



Memorandum

TO: PUBLIC SAFETY, FINANCE, AND
STRATEGIC SUPPORT COMMITTEE

FROM: Julia H. Cooper

SUBJECT: SECOND QUARTER FINANCIAL
REPORTS FOR FISCAL YEAR
2019-2020

DATE: February 5, 2020

Approved

Date

2-6-2020

RECOMMENDATION

- (1) Accept the Second Quarter (period ending December 31, 2019) Financial Reports for Fiscal Year 2019-2020 for the following programs:
 - (a) Debt Management
 - (b) Investment Management
 - (c) Revenue Management; and
- (2) Refer the Second Quarter Financial Reports for Fiscal Year 2019-2020 to the March 10, 2020, City Council Meeting for full adoption.

OUTCOME

Provide the quarterly update on debt management, investment management, and revenue management work efforts.

BACKGROUND

The attached Second Quarter Financial Reports for Fiscal Year 2019-2020 presents the Finance Department's quarterly activity for the City's Debt Management, Investment Management, and Revenue Management programs (Attachment A). Additionally, the Second 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 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 Second Quarter Debt Report focuses on the City's debt activities for the period ended December 31, 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-Aa3^[1]/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 December 31, 2019.

Investment Management Program

A quarterly investment report for the period ended December 31, 2019, was distributed separately to the Mayor and City Council and is posted on the Finance Department website¹. 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.

¹<https://www.sanjoseca.gov/Home/ShowDocument?id=50377>

^[1] 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)

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, Revenue 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 second quarter of fiscal year 2019-20 is 6.2 to 1. This report also includes a status summary of the Business Tax Amnesty Program ("Amnesty Program").

Business Tax Amnesty Program

The Amnesty Program commenced on October 1, 2019 and ends March 27, 2020. This limited-time program forgives penalties and interest on past-due business taxes when the business pays the principal amount owed. To date, outreach efforts have included direct mailing of nearly 30,000 notices, distributing program flyers to business organizations and associations, running paid advertisements in newspapers, radio stations, VTA buses, and a series of press releases and social media posts. The outreach efforts have focused on providing information across the City's diverse communities and organizations. We achieved this by placing advertisements regarding the Amnesty Program in the El Observador and Thang Mo newspapers, translated into Spanish and Vietnamese, respectively. Additionally, we provided informational flyers to many business organizations and associations represented on the Small Business Advisory Task Force for distribution through their network.

Between October 1 and December 31, 2019, over 1,250 businesses have registered, updated tax parameters, or paid delinquent taxes. The program has yielded nearly \$700,000 in revenue through December 31, 2019, with \$300,000 representing new and on-going revenue.

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 Second Quarter Financial Reports for Fiscal Year 2019-2020 at the PSFSS Committee meeting on February 20, 2020.

PUBLIC OUTREACH/INTEREST

This memorandum will be posted on the City's website for the February 20, 2020, PSFSS Committee meeting and the March 10, 2020, City Council meeting.

COORDINATION

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



JULIA H. COOPER
Director of Finance

For questions, please contact Luz Cofresi-Howe, Assistant Director, at (408) 535-7041.

Attachment A: Second Quarter Financial Reports for Fiscal Year 2019-2020