



COUNCIL AGENDA: 9/19/2023

ITEM: 3.4

FILE NO: 23-1260

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Toni J. Taber, CMC
City Clerk

SUBJECT: SEE BELOW

DATE: September 19, 2023

SUBJECT: Fourth Quarter Financial Reports for Fiscal Year 2022-2023

Recommendation

As recommended by the Public Safety, Finance and Strategic Support Committee on August 17, 2023, accept the Fourth Quarter (period ended June 30, 2023) Financial Reports for Fiscal Year 2022-2023 for the following programs:

- (a) Debt Management;
- (b) Investment Management;
- (c) Revenue Management; and
- (d) Purchasing and Risk Management.

CEQA: Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action. (Finance)

[Public Safety, Finance and Strategic Support Committee referral 8/17/2023 - Item (d)1]



Memorandum

TO: PUBLIC SAFETY, FINANCE, AND
STRATEGIC SUPPORT COMMITTEE

FROM: Rick Bruneau

**SUBJECT: FOURTH QUARTER FINANCIAL
REPORTS FOR FISCAL YEAR
2022-2023**

DATE: August 2, 2023

Approved

Date

8/10/2023

RECOMMENDATION

- (1) Accept the Fourth Quarter (period ended June 30, 2023) Financial Reports for Fiscal Year 2022-2023 for the following programs:
 - (a) Debt Management;
 - (b) Investment Management;
 - (c) Revenue Management; and
 - (d) Purchasing and Risk Management.
- (2) Refer and cross-reference the Fourth Quarter Financial Reports for Fiscal Year 2022-2023 to be heard by the full City Council for approval at its meeting on September 19, 2023.

SUMMARY AND OUTCOME

The report provides City Council with the quarterly update on the City's debt management, investment management, revenue management, purchasing, and risk management activities.

BACKGROUND

The attached Fourth Quarter Financial Reports for Fiscal Year 2022-2023 (quarter ended June 30, 2023) (Financial Reports) present the quarterly activity for the City of San José (City) Finance Department Debt Management, Investment Management, Revenue Management, Purchasing, and Risk Management programs (Attachment A). Additionally, the Investment Report for the Quarter Ended June 30, 2023 (Attachment B) was distributed to the City Council

via email and is available on the Finance Department web page¹, as well as being 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 Public Safety, Finance, and Strategic Support Committee (PSFSS Committee) review and referral to the City Council for acceptance.

ANALYSIS

A summary of the contents of the attached Financial Reports is provided below for all programs in this quarterly report:

- Debt Management
- Investment Management
- Revenue Management
- Purchasing Management
- Risk Management

Debt Management Program

This Fourth Quarter Debt Report focuses on the City's debt activities for the period ended June 30, 2023, and the following quarter ending September 30, 2023, 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 fourth quarter and anticipated in the first quarter (July 1, 2023, through September 30, 2023); and
- Current interest rate environment as of June 30, 2023, and credit ratings.

Investment Management Program

Pursuant to the City Investment Policy, verbal presentations in addition to the written reports are provided to the Public Safety, Finance, and Strategic Support Committee for the Second and Fourth Quarter Reports. The materials presented in this consolidated report provide a "snapshot" of the investment portfolio. The Investment Report will be agendized for acceptance by the City Council pursuant to the Investment Policy.

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

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

Management Division's collection efforts and summarizes the progress toward maintaining a Return-on-Investment ratio of 5 to 1. The Fourth Quarter Fiscal Year (FY) 2022-2023 Return on Investment is 5.0 to 1; the Return on Investment for the full FY 2022-2023 is 5.4.

Overview of 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.

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 Investigator Collectors to determine the appropriate action to take against the debtor to collect the outstanding balances.

Accounts Receivable Amnesty Program – The Accounts Receivable Amnesty Program was developed to encourage delinquent debtors to pay any past-due amounts owed to the City. Participants in the Amnesty Program have their respective delinquency fees waived, once full payment of the principal balance was received. The Amnesty Program application period began November 1, 2022, and continued through June 30, 2023, with eligibility limited to invoices billed between April 2020 to August 2021 (during the height of the pandemic). The debt owed to the City may not pertain to a tax, license, or lien collectible, and the debtor must have outstanding delinquent fees remaining.

Activities during the Fourth Quarter included mailing the detailed final notices to the eligible participants, which aided in managing staff efforts in responding to submitted applications. The Revenue Management Phone Tree was also updated to add an option placing callers interested in the Amnesty Program directly in contact with Accounts Receivable staff. As of June 30, 2023, the total collected for this program was approximately \$184,000. Additionally, there are approximately \$37,500 in invoices with pending payment plans. Staff contemplates a final report on the Accounts Receivable Amnesty Program to be presented to the Committee with the First Quarter Financial Reports for Fiscal Year 2023-2024.

Purchasing Program

The Purchasing Report highlights the key aspects of the City's purchasing operations. The Purchasing Program of the Finance Department 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 Program's mission is to

deliver procurement and contracting services pursuant to public procurement best practices. The Purchasing Program is also leading two strategic initiatives on the City's Initiative Roadmap.

Citywide Disparity Study. The City's partner in the study, MGT Consulting of America LLC (MGT), continued outreach activities to engage local businesses to share their experiences attempting to or doing business with the City. Since the last report to this Committee, City staff and MGT acted to increase the Disparity Study participation rate by: (i) conducting more targeted outreach to contractors using data that has been cross-verified from various City sources; (ii) working with the Mayor's Office to record a call-to-action video for local contractors; and (iii) initiating a social media campaign using the City's communications platform. MGT has reported an increase in participation from local businesses as a result of the targeted outreach activities. MGT anticipates an additional increase in participation once the Mayor's video is published.

Currently, the target date for completion of the study is October 2023. MGT began development of the final report and provided draft sections of the report for initial staff comments. Purchasing will provide an updated report on these efforts in the First Quarter FY 2023-2024 report to this Committee.

Procurement Improvement Initiative. A proposed ordinance to implement the City Council approved changes to Title 4 of the San José Municipal Code will be presented to the City Council for consideration in September 2023. Staff continues to review the recommendations in the report of the Procurement Improvement Study and assess options for future adoption and implementation.

Risk Management Program

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

This quarter, the Risk Management Division collaborated with San José Mineta International Airport to complete an onsite property appraisal of the airport and resolved three property damage claims totaling approximately \$325,000 in insurance recoveries for City Departments, as summarized in the attached report.

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 Fourth Quarter Financial Reports for Fiscal Year 2022-2023 at the PSFSS Committee meeting on August 17, 2023.

August 2, 2023

Subject: Fourth Quarter Financial Reports for Fiscal Year 2022-2023

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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 website for the August 17, 2023, PSFSS Committee meeting and on the September 19, 2023, City Council agenda.

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/

RICK BRUNEAU
Director of Finance

PUBLIC SAFETY, FINANCE, AND STRATEGIC SUPPORT COMMITTEE

August 2, 2023

Subject: Fourth Quarter Financial Reports for Fiscal Year 2022-2023

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For questions please contact:

Program	Finance Contact	Finance Division	Phone
Debt Management	Qianyu Sun	Deputy Director, Debt & Treasury Management	(408) 535-7832
Investment Management	Qianyu Sun	Deputy Director, Debt & Treasury Management	(408) 535-7832
Revenue Management	John Kachmanian	Deputy Director, Revenue Management	(408) 535-7034
Purchasing	Albie Udom	Deputy Director, Purchasing & Risk Management	(408) 535-7059
Risk Management	Albie Udom	Deputy Director, Purchasing & Risk Management	(408) 535-7059

ATTACHMENTS

Attachment A: Fourth Quarter (period ended June 30, 2023) Financial Report for Fiscal Year 2023-2024

Attachment B: Investment Report for the Quarter Ended June 30, 2023