



MEMORANDUM

TO: Hon. Matt Haney, Chair, Budget and Finance Committee
FROM: José Cisneros, Treasurer
DATE: June 11, 2021
RE: FY 2021-2022 Budget Principles

I am proud to submit the budget for the Office of the Treasurer & Tax Collector for FY 2021-2022. As part of the submission, you requested that we respond to three guiding questions: How are you eliminating corruption and waste? How are you working urgently to rebuild a better city post-COVID? How are you innovating away from failed policies by focusing on impact? We will touch on these during our presentation, but also wanted to submit a more detailed response in writing.

Eliminating Corruption and Waste

An elected Treasurer in the State of California is charged with the safe keeping of all money belonging to the county, and with this fiduciary responsibility comes a myriad of controls codified in state law, as well as significant fiscal and audit oversight from the Controller's office. I am proud that during my tenure as Treasurer, my Office has upheld our fiduciary responsibility to the taxpayers through sound investment of our county pooled investment fund and robust revenue collection. Our office has had no findings from either the Controller's Office audits or outside auditors related to core responsibilities in the areas of cash handling, banking operations and investments. More importantly, our Office produces the citywide policies for other departments in those areas.

We have several protections in place to ensure transparent and effective contract performance and spending oversight. We require all contracting staff to complete on-going training for Prop Q Delegated Departmental Purchasing, Core Interactive Ethics and Sunshine. In addition, all staff must participate in the Cyber Security Trainings. Our accounts payable functions rely on a separation of duties and dual signatures to ensure oversight at every level of purchasing. Our professional services are competitively selected through requests for proposals, and final contracts have three signatures from the Chief Assistant Treasurer, City Attorney's Office, and Office of Contract Administration. Our contracts include milestone payments based on anticipated completion dates. We complete Ethics Commission forms for any request for proposals or fully approved contracts over \$100,000.

We execute our fiduciary duties with diligence. We have multiple safeguards built into our processing, accounting, and investing of funds. We issue a monthly report on the Pooled Fund Portfolio Statistics by current month balance and fiscal year to date to the Board of Supervisors and the Mayor. We serve as a citywide leader on all banking and cash handling issues. We issue a daily report to catch any discrepancies between the three key accounting systems: Cashiering, Subsystem and F&P. We write the policies and procedures for Citywide Banking, and ensure Departments are meeting Payment Card Industry standards. We lead annual Cash Handling trainings. Our Offices procedures and reports are central to the City's Annual Financial Report released by the Controller's Office. The department has a robust Statement of Incompatible Activities to prevent conflicts of interest or the appearance of conflicts of interest. Nearly every TTX staff member must file annual financial disclosures. The department also has up-to-date systems for cashiering, tax administration (business and property), delinquent collections and document processing that allow for transparency and controls.

Our audit record is strong. Every quarter, the Controller's office conducts unannounced audits of the cash handled in City Hall's cashier window for exceptions and verifies the amount in the bank records match the cash on hand in the accounts.

Rebuilding a Better City Post-COVID

Throughout the pandemic, we focused on:

1. Supporting small businesses and property taxpayers through the implementation of tax and fee deferrals and waivers, suspending collection activities, and targeted communication campaigns
2. Offering financial resources for low-income residents, and providing fine and fee relief
3. Leading the City's implementation of emergency cash assistance and guaranteed income programs

Supporting small businesses and taxpayers

Multiple secured property tax payment deadlines passed during the pandemic and early on it became clear that certain property owners were accustomed to in-person property tax payments and wished to continue to make payments in this manner. These property owners were generally older, and many were not English proficient. With this knowledge, we developed a communications outreach plan to reach those taxpayers via in-language radio, print and social media with messages instructing them on the safety and convenience of paying online or via the mail. We simultaneously offered limited in-person payment options for those who still wished to make in-person payments.

Small businesses were significantly impacted by the pandemic, so the Office partnered with the Mayor and Board of Supervisors to take several unprecedented actions to provide relief to these businesses. Our Office implemented 10 deadline deferrals which impacted over 100,000 businesses and waived taxes and fees for small businesses that provides up to \$18 million in relief. Many of the deferred deadlines converged on April 30, 2021. These deadlines don't usually fall on the same day and are not related to relief, so the Office conducted extensive outreach to small business to make them aware of the actions they needed to take.

The Office will implement additional business tax and fee deferrals to provide relief to San Francisco businesses, including deferral of FY 2021-22 business registration renewal, as well as FY 2020-21 and FY 2021-22 License Fees. The Office will continue to provide high quality customer service using new modes of engagement that are direct, real time and contactless. For those business who struggle to pay, we will offer installment plans and an opportunity for fee waiver programs.

The Office will also complete implementation of Proposition F, the business tax overhaul approved by San Francisco voters in 2020. It became effective on January 1, 2021 and the Office moved to immediately make businesses aware of the changes, with a special focus on supporting small businesses who may need more assistance in understanding the elimination of the Payroll Expense Tax and full transition to the Gross Receipts Tax. The transition will be completed as businesses file Annual Business Tax returns in 2022.

Financial resources for low-income residents

Our Office of Financial Empowerment quickly pivoted its services to connect residents with relief available government and the private sector. We surveyed banks about their participation in the Paycheck Protection Program, and about their response to COVID-19 related to consumer and small business relief. Survey results were synthesized to create a report on how banks have responded and makes recommendations for the future, with a specific focus on black and brown communities. We served more than 600 clients in our free, confidential, one-on-one financial coaching program. We hosted a series of Facebook Live conversations and used various social media platforms to make sure needed information was clear and accessible.

The Financial Justice Project published a multi-lingual guide to Fine and Fee Discounts for People with Low Incomes, advised Departments on how to implement emergency relief measures, and spearheaded a multitude of reforms to fines and fees disparately impacting low-income communities of color.

Moving forward, we commit at least ten percent of budget to efforts that advance racial and economic equity, and we're working to assure that these are prioritized across all the work of our office. The Office of Financial Empowerment (OFE) and Financial Justice Project (FJP) support programs like Kindergarten to College and Smart Money Coaching, and the elimination of fines and fees through the Financial Justice Project.

Emergency cash assistance

When City agencies sought to quickly provide cash assistance to people in need, the Office leveraged our banking contracts and financial empowerment work to provide a quick and safe way for more than 7,000 residents to receive cash through the programs run by the Human Services Agency (HSA), Office of Economic and Workforce Development (OEWD), and the Human Rights Commission.

This work matured into a policy effort to support Guaranteed Income work. With the support of the Board of Supervisors in 2020-21 budget, we deepened our analysis of the impact of Guaranteed Income on taxes and benefits. We are working with several pilots to apply for waivers from state and federal programs, and will continue to utilize our banking contracts to make payments seamless and secure. We are providing ongoing staff support for the San Francisco Guaranteed Income Advisory Group and are working to develop, advise, and execute a robust playbook for Guaranteed Income work in the future.

Focusing on Impact

As we look ahead, there are several major efforts planned that will have a lasting impact on our City. Our office will seamlessly implement new business taxes - Cannabis Tax, Vacancy Tax, and Overpaid Executive Tax - passed by San Francisco voters while conducting extensive outreach to business taxpayers to assure that they understand and comply with the new laws.

We plan to continue our efforts to make online contactless payments the standard across the City. Our payment platform is scalable, user-friendly and has integrated into multiple departments backend systems while still providing a consistent user experience. This streamlined payment process is convenient for tax and fee payers and reduce costs for the City.

The Financial Justice Project (FJP) is proposing the elimination or reduction of numerous municipal fines and fees that have an adverse, disproportionate impact on people with low incomes and communities of color. FJP and the Mayor's Budget Office developed recommendations after conducting a review of municipal fines and fees. These actions aim to lift a financial burden off residents with low incomes who have struggled most during the COVID-19 pandemic. The proposed reforms are the next step in a multi-year process to reform the burdensome system of fines and fees that has included eliminating criminal justice fees, making jail phone calls free, and eliminating overdue library fines.

With the ten-year anniversary of Kindergarten to College approaching, we are preparing for the original kindergartners to graduate while making a concerted effort to reach low-income families of color by providing an equity incentive, encouraging college savings by increasing their initial seed money. We will also work to implement a technology platform to integrate K2C with California Treasurer's ScholarShare's 529 offering, to expand K2C's

reach, build interconnections between local CSAs and the emerging statewide programs, and chart a path to a groundbreaking hybrid 529/bank CSA model.

I look forward to presenting our budget and our continued partnership during these critical years of healing and rebuilding for our City.