

City & County of San Francisco
Office of the Treasurer & Tax Collector
Annual Report
Fiscal Year 2012-2013



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Overview

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.

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;
- Collect all taxes and fees due to the City; and
- 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:

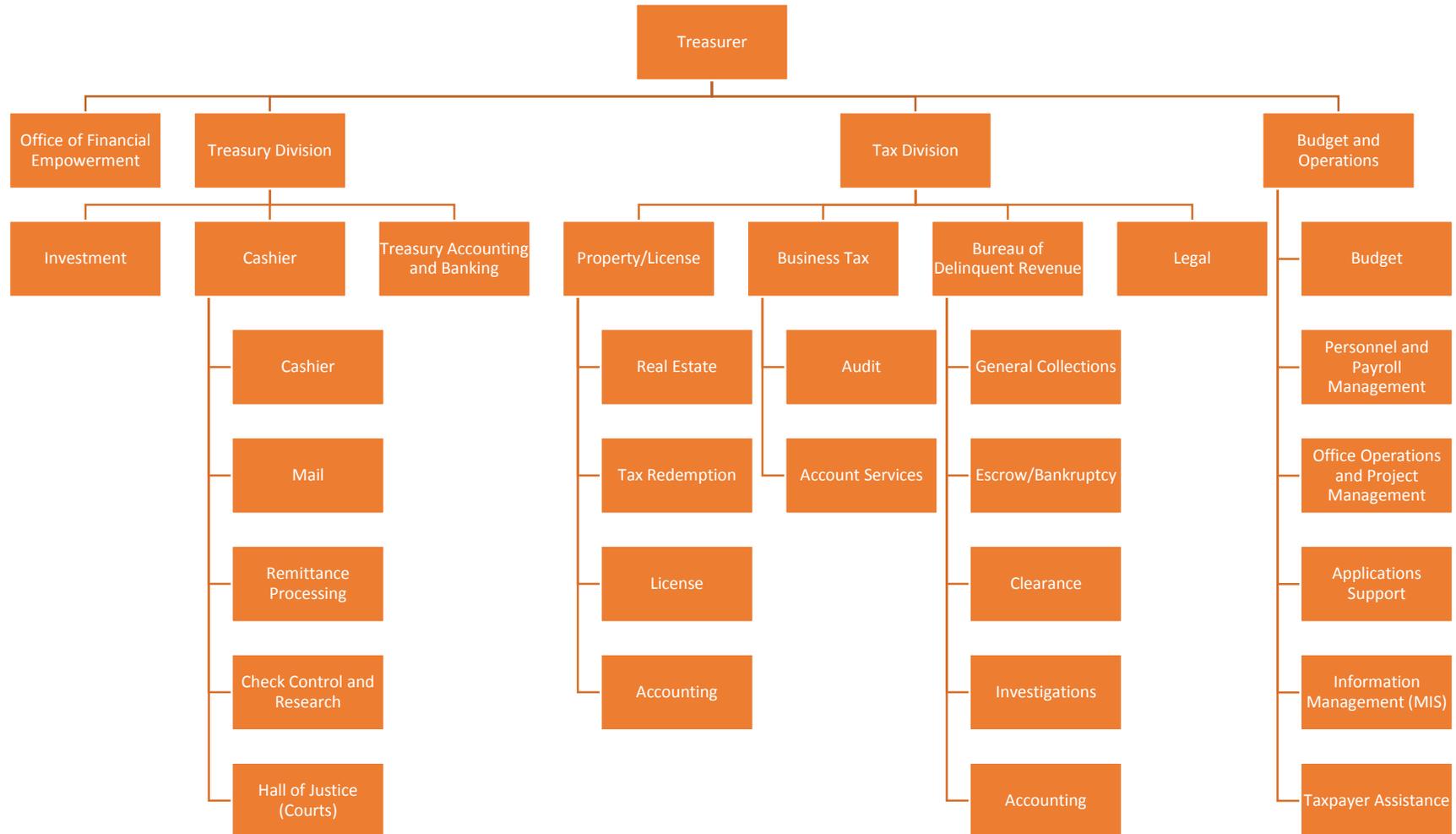
1. *The collection of taxes and other city revenue*

Through the mail, in person at City Hall, 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. 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.

Organization Chart



Performance Measures

	FY 10-11 Actual	FY 11-12 Actual	FY 12-13 Target	FY 12-13 Actual	FY 13-14 Target
Legal					
Legal Section annual collections, in millions	\$5.7	\$2.6	\$2.0	\$2.5	\$2.1
Information Technology					
Number of online transactions	60,752	89,110	70,000	93,945	83,000
Business Tax					
Number of audits completed	712	712	650	585	434
Number of registered businesses*				95,561	95,000
Business Registration Fee collections, in millions*				\$9.2	\$37.7
Third Party (Transient Occupancy, Parking, Utility Users, Access Line) Tax collections, in millions*				\$510.5	\$496.0
Bureau of Delinquent Revenue					
Amount of total revenue collected on all delinquent debts, in millions	\$103.5	\$103.0	\$80.0	\$124.6	\$92.0
Amount of total revenue collected on non-business tax debts, in millions*				\$54.9	\$48.2
Amount of total revenue collected on business tax debts, in millions*				\$69.7	\$43.5
Amount of total revenue collected from summary judgments, in millions*				\$2.1	\$2.0
Investment					
Accuracy rate of forecasting of cash in the bank	97%	98%	98%	96%	95%
Average daily collected balances of demand deposit accounts, in millions	\$305.5	\$419.0	\$470.0	\$10.4	\$7.9
The maximum number of standard deviations between the 12 month return of the city's investment portfolio and the average of the municipal peer group	0.73	1.43	2.00	1.0	1.0
Property Tax / License					
Percentage of delinquency rate of secured property taxes	1.65%	2.50%	2.00%	1.10%	2.00%
Number of Refunds Processed*				8,374	8,000
Number of Regulatory Licenses issued or renewed*				15,538	15,000
Cashiering					
Percentage of payments received that are processed and deposited during the same business day.	99%	99%	99%	99%	99%
Taxpayer Assistance					
Percentage of 311 service tickets closed within 48 hours*					90%

*Newly tracked Performance Measures for FY 2012-13

Treasury Division

The Treasury Division is supervised by the Chief Assistant Treasurer and is comprised of five major sections: Investment, Banking, Treasury Accounting, Cashier, and Budget and Operations.

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. 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.

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

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.

Tax Division

The Tax Division is supervised by the Interim Tax Collector and was reorganized in 2013. It currently consists of the Property Tax and Licensing Section, Business Tax Section, Legal Section, and Bureau of Delinquent Revenue.

The **Property Tax & Licensing Section** is made up of four primary units: Real Estate, Tax Redemption, License and Accounting.

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.

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.

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.

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 **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, third party taxes, such as Parking, Transient Occupancy, Utility Users, Access Line and Stadium Operator Admission taxes. It is also responsible for assessment and audit of third party fees, such as the Tourism Improvement District assessment, Cigarette Litter Abatement, Roofers' vehicle tag fees.

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 other third party tax compliance audits.

The Account Services Unit is responsible for administering, maintaining, and processing accounts for all taxes and fees, including Issuing Hotel and Parking Certificates of Authority to Collect Third Party Taxes, requests for adjustments, extensions and refunds, and processing of various tax credits, waivers, and exemptions.

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.

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.

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.

Budget and Operations Division

The *Budget and Operations Division* is supervised by the Deputy Director and is comprised of the following units: Budget Management, Personnel and Payroll Management Services, Office Operations and Project Management, Applications Support, and Information Management (MIS).

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 the Office of the Treasurer & Tax Collector 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 is 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 technology 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 support for all online applications, integration of various tax and collection systems, and IT knowledge management

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 multiple groundbreaking programs: Bank on San Francisco, the Working Families Credit, Payday Plus SF and Kindergarten to College. 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 100 cities and states nationwide, including a statewide Bank on California initiative.

In 2010, San Francisco launched Kindergarten to College, a partnership of the San Francisco Mayor's Office, the Office of the Treasurer, the Department of Children, Youth, & Their Families and the San Francisco Unified School District, with support from CFED, EARN, the New America Foundation, and the San Francisco Foundation. Accounts are held at Citibank.

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.

David Augustine, Tax Collector



In March 2013, Treasurer José Cisneros appointed David Augustine as San Francisco Tax Collector. Mr. Augustine most recently has served as Interim Tax Administrator following service as Tax Collector Attorney and Policy & Legislative Manager for the Treasurer’s Office. The San Francisco Tax Collector is responsible for all tax collection in the City and is the ex officio license collector under California law.

Mr. Augustine joined the Office in 2004 as Policy & Legislative Manager, and was instrumental in the implementation of the Treasurer’s many innovative social programs, including Bank on San Francisco, Kindergarten to College, and the Working Families Credit program. As Tax Collector Attorney he represented the office in a number of bankruptcy proceedings and coordinated collections work with the Bureau of Delinquent Revenue.

Mr. Augustine is a native of the San Francisco Bay Area and resides in San Francisco with his husband and daughter. Prior to joining the City he worked in municipal public finance, and with the New York City Mayor’s Office. He holds a J.D. from Stanford Law School and a B.A. in Political Science from Swarthmore College. He is a member of the California State Bar.

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.

Ms. 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.

Ms. 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.

Tajel Shah, Deputy Director



As Deputy Director, Tajel Shah heads finance and budget, project management and IT and personal divisions.

Ms. Shah joined the organization in January 2008. Prior to joining the Treasurer & Tax Collector, she managed policy and planning for the Department of Children, Youth and their Families for several years. Ms. Shah comes to the office with a unique blend of public and private

sector experience, which includes leading global expansion for Organic Inc. – an internet company and managing several of their Fortune 500 clients. She also served as the first woman of color to lead the national advocacy organization, United States Student Association.

Ms. Shah grew up in New Jersey and holds a B.A. from Rutgers University. She lives in San Francisco with her husband and two children and serves on several boards and commissions, including the San Francisco Unified School District’s Quality Teacher and Education Oversight Committee.