

**The City and County of San Francisco  
Office of the Treasurer & Tax Collector**

**Annual Report**

**Fiscal Year 2009-10**



**Honorable José Cisneros, Treasurer**

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## Letter from Treasurer José Cisneros

Welcome to the 2009-10 Annual Report for the Office of the Treasurer & Tax Collector. In November of 2009 I was reelected 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 with this important role by the San Francisco voters, and I am equally proud to be able to report on another successful year in office.

From a programmatic standpoint, I am very pleased to report that the Bank on San Francisco initiative – our innovative program to address the needs of unbanked residents by moving the marketplace to offer suitable financial products – continued to build upon the success of its initial launch in late 2006. By December of 2009, almost 25,000 San Franciscans had entered the financial mainstream – exceeding the original goal for the two-year pilot. In light of this success, the program has become a permanent program of the Office of the Treasurer. Bank on San Francisco proves that with the right mix of products and outreach, the unbanked can succeed in the financial mainstream.

The 2009-10 year was marked by success within our various taxation and collection units. The Property Tax Section billed, collected, and processed over 450,000 property tax bills and statements resulting in a 13% increase in property tax revenue to \$1.73 billion. The Bureau of Delinquent Revenue collected over \$82 million in taxes and fees due to the City.

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. The investment portfolio earned \$46.4 million and an earned income yield of 1.38% for the fiscal year ending June 30, 2010.

The department is also committed to environmental efforts to reduce the use of paper where possible. Our budgetary and technical staff members strive to achieve technological efficiencies, with particular focus on the electronic creation, use, filing, processing, and storage of documents.

The fair and efficient collection of taxes and other revenues due to the City is one of the crucial means to an important end – more money for the things that are important to San Franciscans: better transportation, safer streets, cleaner parks, and improvements in our city schools and programs which help everyone in our community to thrive.

On behalf of the over 200 hard-working staff of the Office of the Treasurer & Tax Collector, I am proud to report on a successful Fiscal Year 2009-10. It is my duty, honor, and pledge to uphold and expand this level of service and excellence in the coming years.

Sincerely,

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 nearly \$3 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.

## 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.

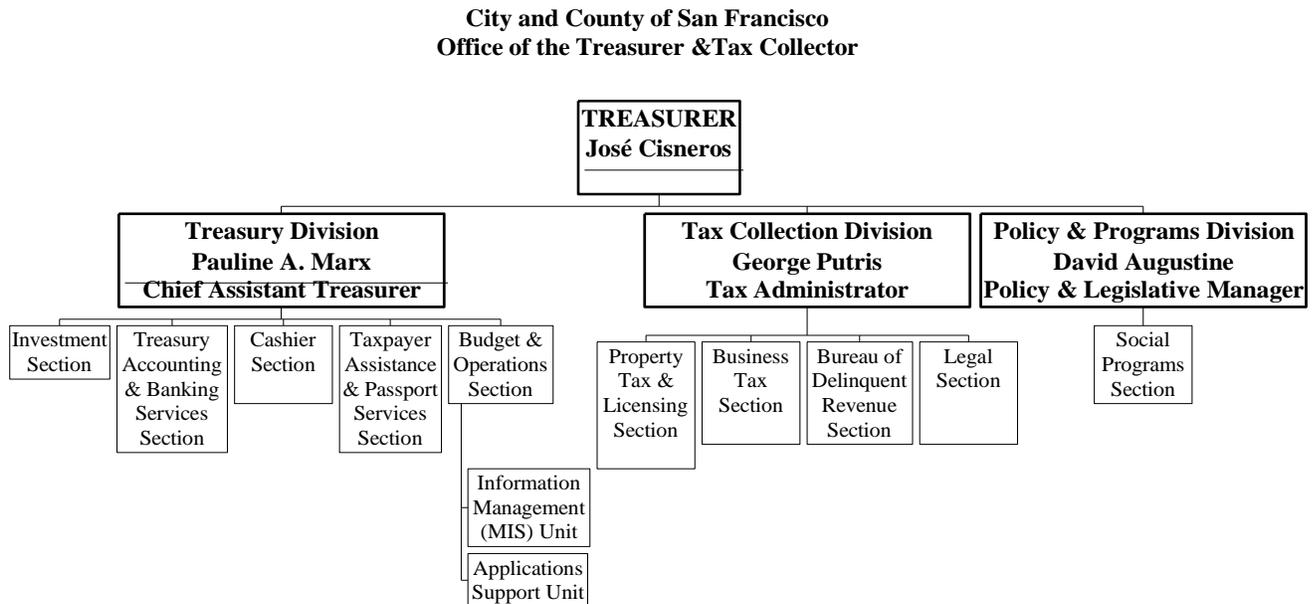
### Programs and Services

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, Transient 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 – Office of Financial Empowerment, Bank On San Francisco Initiative

### Organizational Structure

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



# TREASURY DIVISION

## INVESTMENT SECTION

The *Investment Section* is responsible for managing and investing the City and County of San Francisco's funds to ensure sufficient liquidity to meet all anticipated disbursements. During the fiscal year the section managed between \$3.0 and 3.6 billion in short term fixed income securities.

When purchasing investment securities, the department invests City funds in compliance with City Charter Section 6.106, the California State Government Code Section 53600, and the Treasurer's Investment Policy. 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 returns while conforming to all state and local statutes governing the investment of public funds
- Social responsibility

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 obligations and U.S. Treasury instruments. Common stocks are excluded from permissible investments. The Treasurer's Investment Section has consistently demonstrated prudent portfolio management with excellent results.

### *Fiscal Year 2009-10*

- ◆ The investment portfolio earned \$46.4 million and an earned income yield of 1.38% for the fiscal year ending June 30, 2010.
- ◆ The portfolio experienced no defaults or events that could have forced a sale; performance relative to the peer group was within the boundaries of expectations.

Investment Type	Par Value in %	Par Value	Original Book Value
Agency	54.2	\$1,950,751,000	\$1,956,877,318
Collateralized CDs	0.7	\$25,000,000	\$25,000,000
Commercial Paper	0	\$0	\$0
Negotiable CDs	0	\$0	\$0
Public Time Deposits	1.8	\$65,100,000	\$65,100,000
TLGP	25.5	\$917,310,000	\$930,165,196
Treasury	17.7	\$638,000,000	\$639,626,248
TOTAL	100.00%	\$3,596,161,000	\$3,616,768,763

## **BANKING SERVICES & TREASURY ACCOUNTING SECTION**

The ***Banking Services Unit*** is the primary liaison and supplier of services for all City departments – not just the Treasurer & Tax Collector – regarding banking issues, including:

- Administering lock-box processing, remote deposit services, armored car services, and electronic payment and deposit services (wire transfers, ACH, online banking, positive pay, direct deposit, etc.)
- Setting up contracts with various vendors or partnering banks for banking services, treasury systems, and payment services such as payment application through the web or phone
- Authorizing various departments to transact and perform specific banking activities and allow changes in their existing services; opening and closing bank accounts for various City departments and updating account signers
- Analyzing bank charges for discrepancies or any unusual charges

The ***Treasury Accounting Unit*** is responsible for reconciling and accounting for the receipt, deposit, and recording in the City's financial accounting system (FAMIS) of all revenues collected by the Office of the Treasurer & Tax Collector. Additional functions include:

- Accounting for encoding errors, missing checks, and other debit notes (such as those for insufficient funds) issued by the bank in relation to deposits made by TTX and all city departments
- Accounting for cash received via Electronic Funds Transfer (EFTs) and other electronic payment transactions on behalf of various city departments (not just TTX) and the state
- Processing absent heir claims and forgery claims
- Conducting numerous specialized services for other units and departments, including the recording of investment transactions, custodial safekeeping for various secure documents, stop payments on warrants issued by the Controller, and maintenance of the City's Shortage and Overage Fund

### ***Fiscal Year 2009-10***

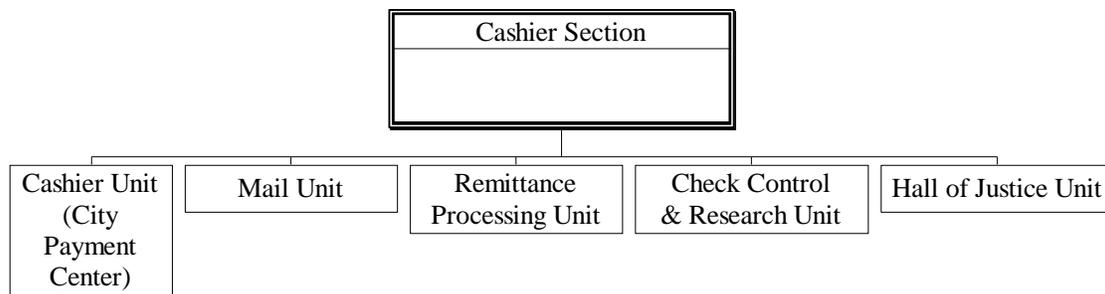
- ◆ Continued working on the development, design and project plan of the Treasury Workstation system.
- ◆ Performed detailed analysis of banking charges, bank accounts and associated services. In that process, the City received \$178,661 in refunds that resulted in the discovery of billing errors and the City is estimated to achieve an annual savings of \$81,000 in banking costs on an ongoing basis.
- ◆ Eliminated unnecessary banking services, closed inactive accounts, fully implemented and utilized online banking and/or electronic reporting, deleted over 244 wire and ACH templates that were either duplicative or inactive, cleaned up online banking users and access, and discontinued unnecessary reports and/or services that were provided to specific accounts when they were opened.
- ◆ Continued to provide oversight to the department's sub-accounting units.

## 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, and numerous types of public transit passes and Parking Meter Debit Cards for the San Francisco Municipal Transportation Agency.

The Cashier Section is comprised of five units that work together to process and post all payments:



The **City Payment Center Cashier Unit** accepts payments from taxpayers, sells transit items, 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, and the Water Department. 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. The **Hall of Justice Unit** accepts payments from individuals owing monies to the Bureau of Delinquent Revenue for Court issued fines and fees.

### **Fiscal Year 2009-10**

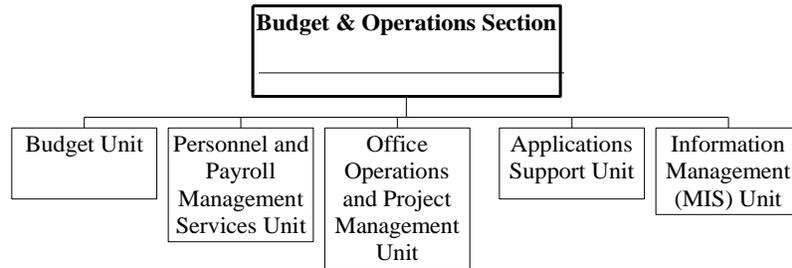
- ◆ The Cashier Section processed 1,258,024 million payments, totaling over \$3.32 billion. The Remittance Unit processed 835,963 million of these payments (45% of which consisted of water bills collected for Water Department) while 422,061 payments were processed over the counter.
- ◆ The Check Control and Research Units processed a combined total of 100,642 items.

- ◆ The Hall of Justice Unit processed a total of 44,660 items for a total collection amount of \$8,425,387.86.
- ◆ The Remittance Unit processed 41,484 Payroll and Registration statements using 2D Barcode technology for a total collection amount of \$73,403,547.
- ◆ The Cashier Section partnered with the Department of Public Works to process their payments for various Tree and Landscaping fees.
- ◆ The Mail Unit implemented a “Time Sensitive” mail process to ensure that urgent mail is handled in a timely fashion.

<b>Cashier Collections Fiscal Year 2009-10</b>		
<b>Revenue Type</b>	<b>Items</b>	<b>Dollars</b>
Real Estate Taxes	407,386	1,978,526,311
Business & Payroll Taxes and Fees	127,030	364,370,416
Parking, Utility Users, & Hotel Occupancy Taxes	17,994	420,081,916
Sales Tax & Others State Collections	53,981	187,145,390
Water Bills	564,945	315,610,387
Emergency Communications Fees	484	41,115,290
Regulatory License Fees	33,145	12,227,911
Development Impact Fees and Others	53,059	8,662,113
<b>Total</b>	<b>1,258,024</b>	<b>3,327,739,734</b>

<b>Payment Type</b>	<b>Items</b>	<b>Dollars</b>
Online	22,644	86,876,892
Wire Transfers	720	507,410,714
Credit card - over the counter	14,980	6,015,965
Cash, checks	1,219,680	2,727,436,163
<b>Total</b>	<b>1,258,024</b>	<b>3,327,739,734</b>

## BUDGET & OPERATIONS SECTION



The former Administration Section went through a reorganization in Fiscal Year 2009-10, initiated by the addition of twelve technology staff members to the department. The twelve staff were formerly employees of the City's Department of Technology who supported the Office of the Treasurer & Tax Collector's property tax, license and business tax systems. Due to their dedication to these applications, the City officially transferred the staff to the Office of the Treasurer & Tax Collector. The growth in technology positions represents the direction of the department's dependency on solutions that automate tax and collection processes.

To best support the integration of the application staff into the organization as well as exploit the power of having both information management and application staff working alongside one and another, the office created a new **Budget and Operations Section**. The functions within this group are as follows:

The **Budget Management Unit** staff and senior managers develop the department's annual budget in collaboration with the managers in the ten separate operating sections. A major component of the budget is work orders with other City and County departments and other government entities. The unit interacts with the Mayor's Office and Controller's Office in regard to budget approval, mid-year reports, hiring, and new initiatives. The unit conducts cost analyses for various initiatives throughout the department. The operating budget for Fiscal Year 2009-10 was \$26 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. The 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 **Office Operations and Project Management Unit** is a new unit that supports two different functions. The first area is Office Operations, which 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 department-wide trainings. The second function is department-wide business process reengineering and project management for IT application development and migrations and application roll-out. In addition, this unit handles IT contracts and Requests for Proposals.

The ***Applications Support Unit*** is responsible for the business tax, property tax and license applications. Managing both the maintenance of these city-based applications as well as continuous improvements and revisions based on new city legislation, this unit responsible for all the technology related to collecting city revenue – business tax, hotel tax, parking tax, access line tax, business licenses, unsecure personal property and property tax. This unit coordinates with the Controller’s Office, and Department of Technology regarding reporting and application requirements.

The ***Information Management (MIS) Unit*** 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 unit 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 875 Stevenson Street.

The MIS unit coordinates custom programming issues, service requests, production support maintenance and security issues with the Department of Telecommunication, vendors and consultants. The unit is also responsible for maintaining server resources and web design and content. MIS also supports the Cashiering and Remittance and Bureau of Delinquent Revenue’s licensed applications. MIS ensures that sufficient documentation is maintained for all existing financial systems, and continues to work with the Office of the Controller and other city departments to refine emergency preparedness plans and procedures.

The unit serves as the critical nerve center for online applications, integration of various tax and collection systems, and IT knowledge management.

### ***Fiscal Year 2009-10***

- ◆ Launched New Employee Hire Orientation, which provides new hires information regarding the organization, its mission, and specific benefits and operating practices
- ◆ Hired 25 employees
- ◆ Instituted new practices for supply management that better pool supplies to avoid over ordering and excess inventory
- ◆ Managed the move from 401 Van Ness Avenue to 875 Stevenson Street, which relocated over half of the organization’s employees
- ◆ Developed and launched a “Home Banking” application for secured, supplemental, escape, and redemption real estate payments
- ◆ Developed Link2Gov interfaces for property tax payments
- ◆ Designed and deployed new in-house tax bills and statements for delinquent secured, supplemental, escape, and redemption taxes
- ◆ Designed and rolled out major enhancements to the redemption and unsecured personal property applications
- ◆ Implemented a new Access Line Tax & Utility User Tax statement filing and payment collection system

- ◆ Completed critical phase of the department’s “Harvesting Project,” which automates daily updates to delinquent accounts and other components of the delinquent revenue collections application
- ◆ Designed and rolled out major enhancements to audit system for audit assignments, calculation of interest, penalties and administrative fees, and for printing audit letters and reports
- ◆ Implemented an automated system for uploading of statement filings for Hotel, Parking, Access Line & Utility User taxes

## **TAXPAYER ASSISTANCE**

The *Taxpayer Assistance (TPA) Unit* offers assistance in San Francisco’s business registration, property tax, licenses, city services, collection notices, passport applications, and other matters of general assistance. Staff members with extensive training provide 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.

### ***Fiscal Year 2009-10***

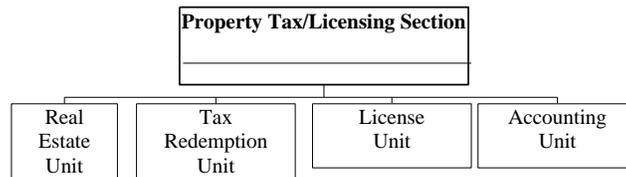
The TPA and Passport Services Section had a busy and productive year while maintaining its unfaltering emphasis on customer service.

- ◆ TPA processed over 7,000 new business registrations and responded to well over 100,000 customer inquiries through service counters, customer service phone lines, email, and written correspondence.
- ◆ Over 90% of customers who voluntarily submitted “Customer Service Feedback” surveys ranked the TPA and Passport Services units’ overall service as either “Excellent” or “Good”, marking the tenth consecutive year exceeding a 90% approval rating for service.
- ◆ TPA staff participated on several community panels and conducted regular monthly workshops in conjunction with the Small Business Administration on “Starting a Small Business in San Francisco”.

# TAX COLLECTION DIVISION

## PROPERTY TAX & LICENSING SECTION

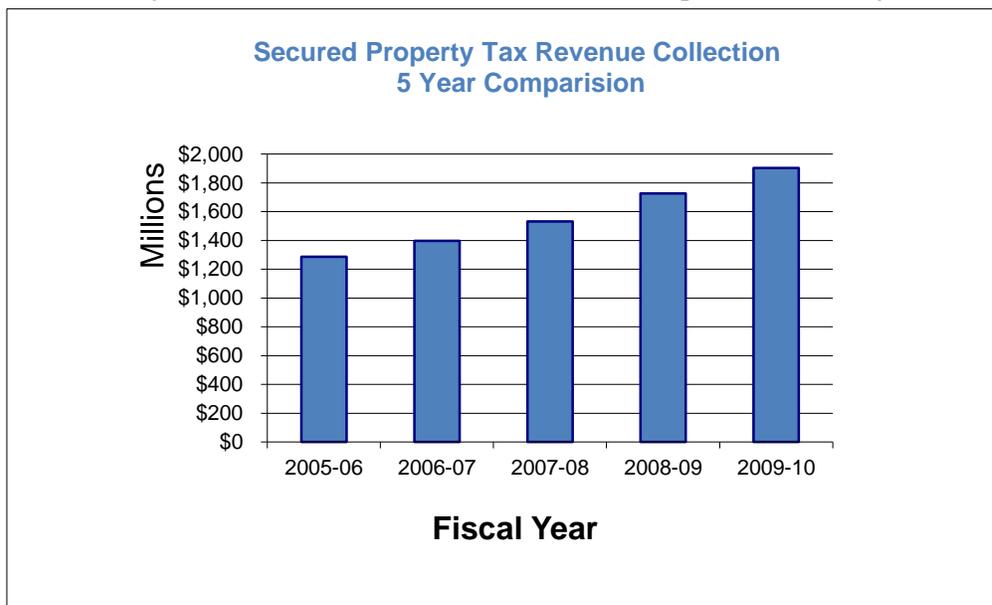
The *Property Tax & Licensing Section* is made up of four primary units:



The *Real Estate Unit* bills, collects and processes payments for regular, supplemental, and escape tax bills for secured and unsecured taxes, including numerous special assessments. These include fees for Community Benefit Districts, Business Improvement Districts, Rent Board, Apartment and Hotel License, Alarm Registration and False Alarm penalties, parcel tax measures, and tax liens. It is also responsible for processing approved refund requests for overpayments and duplicate payments of these collections.

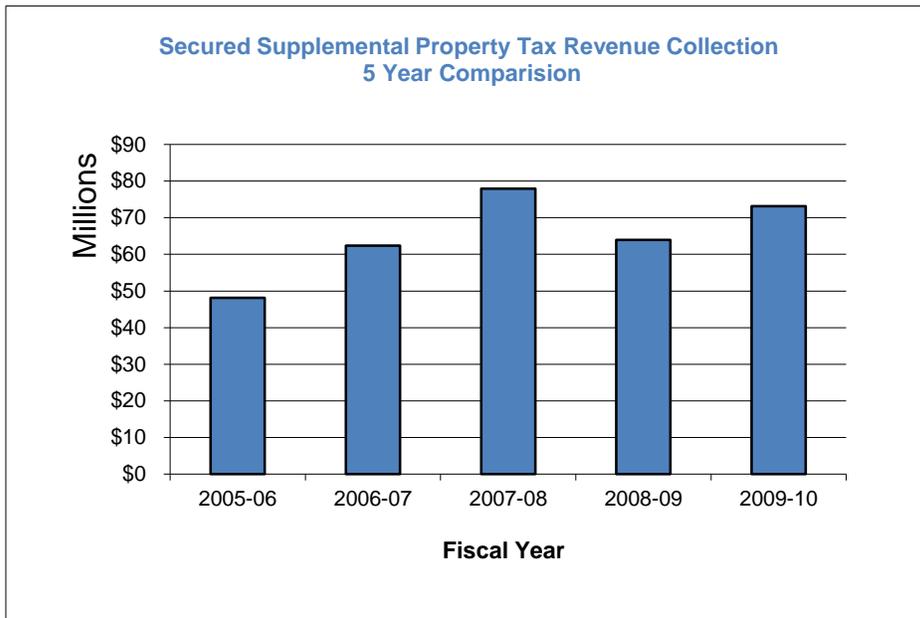
### *Fiscal Year 2009-10 (Real Estate Unit)*

- ◆ Billed and collected over 450,000 property tax bills and statements. Property tax revenue increased by more than \$176 million (10%) over the previous fiscal year.



- ◆ The timely collection rate for secured property taxes was 97.71%, fifth highest among the 58 counties in the State of California.

- ◆ Supplemental property tax collection increased by more than \$9 Million (14%) from the previous fiscal year.



- ◆ The collection rate for the Apartment House License, Hotel License, and Rent Board Fees on the Secured Property Tax bills was 98.25%.
- ◆ Reorganized the Property Tax and Licensing section into smaller units headed by a team leader with additional authority to make decisions and responsibility for the team's performance to improve workflow and efficiency.
- ◆ Issued more than 375 tax certificates for condominium conversion and collected over \$15,000 in fees.
- ◆ Redesigned various property tax and license statements to provide clearer and more accurate information with window return envelopes to reduce staff time in processing payments.

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.

***Fiscal Year 2009-10 (Tax Redemption Unit)***

- ◆ The redemption tax operating system was enhanced to expedite the payment process. New redemption statements were created to provide information to taxpayers in a clearer, more accurate fashion.
- ◆ Supplemental property tax collection increased by more than \$21 Million (65%) from the previous fiscal year.

The **License Unit** collects, records, and reports regulatory license fees mandated by the San Francisco Municipal Code, Part III. It is also responsible for the recording, balancing, reconciling, and reporting of all license payments and dog license payments, as well as alarm

registration fee and false alarm penalty payments due under the Police Emergency Alarm Ordinance.

***Fiscal Year 2009-10 (License Unit)***

- ◆ Collected the Rental Unit Code Enforcement special assessment on the annual property tax bills for the Department of Building Inspection.
- ◆ Billed and collected nineteen (19) new licenses for the Fire Department and the Revenue Control Equipment (RCE) compliance fee.
- ◆ Assisted the San Francisco Taxi Commission in the transition of more than 8,000 license accounts.
- ◆ Implemented a new Web Dog licensing program to provide dog owners/guardians with the option of obtaining or renewing dog licenses online using credit cards or e-checks.
- ◆ Assisted the Health Department in enforcing the requirement of proof of worker's compensation insurance prior to issuing a license certificate for more than 3,500 restaurants in San Francisco.
- ◆ The License Unit processed 78,647 license accounts totaling more than \$13.3 million for the following departments and commissions: Police, Fire, Public Health, Emergency Medical Services, Emergency Communications, Animal Care and Control, Entertainment Commission, Taxi Commission. This represents an increase of over \$1.6 million (14%) from last fiscal year's revenue of \$11.6 million. The monetary increase was due primarily to an overall increase in license fees as well as the addition of some new licenses.

The ***Accounting Unit*** provides accounting services to the Property Tax and Licensing Section. The section batches, balances, posts and performs daily and monthly reconciliation of property tax and license fee collections, and reconciles transactions on the City's Financial Accounting Management Information System (FAMIS). The Accounting Unit also generates various collection reports for the department and for the Office of the Controller. The primary goals of the Accounting Unit are to:

***Fiscal Year 2009-10 (Accounting Unit)***

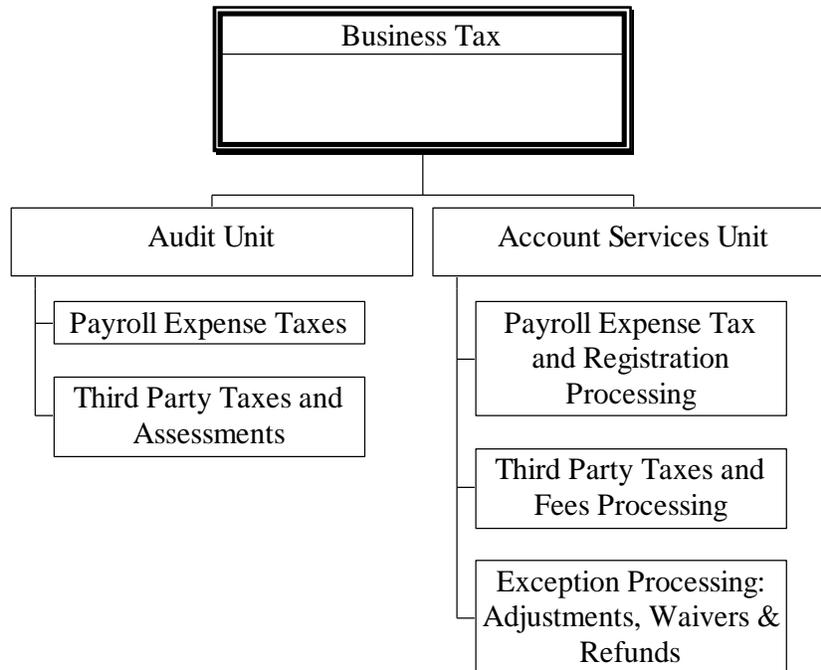
- ◆ Progress in the use of technologies and the development of in-house tools continues to offer the Accounting Unit with measurable improvements. Cross-training programs have been implemented successfully and revenue collection reports, including the 3-way reconciliation reports, have been timely and accurately submitted to the Controller's Office.

## 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 following:

1. Business registration fee
2. Payroll expense tax
3. Third Party taxes:
  - a. Parking
  - b. Transient Occupancy
  - c. Utility Users
  - d. Access Line
  - e. Stadium Admission
4. Third Party fees:
  - a. Tourism Improvement District assessment
  - b. Cigarette Litter Abatement
5. Roofers' vehicle tag fee

The Section is comprised of the two distinct units – the Account Services Unit and the Audit Unit.



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

### ***Fiscal Year 2009-10***

- ◆ The Audit Unit completed 866 audits (663 payroll, 183 parking, 20 hotel) – a 6% decrease from the previous fiscal year's total of 922. These audits generated \$2,468,722 in net audit deficiency billings (\$7,616,672 before adjustments for prior year adjustments), a decrease of 96% over the previous fiscal year.

- ◆ The year's "Top 10" deficiency billings netted a total of over \$4.5 million, as compared to \$65.2 million the previous year.
- ◆ The Audit Unit collected \$63,562,952 in audit billings, an increase of 371% over the previous fiscal year.
- ◆ Payroll expense tax filing for 2009 migrated to online platform.
- ◆ The small business exemption for payroll expense tax increased to \$3,750.
- ◆ Administrative fee on delinquent business taxes increased from \$35 to \$55.
- ◆ Cigarette Litter Abatement fee program was implemented October 2009 with approximately 1,200 statements processed per quarter.

<b>Audit Impact (5-Year Average)</b>						
	<b>FY 2005-06</b>	<b>FY 2006-07</b>	<b>FY 2007-08</b>	<b>FY 2008-09</b>	<b>FY 2009-10</b>	<b>5-Year Average</b>
<b>No. of Audits</b>	531	556	943	922	866	764
<b>Audit Hours</b>	21,195	17,738	25,023	27,094	27,517	23,713
<b>Average Hours per Audit</b>	39.9	31.9	26.5	29.4	31.8	31.1
<b>Audit Billings</b>	\$5,170,684	\$7,109,403	\$21,939,773	\$68,269,222	\$2,468,723	\$20,991,561
<b>Average Billing per Audit</b>	\$9,738	\$12,787	\$23,266	\$74,045	\$2,851	\$27,490

<b>Audit Deficiency Billings 5-Year Comparison</b>						
<b>Type of Audits</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>	<b>FY 2007-08</b>	<b>FY 2008-09</b>	<b>FY 2009-10</b>	<b>% Inc/Dec</b>
<b>Payroll Expense Tax</b>	\$3,666,933	\$6,900,876	\$1,869,969	\$6,977,613	\$6,201,007	-11.1%
<b>Parking Tax</b>	\$417,592	\$1,039	\$9,730,429	\$1,180,567	\$1,058,903	-10.3%
<b>Parking Tax - Prior Year Adjustment</b>				\$(2,390,977)		
<b>Hotel Tax</b>	\$1,086,159	\$207,489	\$10,339,375	\$62,502,019	\$62,502,019	-99.4%
<b>Hotel Tax- Prior Year Adjustment</b>					(5,147,950)	
<b>Total Billings</b>	<b>\$5,170,684</b>	<b>\$7,109,404</b>	<b>\$21,939,773</b>	<b>\$68,269,222</b>	<b>\$2,468,722</b>	<b>-96.4%</b>

<b>Business Tax Large Deficiency Audits Top 10 Billings - FY 2009-10</b>			
<b>TAXPAYER</b>	<b>NUMBER</b>	<b>AUDIT TYPE</b>	<b>AMOUNT</b>
Health Service	1	Payroll Tax	1,996,977
Real Estate Services	5	Payroll Tax	1,512,464
Parking Operator	3	Parking Tax	910,534
Agent/Securities Broker	1	Payroll Tax	137,378

<b>TOTAL</b>	<b>10</b>		<b>\$4,557,353</b>
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The *Account Services Unit* is responsible for administering, maintaining, and processing accounts for the following:

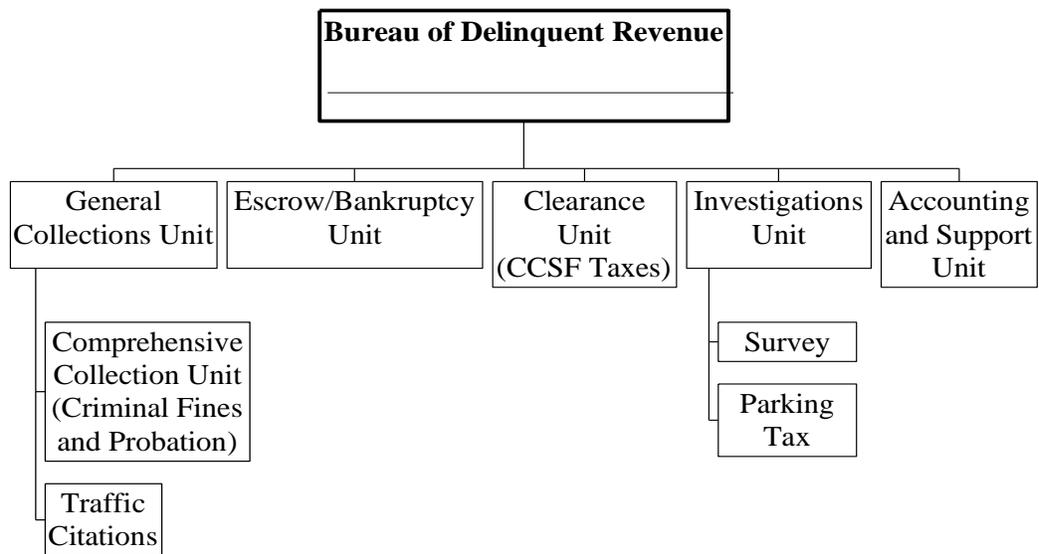
- Annual Business Registration Renewals
- Quarterly and Semi-Annual Payroll Tax Prepayments
- Annual Payroll Expense Tax Filings
- Business Payroll Expense Tax Determinations
- Monthly and Quarterly Hotel, Parking, Utility Users and Access Line Taxes, and Hotel Tourism Improvement District payments
- Issuing Hotel and Parking Certificates of Authority to Collect Third Party Taxes
- Requests for adjustments, extensions and refunds
- Processing of various tax credits, waivers, and exemptions

<b>Business Tax Account Services FY 2009-10</b>			
<b>Tax Type</b>	<b># of Statements Mailed</b>	<b># of Payments Posted</b>	<b>\$ of Payments Posted</b>
Payroll Expense Tax	19,327	28,571	\$337,208,473
Business Tax Registration	97,098	91,378	\$7,843,409
Payroll Determination	5,194		
Payroll Expense Tax Prepayments 2009	1,132		
Payroll Expense Tax Prepayments 2010	8,131		
Transient Occupancy Tax	4,492	5,511	\$186,507,706
Parking Tax	2,688	7,357	\$59,596,799
Utility Users Tax	4,002	2,290	\$92,039,720
Access Line Tax	3,642	1,022	\$41,118,513
Hotel TID	2,198	1,117	\$18,881,775
Cigarette Litter Abatement Fee	3,473	963	1,269,143

## 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, as well as collections for criminal court fines, security alarm registrations, and false alarm fees.

The Bureau of Delinquent Revenue is divided into five primary 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 Department of Public Works, the Mayor’s Office, Recreation & Parks, the Water Department, the Housing Authority, Emergency Services, and the Redevelopment Agency. The collection process of this unit includes small claims filings, judgment renewals, and post-judgment execution. In addition to the filing of creditor’s claims in the Probate Court, the unit also recovers funds owed to the county hospitals and paramedics from third party liability by filing medical liens with attorneys and/or the courts.

As part of this larger unit are the Traffic Citations sub-unit and the Comprehensive Collection sub-unit. These units handle the collection of accounts referred by the State of California – San Francisco Superior Court. The Comprehensive Collection Unit operates remotely from the Hall of Justice at 850 Bryant Street, combining efforts with the state of California in the collection of current and delinquent criminal fines and fees as well as Adult Probation fees and fines and victim restitution.

The **Escrow/Bankruptcy Unit** researches, compiles data and files claims on any outstanding debts owed to the City and County 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 unit's primary function is to issue a clearance (of all delinquent city and county debts) to sellers.

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 expense taxes, registration fees, and unsecured personal property taxes, as well as the various city licenses. 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, seizures, summary judgments, collection of third party taxes, notices of violations, and citations. In addition, this unit is responsible for enforcement of compliance with parking tax collection standards under the City's Revenue Control Equipment Ordinance. Within this unit is the **Survey Group**, in which investigators are assigned to systematically research, inspect and interview unregistered city businesses, in addition to business with potentially high unreported revenue.

The **Accounting and Support Unit**. The **Accounting Group** prepares financial reports for the section, department and the Controller's Office, posts payments, adjusts and balances accounts, and performs related accounting duties. The **Support Group** performs data entry, tracks check controls, provides counter service, distributes mail, scans documents to various delinquent account records, and performs other clerical functions.

<b>BDR Annual Collection By Unit</b>							
<b>5-Year Comparison</b>							
<b>Fiscal Year</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>Total</b>	<b>Yr. Avg.</b>
<b>General Collections</b>	14,905,889	17,792,005	20,275,072	20,455,683	18,086,989	91,515,638	18,303,128
<b>Escrow/Bankruptcy</b>	8,585,756	10,037,881	11,815,766	14,600,604	16,505,381	61,545,388	12,309,078
<b>Clearance</b>	24,001,773	20,781,035	28,742,110	32,819,372	31,030,796	137,375,086	27,475,017
<b>Investigations</b>	18,985,078	16,454,579	21,618,076	21,768,032	15,393,584	94,219,349	18,843,870
<b>Business Tax Admin. Fee</b>	413,514	1,785	670,020	803,078	804,068	2,692,465	538,493
<b>UPP Admin. Fee</b>	121,367	3,121		105,229	201,183	430,900	86,180
<b>TOTAL BDR COLLECTIONS</b>	<b>67,013,377</b>	<b>65,070,406</b>	<b>83,121,045</b>	<b>90,551,998</b>	<b>82,022,001</b>	<b>387,778,827</b>	<b>77,555,765</b>

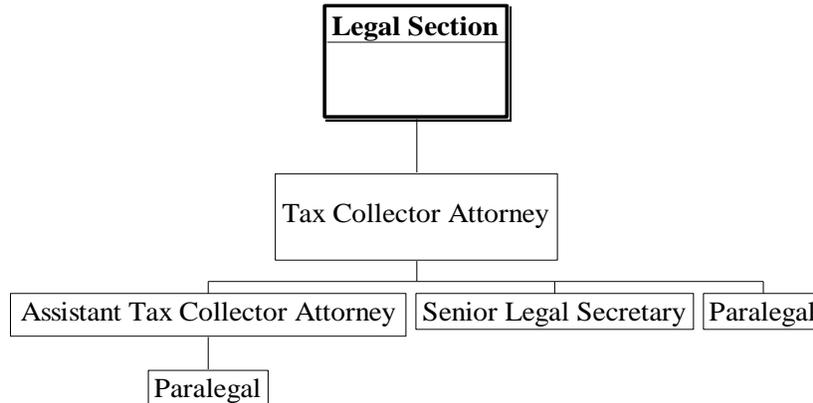
**Fiscal Year 2009-10**

- ◆ The Bureau of Delinquent Revenue collected over \$82 million in taxes and fees owed to the City. This represented a 9.4% decrease from the record set the previous fiscal year.

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

<b>Unit/Area</b>	<b>Collections</b>
General Collections	\$18,086,989
Escrow & Bankruptcy	\$16,505,381
Clearance/Business Tax	\$31,030,796
Investigations	\$15,393,584
Administrative Fees	\$1,005,251
<b>TOTAL</b>	<b>\$82,022,001</b>

## LEGAL SECTION



The *Legal Section* files collection actions in the courts and litigates delinquent accounts within the Treasurer & Tax Collector’s jurisdiction when other collection efforts have been unsuccessful. Legal Section represents the department in (1) negotiating payment of hospital cost recovery liens with patients’ attorneys; (2) filing responses to rejection of BDR creditor claims in probate court and bankruptcy court; and (3) filing responses in state court actions against the department that may jeopardize the payment of real estate taxes, such as partition actions, judicial foreclosures. Legal Section also serves as legal advisor on collection issues. In this role, Legal Section attorneys often provide case-specific advice to section supervisors and line staff, as well as formal written legal advice memoranda to the Tax Administrator and section supervisors on legal issues relevant to the department’s collection activities.

### *Fiscal Year 2009-10*

The Legal Section was instrumental in collecting \$6,632,181.62 from the following activities:

- ◆ Third Party Hospital Cost Recovery Liens – \$3,109,064.24. Legal Section provided negotiation services, legal advice, appearances at settlement conferences and Worker Compensation Appeals Board hearings in 184 lien cases.
  - Unfiled Actions – \$2,928,108.18. Legal Section negotiated direct payments and installment payment contracts with seven debtors.
- ◆ Filed Actions in State Courts – \$167,980.10. Legal Section filed eight collection actions in the state court system, each leading to either payment stipulation or judgment.
- ◆ Bankruptcy Collections – \$40,438.90. Legal Section filed legal papers in Bankruptcy Court and negotiated one bankruptcy case.

## **POLICY & PROGRAMS DIVISION**

### **OFFICE OF FINANCIAL EMPOWERMENT**

In 2009, San Francisco became one of only three cities in the country to launch a municipal **Office of Financial Empowerment**. The San Francisco OFE is housed within the Office of the Treasurer José Cisneros. Treasurer Cisneros believes that his role of safeguarding the city's money should extend to all San Franciscans and, as such, has embarked upon an ambitious financial empowerment agenda since taking office. San Francisco has proven success with three groundbreaking programs: Bank on San Francisco, the Working Families Credit and Payday Plus SF. The OFE also places a major emphasis on financial education, offering classes through the Bank on San Francisco program and convening a Financial Education Network dedicated to improving the quality of, and access to, a broad range of financial education services city-wide.

Through the Bank on San Francisco initiative and the creation of an Office of Financial Empowerment, the City and County of San Francisco has emerged as a national leader in the delivery of programs to increase financial inclusion and combat predatory practices. The key focus of this work is connecting low-income San Franciscans to healthy financial products and providing culturally relevant financial education to ensure success in the mainstream. San Francisco views the role of the city government as essential to this work, and primarily serves as a convener and influencer in the furtherance of financial empowerment goals, bringing together financial institutions, regulators, philanthropic funders and community based organizations. By building on the foundation created by these programs, San Francisco is developing a continuum of local asset building services, led by city government and supported by our strong network of nonprofit organizations.

The most known of the OFE programs, Bank on San Francisco, is considered a model by the National League of Cities, the William J. Clinton Foundation, the FDIC, the Federal Reserve Bank and the US Department of the Treasury. The program is currently being replicated by more than 70 cities and states nationwide, including a statewide Bank on California initiative. In 2010, the US Department of the Treasury announced plans to launch a national Bank on USA program based on the San Francisco model. To further this work on the national level, San Francisco joined with New York City to create Cities for Financial Empowerment in 2007 and partnered with the National League of Cities and the William J. Clinton Foundation to launch a national Bank On resource and networking online portal, [joinbankon.org](http://joinbankon.org) in 2010.

#### ***Fiscal Year 2009-10***

- 71,000 checking accounts opened through Bank on San Francisco
- Over 70 Bank On programs launched or in development across the United States
- The creation of Bank on USA by the US Department of the Treasury
- 51,100 credits amounting to an estimated \$7.4 million dollars in Working Families Credit funds distributed to low-income families
- Over 300 small dollar loans made through Payday Plus SF
- 135 Financial Education Workshops conducted reaching over 2,100 San Franciscans through one of 60 partner organizations

- 600 individual case workers and nonprofit staff receiving training through the Family Economic Success Workgroup Learning Circle program
- 180 financial education practitioners and stakeholders receiving training through the Financial Education Networks quarterly professional development series. All training videos and resources made available online.
- 10 community based organizations with trained financial coaches participating in the Earned Assets Resource Network (EARN) Wealthcare Program
- 420 San Franciscans received 1:1 financial counseling with a certified financial planner through San Francisco's Financial Planning Day
- 1200 kindergarten students to receive a college savings account with a \$50 deposit from the City and County of San Francisco, and the opportunity to receive bonus incentives
- Financial education incorporated into the kindergarten curriculum by elementary math teachers in connection to the Kindergarten to College program.
- 2,254 San Franciscans attended homeownership workshops, 1,012 clients received individualized homeownership counseling and 198 new San Francisco homeowners created in 2009 through HomeownershipSF collaborative.

## BIOGRAPHIES

### Treasurer José Cisneros



In November 2009, local voters reelected 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 originally appointed Treasurer by Mayor Gavin Newsom in September 2004 and 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.

### 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, cashiering, 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.

### David Augustine, Policy & Legislative Manager



David serves as liaison to the Board of Supervisors and city agencies, as the department's public information, records, and media officer and manages the department's innovative social programs. David has helped implement Bank on San Francisco and the Working Families Credit program, with a focus on legal aspects and programmatic design. David started working for the Treasurer in 2005, and previously practiced municipal finance law in San Francisco and worked for the New York City Mayor's Office.

David is a native of the San Francisco Bay Area. He holds a B.A. in Political Science from Swarthmore College, and a J.D. from Stanford Law School. He is a member of the California State Bar.

## KEY CONTACTS

Treasurer	José Cisneros	554-4478
Tax Administrator	George Putris	554-4874
Chief Assistant Treasurer	Pauline Marx	554-5260
Policy and Legislative Manager	David Augustine	554-7601

### Section and Unit Managers:

Applications Support Unit	Darryl Yee	554-0828
Banking & Treasury Acctg. Svcs. Section	Janet Tolenada	554-5263
Budget & Operations Section	Tajel Shah	554-4506
Bureau of Delinquent Revenue	Margarita Rodriguez	554-4413
Business Tax Section	Florence Mar	554-4608
Cashier Section	Sonia Martinez	554-4490
Chief Investment Officer	Newlin Rankin	554-4487
Information Management (MIS) Unit	Darrell Ascano	554-4438
Legal Section	Robert Fletcher	554-4492
Property Tax & Licensing Section	Francis Nguyen	554-4448
Taxpayer Assistance & Passport Services	DJ Dull-MacKenzie	554-4643

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