to provide emergency “Will Call” service to passport applicants, a vital and successful service that has been immensely popular.
- 95.6% of customers who voluntarily submitted “Customer Service Feedback” surveys (132 out of 138) ranked TPA and Passport Services units' overall service as either “Excellent” or “Good”, marking the eighth consecutive year exceeding a 90% approval rating for service.
- TPA conducted or participated in leading 18 different informational seminars, including a monthly hour-long workshop on “Starting a Small Business in San Francisco”.

### City Payment Center – Passport Services 5-Year comparison



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 2006-07

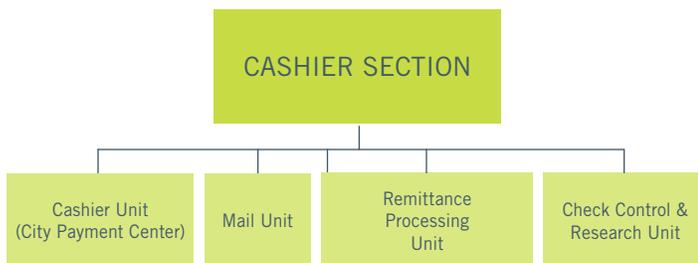
- The mail room sorted, opened and distributed 1.05 million pieces of mail totaling over \$2.680 billion.
- The Cashier Section processed 1.4 million payments in Fiscal Year 2006-07. The Remittance Unit processed 1.1 million of these payments (49% of which consisted of water bills collected for Water Department) while over 271,000 payments were processed over the counter.
- The Check Control and Research Units processed a total of over 100,000 items.
- The Cashier Section began selling prepaid Parking Meter Debit Cards to the public. The Cards are sold in \$20 and \$50 denomination with an average of 370 cards per month.
- The Cashiering Section set up a station at the Hall of Justice to facilitate the collection of Court Payments to better serve the public.

### 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, and Municipal Transportation Agency (MTA) Parking Meter Debit Cards.

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



## BUDGET & 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 **Budget Unit** staff and senior managers develop the department's annual budget in collaboration with the managers of the eleven separate operating sections. A major component of the budget is work orders with other City and County Department and other government entities. The unit interacts with the Mayor's Office and Controller's Office in regards to budget approval, mid-year reports, hiring and new initiatives. The unit conducts cost analyses for various initiatives throughout the Office. The operating budget for Fiscal Year 2006-07 was \$27 million.

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

Cashier Collections Fiscal Year 2006-07		
Revenue Type	Items	Dollars
Real State Taxes	416,744	\$1,493,765,989
Business & Payroll Taxes and Fees	127,407	337,401,321
Parking, Utility Users, & Hotel Occupancy Taxes	14,273	329,688,833
Sales Tax & Others State Collections	27,918	169,992,468
Water Bills	668,132	281,945,221
Emergency Communications Fees	768	43,453,140
Licenses	33,282	8,582,228
Development Impact Fees and Others	67,917	15,490,930
<b>Total</b>	<b>1,356,441</b>	<b>\$2,680,320,130</b>

Payment Type	Dollars
Online	\$31,406,603
Credit card - IVR	12,957,344
Credit card - over the counter	50,926,082
Cash, checks	2,585,030,101
<b>Total</b>	<b>\$2,680,320,130</b>

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. This unit also supports section managers in tracking expenditures and ensuring appropriate posting of expenses.

### Fiscal Year 2006-07

- Filled 113 vacancies for the Office of the Treasurer & Tax Collector
- Worked with section managers to screen over 1425 candidates to fill those vacancies
- Coordinated over 13 professional development opportunities and three conference-based trainings for a wide variety of staff.
- Administration division rolled out an organization wide ergonomics program – TTX Ergonomics Program – that provide staff with evaluations of their work area and new resources in an effort to improve individuals' overall work environment by making it more safe and healthy. The TTX Ergonomics Program was presented to employees. 195 employees attended the training.
- Developed FY 2007-08 Budget that included innovative efficiency programs for the Office that reduce paper and increase the utilization of technology

### 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.

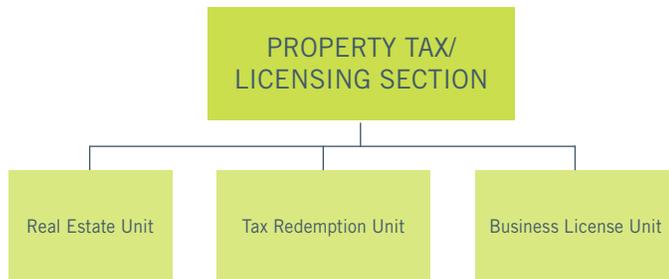
### Fiscal Year 2006-07

- Completed the conversion to SQL server database of the Business Tax Alchemy and Teleform applications
- Started the “Harvesting Project” for the Unsecured Personal Property accounts
- Completed the upgrade of workstations for employees in City Hall.
- Printed and mailed letters and/or statements for over 7,000 new taxicab driver Business Registration accounts, 200 limousine driver accounts and nearly 6000 apartment house lessor accounts
- Created new Business Tax System (BTS) database for form scanning and upload
- Created assessment database for the FY 07-08 Fisherman's Wharf Portside Business License Community Benefit District (CBD)
- Installed and set up Q-Matic queuing management systems to improve customer service
- Upgraded Rumba/WallData software – the terminal emulation for IBM mainframe, IBM iSeries (AS/400), UNIX, and HP systems
- Relocated the Business Tax Auditor's Unit to the 3rd Floor of 401 Van Ness
- Installed BrightStore 11.5 Backup upgrades of two servers (TTX and BTS01server)

# Tax Collection Division

## PROPERTY TAX & LICENSING SECTION

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



The **Real Estate Unit** bills, collects and processes payments for the regular, escaped and supplemental tax bills for the secured and unsecured taxes, various special assessments including the Fisherman's Wharf Community Benefit District, the Rent Board fees, the Alarm Registration Fees, and False Alarm Penalties. 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 regulatory business license fees.

### Unit Highlights

- Billed, collected and processed 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 \$111 million (9%) compared to the previous fiscal year.
- The timely collection rate for secured property taxes was 98.58%.
- Successfully billed and collected the Fisherman's Wharf Portside Community Benefit District (CBD) special assessments totaling \$170,549 and the Deemed Approved Off-Sale Alcohol Use fees for the Department of Public Health.



- Supplemental property tax collection increased by more than \$14 Million (30%) from the previous fiscal year due to a large amount of new construction of commercial properties.
- The collection rate for the Apartment House License, Hotel License, and Rent Board Fees on the Secured Property Tax bills was 98.71%.

Fiscal Year	Revenue
2002-2003	\$41,363,487
2003-2004	32,387,186
2004-2005	53,390,770
2005-2006	48,162,147
2006-2007	62,357,362

The **Tax Redemption Unit** bills, processes and computes payments for prior years' delinquent secured property taxes and maintains complete records on taxes being paid under five-year installment plans. It is also responsible for conducting the annual public auction sale of tax-defaulted properties subject to the tax collector's power to sale.

### Unit Highlights

- The redemption delinquency rate was higher than the prior fiscal year. This could be attributed to a weak economy that made it difficult for delinquent taxpayers to pay off their tax delinquencies.
- The unit conducted a successful public auction sale of 63 tax-defaulted properties with a total revenue collection of \$736,291.

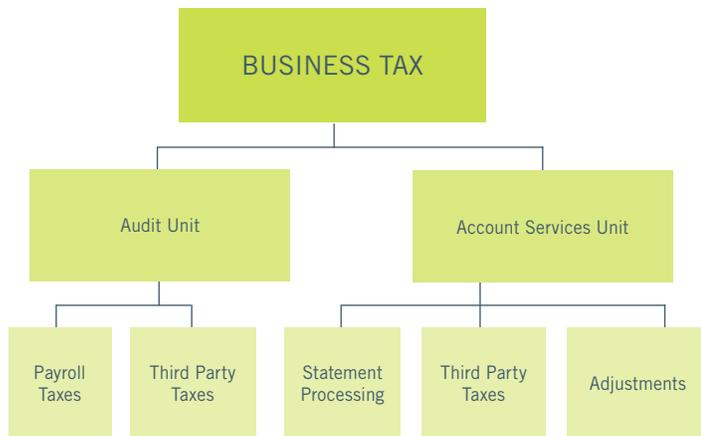
The **Business License Unit** collects, records, and reports regulatory business license fees mandated by the San Francisco Municipal Code, Part III. It is also responsible for the balancing, reconciling and reporting of all business license payments, dog license payments and the alarm registration fee and false alarm penalty payments.

### Unit Highlights

- Processed 71,532 license accounts for the Police, Fire, Public Health, Emergency Communications, and Animal Care and Control Departments totaling over \$10.9 million, an increase of \$698,319 (7%) from last fiscal year's revenue of \$10.2 million. This monetary increase was due primarily to an increase in the Health and Fire Department license fees. License fees that have been delinquent for more than 90 days are promptly reported to the regulatory departments for collection.

## BUSINESS TAX SECTION

The **Business Tax Section** of the Office of the Treasurer & Tax Collector is responsible for the assessment and audit 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 Section is comprised of the two distinct units – the Account Services Unit and the Audit Unit.



The **Audit Unit** is comprised of four audit teams dedicated to performing payroll expense tax audits as well as parking and hotel third party tax compliance audits.

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 adjustments, extensions and refunds
- Quarterly & Monthly Hotel, Parking and Utility Users Taxes
- Processing of various Tax Credits and Exemptions

### Unit Highlights

- The Audit Unit completed 556 audits (507 payroll, 38 parking and 11 hotel).
- Generated \$7,109,404 in audit deficiency billings, a 37.5% increase compared to previous fiscal year
- Twelve audits each generated billings in excess of \$100,000, totaling \$4.9 million – or 69% of total billings for Fiscal Year 2006-07.
- Conducted and completed a survey of parking station locations in San Francisco related to the newly enacted Revenue Control Equipment ordinance.
- Participated in the Parking Tax Amnesty program, and handled various special tax projects.
- Upgraded the in-house business tax system to track parking tax accounts by location rather than by ownership, allowing for better monitoring and reporting processes.
- Improved processes in Account Service Unit by focused attention towards:
  - Problem accounts that require in depth analysis
  - Refunds, adjustments and waiver requests
  - Uploaded statements
  - Automatic posting of additional penalties

Type Of Audits	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
Payroll Tax	\$19,508,478	\$4,881,835	\$3,318,035	\$3,666,933	\$6,900,876
Parking Tax	944,556	2,717,963	373,283	417,592	1,039
Hotel Tax	1,248,018	462,143	22,398	1,086,159	207,489
<b>Total Billings</b>	<b>\$21,701,052</b>	<b>\$8,061,941</b>	<b>\$3,713,716</b>	<b>\$5,170,684</b>	<b>\$7,109,404</b>

Audit Impact (5 Year Average)						
Type Of Audits	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	5 Year Avg
Number of Audits	438	515	540	531	<b>556</b>	516
Audit Hours	11,915	15,286	19,116	21,195	<b>17,738</b>	17,050
Avg Hours per Audit	27	30	35	40	<b>32</b>	33
Audit Billings	\$21,701,052	\$8,061,941	\$3,713,716	\$5,170,684	<b>\$7,109,404</b>	\$9,151,359
Avg Billing per Audit	\$49,546	\$15,654	\$5,998	\$9,738	<b>\$12,787</b>	\$17,735

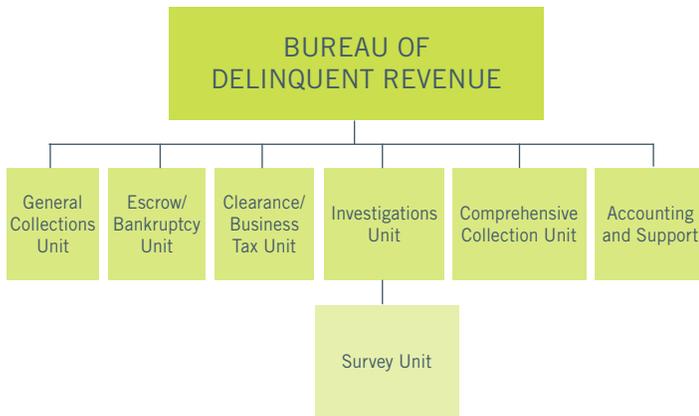
Business Tax Account Services FY 2006-07				Inc (Dec) from Prev Fiscal Year		
Tax Type	# of Statements Mailed	# of Payments Posted	\$ of Payments Posted	# of Statements Mailed	# of Payments Posted	\$ of Payments Posted
Payroll Tax Year 2006	87,019	6,853	\$289,541,376	(8%)	(17%)	5%
Business Tax Registration FY 2007-08	86,122	61,675	7,226,518	(8%)	(5%)	28%
Payroll Determination Tax Year 2006	3,302	1,148	6,385,107	(3%)	(38%)	30%
Payroll Tax Prepayments	10,125	11,090	206,918,512	23%	33%	35%
Hotel Tax	2,503	1,315	198,768,431	(3%)	(1%)	10%
Parking Tax	2,335	2,290	57,322,063	0	(1%)	7%
Utility Users Tax	1,944	1,944	75,630,275	(2%)	0	1%
<b>Total</b>	<b>193,350</b>	<b>86,315</b>	<b>\$841,792,282</b>	<b>(6%)</b>	<b>(1%)</b>	<b>14%</b>

Business Tax Large Deficiency Audits (Billings greater than \$100,000) FY 2006-07		
Taxpayer	Audit Type	Amount
Law Firm	Payroll Tax	\$1,195,188
CPA Firm	Payroll Tax	721,097
Law Firm	Payroll Tax	665,707
Hotel Operator	Hotel Tax	593,373
Law Firm	Payroll Tax	361,193
Law Firm	Payroll Tax	329,142
Law Firm	Payroll Tax	280,013
Law Firm	Payroll Tax	219,789
Real Estate Company	Payroll Tax	173,716
Law Firm	Payroll Tax	167,025
Catering Services Company	Payroll Tax	117,562
Law Firm	Payroll Tax	116,215
		<b>Total \$4,940,020</b>

## 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, Criminal Fines and fees, False Alarm registrations and fees.

The Bureau of Delinquent Revenue is divided into six 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. Additional accounts are referred from the Hall of Justice, Department of Public Works, the Mayor’s Office, Recreation & Parks, the Water Department, Trial Courts, the Housing Authority, and the Redevelopment Agency.

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.

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. In addition, this unit is responsible for the recent RCE parking tax enforcement.

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 delinquent third party tax accounts.

The **Comprehensive Collection Unit** was created as a pilot project on FY 2005-06 and was in full operations during FY 2006-07. The unit operates remotely from an outside location at Hall of Justice, 850 Bryant Street. The unit is responsible for the collection of delinquent criminal fines for S.F. Superior Court as well as Adult Probation fees and fines.

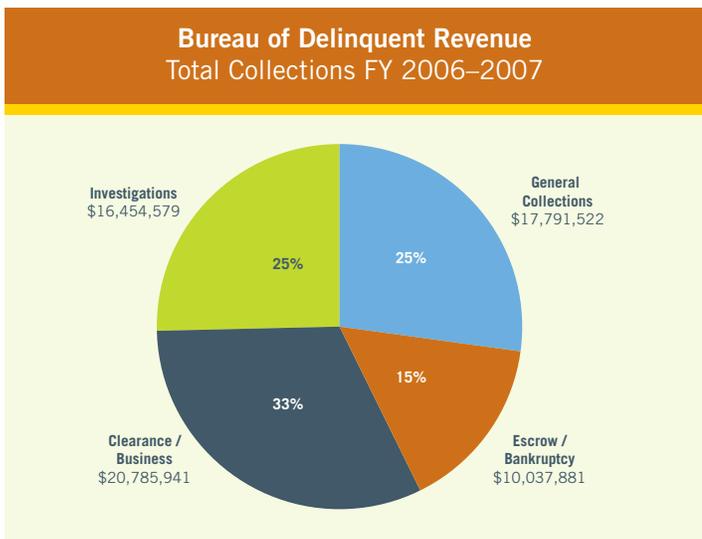
The **Accounting and Support Unit** performs data entry, tracks check controls, provides counter service, distributes mail, and performs other clerical functions. This unit prepares financial reports, posts, adjusts and balances accounts, and performs related accounting duties.

### Section Highlights

- BDR collected \$65 million in delinquent revenue, the second highest annual total ever, just 2.9% shy of the previous year’s record collections of \$67 million. A breakdown of delinquent revenue collected by unit is as follows:
- The General Collections Unit collected \$17.8 million, with a total of over 30,000 payments. This collection represents an increase of almost 20% from FY 05-06.



- The Escrow/Bankruptcy Unit collected \$10.0 million, representing an increase of \$1.45 million (or 17%) over last fiscal year. The increase was due to the many real estate properties sold and the many escrow claims filed and collected.
- The Clearance Unit collected \$20.7 million in delinquent business-related taxes and in administrative fees. This represents a 13.4% decrease from last fiscal year. Part of the decrease was due to staffing turnover and the resultant training time for new collectors assigned to the unit.
- Investigators collected a total of \$16.45 million using surveys, Board of Equalization, Franchise Tax Board, and other research sources.



## 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:

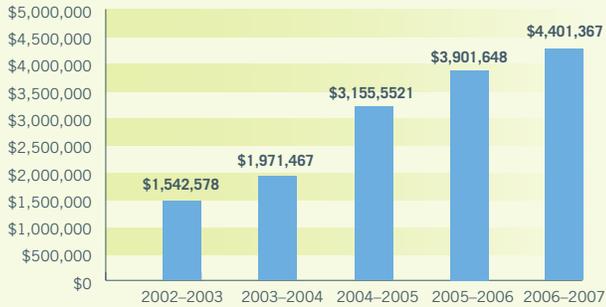
- The Tax Collector's authority to withdraw a parcel from the tax default sale when the owner is a charitable educational institution that had not completed its formal application process for a welfare exemption;
- The obligation of limousine operators to register for a Business Registration certificate and pay the registration fee;
- Legal finality of an administrative decision by the San Francisco Department of Public Works interpreting San Francisco Election Campaign Sign Removal Ordinance;
- Parking Tax liability of valet parking operators under a variety of factual circumstances;
- Obligation of valet parking operators to obtain a police parking permit under specific factual circumstances.

## Fiscal Year 2006-07

Legal Section was instrumental in collecting **\$4,401,367** from the following activities:

- **Third Party Hospital Cost Recovery Liens, \$2,425,315:** Legal Section provided negotiation services, legal advice, appearances at settlement conferences and Worker Compensation Appeals Board hearings on 118 specific lien cases.
- **Unfiled Actions, \$1,679,556:** This category includes a variety of collection services distinct from litigation:
  - Negotiation of direct payment from the debtor;
  - Negotiations of installment payment contracts with the debtor (6 cases);
  - Preparation of the initial draft of the Tax Collector Decision on administrative hearings of taxpayer petition for appeal of business tax deficiency determinations (8 cases);

### Legal Section Cost Recovery 5 Year Comparison



### Legal Section Collections FY 2006-07

Hospital Lien Collections	\$2,425,315	55%
Unfiled Actions	1,679,556	38%
State Court Complaints & Judgments	238,146	5%
Bankruptcy	58,350	1%
<b>Total</b>	<b>\$4,401,367</b>	<b>100%</b>

- Assessment of 3 final determinations of delinquent Police Emergency Alarm License fees against alarm companies and follow-up collection services.
- Filed Actions in State Courts, \$238,146:** Legal Section filed 3 collection actions in the state court system, each leading to debtor payment before dismissal.
- Bankruptcy Collections, \$58,350:** Legal Section provided negotiation services and filing legal papers in Bankruptcy Court on Chapter 11 corporate reorganization cases.

### ACCOUNTING RECONCILIATION SECTION

The **Accounting and Reconciliation 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

### Section Highlights

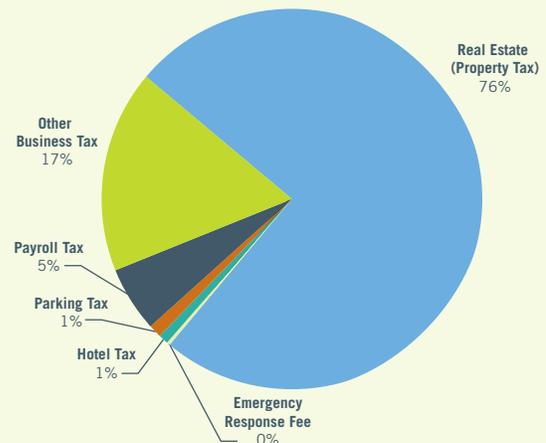
The Accounting Section reconciled 585,854 tax related transactions, totaling \$2.2 billion.

### Accounting Section Reconciled Collections FY 2006-07

Tax Type	\$ millions	%	# Payments	%
Real Estate (Property Tax)	\$1,487	67.7%	439,543	75.0%
Emergency Response Fee	43	2.0%	766	0.1%
Hotel Tax	196	8.9%	5,447	0.9%
Parking Tax	59	2.7%	6,850	1.2%
Payroll Tax	327	14.9%	31,764	5.4%
Other Business Tax	85	3.9%	101,484	17.3%
<b>Total</b>	<b>\$2,197</b>	<b>100.0%</b>	<b>585,854</b>	<b>100.0%</b>

(Other Business Tax: Gross Receipts Tax, Roofers Fee, Registration Fee, Utility Users Tax)

### Accounting Reconciliation Section Reconciled Collections FY 2006-2007

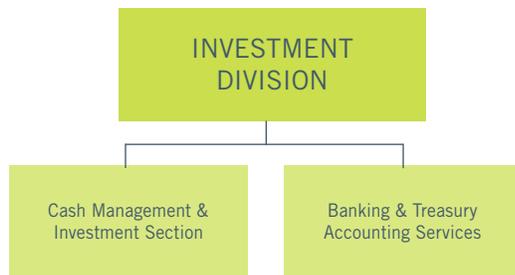


# Investment Division

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 two sections: the **Cash Management Section** and the **Banking Services & Treasury Accounting Section**.



## CASH MANAGEMENT SECTION

The **Cash Management Section** oversees the City's investment function and daily cash management operations. This section manages a portfolio of approximately \$3.5 billion in short term fixed income securities. Activities include portfolio cashflow analysis, asset/liability forecasting, risk assessment, breakeven analysis, relative value assessment, 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 Deposit, Commercial Paper rated at least A-1/P-1, 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.

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, 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.

Investments Outstanding as of June 30, 2007--All Funds				
Investment Type	Portfolio %	Par Value (Millions)	Book Value (Millions)	Accrued Interest (Millions)
Treasury Bills	0.68%	\$25	\$24	
Treasury Notes	17.13%	615	612	\$6.7
FNMA Discount Notes	19.36%	722	692	
Fed Home Loan Disc Notes	15.25%	554	545	
FMC Disc Notes	18.99%	703	679	
Commercial Paper	16.56%	603	592	
Negotiable C.D.s	10.63%	380	380	5.8
Public Time Deposit	1.41%	50	50	
<b>Total</b>		<b>\$3,652</b>	<b>\$3,575</b>	<b>\$12.5</b>

### Fiscal Year 2006-07 (Investment functions)

- The Treasurer acts as paying agent for various CCSF-issued General Obligations bonds. The Investment Division paid out \$81 million in interest payments and \$181 million in principal payments to bondholders in the form of a partial call of GO Bonds Series 1999A, 1999B, 1999C, & 1999D. The final call date is June 15, 2008.
- The Investment portfolio of \$3.57 billion during the period earned \$188 million and an earned income yield of 5.19% for the fiscal year ending June 30, 2007.

### Fiscal Year 2006-07 (other Cash Management functions)

- Processed 1,697 wires valued at \$1.8 billion

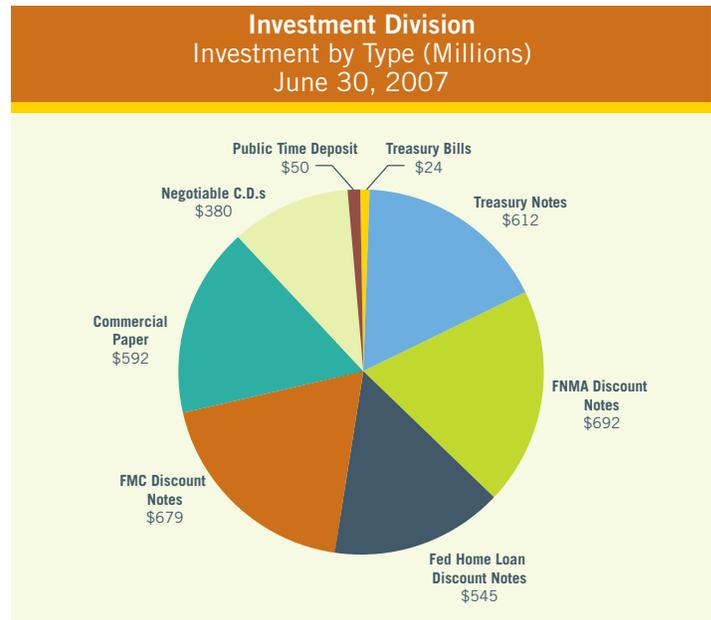
Aside from managing the investment function and the daily deposit and disbursement of city funds, the Cash Management Section also implemented the following major projects:

- Made refinements to “Bank of America (BA) Direct” - an online banking system that allows City departments to access their bank accounts and obtain various online reports
- Implemented Wells Fargo Online and Union Bank of California Online

## TREASURY ACCOUNTING AND BANKING SERVICES

**Treasury Accounting** is responsible for reconciling and accounting for the receipt and deposits of all revenues collected by the Office of the Treasurer & Tax Collector. These payments come through the cashiering windows, mailroom, Internet/online, phone and over-the-counter credit card payments. This unit also prepares and processes adjusting journal entries related to returned items from previous deposits made to the banks, reclassification of Tax Collector revenues collected, and prepares work order billings for service requesting departments. These functions are performed in accordance with generally accepted accounting principles.

**Banking Services** 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). Banking staff also provides verifications to the City's banking institutions and provides banking support services to various City departments.



## Social Programs

In January 2005, Mayor Gavin Newsom and Treasurer José Cisneros launched the Working Families Credit Program. 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 by offering a local match. The program has moved beyond the pilot phase, and been written into the City's permanent budget. In 2007, the Human Services Agency took over as the managing agency for the WFC and began linking these families with other federal, state and local benefits.

Beginning in Fiscal Year 2005-06, the Treasurer embarked upon another initiative for working families in San Francisco, with the launch of Bank on San Francisco. Bank on San Francisco works to address the needs of the estimated 50,000 unbanked San Francisco households and to prevent these families from using costly check cashers. With the launch of the program in the fall of 2006, San Francisco became the first city in the United States to address the problems faced by the unbanked by actively moving the marketplace of financial products and services. Treasurer Cisneros began by challenging every financial institution in San Francisco to partner with the City to create an initiative that would:

- Change bank products and policies to increase the supply of starter account options for this market.
- Raise awareness among consumers about the benefits of account ownership.
- Provide quality financial education to San Franciscans.

The true success of Bank on San Francisco is in the numbers – over 11,000 accounts were opened in the first year of the pilot alone. With an average monthly account balance of \$793, Bank on San Francisco is proving that with the right mix of products and outreach the unbanked can succeed in the financial mainstream. In light of this success, the goal has been raised to 20,000 accounts by October 2008.

# 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 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 9,500 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 and manages the investment, banking, cashing, remittance, customer service, and administrative functions for the Office of the Treasurer and Tax Collector.

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 investment banking firms and local governmental agencies, always focusing on the intersection of business and public policy at the local government level.

Ms. Marx serves on the board of directors of the California Society of Municipal Finance Officers and is a Certified California Municipal Treasurer.

## 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 \$3.6 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 in midtown Manhattan. Mr. Daly also worked as a Vice President for First Interstate Bank (Wells Fargo) managing securities broker-dealer relationships in both Northern California and New York City. 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	Margarita Rodriguez (*acting)	554-4608
Business Tax Section	Florence Mar	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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