



# Memorandum

**TO:** PUBLIC SAFETY, FINANCE AND STRATEGIC SUPPORT COMMITTEE      **FROM:** Drew Corbett

**SUBJECT:** First Quarter Financial Reports for Fiscal Year 2024-2025      **DATE:** November 6, 2024

Approved *Bchemtri*

Date: 11/8/2024

**COUNCIL DISTRICT:** Citywide

## **RECOMMENDATION**

- (1) Accept the First Quarter (period ended September 30, 2024) Financial Reports for Fiscal Year 2024-2025 for the following programs:
  - (a) Debt Management;
  - (b) Investment Management;
  - (c) Revenue Management; and
  - (d) Purchasing and Risk Management; and
- (2) Refer and cross-reference the First Quarter Financial Reports for Fiscal Year 2024-2025 to the December 17, 2024, City Council meeting for full adoption.

## **SUMMARY AND OUTCOME**

Provide the quarterly update on debt management, investment management, revenue management, purchasing, and risk management activities.

## **BACKGROUND**

The attached First Quarter Financial Reports for Fiscal Year (FY) 2024-2025 (quarter ended September 30, 2024) (Financial Reports) present the quarterly activity for the City of San José (City) Finance Department's Debt Management, Investment Management, Revenue Management, Purchasing, and Risk Management programs

(Attachment A). Additionally, the First Quarter Investment Report for the Quarter Ended September 30, 2024, (Attachment B) is available on the Finance Department web page<sup>1</sup> and is included as part of this report to the Committee. As part of the ongoing effort to streamline work efforts within the Finance Department, these programs are combined into a single report for submission to the Public Safety, Finance and Strategic Support Committee (PSFSS Committee) for its review and referral to the City Council for acceptance.

## **ANALYSIS**

A brief narrative discussion is provided below for all programs in this quarterly report:

### **Debt Management Program**

This report focuses on the City's completed debt activities for the period ended September 30, 2024, and the activities anticipated in the following quarter ending December 31, 2024, and relates to the following elements of the City's Debt Management Program:

- Completed financings and current debt portfolio;
- Debt issuance, redemptions, and management activities completed during the first quarter and anticipated in the second quarter (October 1, 2024, through December 31, 2024); and
- Current interest rate environment as of September 30, 2024, and credit ratings.

### **Investment Management Program**

Pursuant to the City's Investment Policy, verbal presentations, in addition to the written reports, are provided to the PSFSS Committee for the Second and Fourth Quarter Reports. The materials presented in this consolidated report provide a "snapshot" of the investment portfolio.

### **Revenue Management Program**

The Revenue Management report highlights key aspects of the City's ongoing collection efforts. These efforts focus on reducing delinquent accounts receivable and enhancing revenue compliance through four primary collection programs: Accounts Receivable, Business Tax, Revenue Compliance and Monitoring, and Utility Billing. This report highlights the Revenue Management Division's collection efforts and summarizes the progress toward maintaining a Return-on-Investment ratio<sup>2</sup> of 5.0 to 1. The first quarter FY 2024-25 Return on Investment is 4.0 to 1.

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<sup>1</sup> <https://www.sanjoseca.gov/your-government/departments-offices/finance/reports/-folder-450>

<sup>2</sup> Revenue Management Return-on-Investment ratio is defined as the dollars of revenue collected to the dollars of staffing costs (including salary and benefits) for revenue collection.

Overview of the Collection Process – City departments issue invoices for various fines, fees, or other costs incurred by the City. Invoices are entered in the City’s centralized Accounts Receivable system, or the invoices are referred to the Accounts Receivable group for accounts generated by City departments through stand-alone billing systems. Each department is responsible for the initial invoicing of the appropriate parties.

If an account has an unpaid balance after 30 days, a delinquency notice, including any additional interest, penalties, and applicable fees, is generated and mailed to the debtor. The account is then assigned to an Investigator Collector in the Finance Department, who begins the revenue collection process by contacting the debtor to attempt to collect the past due amount. After 60 days, a second collection notice, including any additional interest, penalties, and other fees, is mailed to the debtor. At this point, a collection cost recovery fee is added to each account. This cost recovery fee is reviewed and set on an annual basis. After approximately 120 days, the Senior Investigator Collector reviews each remaining delinquent invoice with the Investigator Collectors to determine the appropriate action to take against the debtor to collect the outstanding balances.

### **Purchasing Program**

The Purchasing report highlights the key aspects of the City’s purchasing operations. The Purchasing Unit is responsible for the centralized procurement of equipment, supplies, materials, information technology, and non-consulting services, pursuant to Chapter 4.12 of Title 4 of the San José Municipal Code. The Purchasing Unit’s objective is to deliver procurement and contracting services pursuant to public procurement best practices.

### **Risk Management Program**

The Risk Management report highlights the key aspects of the City’s Risk Management Program. The Risk Management Unit is responsible for the procurement and oversight of the City’s property and casualty insurance programs. The Risk Management Unit also provides contractual risk management services, property subrogation claims reporting, and other key services to City departments, including enterprise departments such as the Airport Department and San José – Santa Clara Regional Wastewater Facility.

This quarter, the Risk Management Unit highlights include:

- Completing the Citywide Insurance Renewals;
- Collaborating with the Information Technology Department to migrate the Certificate of Insurance Database to SharePoint; and
- Facilitating loss prevention engineering visits by the City’s property insurer to the McEnery Convention Center and the Police Department Substation.

### **EVALUATION AND FOLLOW-UP**

The Finance Department prepares this report on a quarterly basis for review and approval by the PSFSS Committee. Finance Department staff will be available to answer questions on the Financial Reports at the PSFSS Committee meeting on November 21, 2024, and City Council meeting on December 17, 2024.

### **COORDINATION**

This memorandum has been coordinated with the City Attorney's Office and City Manager's Budget Office.

### **PUBLIC OUTREACH**

This memorandum will be posted on the City Council Agenda website for the November 21, 2024, PSFSS Committee meeting and the December 17, 2024, City Council meeting.

### **COMMISSION RECOMMENDATION AND INPUT**

No commission recommendation or input is associated with this action.

### **CEQA**

Not a project, Public Project number PP17-010, City Organizational & Administrative Activities, resulting in no changes to the physical environment.

### **PUBLIC SUBSIDY REPORTING**

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/  
DREW CORBETT  
Acting Director of Finance

For questions, please contact:

<b>Program</b>	<b>Finance Contact</b>	<b>Finance Division</b>	<b>Phone</b>
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Revenue Management	John Kachmanian	Deputy Director, Revenue Management	(408) 535-7034
Purchasing Risk Management	Albie Udom	Deputy Director, Purchasing & Risk Management	(408) 535-7059

**ATTACHMENTS:**

Attachment A: First Quarter Financial Reports for Fiscal Year 2024-2025

Attachment B: First Quarter Investment Report for the Quarter Ended September 30,  
2024