



Memorandum

TO: PUBLIC SAFETY, FINANCE, AND
STRATEGIC SUPPORT COMMITTEE

FROM: Julia H. Cooper

SUBJECT: **FOURTH QUARTER FINANCIAL
REPORTS FOR FISCAL YEAR
2018-2019**

DATE: July 31, 2019

Approved

Date

8/2/19

RECOMMENDATION

- (1) Accept the Fourth Quarter (period ended June 30, 2019) Financial Reports for Fiscal Year 2018-2019 for the following programs:
 - (a) Debt Management
 - (b) Investment Management
 - (c) Revenue Management; and
- (2) Refer the Fourth Quarter Financial Reports for Fiscal Year 2018-2019 to the September 10, 2019, City Council Meeting for full adoption.

OUTCOME

Provide the quarterly update on debt management, investment management, revenue management work efforts, and write-off uncollectable debt.

BACKGROUND

The attached Fourth Quarter Financial Reports for Fiscal Year 2018-2019 presents the Finance Department's quarterly activity for the City's Debt Management, Investment Management, and Revenue Management programs (Attachment A). Additionally, the Fourth Quarter Investment Report has been distributed to the City Council via email and is available on the Finance Department web page¹. As part of the ongoing effort to streamline work efforts within the

¹ <http://www.sanjoseca.gov/index.aspx?NID=759>

Finance Department, these three reports are combined in one single report for submission to the Public Safety, Finance, and Strategic Support Committee ("PSFSS Committee") for its review and acceptance. A brief narrative discussion is provided below for all three components of this quarterly report.

ANALYSIS

This section of the report is divided into the following sections: Debt Management Program, Investment Management Program, and Revenue Management Program.

Debt Management Program

This Fourth Quarter Debt Report focuses on the City's debt activities for the period ended June 30, 2019, and relates to the following elements of the City's Debt Management Program:

- Completed financings and current debt portfolio
- Debt issuance and management activities completed and anticipated to fiscal year end
- Current interest rate environments and credit ratings

The City's current general obligation bonds are rated Aa1/AA+/AA+ and lease revenue bonds are rated Aa2-Aa3²/AA/AA by the Moody's Investors Services Inc., Standard & Poor's Ratings Services, and Fitch Ratings, respectively. These ratings are based on the rating reviews through June 30, 2019.

Investment Management Program

A quarterly investment report for the period ended June 30, 2019, was distributed separately to the Mayor and City Council and is posted on the Finance Department website. 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 that are presented in this consolidated report provide a "snapshot" of the investment portfolio. The report will be agendized for acceptance by the City Council pursuant to the Investment Policy.

Revenue Management Program

The Revenue Management report highlights the 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, Compliance and Monitoring, and Utility Billing. This report provides the highlights of the Revenue Management Division's collection efforts and summarizes the progress towards maintaining a return on investment ratio of 5.5 to 1. Actual return on investment through the fourth quarter of fiscal year 2018-19 is 6.2 to 1.

² Moody's determines its lease revenue bond ratings in part based on "essentiality" of leased asset; bonds tied to an essential asset, like City Hall carries higher rating (Aa2) than bonds tied to a less essential asset such as Convention Center (Aa3)

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EVALUATION AND FOLLOW-UP

The Finance Department prepares this report on a quarterly basis for review and approval by the PSFSS Committee. The Finance Department staff will be available to answer questions on the Fourth Quarter Financial Reports for Fiscal Year 2018-2019 at the PSFSS Committee meeting on August 15, 2019.

PUBLIC OUTREACH/INTEREST

This memorandum will be posted on the City's website for the August 15, 2019, PSFSS Committee meeting and the September 10, 2019, City Council meeting.

COORDINATION

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

/s/

JULIA H. COOPER
Director of Finance

For questions, please contact Lisa Taitano, Assistant Director of Finance, at (408) 535-7041.

Attachment A: Fourth Quarter Financial Reports for Fiscal Year 2018-2019