



# Memorandum

**TO:** PUBLIC SAFETY, FINANCE AND STRATEGIC SUPPORT COMMITTEE

**FROM:** Maria Öberg

**SUBJECT:** Third Quarter Financial Reports for Fiscal Year 2025-2026

**DATE:** May 28, 2026

Approved

Date June 3, 2026

**COUNCIL DISTRICT:** Citywide

## RECOMMENDATION

- (a) Accept the Third Quarter (period ended March 31, 2026) Financial Reports for Fiscal Year 2025-2026 for the following programs:
  - (1) Debt Management;
  - (2) Investment Management;
  - (3) Revenue Management; and
  - (4) Purchasing and Risk Management;
- (b) Refer the Third Quarter Financial Reports for Fiscal Year 2025-2026 to the August 11, 2026, City Council meeting for full adoption.
- (c) Forward recommendation to the City Council for the August 11, 2026 City Council meeting to adopt a resolution authorizing the Director of Finance to write off uncollectible debts in an amount up to \$880,829.08.

## SUMMARY AND OUTCOME

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

## BACKGROUND

The attached Third Quarter Financial Reports for Fiscal Year (FY) 2025-2026 (quarter ended March 31, 2026) (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 Third Quarter Investment Report for the Quarter Ended March 31, 2026, (Attachment B) is available on the Finance Department web page<sup>1</sup> and is included with this report to the Public Safety, Finance and Strategic Support Committee (PSFSS 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 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 discusses the City's completed debt activities for the period ended March 31, 2026, 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 second quarter;
- Current interest rate environment as of March 31, 2026; 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 only. 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 towards maintaining a Return-on-Investment ratio of 5.0 to 1. The Q3 FY 2025-26 Return on Investment is 6.0 to 1, and FYTD 2025-26 return on investment is 5.2 to 1.

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

*Overview of Collection Process* – City departments issue invoices for various fines, fees, or other costs incurred by the City. Invoices are entered into the City's centralized Accounts Receivable system or referred to the Accounts Receivable group for accounts generated by City departments through stand-alone billing systems. Each department is responsible for the initial billing 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 Investigator Collectors to determine the appropriate action to take against the debtor to collect the outstanding balances.

For San José Clean Energy (SJCE), an enterprise that operates as a division within the Energy Department of the City, billing and collections generation is performed by Pacific Gas & Electric Company (PG&E). SJCE customers receive a single bill with both PG&E charges and SJCE charges each billing cycle, which is due approximately 21 days from issuance. PG&E's policy is to cease customer collection efforts on behalf of SJCE when the customer has closed their account and PG&E has been unsuccessful in collecting for 52 days post-closure. A final delinquency letter is sent to the customer by PG&E advising further, separate collection efforts will be assumed by SJCE and PG&E for their respective portions due. The Energy Department, in coordination with the Revenue Management Division, may assign SJCE accounts to an outside collection agency upon issuance of a Final Delinquency Notice stating the account may be assigned to a collection agency, or may be referred for legal action, if payment is not made within a specified period of time.

*Overview of the Bad Debt Write-Off Process* – In addition to proactively collecting the City's delinquent accounts, it is important to write off the City's uncollectible debts to ensure the accuracy of the City's financial statements. On a periodic basis, the Finance Department, in coordination with departments and the City Manager's Budget Office, establishes reserves for bad debt to cover potential write-offs of uncollectible accounts. The bad debt reserves are funded as an estimate of total billings each year in each revenue category billed. The accounts recommended for bad debt write-off will be offset by bad debt reserves that have been established. To accurately reflect SJCE uncollectible accounts, the Energy Department has established a bad debt revenue contra account wherein a monthly estimate for uncollectible customer accounts is recognized as a percentage of

invoice aging, based on historical collection trends.

The annual analysis of the City's bad debt reserve is conducted by the Finance Department and reviewed by the City Manager's Budget Office during the year-end closing process. In addition, during the preparation of the City's annual financial statements, the City's external auditors review the City's bad debt exposure as well as the adequacy of the bad debt reserves.

The Director of Finance is authorized to write off as uncollectible any account or claim not exceeding five thousand dollars (\$5,000). No account or claim of the City exceeding \$5,000 may be written off as uncollectible without the express authorization of the City Council.

As accounts are considered for write-off through the City's evaluation process, the following criteria are used to determine if an account should be written off as bad debt:

- Debtor has no assets, is out of business, or has no indication of future assets;
- Debtor is deceased and has no estate;
- Debtor is incarcerated for an extended or unknown period;
- Debtor filed bankruptcy;
- Debtor “skipped”, moved, or sold property with no forwarding information; and/or
- Statute of limitations can be asserted as a defense to collection.

The Finance Department recommends the PSFSS Committee forward the Citywide Write-Off Report (Attachment C) of delinquent SJCE accounts, with delinquent balances totaling \$880,829.08, to the full City Council for write-off approval. It should be noted that a write-off is not a relinquishment of the City's claim for debts due to the City. Should new information arise that changes the collectability of these claims, the City may attempt to collect payment.

**Business Tax Amnesty Program** – The Amnesty Program increases statutory compliance while providing needed financial relief for City residents and businesses, by authorizing the Director of Finance to waive the respective late fees, interest, and other collection levies on any base taxes, fees and charges collected. The Program application period began January 1, 2026, and will continue through December 31, 2026. Registered and unregistered businesses owing the City business tax from January 1, 2022, through December 31, 2026, are eligible for amnesty forgiveness.

Table 1 below presents a final overview of both completed programs.

**TABLE 1**

| <b>Program Stats through March 31, 2026</b> |         |
|---|---------|
| <b>Projected Revenue</b>                    | \$2.9M  |
| <b>FY25-26 Payments</b>                     | \$1.11M |

|                                |                |
|--------------------------------|----------------|
| <b>Program Expenses</b>        | (\$45K)        |
| <b>Net Revenue</b>             | <b>\$1.07M</b> |
| <b>Amnesty Waivers to Date</b> | (\$520K)       |

### 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 general 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.

Additional information has been provided in this quarter's report to highlight the status of a recent City audit. In August 2025, the Office of the City Auditor completed an audit of Purchasing functions entitled "*Procurement: The City Should Review its Risk Strategy, Performance Measurement, and Guidance to Improve the Procurement Process*<sup>2</sup>." Eight recommendations were provided as a result of this audit. As of the most recent status report of open audit recommendations provided on December 31, 2025<sup>3</sup>, two recommendations have been fully implemented with another recommendation partly implemented. The target implementation date for the remaining recommendations is June 30, 2026.

### 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.

### 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 present the investment report and will be available to answer questions on the Financial Reports at the PSFSS Committee meeting on June 18, 2026, and at the City Council meeting on August 11, 2026.

<sup>2</sup> <https://www.sanjoseca.gov/home/showdocument?id=123964>

<sup>3</sup> <https://www.sanjoseca.gov/home/showpublisheddocument/129507/639090157875500000>

### **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 June 18, 2026, PSFSS Committee meeting and the August 11, 2026, 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.

  
MARIA ÖBERG  
Director of Finance

*For questions please contact:*

| <b>Program</b>        | <b>Finance Contact</b> | <b>Finance Division</b>                     | <b>Phone</b>   |
|-----------------------|------------------------|---|----------------|
| Debt Management       | Qianyu Sun             | Deputy Director, Debt & Treasury Management | (408) 535-7832 |
| Investment Management |                        |   |                |
| Revenue Management    | John Kachmanian        | Deputy Director, Revenue Management         | (408) 535-7034 |
| Purchasing            | Fletcher Barnes        | Acting Deputy Director, Purchasing          | (408) 535-7017 |
| Risk Management       | Hank Ford              | Risk Manager                                | (408) 535-3868 |

**ATTACHMENTS:**

Attachment A: Third Quarter Financial Reports for Fiscal Year 2025-2026 Presentation

Attachment B: Third Quarter Investment Report for the Quarter Ended March 31, 2026

Attachment C: Third Quarter Write-Off Report for Fiscal Year 2025-2026