



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Toni J. Taber, CMC
City Clerk

SUBJECT: SEE BELOW

DATE: September 10, 2024

SUBJECT: Fourth Quarter Financial Reports for Fiscal Year 2023-2024

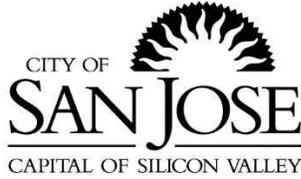
Recommendation

As recommended by the Public Safety, Finance and Strategic Support Committee on August 15, 2024, accept the Fourth Quarter (period ended June 30, 2024) Financial Reports for Fiscal Year 2023-2024 for the following debt 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 8/15/2024 – Item (d)1]



Memorandum

TO: PUBLIC SAFETY, FINANCE AND STRATEGIC SUPPORT COMMITTEE **FROM:** Rick Bruneau

SUBJECT: Fourth Quarter Financial Reports for Fiscal Year 2023-2024 **DATE:** July 31, 2024

Approved

Date: 8/5/2024

COUNCIL DISTRICT: Citywide

RECOMMENDATION

- (1) Accept the Fourth Quarter (period ended June 30, 2024) Financial Reports for Fiscal Year 2023-2024 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 Fourth Quarter Financial Reports for Fiscal Year 2023-2024 to the September 10, 2024 City Council meeting for full adoption.

SUMMARY AND OUTCOME

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

BACKGROUND

The attached Fourth Quarter Financial Reports for Fiscal Year (FY) 2023-2024 (quarter ended June 30, 2024) (Financial Reports) presents 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 Fourth Quarter Investment Report for the Quarter Ended June 30, 2024 (Attachment B) is available on the Finance Department web page¹ and is included as part of 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 focuses on the City's debt activities for the period ended June 30, 2024 and the following quarter ending September 30, 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 fourth quarter and anticipated in the first quarter (July 1, 2024 through September 30, 2024); and
- Current interest rate environment as of June 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 of 5.0 to 1. The fourth quarter FY 2023-24 Return on Investment is 3.9 to 1, and cumulative FY 2023-24 fiscal year return on investment is 5.5 to 1.

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 or referred to the Accounts Receivable

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

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 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 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:

- Facilitated seven property loss prevention visits, including visits to City Hall, the SAP Center, and Sharks Ice at San José;
- Negotiated \$146,168 in collateral return to the Airport Department related to the Terminal Area Improvements Project Owner Controlled Insurance Program; and
- Completed property appraisals of the McEnery Convention Center, the Center for Performing Arts, the Hammer Theater, the Civic Auditorium, and all three City-owned golf courses.

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 August 15, 2024 and City Council meeting on September 10, 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 August 15, 2024 PSFSS Committee meeting and the September 10, 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/
RICK BRUNEAU
Director of Finance

For questions, please contact:

Program	Finance Contact	Finance Division	Email/Phone
Debt Management Investment Management	Qianyu Sun	Deputy Director, Debt & Treasury Management	qianyu.sun@sanjoseca.gov; (408) 535-7832
Revenue Management	John Kachmanian	Deputy Director, Revenue Management	john.kachmanian@sanjoseca.gov; (408) 535-7034
Purchasing Risk Management	Albie Udom	Deputy Director, Purchasing & Risk Management	albie.udom@sanjoseca.gov; (408) 535-7059

ATTACHMENTS:

Attachment A: Fourth Quarter Financial Report for Fiscal Year 2023-2024

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