



COUNCIL AGENDA: 06-05-12  
ITEM: 2.15

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Dennis Hawkins, CMC  
City Clerk

**SUBJECT:** SEE BELOW

**DATE:** 5-21-12

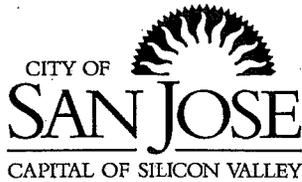
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**SUBJECT: THIRD QUARTER FINANCIAL REPORTS FOR FISCAL YEAR 2011-2012**

## RECOMMENDATION

As recommended by the Public Safety, Finance and Strategic Support Committee on May 17, 2012 and outlined in the attached memo previous submitted to the Public Safety, Finance and Strategic Support Committee:

- (a) Accept the Third Quarter Financial Reports for Fiscal Year 2011-2012; and
- (b) Adopt a resolution authorizing the Director of Finance to write off uncollectible debts in an amount up to \$541,974.74.



# Memorandum

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

**FROM:** Julia H. Cooper

**SUBJECT:** THIRD QUARTER FINANCIAL  
REPORTS FOR FISCAL YEAR  
2011-2012

**DATE:** May 3, 2012

Approved

Date

5/4/12

**COUNCIL DISTRICT:** City-Wide

## RECOMMENDATION

- a) Accept the Third Quarter Financial Reports for Fiscal Year 2011-2012.
- b) Forward recommendation to the City Council to adopt a resolution authorizing the Director of Finance to write off uncollectible Debts in an amount up to \$541,974.74.

## OUTCOME

Provide the quarterly update on debt management, investment management and revenue collection work efforts, and receive approval to forward to City Council recommendation for bad debt write-off.

## BACKGROUND

The attached Third Quarter Financial Reports for Fiscal Year 2011-2012 presents the Finance Department's quarterly activity for the City's Debt Management, Investment Management, and Revenue Collection programs. 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 (the "PSFSS Committee") for its review and acceptance. A brief narrative discussion is provided below for all three components of this quarterly report. Additionally, the Finance Department is charged with the responsibility of bringing forward periodic listing of bad debt for approval to "write off".

## **ANALYSIS**

This section of the report is divided into the following sections: Debt Management Program, Investment Management Program, and Revenue Collection Program, including Marijuana Business Tax and discussion of the accounts identified for "write off".

### **Debt Management Program**

The City's Debt Management Program is administered in the Treasury Division of the Finance Department and is responsible for managing the City's debt issuance and debt administration activities for all City borrowings (including the Housing Department's Affordable Housing Program).

The City's current general obligation bond rating is Aa1/AA+/AA+ by the Moody's Investors Services Inc., Standard & Poor's Ratings Services, and Fitch Ratings, respectively, based on the rating reviews through April 2012.

This Third Quarter Debt Report focuses on the City's debt activities for the period ended March 31, 2012, and relates to the following elements of the City's Debt Management Program:

- Completed financings and current portfolio
- Debt issuance and management activities completed
- Current long-term interest rate environment
- Performance of City's variable rate debt portfolio

The City continues to be recognized nationally for its best practices in debt management and strong financial management. This respect and recognition that the City has attained from the national finance community produces significant financial benefits for the City, such as excellent credit ratings and highly competitive bids for the City's bond issues.

### **Investment Management Program**

A Quarterly Investment Report for the period ended March 31, 2012 will be distributed separately to the Mayor and City Council and will be posted on the Finance Department website<sup>1</sup>. Pursuant to the City's Investment Policy, verbal presentations, in addition to the written reports, are provided to the PSFSS Committee on the Second Quarter 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.

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<sup>1</sup> <http://www.csjfinance.org/>

### Revenue Collection Program

The Revenue Collection report highlights the key aspects of the City's ongoing collection efforts. These efforts focused on reducing delinquent accounts receivable and enhanced revenue compliance in three primary collection programs: Business Tax, Accounts Receivable, and Revenue Compliance, and Monitoring. This report provides the highlights of the department's collection efforts and summarizes the progress towards meeting our budget collections target of \$2.65 million. Actual collections year-to-date are \$9.24 million which exceeds the collection target by \$6.59 million. Additionally, specific information is provided on the Marijuana Business Tax collections and compliance, and recommended write-offs.

#### **Marijuana Business Tax ("MBT")**

**MBT Revenue Collection** On February 14, 2012 the City Council directed the Finance Department to include updated information on Marijuana Business Tax collection and compliance activities in the Quarterly Report. The Marijuana Business Tax ("MBT") revenue generated for the three-month period ended March 31, 2012 was approximately \$1.0 million, which is calculated to include payments received for the December 2011, January and February 2012 MBT reporting periods. As of March 31, 2012, the year-to-date MBT collected for FY 2011-2012 was approximately \$2.4 million, which is comprised of \$2.3 million in taxes, \$65,000 in penalties, and \$3,000 in interest.

**MBT Compliance** Throughout FY 2011-2012, the Administration has continued to identify a number of marijuana collectives which have failed to comply with San José Municipal Code ("SJMC") Chapter 4.66 by failing to submit monthly MBT returns or remit the MBT. Collectives have been advised that lack of compliance will result in an MBT assessment with the imposition of penalties and interest. Finance staff continues to follow-up with non-compliant collectives on a regular and consistent basis in an effort to enforce compliance and collection of the MBT under SJMC 4.66.

The attached spreadsheets divide marijuana businesses into two categories: Active and Closed businesses. Each spreadsheet identifies if the businesses filed MBT tax returns in the categories listed in the table below as of the February 2012 reporting period.

<b>Table 1 – Summary of MBT Payment Categories</b>	<b>Businesses / Locations</b>		
	<b>Active</b>	<b>Closed</b>	<b>Total</b>
MBT Return Filed / Taxes Paid for all months required	56	7	63
MBT Return Filed / Taxes Paid sporadically	23	15	38
MBT Return Filed as "Zero-Dollar" return	24	8	32
No MBT Return Filed / No Taxes Paid	9	6	15
Not Applicable / MBT Return Not Required to be Filed	0	50	50
<b>Total Number of Businesses / Locations</b>	<b>112</b>	<b>86</b>	<b>198</b>

## Write-Offs

**Bad Debt Write-Offs** In addition to proactively collecting the City's delinquent accounts, it is also important to write off the City's uncollectible debts to ensure that the City's financial statements are reflected accurately. On a periodic basis, the Finance Department establishes reserves for bad debts to cover potential write-offs for uncollectable 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 the bad debt reserves that have been established.

The annual analysis of the City's bad debt reserves are conducted by the Finance Department and reviewed by the City Manager's Budget Office during the budget development and Annual Report process. In addition, during the City's annual external audit of the City's financial statements, the City's external auditors review the City's bad debt exposure as well as the adequacy of the bad debt reserves.

As accounts are considered for write off through the City's annual accounts receivable evaluation process, the following criteria is followed to determine if an account should be written off as a bad debt.

- Debtor has no assets; 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 has filed bankruptcy;
- Debtor has "skipped", moved, or sold property and has no forwarding information; or
- Statute of limitations has expired.

It should be noted that such write-offs is not a relinquishment of the City's claim for debts due the City. In addition, as a last resort for collecting accounts that are delinquent and considered for bad debt write-off status, such accounts can be assigned to the collection agencies under contract with the City to make further attempts for collection action, in order to exhaust all remedies available to the City.

**Collection Efforts (Post Write-Off)** Even after writing off accounts that are deemed uncollectible, the Finance Department will continue to pursue collection on these accounts to the extent legally possible. However, with regards to discharged bankruptcies, legal cases which were dismissed by the courts and any settlements agreed upon by the City, the City will not be able to pursue collection.

**Recommended Bad Debt Write-Offs** The Finance Department is requesting the PSFSS Committee to forward the attached list of delinquent accounts, in the amount of \$541,974.74, to the City Council for write-off approval. The majority of the accounts are Team San José ("TSJ") invoices totaling approximately \$521,000. TSJ manages the San

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José Convention Center and promotes it as a place to hold events and meetings to corporate, cultural, and many other organizations.

As outlined in the reason for write-off column of the attached list of write-offs, the list includes accounts that may have received partial recoveries with regards to settlements and bankruptcies. For example, Team San José received \$355,064.82 from the American Musical Theatre; the remaining balance of \$439,323.33 is uncollectible and needs to be written off. TSJ has been working to locate and bring businesses compliant with mixed results. Many of the businesses are no longer in operation, have been nonresponsive, and some business owners have filed Chapter 13 (bankruptcy). Lastly, some invoices were sent to the Finance Department for proactive collection actions. As a result of all of these actions, the Finance Department has deemed it necessary to forward some of the invoices to Council for write-off approval.

### EVALUATION AND FOLLOW-UP

The Finance Department prepares on a quarterly basis this report for review and approval by the PSFSS Committee. The recommendations for bad debt write-off is prepared and presented to the PSFSS Committee in a periodic, as needed basis for its review and approval.

Staff from the Finance Department will be available to answer questions on the Third Quarter Financial Reports for Fiscal Year 2011-2012 at the Public Safety, Finance and Strategic Support Committee meeting on May 17, 2012.

### PUBLIC OUTREACH/INTEREST

This item will be posted on the City's website for the PSFSS Committee meeting on May 17, 2012.

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

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**COORDINATION**

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

**CEQA**

Not a project

  
JULIA H. COOPER  
Acting Director of Finance

Attachments

San José Marijuana Businesses  
 Marijuana Business Tax Filings and Payment Detail  
 March 2011 - February 2012  
 Active Businesses / Locations

<b>Legend</b>
X = MBT Return Filed / Taxes Paid
X-\$0 = MBT Return Filed as "Zero-Dollar" Return
N = No MBT Return Filed / No Taxes Paid
N/A = Not Applicable / MBT Return Not Required to be Filed

Business Name	Business Address / Business Location	March 2011	April 2011	May 2011	June 2011	July 2011	August 2011	September 2011	October 2011	November 2011	December 2011	January 2012	February 2012	COMMENTS
		Due 5/2/2011	Due 6/3/2011	Due 6/30/2011	Due 8/1/2011	Due 8/31/2011	Due 9/30/2011	Due 10/31/2011	Due 11/30/2011	Due 12/31/2011	Due 1/3/2012	Due 1/31/2012	Due 4/2/2012	
<b>MBT RETURN FILED / TAXES PAID FOR ALL MONTHS REQUIRED.</b>														
A Better Way Collective	3651 Charter Park Drive, Ste Q San José, CA 95136	X	X	X	X	X	X	X	X	X	X	X	X	
All Bay Cooperative	351 Lincoln Avenue San José, CA 95111	X	X	X	X	X	X	X	X	X	X	X	X	
Alternative Natural Remedies	2400 Monterey Road San José, CA 95111	X	X-\$0	X	X	X	X	X	X	X	X	X	X	
Amsterdam's Garden	2170 The Alameda San José, CA 95126	X	X	X	X	X	X	X	X	X	X	X	X	
ARC Healing Center Cooperative Inc.	685 W. Julian Street San José, CA 95112	X	X	X	X	X	X	X	X	X	X	X	X	
Better Health Group of San Jose, Inc. dba: Revolution Health Center	1621 Almaden Road San José, CA 95125	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	X	
Bigalow's Compassionate Care Delivery Service	1348 The Alameda #143 San José, CA 95126	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	X	
Blue Sky Care Center	3039 Monterey Road San José, CA 95111	X	X	X	X	X	X	X	X	X	X	X	X	
California Care Collective	551 Stockton Avenue San José, CA 95126	X	X	X	X	X	X	X	X	X	X	X	X	
Care Givers of San José	5701 Condor Circle San José, CA 95118	X	X	X	X	X	X	X	X	X	X	X	X	
Cinnabar Health, LLC	910 Cinnabar Street San José, CA 95128	X	X	X	X	X	X	X	X	X	X	X	X	
Digital Pie dba: Holistic Pain Management Institute (HPMI)	1650 S. 10th Street #14 San José, CA 95112	X	X	X	X	X	X	X	X	X	X	X	X	
Elemental Wellness	711 Charcot Avenue San José, CA 95131	X	X	X	X	X	X	X	X	X	X	X	X	
Emerald Crossings	580 E. Gish Road, Ste B San José, CA 95112	X	X	X	X	X	X	X	X	X	X	X	X	
Garden House Remedies	158 S. Jackson Avenue San José, CA 95118	X	X	X	X	X	X	X	X	X	X	X	X	
Golden State Care Collective	20 N 1st Street San José, CA 95112	X	X	X	X	X	X	X	X	X	X	X	X	
Greenlight Management, Inc dba: SVCare	1711 Hamilton Avenue, Ste B San José, CA 95125	X	X	X	X	X	X	X	X	X	X	X	X	
Harborside of San José dba: Harborside Health Center of San José	2108 Ringwood Avenue San José, CA 95131	X	X	X	X	X	X	X	X	X	X	X	X	
Holistic Health Care Co-op (HHCC)	88 Tully Road, Unit 107 San José, CA 95111	X	X	X	X	X	X	X	X	X	X	X	X	
Holistic Herbal Healers	5405 Thornwood Drive San José, CA 95123	X	X	X	X	X	X	X	X	X	X	X	X	
John Bartolero	P. O. Box 1133 Freedom, CA 95019	X	X	X	X	X	X	X	X	X	X	X	X	
Leaf Lab	855 Commercial Street San José, CA 95112	X	X	X	X	X	X	X	X	X	X	X	X	
Magic Health Inc	1999 Monterey Hwy., Ste 100 San José, CA 95112	X	X	X	X	X	X	X	X	X	X	X	X	
MediMarts, Inc.	1651 Little Orchard Street San José, CA 95125	N/A	N/A	N/A	N/A	N/A	N/A	X	X	X	X	X	X	
MedMar Healing Center	170 S. Autumn Street San José, CA 95110	X	X	X	X	X	X	X	X	X	X	X	X	
Meridian Herbal Patients Co-op Inc (MHPC)	455 Meridian Avenue San José, CA 95126	X	X	X	X	X	X	X	X	X	X	X	X	
Natural Herbal Pain Relief	519 Parrott Street San José, CA 95112	X	X	X	X	X	X	X	X	X	X	X	X	
Nirvana Wellness Center	1855 O'Connell Lane San José, CA 95131	X	X	X	X	X	X	X	X	X	X	X	X	
Northern California Natural Collective	973 Park Avenue San José, CA 95126	X	X	X	X	X	X	X	X	X	X	X	X	
Ocean View Organics (OVO)	2081 Bering Drive, Ste Y San José, CA 95131	X	X	X	X	X	X	X	X	X	X	X	X	
Palliative Health Center	1670 Zanker Road San José, CA 95112	X	X	X	X	X	X	X	X	X	X	X	X	
Patients to Patients Group	996 Saratoga Avenue San José, CA 95129	X	X	X	X	X	X	X	X	X	X	X	X	
Platinum Society	1174 Lincoln Avenue #11 San José, CA 95125	X	X	X	X	X	X	X	X	X	X	X	X	
San José Medicinal Group	82 S. 1st Street, Ste 220 San José, CA 95112	X	X	X	X	X	X	X	X	X	X	X	X	
Santa Cruz Naturally	93 N. 14th Street, Ste 4 San José, CA 95112	X	X	X	X	X	X	X	X	X	X	X	X	

San José Marijuana Businesses  
 Marijuana Business Tax Filings and Payment Detail  
 March 2011 - February 2012  
 Active Businesses / Locations

<b>Legend</b>
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Business Name	Business Address / Business Location	March 2011	April 2011	May 2011	June 2011	July 2011	August 2011	September 2011	October 2011	November 2011	December 2011	January 2012	February 2012	COMMENTS
		Due 5/2/2011	Due 5/31/2011	Due 6/30/2011	Due 8/1/2011	Due 8/31/2011	Due 9/30/2011	Due 10/31/2011	Due 11/30/2011	Due 1/3/2012	Due 1/3/2012	Due 1/31/2012	Due 4/2/2012	
SBCPA	334 Commercial Street San José, CA 95112	X	X	X	X	X	X	X	X	X	X	X	X	
SCVCS Inc. dba: Papadon's 420 Collective - Dispensary	2051 O'Toole Avenue San José, CA 95131	X	X	X	X	X	X	X	X	X	X	X	X	
Sensi Herbal Care	21 Post Street San José, CA 95113	X	X	X	X	X	X	X	X	X	X	X	X	
Simply Chronic Healing Coop, Inc.	970 Story Road San José, CA 95122	X	X	X	X	X	X	X	X	X	X	X	X	
SLM Collective Corp dba: Elixir	2417 Stevens Creek Blvd San José, CA 95128	X	X	X	X	X	X	X	X	X	X	X	X	
South Bay Apothecary Collective, Inc (SBAC)	1907 Concourse Drive San José, CA 95131	X	X	X	X	X	X	X	X	X	X	X	X	
South Bay CRC (Compassionate Relief Collective)	90 Great Oaks Blvd; Ste 202 San José, CA 95119	X	X	X	X	X	X	X	X	X	X	X	X	
South Bay Healing Center, Inc	991 Saratoga Avenue; Ste 140 San José, CA 95129	X	X	X	X	X	X	X	X	X	X	X	X	
South Bay Natural Remedies	2943 Daylight Way San José, CA 95111	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	X	
The Bud Barber	1729 Galewood Court San José, CA 95133	X	X	X	X	X	X	X	X	X	X	X	X	
The Portal Herbal Health Co	1141 Ringwood Court; Unit 100 San José, CA 95131	X	X	X	X	X	X	X	X	X	X	X	X	
Theraleaf Careness Cooperative dba: San Jose Rehab Clinic	608 Saratoga Avenue; Ste D San José, CA 95129	X	X	X	X	X	X	X	X	X	X	X	X	
Therapeutic Holistic Care dba: Herbs SVVCC	282 San Jose Avenue San Jose, CA 95125	X	X	X	X	X	X	X	X	X	X	X	X	
Therapeutic Holistic Care dba: Herbs SVVCC	1841 W. San Carlos Street San Jose, CA 95128	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	X	X	X	X	
TriValley Wellness San Jose	748 S. 1st Street San Jose, CA 95112	X	X	X	X	X	X	X	X	X	X	X	X	
Viktorya's Medical Supply, LLC dba: Boddys	4140 Stevens Creek Blvd San José, CA 95051	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	X	X	
VMK Inc. dba: Purple Lotus Patient Center)	125 N. Jackson Avenue; Ste 108 San José, CA 95118	X	X	X	X	X	X	X	X	X	X	X	X	
Yerba Buena dba: YB Bascom	2630 Union Avenue San Jose, CA 95124	N/A	N/A	N/A	N/A	N/A	X	X	X	X	X	X	X	
Yerba Buena dba: YB Capital	459-461 S. Capitol Avenue #11 San Jose, CA 95127	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	X	X	X	X	
Yerba Buena dba: YB Saratoga	4211 Barmore Drive San José, CA 95117	X	X	X	X	X	X	X	X	X	X	X	X	
Yerba Buena dba: YB Valley Fair	325 S. Monroe Street San Jose, CA 95128	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	X	X	X	X	
MBT RETURN FILED / TAXES PAID SPORADICALLY														
408 Collective - Aiello	2730 Aiello Drive; Ste B San José, CA 95111	X	X	X	X	X	X	X	X	X	X	N	N	
408 Collective - Bascom	2435 S. Bascom Avenue San Jose, CA 95125	X	X	X	X	X	X	X	X	X	X	N	N	
Carma Culture Collective, Inc dba: Carma Culture Collective	3591 Charter Park Drive San José, CA 95136	N/A	X-\$0	X-\$0	X-\$0	X-\$0	X	X	X	X	X	X	X	
Compassionate Care Clinics	265 Meridian Avenue #9 San Jose, CA 95126	N/A	N/A	N/A	N/A	N/A	X-\$0	X	X	X	X	X	X	
Dusty Wolf, Inc dba: High Standards Medical Collective	556 Vermont Street San José, CA 95110	X	X	X	X	X	X	X	X	X	X	N	N	
Frog Deliveries & Frog Collective	925 Ravenscourt Avenue #1 San Jose, CA 95128	X	X	X	X	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	
Gobias Collective dba: SVCare - Fortune	2231 Fortune Drive; Ste A San José, CA 95131	X	X	X	X	X	X	X	X-\$0	X-\$0	X-\$0	X	X	
Green Access Corp	233B Kruse Drive San Jose, CA 95131	X	X	X	X	X-\$0	X-\$0	X-\$0	X-\$0	N	N	N	N	
Green Frontiers dba: SJ Patients Group	824 The Alameda San José, CA 95126	X-\$0	X	X	X	X	X	X	X	X	X	X	X	
Holistic Remedies Cooperative	1701 S. 7th Street San José, CA 95112	N	X	X	X	X	X	X	X-\$0	X-\$0	X-\$0	N	N	
Non-Pro, Inc. dba: Medicinal Gardens	2559 S. Bascom Avenue San José, CA 95124	X	X	X	X	X	X	X	X	X	X	X	N	
NorCal Care	25 N. 14th Street; Ste 60 San José, CA 95112	X-\$0	X-\$0	X-\$0	X	X	X	X	X	X	X	X	X	
Organic Demeter Corp	2150 Allston Way; Ste 400 Berkeley, CA 94704	X	X	X	X	X-\$0	X-\$0	X-\$0	X-\$0	X	X	X	N	
Other Side of the Fence	1348 The Alameda #7-320 San Jose, CA 95126	X	X	X	X	X	X	X	X-\$0	X	X-\$0	X	X	

San José Marijuana Businesses  
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		Due 5/2/2011	Due 5/31/2011	Due 6/30/2011	Due 8/1/2011	Due 8/31/2011	Due 9/30/2011	Due 10/31/2011	Due 11/30/2011	Due 1/3/2012	Due 1/3/2012	Due 1/31/2012	Due 4/2/2012	
Península Care Givers Inc.	1927 Pulgas Avenue East Palo Alto, CA 94303	X	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Rehab420	P. O. Box 23834 San Jose, CA 95153	X	X	X-\$0	X	X	X	X	X	X	N	N	N	
San Jose Bay Leaf - Senter	2322 Senter Road San Jose, CA 95112	N/A	N/A	N/A	N/A	X-\$0	X-\$0	X-\$0	X	X	X	X	X	
San Jose Bay Leaf - Tully	1692 Tully Road San Jose, CA 95112	N/A	N/A	N/A	N/A	X-\$0	X-\$0	X-\$0	N/A	X	N/A	X	X	
San Jose Sanative Sanctuary dba: Urban Sunset Non-Profit Collective	581 E. Taylor Street San Jose, CA 95112	X	X	X	X	X	X	X	X	X	X	X	X-\$0	
Tree house Collective, Inc dba: Tree house	190 Commercial Street San Jose, CA 95112	N/A	N/A	N/A	N/A	X	X	X	X	X	X	X	N	
Yerba Buena dba: YB Amber Pearl	2129 S. 10th Street San Jose, CA 95112	N/A	X-\$0	X-\$0	X-\$0	X-\$0	X	X	X	X	X	X	X	
Yerba Buena dba: YB Blossom Hills	4484 Pearl Avenue San Jose, CA 95138	N/A	N/A	N/A	N/A	X-\$0	X-\$0	X-\$0	X	X	X	X	X	
Yogajana Studio	1654 Almaden Road, Unit 3 San Jose, CA 95125	N/A	N/A	N/A	N/A	N/A	N/A	N/A	X	X	N	N	N	
MBT RETURN FILED AS "ZERO-DOLLAR" RETURN														
All American Cannabis Club dba: A2-C2	1082 Stockton Avenue San Jose, CA 95110	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	
All Herbal Remedies	333 Phelan Avenue, Site A San Jose, CA 95112	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	
Cal-Med Wellness	1928 O'Toole Avenue San Jose, CA 95131	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	X-\$0	X-\$0	N	N	
Community Collectives, A Nonprofit Corporation	1641 Koch Lane San Jose, CA 95125	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	N	N	
Golden Leaf, Inc.	7960 Soquel Drive Aptos, CA 95003	N/A	N/A	N/A	N/A	N/A	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	N	N	
Green State Collective	P. O. Box 7343 Santa Cruz, CA 95061	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	N	
Herbal Light Collective	64 W. Santa Clara Street San Jose, CA 95118	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	N	N	N	
Herbs and Spice Wellness Collective	178 Castillon Way San Jose, CA 95119	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	N	N	
La Vie MMX	104 Orange Street Los Banos, CA 93835	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	
MC Bakes	1505 Monteval Place San Jose, CA 95120	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	X-\$0	X-\$0	
Medical Alternative Concept, Inc.	3183 Wilshire Blvd, Ste 196-A35 Los Angeles, CA 90010	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	
Pharmers Health Center Cooperative	3131 S. Bascom Avenue #220 Campbell, CA 95008	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	
San José Medical Center	1114 N. 1st Street, Ste 1 San Jose, CA 95112	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	
San José Patients Group	824 The Alameda San Jose, CA 95126	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	
Silicon Valley Collective	123 E. San Carlos Street San Jose, CA 95112	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	
SJCBC LLC	1082 Stockton Avenue San Jose, CA 95110	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	
South Valley Pharmacy	7210 Via Lomas San Jose, CA 95139	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	X-\$0	X-\$0	X-\$0	
Statewide	306 Heritage Drive Mt. House, CA 95391	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	
Superior Herb Pharmacy	7960 Soquel Drive Aptos, CA 95003	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	
The Herbal Collective	1658 N. Capital Avenue, Ste 155 San Jose, CA 95132	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	
The Herbal Collective	123 E. San Carlos Street San Jose, CA 95112	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	
University Ave Wellness Center	630 University Ave San Jose, CA 95110	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	X-\$0	X-\$0	X-\$0	N	
Yerba Buena dba: YB Quilmbly	2129 S. 10th Street San Jose, CA 95123	N/A	N/A	N/A	N/A	N/A	N/A	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	
Yerba Buena dba: Yerba Buena Monterey	3894 Monterey Hwy San Jose, CA 95111	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	X-\$0	
NO MBT RETURN FILED / NO TAXES PAID														
Bongard, Inc dba: Silver Creek Collective	307 E. Hedding Street San Jose, CA 95112	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N	

San José Marijuana Businesses  
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Business Name	Business Address / Business Location	March 2011	April 2011	May 2011	June 2011	July 2011	August 2011	September 2011	October 2011	November 2011	December 2011	January 2012	February 2012	COMMENTS
		Due 5/2/2011	Due 5/31/2011	Due 6/30/2011	Due 8/1/2011	Due 8/31/2011	Due 9/30/2011	Due 10/31/2011	Due 11/30/2011	Due 12/31/2011	Due 1/31/2012	Due 2/29/2012		
Botanica de Canna	P. O. Box 56200 San Jose, CA 95017	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N	
Eko Fresh	52 S. 1st Street, Ste 220 San Jose, CA 95112	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N	N	
Evergreen Patients Collective	2890 Alelio Drive San Jose, CA 95111	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N	
Green Care Association	2050 Tully Road San Jose, CA 95122	N	N	N	N	N	N	N	N	N	N	N	N	
Med Ex Collective & Deliveries	236 French Court San Jose, CA 95139	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N	N	
Scoop Doc	985 Northfield Drive Hayward, CA 94544	N	N	N	N	N	N	N	N	N	N	N	N	
South Bay Organic Solutions dba: Organic Solutions	2059 Camden Avenue #286 San Jose, CA 95124	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N	N	
The PineApple Express		N	N	N	N	N	N	N	N	N	N	N	N	

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		Due 5/2/2011	Due 6/3/2011	Due 6/30/2011	Due 8/1/2011	Due 8/31/2011	Due 9/30/2011	Due 10/31/2011	Due 11/30/2011	Due 12/31/2011	Due 1/3/2012	Due 1/31/2012	Due 4/2/2012	
<b>MBT RETURN FILED / TAXES PAID FOR ALL MONTHS REQUIRED</b>														
Bey Pacific Care	1581 Little Orchard Way San Jose, CA 95125	X	X	X	X	X	X	N/A	N/A	N/A	N/A	N/A	N/A	Business Reorganized & Name Change 8/29/2011
Buddy's Cannabis Patient Collective LLC	4140 Stevens Creek Blvd San Jose, CA 95051	X	X	X	X	X	X	X	X	X	N/A	N/A	N/A	Business Name Change 12/2011
Cal-Med Wellness	1926 O'Toole Avenue San Jose, CA 95131	X	X	X	X	X	X	X	X	N/A	N/A	N/A	N/A	Business Location Closed 10/2011
Canna Culture Collective, Inc dba: Canna Culture Collective	Branham Lane, Ste 10 Box 113 San Jose, CA 95136	X	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Location Closed 4/2011
Double Dynamita	80 Keyes Street San Jose, CA 95112	X	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 4/2011
University Ave Wellness Center	630 University Avenue San Jose, CA 95110	X	X	X	X	X	X	X	X	N/A	N/A	N/A	N/A	Business Location Closed 11/2011
Yerba Buena	2365 Quimby Road San Jose, CA 95122	X	X	X	X	X	X	N/A	N/A	N/A	N/A	N/A	N/A	Business Location Closed 8/2011
<b>MBT RETURN FILED / TAXES PAID SPORADICALLY</b>														
Better Health Group of San Jose, Inc.	1630 Oakland Road, Ste A202 San Jose, CA 95131	X	X-\$0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Location Closed 4/2011
Blue Heaven Collective Corporation	75 N. Bascom Avenue #110 San Jose, CA 95128	X-\$0	X	X	X	X	X	X	X	N/A	N/A	N/A	N/A	Business Closed 10/2011
Bongard, Inc dba: Silver Creek Collective	2001 Story Road, Ste 300 San Jose, CA 95122	N/A	N/A	N/A	N/A	N/A	X	X	X	X	X	X-\$0	N/A	Business Location Closed 1/2012
Botanica de Canna	966 E. Santa Clara Street San Jose, CA 95118	N/A	N/A	X	X	X	X	X	X	X	X	X-\$0	N/A	Business Location Closed 1/2012
California Health Collective	2601 Santer Road San Jose, CA 95111	X	X	X	X	X	X	N	X-\$0	N	N	X-\$0	N/A	Business Location Closed 1/2012
California Naturopathic Agricultural Association 2 (CNNA2)	2175 Stone Avenue, Ste1 San Jose, CA 95125	X	X	X	X	X	X-\$0	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 8/2011
Eko Fresh	6140 Camino Verde Drive San Jose, CA 95119	X	X	X	X	X	N	N	N	N	N	N/A	N/A	Business Location Closed 12/2011
Golden Leaf, Inc.	2365 Quimby Road San Jose, CA 95122	N/A	X-\$0	X-\$0	X	X	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Location Closed 7/2011
Herbal Leaf Care Collective	1621 Almaden Road San Jose, CA 95125	X	X	X	N	N	N	X	N	N	N/A	N/A	N/A	Business Location Closed 11/2011
Med Ex Collective & Deliveries	2000 Santer Road San Jose, CA 95112	X	X	X	X	X	X	X	X	N	N	N/A	N/A	Business Location Closed 1/2012
Proper Treatment	1837 Monterey Road San Jose, CA 95112	X	X	X	N	N	N	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 9/2011
Sanctuary Health Center	1859 Little Orchard Street San Jose, CA 95125	X	X	X	X	X	X	X	X	X	X	X-\$0	N/A	Business Closed 2/2012
South Bay Natural Remedies	2950 Daylight Way San Jose, CA 95111	X	X	X	X	X	X	X	X	X	X	N	N/A	Business Location Closed 1/2012
South Bay Organic Solutions dba: Organic Solutions	2591-1 S. Bascom Avenue San Jose, CA 95124	X	X	X	X	X	N	X	N	N	N	N/A	N/A	Business Location Closed 12/2011
Yerba Buena	432 E. Santa Clara Street San Jose, CA 95113	X	X	X	X	X	X	X	X-\$0	N/A	N/A	N/A	N/A	Business Location Closed 11/2011
<b>NO MBT RETURN FILED / NO TAXES PAID</b>														
Better Health Group of San Jose, Inc.	3611 Sonoma Blvd Vallejo, CA 94590	N/A	N/A	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	Business Location Closed 2/2012
Herbal Leaf Care Collective	7960 Soquel Drive Aptos, CA 95003	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	X-\$0	X-\$0	X-\$0	X-\$0	Business Closed 2/2012
Herbal Match	1857 Victoria Landing San Jose, CA 95132	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	N/A	N/A	N/A	N/A	Business Closed 10/2011
iDragon	2129 S. 10th Street San Jose, CA 95112	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	N/A	Business Location Closed 1/2012
Kalkush Collective	2129 S. 10th Street San Jose, CA 95112	X-\$0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Renamed 4/2011
Majestic Medical Center (MMC)	1324 N. 10 Street San Jose, CA 95112	N/A	N/A	N/A	N/A	N/A	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	N/A	Business Closed 1/2012
Marijuana Medical Center (MMC)	421 Lincoln Avenue San Jose, CA 95126	X-\$0	X-\$0	X-\$0	X-\$0	X-\$0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Location Closed / Name Change 8/2011
Mary Jane Cares	1899 Monterey Road, Ste 140 San Jose, CA 95125	X-\$0	X-\$0	X-\$0	X-\$0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Location Closed 7/2011
Canna Culture Collective, Inc dba: Canna Culture Collective	3830 Charter Park Drive, Ste A San Jose, CA 95138	N	N	N	N	N	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Location Closed 8/2011
Hemp Daddy Mobile Dispensary	2570 N. 1st Street, Ste 200 San Jose, CA 95131	N	N	N	N	N	N	N	N	N/A	N/A	N/A	N/A	Business Closed 9/2011
Herbs & Creams Delivery Service dba: Herbs & Cream Care Collective	1621 Almaden Road San Jose, CA 95125	N	N	N	N	N	N	N	N	N	N	N	N	Business Location Closed 2/2012

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Natural Green Health	1531 Alleberry Lane San Jose, CA 95131	N	N	N	N	N	N	N	N	N	N	N	N	Business Location Never Opened
The Green Door San José	330 S. Monroe Street San José, CA 95128	N	N	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 5/2011
The Root Cellar Health Center	2256 Senter Road San José, CA 95112	N	N	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 4/2011
NOT APPLICABLE / MBT RETURN NOT REQUIRED TO BE FILED														
408 Compassion Center	2370 Aiello Drive, Ste B San José, CA 95111	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed Prior to 3/20/2011
A Better Way (Collective)	1581 Little Orchard Way San Jose, CA 95125	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed Prior to 3/20/2011
Blue Harvest	1660 Alum Rock Avenue San José, CA 95116	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 2/2011
Canna Culture Collective, Inc dba: Canna Culture Collective	1576 S.1st Street San Jose, CA 95113	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Location Never Opened
Cinncabar Health	910 Cinnabar Street San José, CA 95126	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 12/2010
Creekside Health Center	2129 S. 10th Street San José, CA 95112	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 12/2009
Down to Earth Collective	564 King George Avenue San Jose, CA 95126	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 10/2010
Evergreen Valley Collective	5874 San Felipe Road San José, CA 95135	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 1/2011
Garden House Remedies, Inc	158 S. Jackson Avenue San José, CA 95116	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 10/2010
Green Earth Wellness Center	581 E Taylor Street San José, CA 95112	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 12/2010
Green State Collective	2485 Autumnvale Drive, Ste E San José, CA 95132	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Location Never Opened
Greenlight Management, Inc dba: SVCare	1025 S. Bascom Avenue San Jose, CA 95128	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Location Closed 2/2012
Heal Point Center	586 N. 1st Street San Jose, CA 95113	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 1/2011
Herb Appeal, Inc	450 Drake St San José, CA 95126	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 1/2011
Herbal Dispensary of Silicon Valley	2296 S. 10th St San José, CA 95112	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 1/2010
Herbal Light Collective	16171 Sunray Drive Los Gatos, CA 95032	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Location Closed 1/2011
Herbs and Spice Wellness Collective	2266 Senter Road, Unit 122 San Jose, CA 95112	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Location Never Opened
I Fly	711 N. Genevieve Lane San José, CA 95128	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 1/2011
Kingston Collective Inc	1141 Campbell Avenue San José, CA 95126	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Never Opened
Kuui's Collective	701 Kings Row San José, CA 95112	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 1/2011
La Vie MMX	2081 Bering Drive San José, CA 95131	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Location Closed 1/2011
Liberty Care Collective Assoc	701 Kings Row San José, CA 95112	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 1/2011
Mad Lion LLC	101 San Fernando Avenue San Jose, CA 95122	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 10/2010
Mad Lion LLC	1346 The Alameda # 178 San Jose, CA 95126	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 10/2010
Mana Leaf Inc	3039 Monterey Road San Jose, CA 95111	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 10/2010
MD Cannabis.org	1926 Topeka Avenue San José, CA 95128	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 1/2011
Medleaf	1340 Meridian Avenue San Jose, CA 95125	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 12/2009
Monterey Road Health Center	1837 Monterey Road San José, CA 95125	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed Prior to 3/2011
Mountain View Medz	988 E Santa Clara Street San Jose, CA 95116	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed Prior to 3/2011
Nature's REM	2787 Moorpark Avenue San José, CA 95128	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed Prior to 3/2011
New Age Healing Collective	914 S. Bascom Avenue San José, CA 95128	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed Prior to 3/2011

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Legend
X = MBT Return Filed / Taxes Paid
X-\$0 = MBT Return Filed as "Zero-Dollar" Return
N = No MBT Return Filed / No Taxes Paid
N/A = Not Applicable / MBT Return Not Required to be Filed

Business Name	Business Address Business Location	March	April	May	June	July	August	September	October	November	December	January	February	COMMENTS
		2011 Due 5/2/2011	2011 Due 5/31/2011	2011 Due 6/30/2011	2011 Due 6/30/2011	2011 Due 7/31/2011	2011 Due 8/31/2011	2011 Due 9/30/2011	2011 Due 10/31/2011	2011 Due 11/30/2011	2011 Due 1/3/2012	2011 Due 1/3/2012	2012 Due 1/31/2012	
New Age Healing Collective	2170 The Alameda San Jose, CA 95126	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed Prior to 3/2011
NL Herbal	333 Phelan Avenue; Ste B San Jose, CA 95112	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed Prior to 3/2011
Norcal Health Center, LLC	125 N. Jackson Avenue; Ste 204 San Jose, CA 95116	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed Prior to 3/2011
Ocean Care Collective	90 E. Gish Road San Jose, CA 95112	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 2/2011
Pharmers Health Center Cooperative	7246 Sharon Drive; Ste N San Jose, CA 95129	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Location Closed Prior to 3/2011
Plant Providers Plus	311 Henderson Drive San Jose, CA 95123	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 10/2010
Purple Elephant CO-OP dba: ACME Pharmacy	642 E. Santa Clara Street San Jose, CA 95113	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 5/2010
Rehab420	2114 Senter Road; Unit 22 San Jose, CA 95112	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Location Closed 1/2011
San José Dispensary	1290 W. Hedding San Jose, CA 95126	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 10/2010
Scoop Doc	2880 Zanker Road; Ste 203 San Jose, CA 95134	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Location Never Opened
Silicon Valley Collective	831 S. 5th Street; Unit A San Jose, CA 95112	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Location Never Opened
SJ Patients Group	5669 Snell Avenue San Jose, CA 95123	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 12/2009
SJCBC LLC / A2-C2	372 S. Monroe Street San Jose, CA 95128	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Location Closed 1/2011
The Green Samaritans	318 S. Monroe Street San Jose, CA 95112	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 10/2010
The Herbal Club	855 Commercial Street San Jose, CA 95112	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 12/2010
Therapeutic Lifestyle Care	5669 Snell Avenue San Jose, CA 95123	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Reorganized 2/2011
Toro Nine Group	1855 O'Tool Lane San Jose, CA 95131	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 3/2010
UR Health & Wellness Center	1340 Meridian Avenue San Jose, CA 95125	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 12/2009
Westcoast Care	3399 Mt. Vista Drive San Jose, CA 95127	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Business Closed 1/2011

Bad Debt Write-Offs  
April 30, 2012

Type of Debt Owed	Department Name	Fund #	Account #	Name	Current Balance (Write-Off Amount)	Reason for Write-off	Recovery Information
Event Fees and Charges	Team San Jose	536	6241, 6337, 6398, 6512, 6593, 6707, 6786, 6790, 6894, 7099, 7257, 7382, 7402, 7607	American Musical Theatre	\$ 439,323.33	Bankruptcy	AMT filed Chapter 7 bankruptcy December 2008; recovered \$355,064.82 but the remaining balance of \$439,323.33 was discharged
Event Fees and Charges	Team San Jose	536	2483	Elite Dance	8,008.00	Bankruptcy	Uncollectible; discharged in bankruptcy
Event Fees and Charges	Team San Jose	536	6654	Aromas Senses LLC	5,095.40	Statute of Limitations	Uncollectible - Initial collection attempts by TSJ; then by City AR. Collection efforts have been exhausted.
Event Fees and Charges	Team San Jose	536	2376, 7387	Asia Media Group	6,500.00	Statute of Limitations	Uncollectible - Initial collection attempts by TSJ; then by City AR. Collection efforts have been exhausted.
Event Fees and Charges	Team San Jose	536	9994, 10653	B Box Entertainment	7,991.79	Statute of Limitations	Uncollectible - Initial collection attempts by TSJ; then by City AR. Collection efforts have been exhausted.
Event Fees and Charges	Team San Jose	536	2491	Lux 5 Events	6,077.10	Statute of Limitations	Uncollectible - Initial collection attempts by TSJ; then by City AR. Collection efforts have been exhausted.
Event Fees and Charges	Team San Jose	536	8440	Pacific Gas and Electric Co	6,000.00	Statute of Limitations	Uncollectible; billing error
Event Fees and Charges	Team San Jose	536	7420	San Jose Airport Garden Hotel	6,615.00	Statute of Limitations	Uncollectible - Initial collection attempts by TSJ; then by City AR. Collection efforts have been exhausted.
Event Fees and Charges	Team San Jose	536	7056, 7207, 7397	Styleshoppe and Edsan	9,875.65	Statute of Limitations	Uncollectible - Initial collection attempts by TSJ; then by City AR. Collection efforts have been exhausted.
Event Fees and Charges	Team San Jose	536	7375	The Christopher Howard Companies	10,400.00	Statute of Limitations	Uncollectible - Initial collection attempts by TSJ; then by City AR. Collection efforts have been exhausted.
Event Fees and Charges	Team San Jose	536	7378	The Works	6,000.00	Statute of Limitations	Uncollectible - Initial collection attempts by TSJ; then by City AR. Collection efforts have been exhausted.
Event Fees and Charges	Team San Jose	536	6189	Top Music	9,786.68	Statute of Limitations	Uncollectible - Initial collection attempts by TSJ; then by City AR. Collection efforts have been exhausted.
Fire Permits	Fire	1	400569	Spartan Gas / Le Family Inc.	6,000.22	Bankruptcy	Uncollectible; discharged in bankruptcy
Fire Permits	Fire	1	408161	Estoesta Gas Station	7,768.42	Statute of Limitations	Uncollectible - Initial collection attempts by Fire; then by City AR. Collection efforts have been exhausted.
Fire Permits	Fire	1	400829	Gas of America / Peregrine Nest Egg LLC.	6,533.15	Statute of Limitations	Uncollectible - Initial collection attempts by Fire; then by City AR. Collection efforts have been exhausted.
<b>Total</b>					<b>\$ 541,974.74</b>		

---

# **Third Quarter Financial Reports for Fiscal Year 2011-2012**

**Debt Management Program  
Investment Management Program  
Revenue Collection Program**

**Public Safety, Finance and  
Strategic Support Committee**

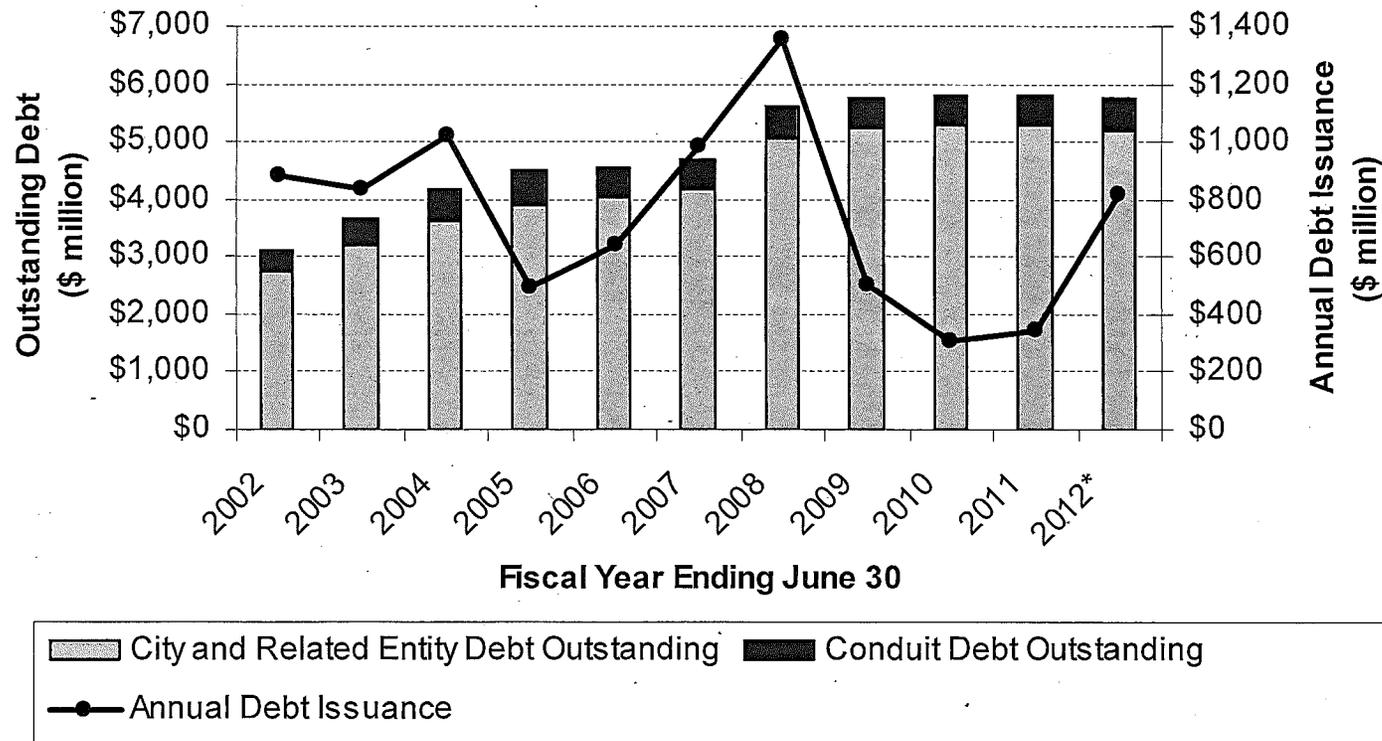
**Prepared by the Finance Department  
May 17, 2012**

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# **Third Quarter Debt Management Report for Fiscal Year 2011-2012**

# Outstanding Debt Issued by All Agencies

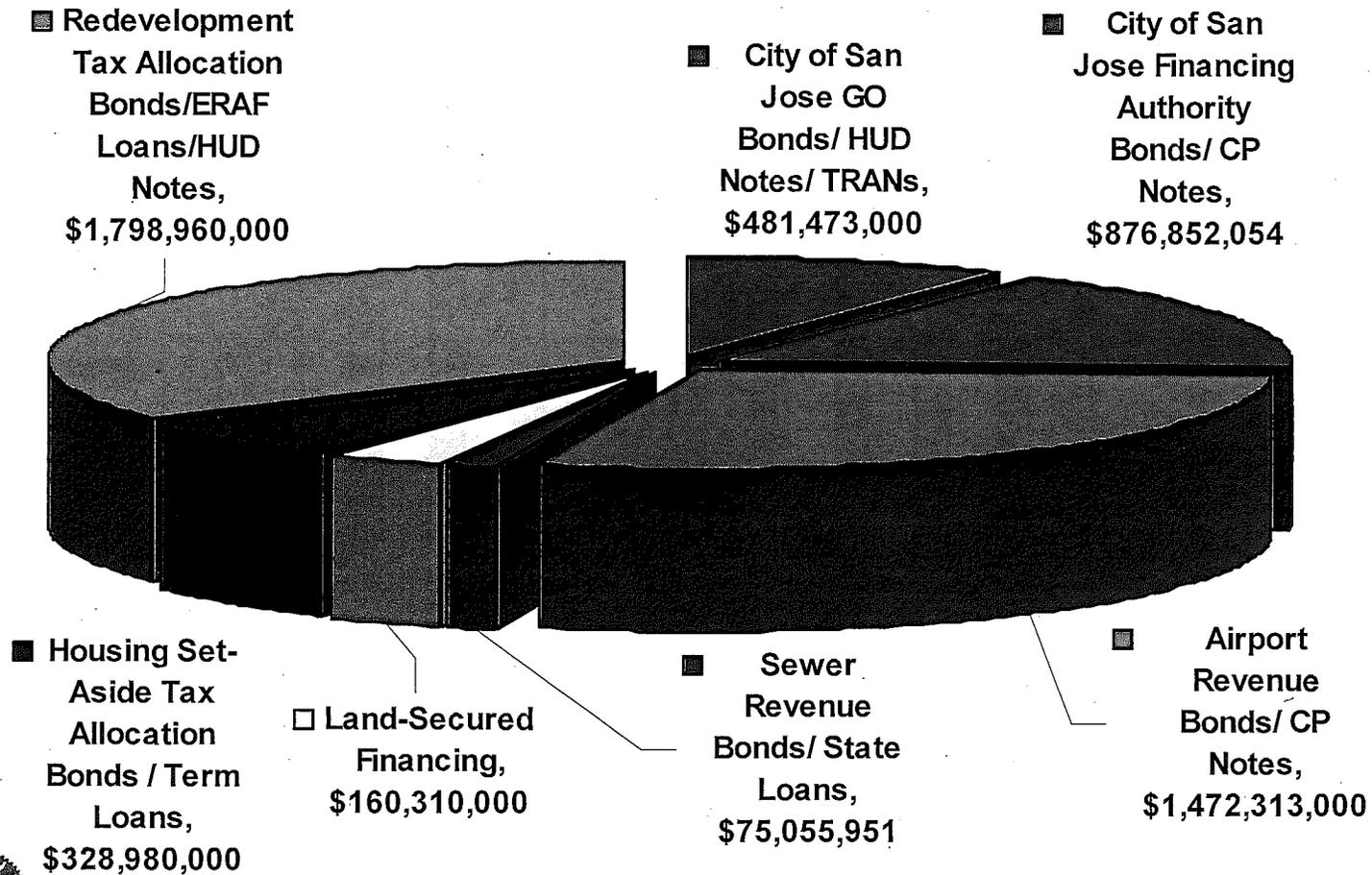
Outstanding Debt as of March 31, 2012: \$5.7 Billion  
 FY 2011-12 Projected Debt Issuance: \$892.6 Million  
 ➤ Year-to-Date Debt Issuance: \$819.6 Million



\* YTD Debt Issuance

# Outstanding Debt Issued by All Agencies Excluding Multifamily Housing Revenue Bonds

Outstanding Debt as of March 31, 2012: \$5,193,944,005\*



\* Excluding conduit debt issued by the City on behalf of developers of affordable multifamily housing.

# Selected Debt Issuance and Debt Management Activities during 3rd Quarter

---

- Multifamily Housing Revenue Bonds
  - Pre-issuance activities for the following projects:
    - Mayfair Court Apartments
    - First and Rosemary Family Apartments
    - First and Rosemary Senior Apartments
    - 3<sup>rd</sup> Street Residential Apartments
- Pre-issuance activities related to the 2012 TRANs
- Reduction of stated amount of letters of credit with Bank of America and JP Morgan Chase Bank for the Airport Commercial Paper Program
- Assisted departments with infrastructure financing analyses

## **Selected Debt Issuance and Debt Management Activities during 3rd Quarter (cont.)**

---

- Processed refund claims and disbursed funds from \$7 million improvement district funds' surplus
- Conducted private activity analysis for the City-wide solar power purchase agreement project
- Continued financial modeling, transition planning and dissolution for the Redevelopment Agency

# Debt Issuance and Management Activities Anticipated Through June 30, 2012

---

- Multifamily Housing Revenue Bonds
  - Issuance of Series 2011C (First and Rosemary Family Apartments) and Series 2011D (First and Rosemary Senior Apartments), totaling \$51 million, on April 19, 2012
  - Issuance of Series 2012B (\$22 million) for Mayfair Court Apartments project on April 20, 2012
- Pre-issuance activities related to the 2012 TRANs
- Prepare and issue RFP for financial advisory pools
- Continue processing claims for surplus improvement district funds

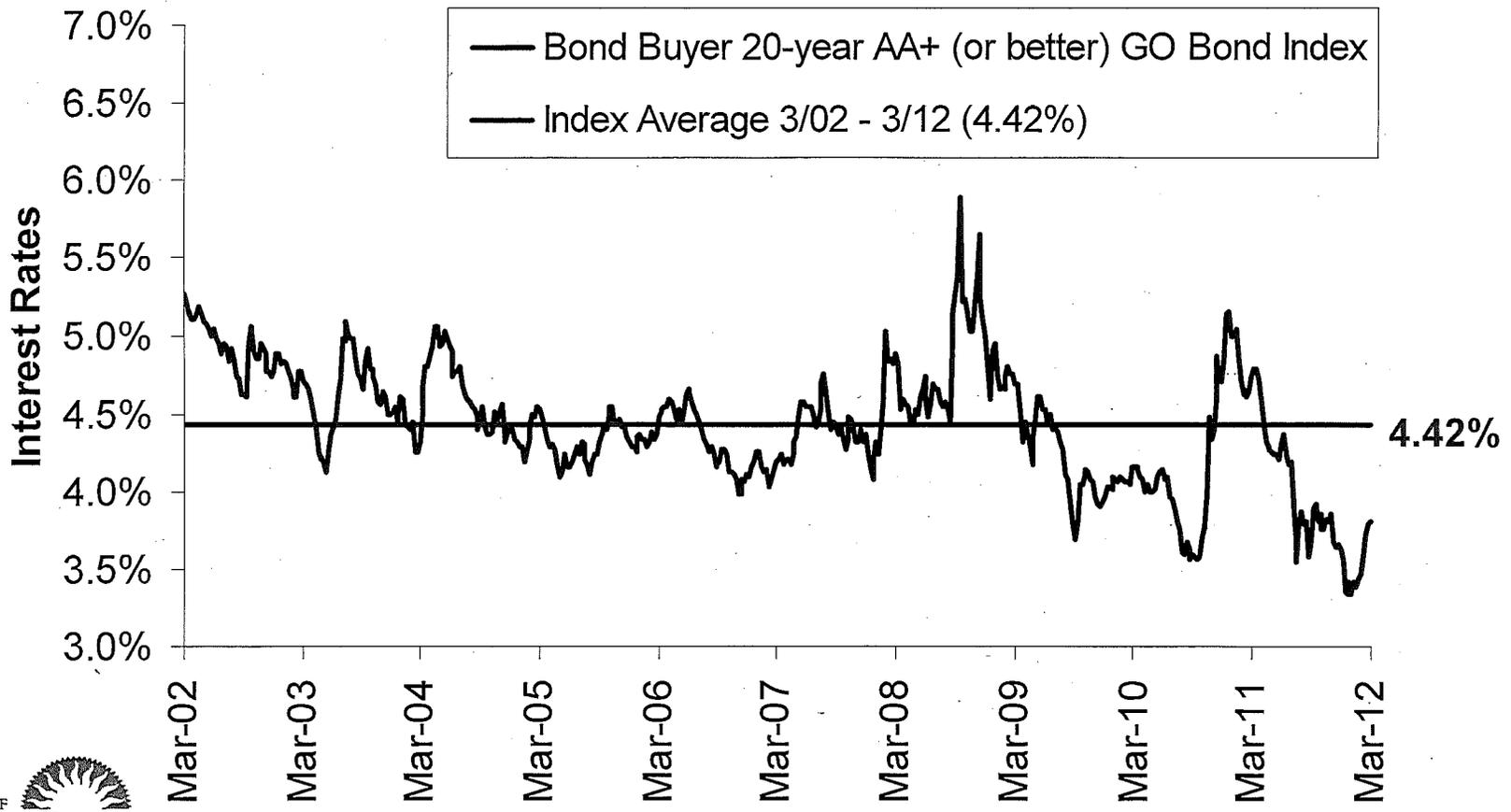
# **Debt Issuance and Management Activities Anticipated Through June 30, 2012 (con't)**

---

- Complete credit rating reviews on the City's general credit (general obligations bonds and lease revenue bonds), the San José International Airport Revenue Bonds, and Redevelopment Agency
- Pre-issuance activities related to the Series 2012 General Obligation Bonds and Refunding
- Pre-issuance activities related to the Series 2002B and 2008A Lease Revenue Bonds Refunding
- Participate in the financing and private activity analyses related to the installation of photovoltaic systems citywide

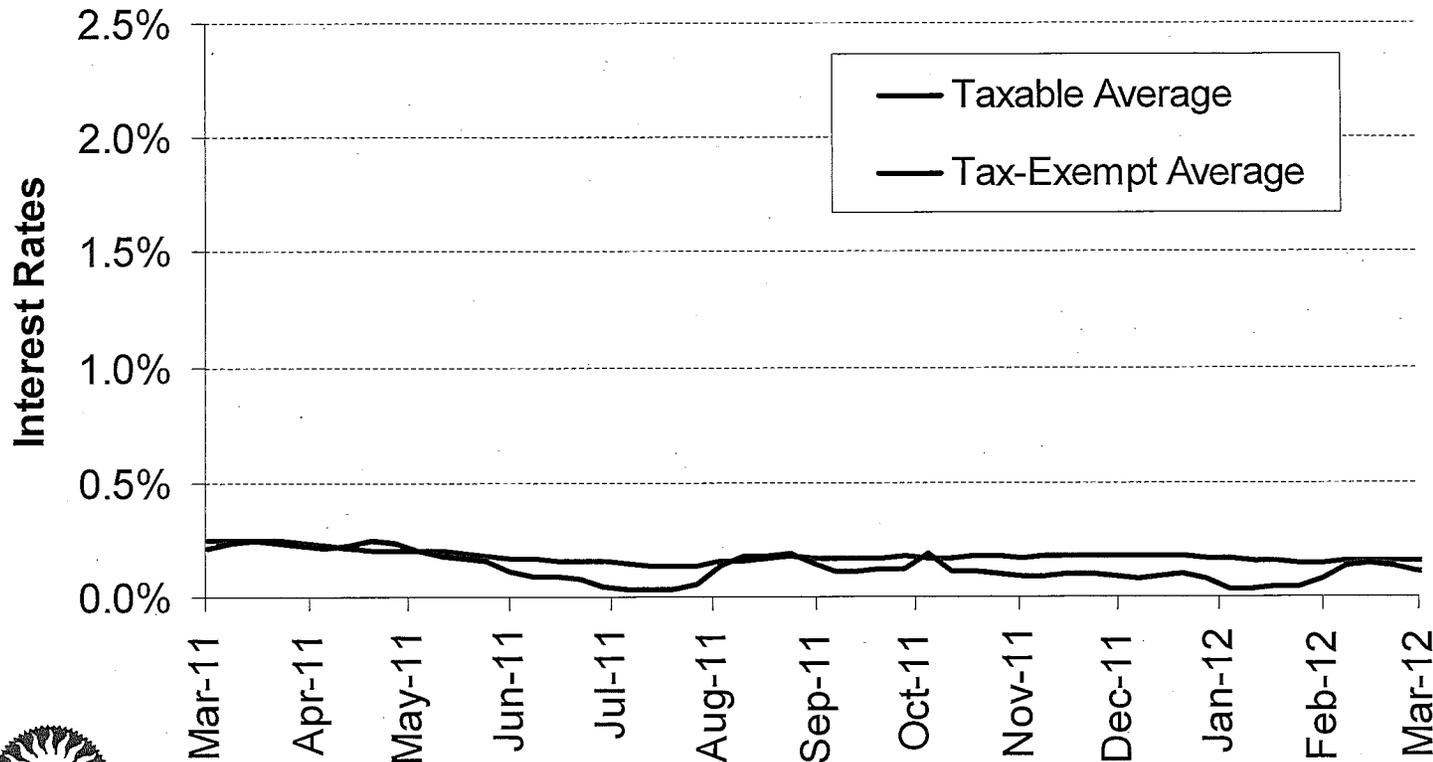
# Ten-Year Tax-Exempt Market Index (Fixed Rate)

- Tax-exempt long-term interest rates averaged around 4.42% in Q3 and are currently at 3.80% (as of 3/31/12)



# City of San José Actual Weekly Average Variable Taxable and Tax-Exempt Interest Rates

- Tax-exempt weekly interest rates paid by the City averaged 0.10% in Q3 and are currently at 0.22% (as of 4/15/12)
- Taxable weekly interest rates paid by the City averaged 0.16% in Q3 and are currently at 0.19% (as of 4/15/12)



# City of San José – General Credit Rating

---

- On March 26, 2012, Moody's Investors Service downgraded the City's general obligation bond ratings to Aa1 from Aaa and the City's lease revenue bond ratings to Aa3 from Aa2. The outlook for the ratings is stable.
- On April 11, 2012, Standard & Poor's Ratings Services downgraded the City's general obligation bond ratings to AA+ from AAA and the City's lease revenue bond ratings to AA from AA+. The outlook for the ratings is negative.
- The City continues to maintain high general obligation credit ratings of Aa1/AA+/AA+ (Moody's/S&P/Fitch).
- Taken together, the credit ratings of the City, the Redevelopment Agency, and the Financing Authority range from BB to AA+.
- City general obligation bonds continues to be rated higher than State of California (A1/A-/A-)

---

# **Third Quarter Investment Report for Fiscal Year 2011-2012**

# Investment Objectives & Reporting

---

- Manage investments to meet the City's objectives:
  - Safety
  - Liquidity
  - Yield
- Quarterly reports available on-line and placed on PSF&SS Committee agenda  
<http://www.csjfinance.org/>

# Summary of Portfolio Performance for Quarter ended March 31, 2012

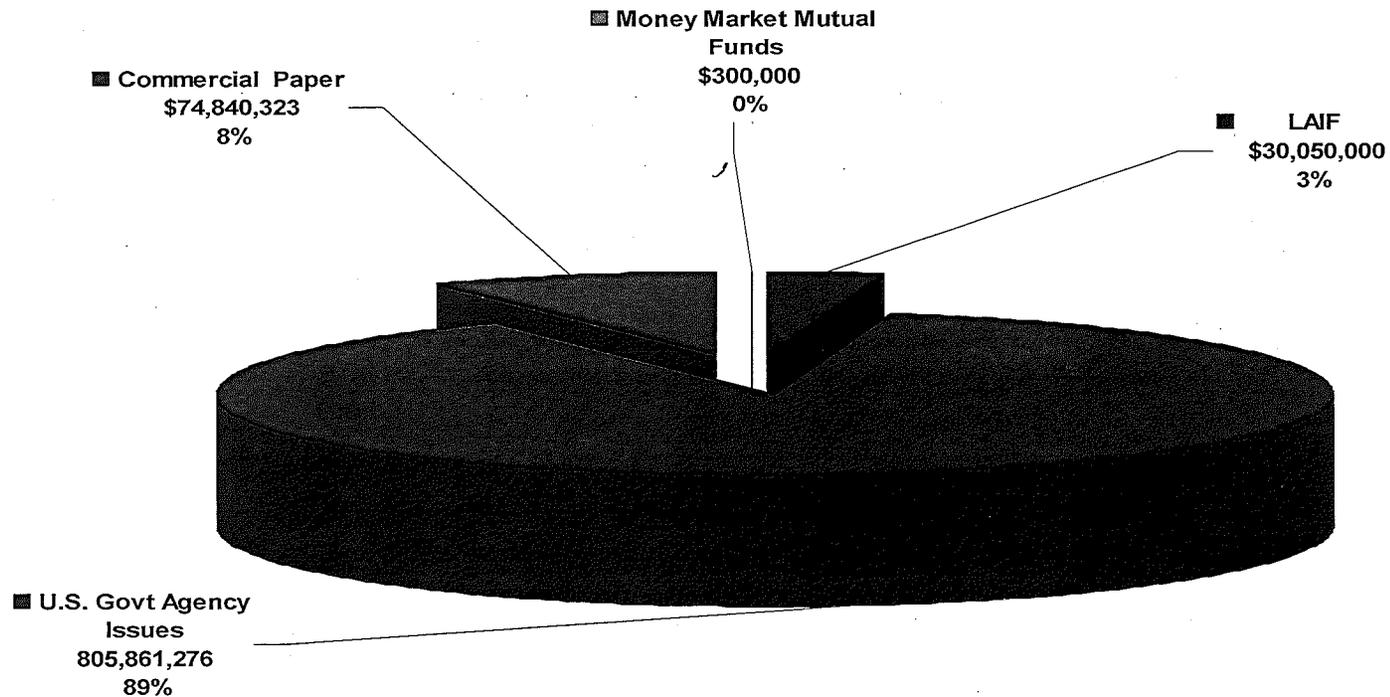
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- Size of total portfolio – \$911,051,599
- Earned interest yield – 0.655%
- Weighted average days to maturity – 575 days
- Fiscal Year-to-Date net interest earnings – \$4,816,479
- Sale of one security (discount note) to increase portfolio yield and enhance liquidity reserves
- No exceptions to the City's Investment Policy during this quarter
- Included in this report is the City's external auditor, Macias, Gini & O'Connell's Independent Accountant's Report as agreed upon procedure to evaluate the City's investment program for the six-month period ended December 31, 2011. No exceptions were noted.

# Portfolio Statistics

## Composition of City's Investment Portfolio

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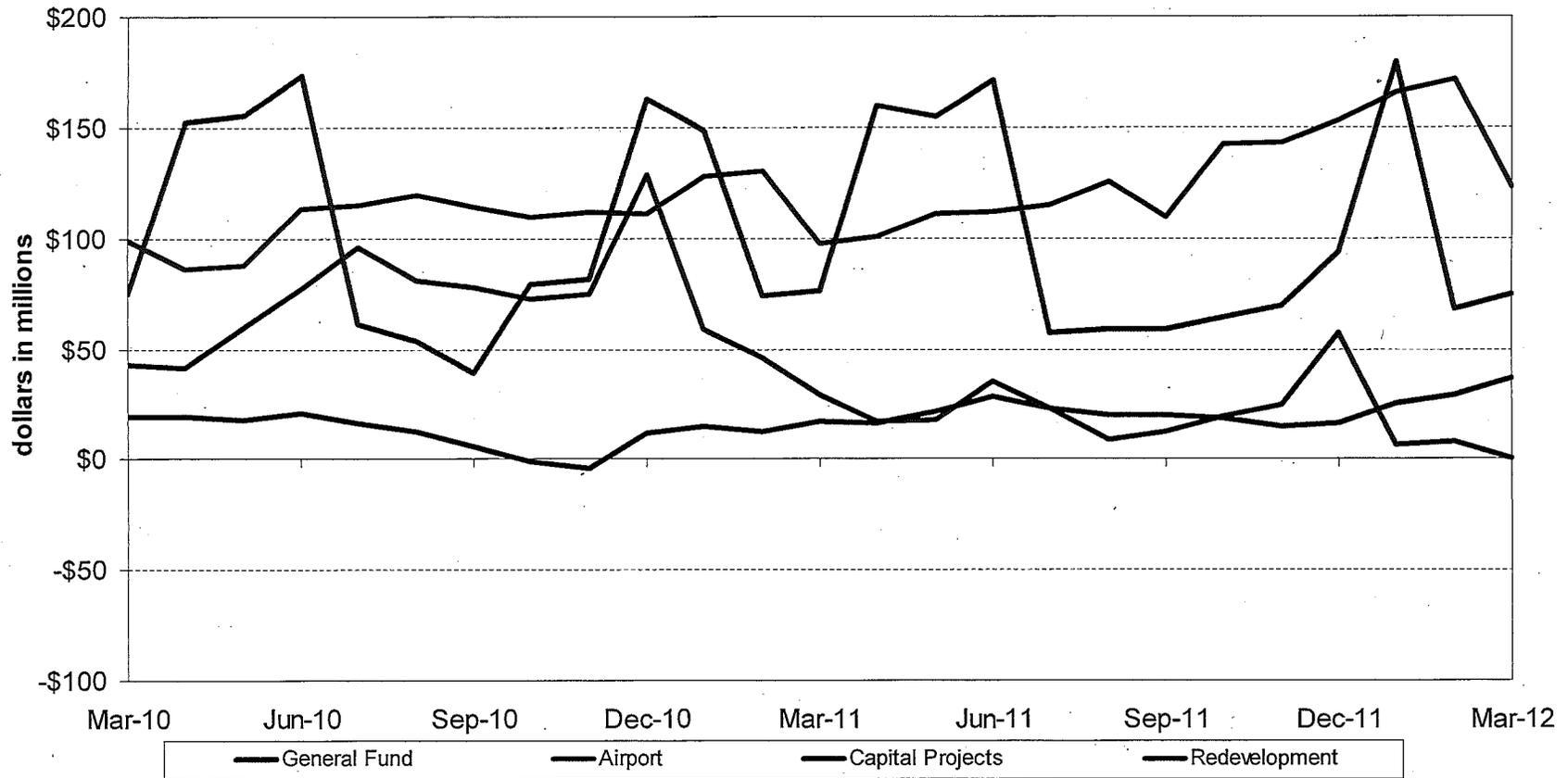
Total Investment Portfolio = \$911,051,559

# General Fund Earnings and Cash Balances

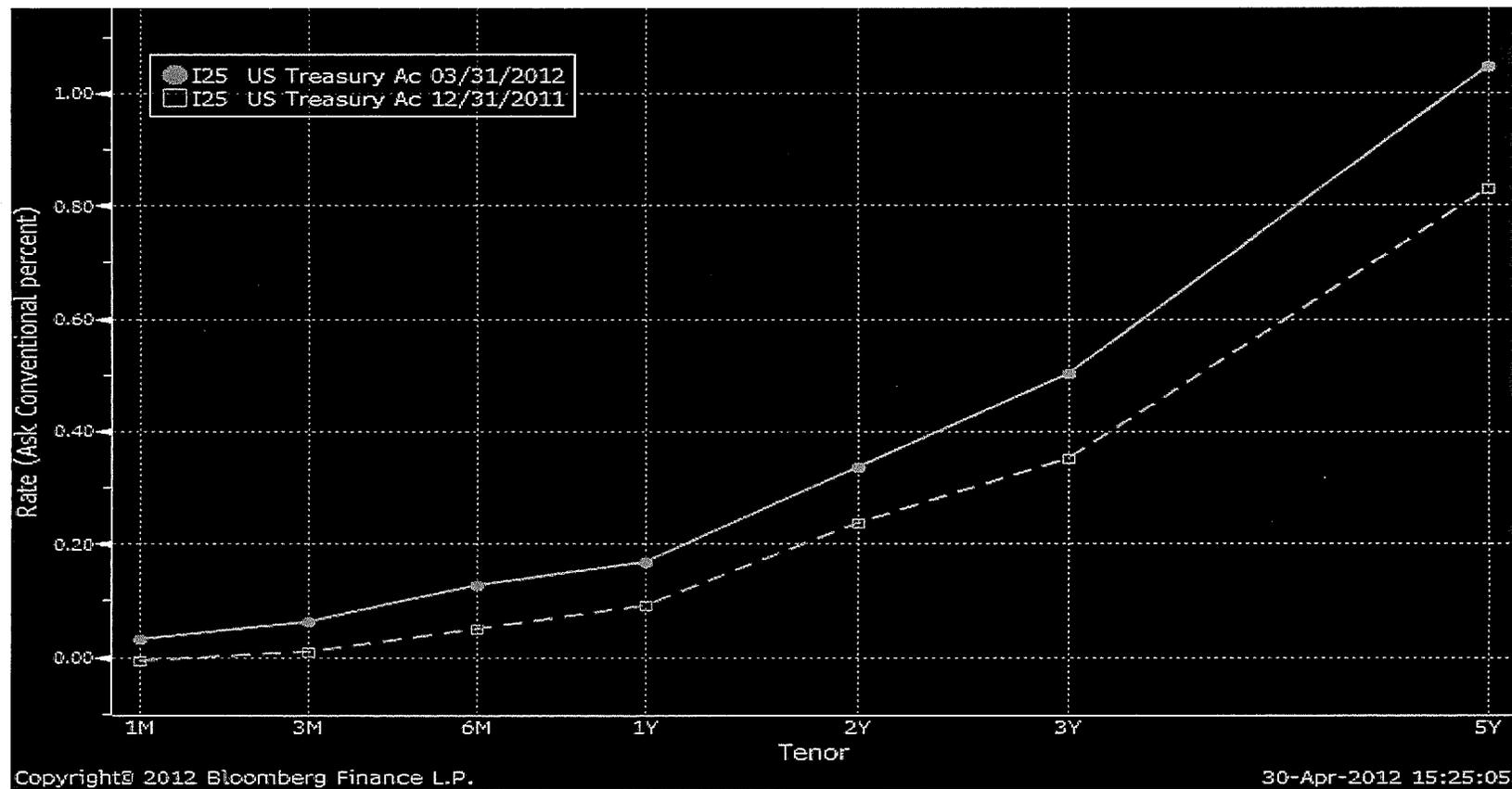
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- General Fund cash balance decreased by \$19 million to \$74 million in Q3 primarily due to:
  - Debt service payments during the quarter including TRAN repayment
- Projected investment maturities and revenue are sufficient to cover anticipated expenditures for the next six months.

# Comparison of Cash Balances by Select Funds

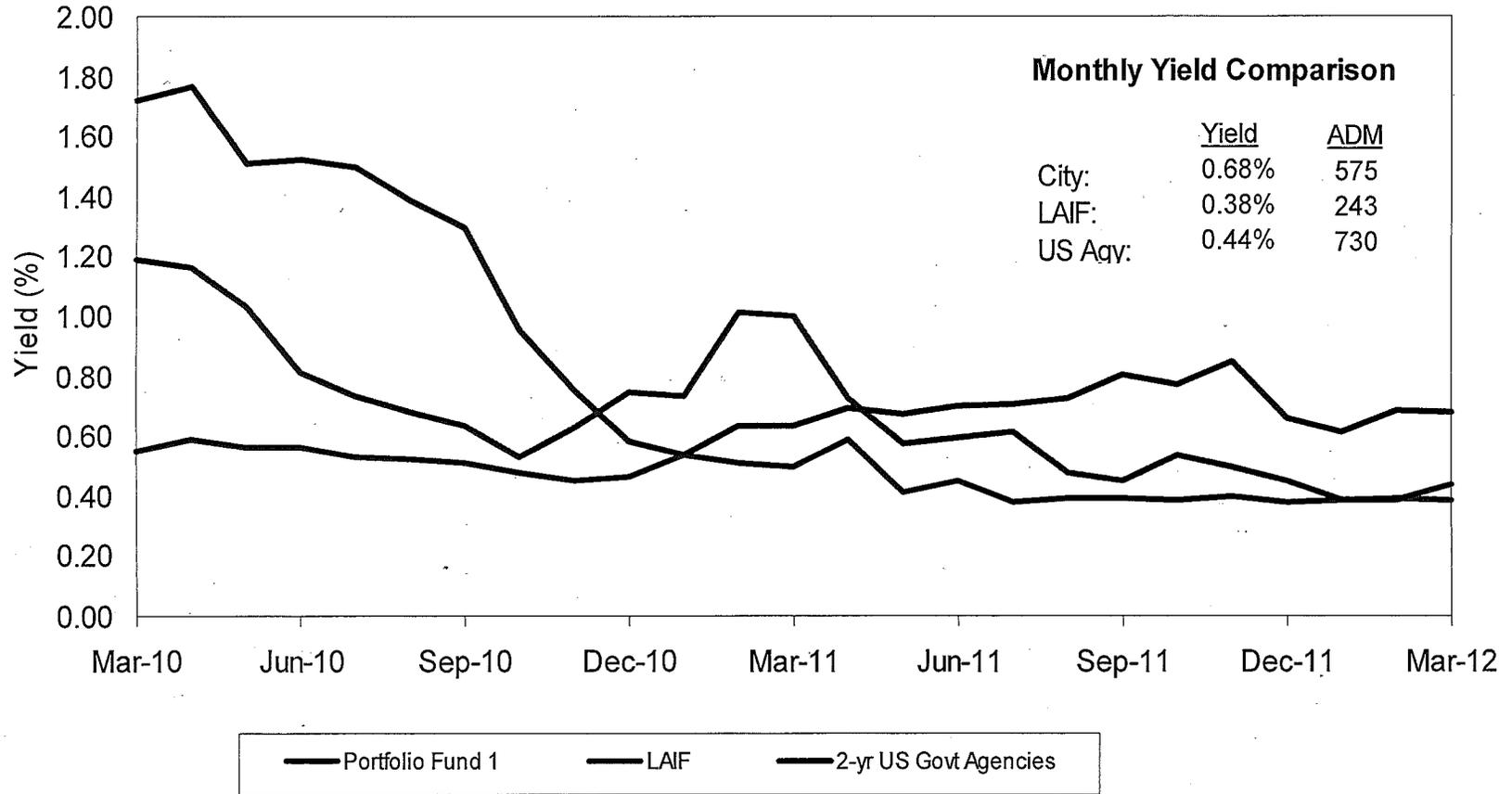


# US Treasury Yield Comparisons



During the third quarter of FY 2011-12, Treasury yield curve increased slightly and steepened for 2-5 yrs

# Monthly Portfolio Performance Benchmark Comparison



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# **Third Quarter Revenue Collection Report for Fiscal Year 2011-2012**

# Revenue Collection Program

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- Finance Department revenue collection efforts focus on proactive collection, reducing delinquent accounts receivable and enhancing revenue compliance
- Efforts may span several reporting periods, and actual collections are reported when funds are received by the City

# Revenue Collection Results – Quarter to Quarter Comparison

---

<u>Collections</u>	<u>FY 2011-12 3rd Quarter</u>	<u>FY 2010-11 3rd Quarter</u>
Business Tax Delinquencies	\$782,940	\$743,295
Accounts Receivable Delinquencies	1,097,038	1,032,501
Revenue Compliance/Monitoring	2,192,684*	746,914
<b>Total Program Collections</b>	<b>\$4,072,662</b>	<b>\$2,522,710</b>

*\*Revenue Compliance recovered \$1.46M from a sales tax misallocation.*

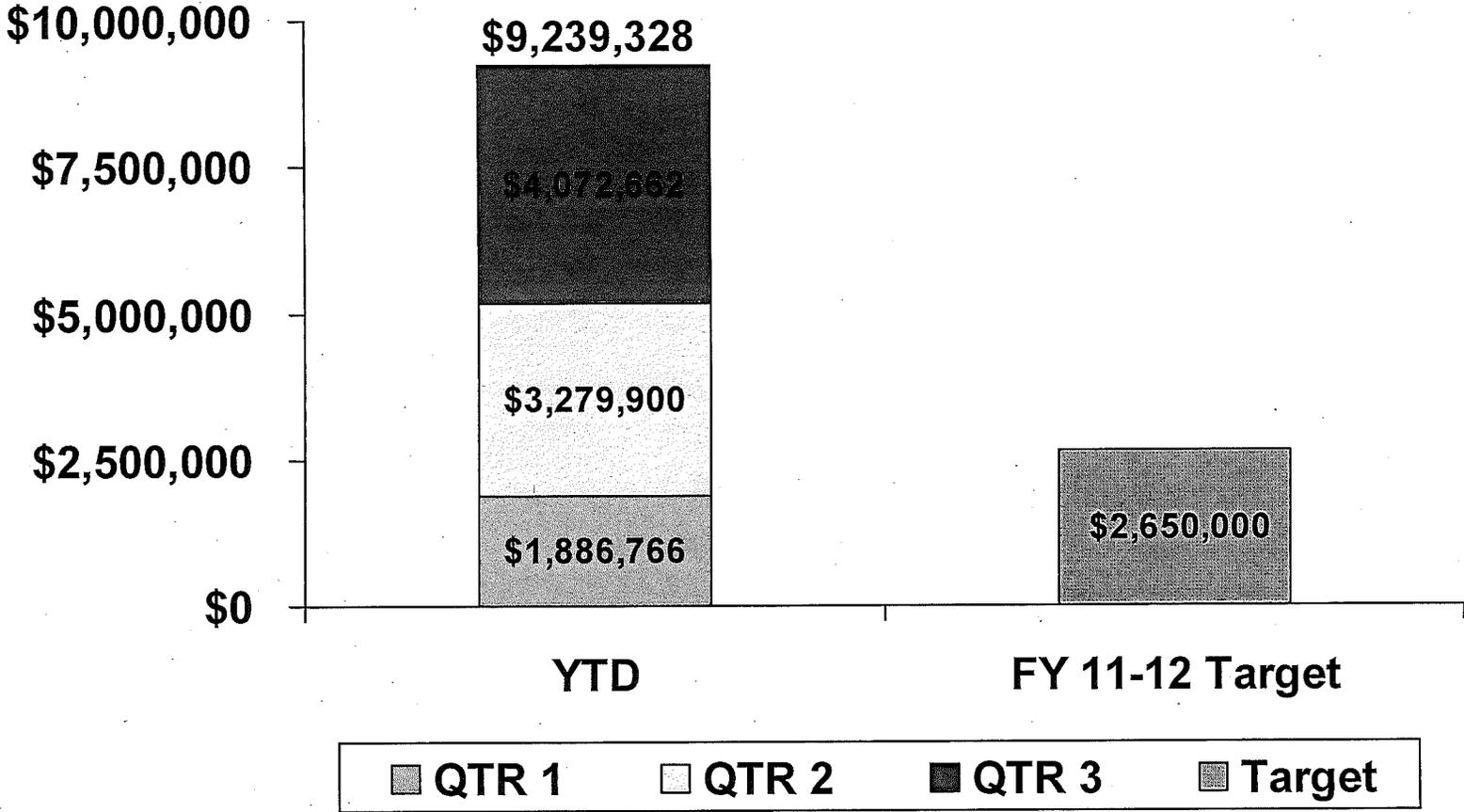
# Return on Investment (ROI) Quarter to Quarter Comparison

---

	<u>FY 2011-12</u> <u>3rd Quarter</u>	<u>FY 2010-11</u> <u>3rd Quarter</u>
<b>Total Return on Investment</b>	\$13.61	\$9.17
<b>Return on Investment by Program</b>		
Business Tax Delinquencies	6.92	8.72
Accounts Receivable Delinquencies	12.58	12.11
Revenue Compliance/Monitoring	22.15	7.14

- *Return on Investment is the dollar return (revenue) for every dollar spent on program costs*
- *Program costs only include direct costs in the Finance Department*

# 3<sup>rd</sup> Quarter Revenue Collection Results YTD – 346% of Annual Target



# Accounts Receivable Balance

	As of March 31, 2012	As of Dec 31, 2011
<u>Current Receivables</u>		
0-60 Days	\$ 4,465,471 *	\$ 2,841,568
61-90 Days	1,284,257	954,330
Total Current Receivables	\$ 5,749,728	\$ 3,795,898
<u>Delinquent Receivables</u>		
91-365 Days	\$ 2,927,409	\$ 4,041,611
Over 1 year	13,204,381	12,562,549
Total Delinquent Receivables	\$ 16,131,790	\$ 16,604,160
<b>Total Accounts Receivable</b>	<b>\$ 21,881,518</b>	<b>\$ 20,400,058</b>

# Recommendation

---

- Accept the Third Quarter Financial Reports for Fiscal Year 2011-2012 for the following programs:
  - Debt Management
  - Investment Management
  - Revenue Collection
  
- Forward recommendation to the City Council to adopt a resolution authorizing the Director of Finance to write off uncollectible Debts in an amount up to \$541,974.74.



# Memorandum

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

**FROM:** Julia H. Cooper

**SUBJECT:** THIRD QUARTER INVESTMENT REPORT FOR FY 2011-12

**DATE:** April 30, 2012

Approved

Date

5/4/12

**COUNCIL DISTRICT:** City-Wide

## RECOMMENDATIONS

Accept the Third Quarter Investment Report for FY 2011-12.

## DISCUSSION

The Third Quarter Investment Report for FY 2011-12 for the quarter ended March 31, 2012 has been transmitted electronically to the City Council to meet the reporting requirements set forth in the City of San Jose Investment Policy. The electronic version of this report can also be found on the City's website at [www2.csjfinance.org](http://www2.csjfinance.org) and a hard copy has been filed in the City Clerk's Office located at 200 East Santa Clara Street.

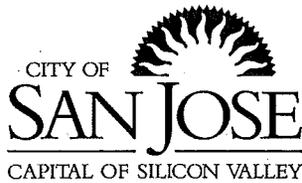
Attached is a copy of the Third Quarter Investment Report for FY 2011-12 focusing on:

- Quarterly Portfolio Statistics and Performance
- Investment Strategy
- Policy Reporting Requirements
- Significant Developments

Consistent with the Investment Policy requirements, staff from the Finance Department will be available to answer questions at the Public Safety, Finance and Strategic Support Committee meeting on May 17, 2012. In addition, this report will be agendaized in the Consent Calendar for a future City Council meeting.

JULIA H. COOPER  
Acting Director of Finance

Attachment



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Julia H. Cooper

**SUBJECT: INVESTMENT REPORT FOR  
THE QUARTER ENDED  
MARCH 31, 2012**

**DATE:** April 30, 2012

Approved 

Date 5/2/12

Transmitted herewith is the City's investment report for the quarter ended March 31, 2012. To meet the reporting requirements set forth in the City of San Jose Investment Policy, an electronic version of this report will be posted on the City's website at [www.csjfinance.org](http://www.csjfinance.org) and a hard copy will be on file at the City Clerk's Office located at 200 East Santa Clara Street.

This report will be distributed to the Public Safety, Finance and Strategic Support Committee (PSFSS) for discussion during its meeting on May 17, 2012 and will be agendized through the PSFSS Committee to a subsequent City Council meeting.

Summary of portfolio performance and compliance for quarter ended March 31, 2012:

- Size of total portfolio – \$911,051,599
- Earned interest yield – 0.655%
- Weighted average days to maturity – 575 days
- Fiscal Year-to-Date net interest earnings – \$4,816,479
- Sale of one security (discount note) to increase portfolio yield and enhance liquidity reserves
- No exceptions to the City's Investment Policy during this quarter
- Included in this report is the City's external auditor, Macias, Gini & O'Connell's Independent Accountant's Report as agreed upon procedure to evaluate the City's investment program for the six-month period ended December 31, 2011. No exceptions were noted.

If you have any questions on this investment report, please do not hesitate to call me at 535-7000.

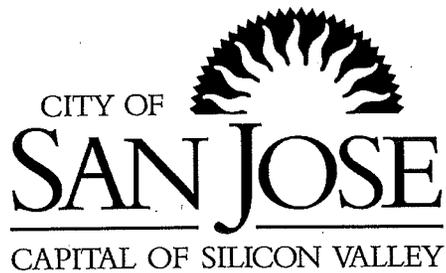
  
JULIA H. COOPER  
Acting Director of Finance

cc: Debra Figone, City Manager  
Sharon Erickson, City Auditor  
Richard Doyle, City Attorney

**City of San José  
California**

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**INVESTMENT REPORT FOR  
THE QUARTER ENDED  
MARCH 31, 2012**



Prepared by  
Finance Department  
Treasury Division

Julia H. Cooper  
Acting Director of Finance

**Investment Report for  
The Quarter Ended  
March 31, 2012  
City of San Jose  
Department of Finance  
Treasury Division**

JULIA H. COOPER  
Acting Director of Finance

ARN C. ANDREWS  
Acting Assistant Director of Finance

MARIA ÖBERG  
Acting Division Manager/Treasury

**Investment Staff**

Udaya Rajbhandari, Financial Analyst  
Uyen Le, Senior Account Clerk

**Special Assistance by**

Suzanne Adaysh, Accountant  
Tim Roberts, Account Clerk II

**CITY OF SAN JOSE  
INVESTMENT REPORT FOR  
THE QUARTER ENDED MARCH 31, 2012  
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Broker Purchase Distribution	

April 30, 2012

HONORABLE MAYOR and CITY COUNCIL

**INVESTMENT REPORT FOR THE QUARTER ENDED MARCH 31, 2012**

I am pleased to present this report of investment activity for the quarter ended March 31, 2012 in compliance with the reporting requirements as set forth in the City of San José Investment Policy. The information presented in the table below highlights the investment activity for the quarter ended March 31, 2012 as well as provides a comparison to the quarters ended December 31, 2011 and March 31, 2011.

The report presents information in the following major categories: Portfolio Statistics, Portfolio Performance, Compliance Reporting Requirements, Investment Trading Activity, and Investment Strategy pursuant to the Investment Policy.

<b>INVESTMENT SUMMARY</b>			
<b>For the Quarter Ended</b>	<b><u>March 31, 2012</u></b>	<b><u>December 31 2011</u></b>	<b><u>March 31, 2011</u></b>
<b><u>Total Portfolio</u></b>			
Portfolio Value <sup>(1) (2)</sup>	\$911,051,599	\$926,961,888	\$902,011,677
Earned Interest Yield	0.655%	0.750%	0.580%
Dollar-weighted average yield			
Purchases	.351%	.426%	.260%
Maturities	.245%	.873%	.196%
Called Securities	N/A	1.25%	N/A
Sold Securities	0.122%	N/A	N/A
Weighted avg. yield at end of period	.689%	.634%	.648%
Weighted avg. days to maturity	575	524	258
<b><u>Portfolio Fund I</u></b>			
Portfolio Value <sup>(1) (2)</sup>	\$910,197,791	\$913,433,452	\$888,526,202
Earned Interest Yield	0.659%	0.756%	0.592%
Dollar-weighted average yield			
Purchases	.352%	.426%	.268%
Maturities	.246%	.873%	.201%
Called Securities	N/A	1.25%	N/A
Sold Securities	0.122%	N/A	N/A
Weighted avg. yield at end of period	.690%	0.638%	0.650%
Weighted avg. days to maturity	575	529	262

<sup>1</sup> Reflects book value (principal plus any purchased interest costs) of investments.

<sup>2</sup> Total excludes bond proceeds held by trustees for the City of San José (\$520,139,872.45)

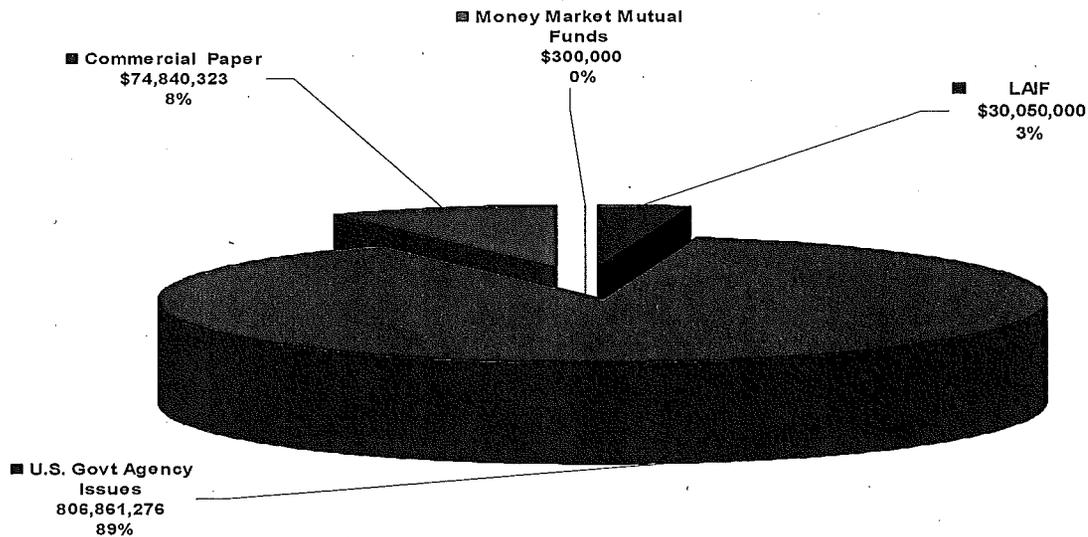
## PORTFOLIO STATISTICS

Detailed information can be found in the attachments while summaries in graphic form are provided below.

### Portfolio Composition

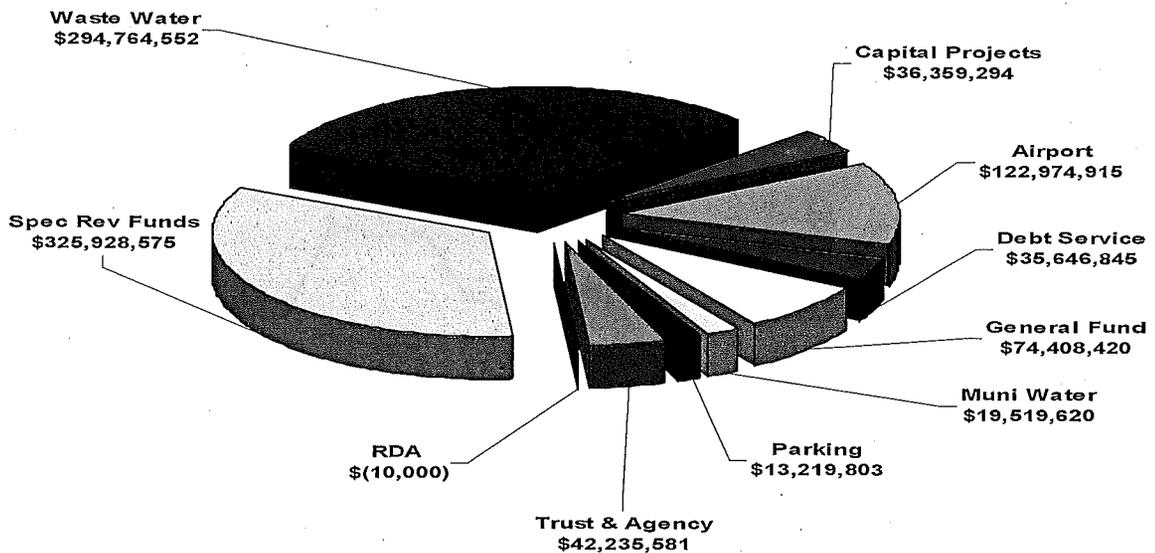
The graphs below provide snapshots of the City's total investment portfolio as of March 31, 2012. The first graph shows the portfolio composition by investment type and the following two graphs show the portfolio's cash balances by fund type.

#### **Portfolio Composition** As of March 31, 2012 \$911,051,599



The graph on the next page reflects the reconciliation of total balances reported by the investment program's record-keeping system to the City's Financial Management System (FMS).

**Cash Balances by Fund Type**  
 As of March 31, 2012  
 \$965,047,605



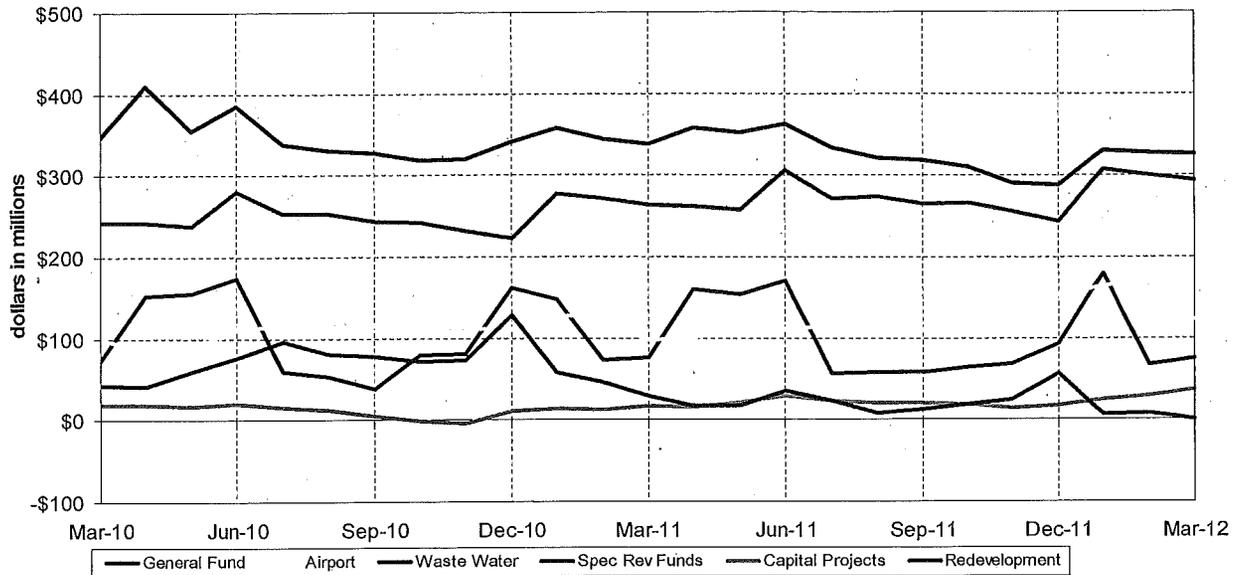
Total Cash Balances per FMS	\$965,047,605
Deposit-in-Transit, Outstanding Checks <sup>1</sup>	<u>(\$53,996,006)</u>
Portfolio Balance Total	\$911,051,599

During the quarter, California redevelopment agencies were dissolved by legislative action, and the City as Successor Agency to the Redevelopment Agency (“SARA”) began the administrative transition. The negative amount shown under Redevelopment Agency is caused by a timing difference in the recognition of expenses and checkless transfers between the former Redevelopment Agency and SARA. The negative \$10,000 shown under Redevelopment Agency will be trued-up in April of 2012 when the residual transition activities will be accounted for, closing out the Redevelopment Agency’s participation in the City’s investment portfolio.

The following graph compares the monthly total balances of selected City funds as reported by the City’s Financial Management System (FMS).

<sup>1</sup> Reflects timing differences between when deposits are made and accounted for in FMS, or when checks are written and not yet cashed by the receiving party.

**Monthly Comparison of Balances by Fund Type**  
As of March 31, 2012



**General Fund Balances**

Cash balances in the General Fund decreased approximately \$19 million from the December 31, 2011 balance of \$93 million to the March 31, 2012 ending balance of \$74 million. This is primarily due to debt service payments made during the quarter, including the TRAN repayment as described below, off-set by the receipt of property taxes. As depicted above, cash balances usually peak during the months of January and June when the bulk of property taxes are received. Traditionally, the summer months experience a decline in the portfolio and the General Fund balances due to the retirement prefunding, debt service payments and operational expenditures during months when no property tax revenue is received.

**Prefunding of Annual Retirement Contributions and Issuance of Short-Term Notes**

On February 1, 2012 the City repaid \$100 million principal, plus interest, for the 2011 Tax & Revenue Anticipation Note (“TRAN”) issue. The City issued this short-term note on July 1, 2011 for cash flow smoothing purposes, primarily to facilitate the prefunding of employer retirement contributions.

To ensure that the General Fund cash balance remains positive throughout fiscal year 2012-2013 and to provide sufficient funding for the retirement prepayment, the City anticipates issuing a new TRAN in July 2012.

### **Negative Cash Balances**

Negative balances in the Capital Project funds are caused by a time lag between when payments are made through the investment pool and when funds are received from trustees for the related reimbursement for these capital costs. Cash balances in the Capital Project funds remained above zero this quarter. Finance staff has been working with departments to shorten this time lag. Since instituting procedures related to the reimbursement of bond proceeds, City staff has been able to prevent negative cash balances in the Capital Project funds. Investment staff will continue to monitor bond reimbursements and fund balances, but going forward will only include the "Negative Cash Balances" section in the investment reports if negative balances occur.

### **Redevelopment Agency Portion of Portfolio**

Historically, the Redevelopment Agency has participated in the City's investment pool both with restricted bond proceeds and with operating cash balances. During the quarter, redevelopment agencies in California were dissolved by legislative action, and the City as Successor Agency to the Redevelopment Agency ("SARA") began the administrative transition. As part of this transition, the Redevelopment Agency funds in the City's investment portfolio were transferred to the SARA accounts held at Bank of America. A separate LAIF account was also established to provide an investment vehicle for SARA funds.

Timing differences in the recognition of expenses, as well as checkless transfers between the former Redevelopment Agency and SARA, caused a negative \$10,000 balance in the Redevelopment Agency fund in the investment portfolio. This negative balance will be cured in April 2012 when the residual transactions will be accounted for and a transfer of \$10,000 will be made to return the account balance to zero. At this point, the Redevelopment Agency's participation in the City's investment portfolio will cease. SARA and City staff will explore appropriate reporting venues for balances maintained in the SARA accounts and will include a discussion of the reporting methodology in the June 2012 Quarterly Investment Report.

Total interest earnings from Redevelopment Agency funds invested with the City pool during the quarter ended March 31, 2012 were \$11,534.42, inclusive of earnings on the LAIF account established for the 2008B bond proceeds.

### **PORTFOLIO PERFORMANCE**

The table on the next page illustrates the total portfolio income recognized for the last quarter as compared to the prior quarter and the same quarter one year ago. Other graphs in this section include yield and maturity trends over the last two years.

**TOTAL PORTFOLIO INCOME RECOGNIZED**

**Accrual Basis**

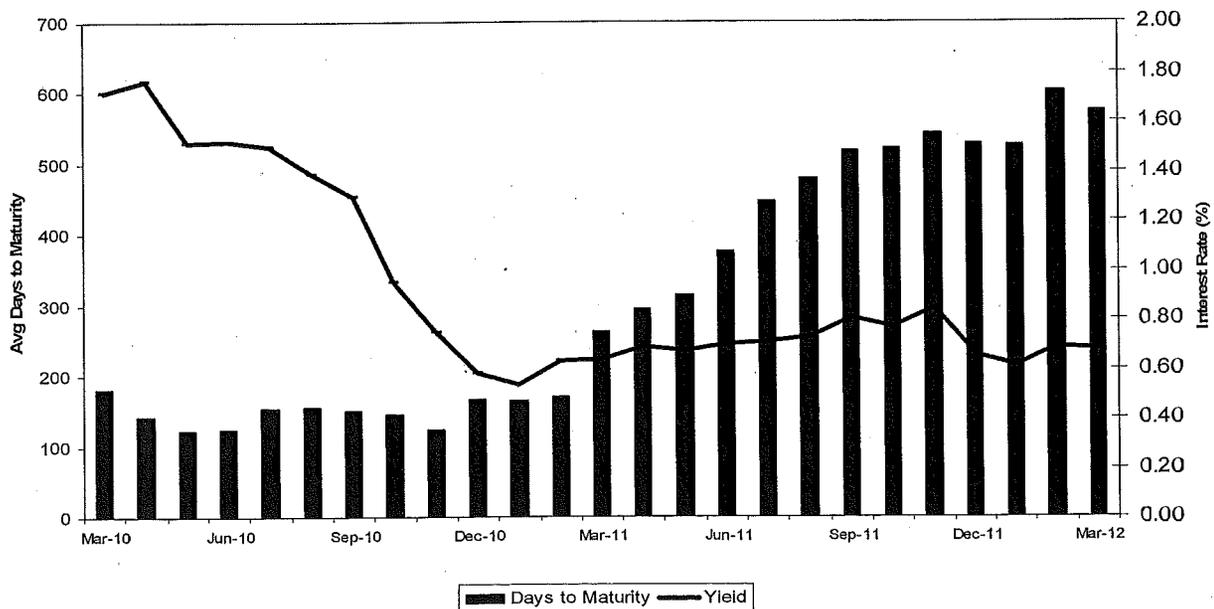
<b>Total Portfolio</b>	<b>March 31, 2012</b>	<b>December 31, 2011</b>	<b>March 31, 2010</b>
<b><i>Quarter-End</i></b>			
Total interest earnings	\$1,564,228	\$1,619,728	\$1,404,651
Realized gains (losses) from sales <sup>(a)</sup>	5,154	0	0
Total income recognized	\$1,569,382	\$1,632,862	\$1,404,651
<b><i>Fiscal Year-to-Date</i></b>			
Total interest earnings	\$4,816,479	\$3,252,590	\$6,372,323
Realized gains (losses) from sales <sup>(a)</sup>	5,154	0	0
Total income recognized	\$4,821,633	\$3,252,590	\$6,372,323

<sup>(a)</sup> Please see discussion in Investment Trading Activity section.

***Yield and Maturity Trend***

The following graph illustrates the dollar-weighted average days to maturity (“ADM”) of Portfolio Fund 1 (bar graph) along with the yield trend (line graph) for each month for the past two years. The ADM increased from 529 days on December 31, 2011 to 575 days on March 31, 2012 while the yield increased from 0.659% to 0.678%. While the table on page 1 summarizes portfolio data on a quarter-to-quarter basis, the following tables summarize the data on a month-to-month basis.

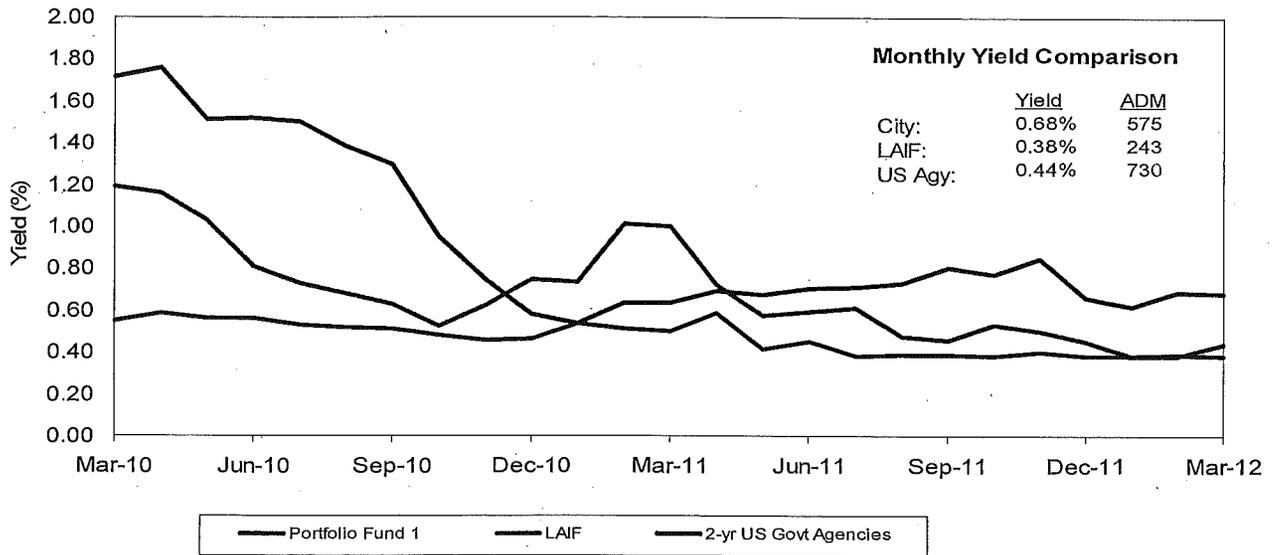
**Yield and Maturity Trends Portfolio Fund 1**  
As of March 31, 2012



**Benchmark Comparison**

The following graph compares the monthly earned interest yield of the City’s Portfolio Fund 1 with the monthly average yields of the State of California Local Agency Investment Fund (LAIF) and of the two-year U.S. government agency securities from March 2010 through March 2012. The City’s Total Portfolio is not used for benchmarking comparisons since it includes various funds which are required to be invested apart from the pool and have their own separate cash flow needs.

**Monthly Benchmark Comparisons**  
As of March 31, 2012



The closest suitable benchmarks for the City’s Portfolio Fund 1 are the two-year US government agency securities and the Local Agency Investment Fund (LAIF). Despite yields in the market remaining at historically low levels, during the past three quarters, the City’s yield has increased over the two-year government agency benchmark. This increase is the result of staff purchasing longer-dated maturities (out to three years) as well as callable securities that provide a yield advantage.

The two-year agency benchmark has historically been a suitable benchmark for the City’s portfolio as it closely mimics the City’s desired duration. The two-year government agency benchmark maintains a constant average-days-to-maturity (“ADM”) of 730 days while the City’s ADM will vary depending on cash flow needs. Liquidity restraints, reduced fund balances, as well as the structural change in the City’s portfolio associated with the retirement prefunding, have resulted in the City’s ADM being lower than the two-year agency benchmark. Staff has been extending investment maturities, increasing both the portfolio duration and yield.

During the month of March 2012, LAIF’s ADM was 243 days compared to the 575 days of the City’s Portfolio Fund 1. Although the City’s ADM increased this quarter to 575 days from 529 days in the last quarter, the City’s relatively short average life will continue to result in the

portfolio's yields remaining near historic lows. However, the short average life will, as cash flows permit, allow the City's portfolio to react relatively quickly once interest rates increase, resulting in more favorable yield performance.

**Unrealized Losses and Gains**

As shown in the Investment Summary Table on page 1 of this report, the total portfolio size as of March 31, 2012 was \$911,051,599. The following table illustrates the net unrealized gains or losses on the portfolio when comparing the portfolio's market value to both its original cost and amortized cost.

<b><u>UNREALIZED GAINS &amp; LOSSES</u></b>			
<b><u>Cash Basis</u></b>			
<b>Market Value</b>	\$914,644,757	<b>Market Value</b>	\$914,644,757
<b>Original Cost</b>	<u>(911,051,599)</u>	<b>Amortized Cost</b>	<u>(911,458,961)</u>
<b>Net Unrealized Gain (Loss)</b>	\$3,593,158	<b>Net Unrealized Gain (Loss)</b>	\$ 3,185,796

The City's investment practice, per the Investment Policy, is generally to hold securities to the maturity dates, with exceptions as noted in the Policy. The net unrealized gains noted above are "paper gains" where there is an inverse relationship between the general changes in market interest rates to the value of investment securities. As general market interest rates decrease, the value of the City's investments increase as a result of the higher interest yields that these investments hold compared to market interest rates. Conversely, as market interest rates increase, the value of the City's investments decline as a result of the lower interest yields that these investments hold compared to market interest rates.

**Earned Interest Yield** – The total investment portfolio earned interest yield for the quarter ended March 31, 2012 was 0.655%. Although the portfolio yield decreased slightly from the last quarter, it was higher compared to same period last year. This positive change is the result of shift in the investment strategy from one investing primarily in cash and money-market instruments into a strategy with more structured and laddered investments.

The Federal Funds target range remained unchanged between 0.00% (zero percent) and 0.25%. The Federal Open Market Committee ("FOMC") statement released on April 25, 2012, reiterated that economic conditions are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014.

**COMPLIANCE REPORTING REQUIREMENTS**

Pursuant to Section 15.4 of the City's Investment Policy, "No less than semi-annually each year, a compliance audit shall be conducted of the City's investment program to determine whether

*the City's investments within the City's pooled portfolio are in compliance with the City's Investment Policy, internal controls and department procedures.*" These compliance audits per the Investment Policy can either be included in the City Auditor's work plan or the Director of Finance can cause the audits to be conducted by an external auditor. The work was included in the City Auditor's work plan and the Auditor's Office engaged the services of the City's external auditors, Macias, Gini & O'Connell LLP ("MGO"), to conduct the evaluation of the City's investments within the pooled portfolio. MGO completed its evaluation for the six-month period ended December 31, 2011 and found that the investments are in compliance with the City's Investment Policy, internal controls and department procedures. A copy of the Independent Accountant's Agreed-Upon Procedures Report is attached to this quarterly report.

Additionally, as part of the reporting process as outlined in the Investment Policy, several compliance requirements shall be included in the quarterly report. These requirements include a statement of the cash management projection, statement of compliance with the policy, and comparisons of budget investment earnings to actual investment earnings.

#### **Cash Management Projection**

Based on the Finance Department's cash flow projection as of March 31, 2012, total revenues and investment maturities for the next six months are anticipated to be \$851 million. This is more than sufficient to cover the projected City expenditures for the same period of approximately \$837 million.

#### **Statement of Compliance with the Policy**

There were no exceptions or violations outstanding for the quarter ended March 31, 2012. The investment portfolio during the quarter ended March 31, 2012 meets the requirements of the City's Investment Policy and the California Government Code section 53601.

#### **Comparison of Portfolio Investment Earnings to FY 2011-12 Budget**

The following is a comparison of actual investment earnings on an accrual basis to the fiscal year 2011-12 budget. Monthly budgeted earnings apportionments for the City funds are based upon historical cash balance averages and an assumed average interest yield for the fiscal year. The 2011-12 budgeted interest earnings for the General Fund were \$110,000 based on a projected net interest yield of 0.22%. The schedule below compares the unaudited actual net investment earnings for the General Fund for the quarter ended March 31, 2012 to the budgeted amounts.

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**BUDGET COMPARISON**

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<u>Net Investment Earnings</u>	<u>Yield</u>	<u>General Fund</u>
<i>Quarter Ended March 2012</i>		
Budget <sup>(a)</sup>	0.22%	\$ 27,500
Actual <sup>(b)</sup>	<u>0.36%</u>	<u>48,503</u>
Variance	0.14%	\$ 21,003
 <i>Fiscal Year to Date</i>		
Budget <sup>(a)</sup>	0.22%	\$ 82,500
Actual <sup>(b)</sup>	<u>0.42%</u>	<u>116,537</u>
Variance	0.20%	\$ 34,037

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(a) Reflects the FY 11/12 Adopted Budget as approved by the Council on June 21, 2011.

(b) Reflects net investment yield which is the earned interest yield less costs to administer the investment program, adjusted for funds with negative cash balances at month-end.

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**INVESTMENT TRADING ACTIVITY**

Attachment E provides a detailed summary of the Investment Activities during the quarter including any realized gains or losses from interest received on trading activity. Since the City is currently not involved in active trading, this reporting only occurs when a security is sold prior to maturity as defined in Section 4.0 (2) of the Investment Policy.

On February 16, 2012, staff sold one security, a \$14.1 million Federal Home Loan Bank (“FHLB”) discount note, ahead of its maturity to increase liquidity reserves and earn a higher yield by investing the sale proceeds in LAIF. There was a net gain of \$5,153.76 from the sale of this discount note. Since the proceeds from the sale will remain invested in LAIF until the original maturity date of the discount note, they will earn an additional \$10,518.96 in interest for the City.

**INVESTMENT STRATEGY**

The investment program continues to focus on its core mandate of safety, liquidity and yield. For the past few years, the City’s investment strategy has been to invest short-term (18 months or less) in order to cover liquidity needs. In early 2011, staff began to extend maturities in order to provide income and structure to the portfolio. Investments have been matched to known cash flow outlays in the 18-36 month horizon. Unless market conditions change dramatically, this strategy is expected to continue throughout FY 2011-12 given a forecast of continued slow economic growth. Given budget constraints and the continued low market interest yields, staff will not actively seek to extend maturities beyond 36 months.

Staff continues to maintain a moratorium on Bank of America and will lift the moratorium (which was placed two quarters back) when credit conditions improve and the credit rating gets upgraded to the minimum level as specified in the City's Investment Policy. Staff continues to monitor the credit ratings of all banks, US and European, that are included on the investment program's approved issuer list.

**Future Commitments** -- As of quarter-end March 31, 2012, the City had no obligations to buy or sell securities, and no commitments to participate in securities trading.

**Executed Reverse Repurchase Agreements** -- No reverse repurchase agreements were executed this quarter.

**Restructuring** -- No restructuring activities took place during the quarter ended March 31, 2012. As discussed above, on February 16, 2012, staff sold one security to enhance liquidity reserves and increase portfolio yield.

**Municipal Bonds** -- No municipal bonds were purchased during the quarter ended March 31, 2012.

## **CONCLUSION**

The total investment portfolio as of March 31, 2012 was \$911,051,599. This is a decrease of approximately \$16 million from the December 31, 2011 balance of \$926,961,888. This is primarily due to the payment of debt service during the quarter, including the \$100 million TRAN repayment, off-set by the receipt of property tax revenues. For the quarter ended March 31, 2012, the total portfolio earned interest yield was 0.655%, a decrease from 0.750% reported for the quarter ended December 31, 2011, reflecting the current lower yield environment. The weighted average days to maturity increased during the quarter to 575 days, as a result of staff extending maturities to provide structure and income for the portfolio. As of March 31, 2012, approximately 89% of the total portfolio consisted of U.S. government agency securities.

Respectfully submitted,



JULIA H. COOPER  
Acting Director of Finance