

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



José Cisneros, Treasurer

Annual Report
Fiscal Year 2016-17

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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 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

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

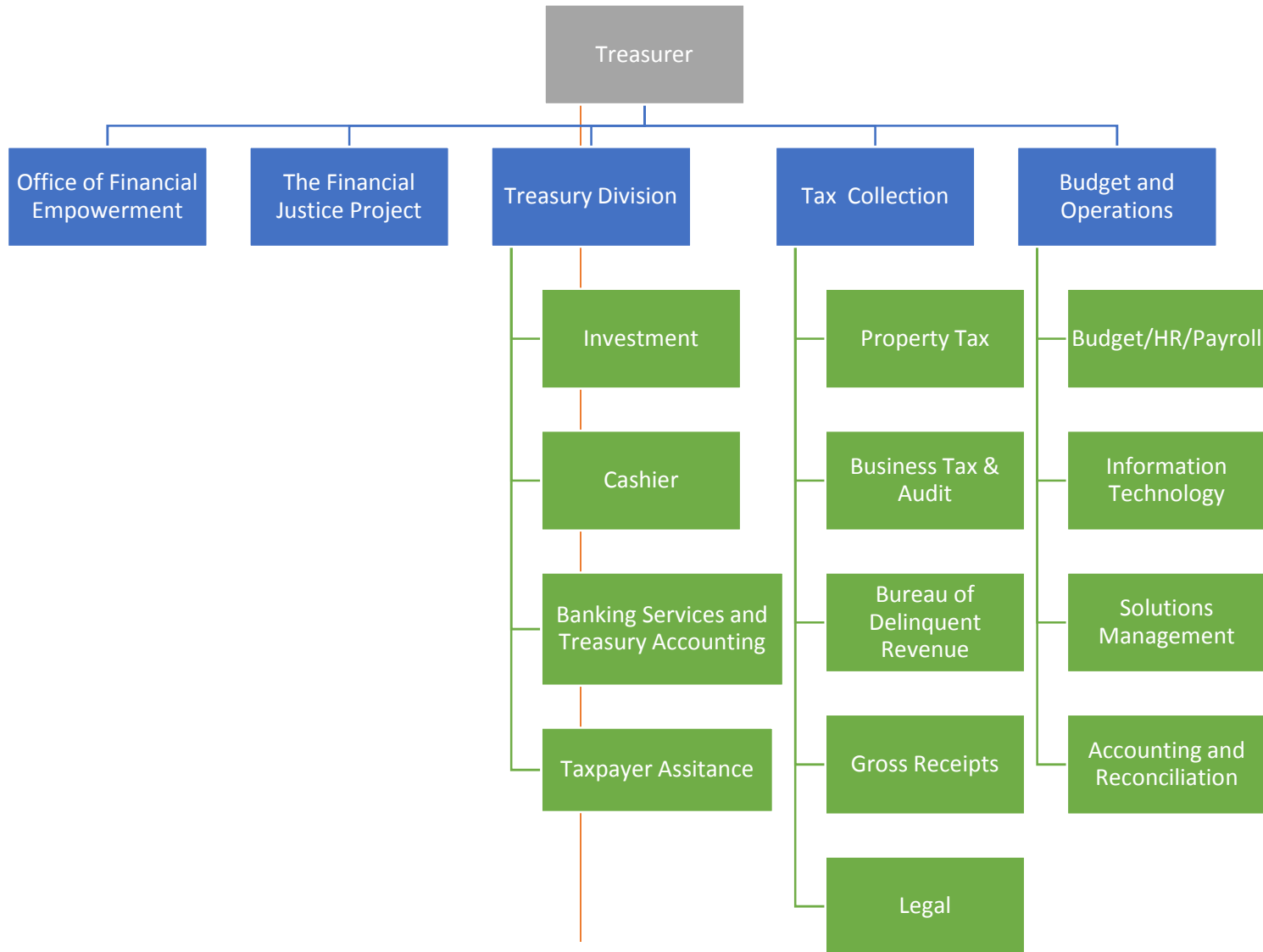
to collect current and delinquent obligations owed to other city departments, such as water and hospital bills.

2. The oversight of monies before disbursement

The Office is responsible for managing the City's banking relationships and accounts and is the primary liaison and supplier of banking services for all City departments. The Office administers and controls the investment of all monies in the Treasurer's custody. 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

Organization Chart



Performance Measures

	FY 14 Actual	FY 15 Actual	FY 16 Actual	FY 16 Target	FY 17 Target
Legal					
Legal matters opened*		520	533	550	550
Public Records Act requests*		237	184	200	200
Information Technology					
Number of web-enabled transactions completed online using the SFGOV Online Services portal	114,773	127,836	170,693	125,000	150,000
Business Tax / License					
Number of taxpayer audits completed	431	287	407	350	450
Number of businesses registered	98,690	103,323	115,229	105,000	110,000
Business Registration Fee collections, in millions	\$41.8	\$31.2	\$34.8	\$33.0	\$35.0
Third Party (Transient Occupancy, Parking, Utility Users, Access Line) Tax collections, in millions	\$539	\$580	\$614	\$550	\$580
Number of Regulatory Licenses issued or renewed	15,555	17,917	16,516	18,000	20,000
Bureau of Delinquent Revenue					
Amount of total revenue collected on all delinquent debts, in millions	\$78.0	\$48.3	\$36.0	\$90.0	\$90.0
Amount of total revenue collected on non-business tax debts, in millions	\$41.0	\$39.0	\$28.6	\$40.0	\$40.0
Amount of total revenue collected on business tax debts, in millions	\$37.0	\$9.2	\$7.0	\$50.0	\$50.0
Amount of total revenue collected from summary judgments, in millions	\$1.8	1.2	384,071	1.6	\$1.6
Investment					
Percent of portfolio in the top credit rating by market value	0	0	74%		65%
Property Tax					
Percentage of delinquency rate of secured property taxes	2%	1%	1%	1%	1%
Number of property tax refunds processed	9,140	8,109	12,356	8,000	9,000
Taxpayer Assistance					
Average number of days to close 311 service tickets	4.35	4.51	2319	4.5	3.75
Number of 311 service tickets received	24,732	21,736	23,696	18,000	18,000
Treasury					
Total number of bank accounts managed			324		324
Total number of outgoing wires processed	381	384	494		384
Total number of returned items processed	3,208	2,305	2,604		2,600

*Newly tracked Performance Measures; some historical data not reported.

Accomplishments

Effective tax collection & customer-centric services delivery

Over the past three fiscal years, revenues collected by the Office have grown by nearly 20%. Paired with a corresponding increase in complexity of the taxes collected, the Office has seen an unprecedented volume in all areas of our work.

This year, the Office had over 180,000 online business tax filings, 1,738,000 payment transactions, 54,000 payment exceptions, 100,000 calls into 311, 220,000 property tax parcels with varied payment dates, 18,000 department license and over 20,000 refunds.

In order to accomplish continued growth in revenue without increasing staffing levels, the Office has committed to aggressive schedules to modernize technology and optimize daily work practices to meet the needs of taxpayers. The focus on quality service and communication has improved our average speed of answer from 5 minutes to 3 and one half minutes with almost half of the incoming calls being answered in less than one minute, and close to three-quarters of the calls to 311 are resolved without escalation to TTX.

Small Business Improvements

The Office continues to increase efficiency and focus on critical impact areas such as the rise of independent contractors, short-term rental hosts, and other new taxpayers requiring more intense and targeted communications and service. Partnership and investment in both 311 and the Business Portal have helped the Office serve more taxpayers through online and phone channels, and optimize overall communication.

The Office successfully worked with the Mayor's Office and the Board of Supervisors to pass legislative changes to the business tax penalty structure to improve equity for small businesses and increase overall tax compliance. The legislative package removed the \$100 minimum penalty from one of the penalties for failing to register with the Tax Collector; and removed the fee and administrative requirements for obtaining a duplicate registration certificate.

In our ongoing efforts to make tax reporting accessible to all San Franciscans, the Office produced several multi-lingual videos to help taxpayers register a new business and file an Annual Return.

Technology Enabled Operations

The Office continues to launch online solutions to meet the changing needs of taxpayers, and streamline processes to scale operations while fostering a more collaborative and transparent work environment.

This year the Office has increased its focus on business tax audits to support the implementation of the Gross Receipts Tax. The Office developed a data warehouse to improve the quality of data sourced to OpenDataSF and increase the Office's business intelligence utilization (BI).

Externally, the Office continues to serve as a knowledge base for inter-agency projects. TTX extended its contract for paperless workflow and digital archiving to other departments to facilitate citywide efforts in digitization and standardization of technology platforms; continued its partnership with the Assessor-Recorder's Office and Controller's Office on the new Property Tax Replacement project and the Financial System Project (F\$P).

Financial Justice

San Francisco is the first city in the nation to launch a Financial Justice Project to assess and reform how fees and fines impact our cities' most vulnerable residents. Too often government programs and courts levy fines and fees on people, partly to generate revenue to balance public budgets. There is often an insidious unintended impact of this practice--to push people into poverty. These fines and fees can knock people down so hard they can't get back up. Poor people and people of color are usually hit the hardest. These financial penalties can make government a driver of inequality, not an equalizer.

The Treasurer's Office was the first in the nation to create an Office of Financial Empowerment that aims to build up San Franciscans' financial reserves. We have started many programs, including Bank on San Francisco and Kindergarten to College that help people enter the financial mainstream and build their savings. These programs are lauded as national models and have helped tens of thousands of families. However, much of this work could be undone by fines and fees that undermine the financial security of our most vulnerable families.

Kindergarten to College

In 2011 the City and County of San Francisco launched the nation's first universal, automatic college savings account program. The goal was to establish a model that automatically enrolled every student in savings, creating a culture of savings in San Francisco public schools and demonstrating that a public investment in child savings was a worthwhile use of taxpayer funds.

In San Francisco today, every child begins school in the financial mainstream, with a financial asset in their own name. The program has over 27,000 accounts, and the savings rate in San Francisco through K2C is over six times the national average. Families have saved over \$2.3 million for college through K2C, and 50% of the families saving are in the National School Lunch program.

Looking Ahead

In 2017, the department will leverage its technology improvements to improve the efficiency of our inter-departmental work with San Francisco businesses. TTX is already the central place for billing and collections of fees and taxes; now City agencies and members of the public increasingly rely on TTX's business data for a variety of functions, made possible by the enhanced online business Account Update and new business registration application.

After several large-scale technology implementations, the joint effort among TTX, ASR and CON to secure and migrate to a modern property tax and appraisal systems will be a key focus for all the departments. As with past technology implementations, the efforts will be grounded in building a system that improves outcomes and efficiencies for the stakeholders; achieving accelerated results; and capitalizing on our strong operational backbone that enables us to move data and transactions quickly through multiple systems with little intervention.

The department will spearhead a procurement process for a credit card processing partner that meets a majority of the departments' needs as well as extend CCSF's overall online commerce offerings that enable residents to engage with us in ever more convenient ways.

TTX will also further expand upon its efforts in staff development; last year, TTX instituted new management factors for success. In the upcoming year, TTX will be implementing professional development for all managers and critical in-service days for staff. This will be structured to re-double our efforts to improve the overall work environment with the roll-out of alternative work schedules and flexible time, office-wide communications and recognitions and improving work practices with a focus on employee satisfaction.

As TTX enters into the fourth year of implementation of the new business taxes (Gross Receipts Expense Tax and Administrative Office Tax along with the new configuration for Registration Tax), TTX is creating a new section – Compliance & Audit that brings together two different sections, Investigations and Audit, and adds a new data analytics team. The driver of this change is the increased data available to the department that enables diversification of our compliance, audit and field work approaches. The expected outcome is greater compliance with San Francisco taxes by businesses.

TTX will continue to meet the voters and legislators mandates by implementing the Sugary Drinks Tax as well as review new options related to the production and sale of cannabis.

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 first 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.

Treasurer 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.

David Augustine, Tax Collector



In March 2013, Treasurer José Cisneros appointed David Augustine as San Francisco Tax Collector. 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 investments, banking, cashing, remittance, and general customer service for the Office of the Treasurer and Tax Collector.

Ms. Marx serves as Board President for the City & County of San Francisco Retiree Health Care Trust Fund and is a Board Member of the Government Finance Officers Association. She previously served as President of the California Society of Municipal Finance Officers.

Ms. Marx 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.

Tajel Shah, Deputy Director



As Deputy Director, Tajel Shah heads finance and budget, solutions management and IT and human resources.

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.