

**OFFICE OF THE CITY TREASURER
FISCAL YEAR 2017 BUDGET TESTIMONY
APRIL 6, 2016**

INTRODUCTION

Good morning, President Clarke and Members of City Council. I am Rasheia Johnson, City Treasurer. Joining me today are Christian Dunbar, Deputy City Treasurer-Debt Management, Christopher Schwartz, Deputy City-Treasurer Banking and Investments and Matthew Mazza, Executive Director of the Sinking Fund Commission. I am pleased to provide testimony on The City Treasurer's Office for Fiscal Year 2017 operating budget.

DEPARTMENT MISSION:

The Office of the City Treasurer (CTO) manages new and outstanding City debt in accordance with the City's Debt Management Policies, maximizes the value received from new financings and minimizes interest and transaction costs. CTO also works to maintain and improve the City's credit ratings. CTO manages the custodial banking of all City funds by encouraging standards and practices consistent with safeguarding City funds, aims to maximize the amount of cash available for investment, and invests those funds that are in excess of the amount needed to meet daily cash requirements. CTO serves as the disbursing agent for checks and electronic payments from the City.

**CITY TREASURER OFFICE
BUDGET SUMMARY AND OTHER BUDGET DRIVERS**

Staff Demographics Summary (as of January 2016)

| | Total | Minority | White | Female |
|----------------------------------|--------------|--------------|-------------|--------------|
| Full-Time Staff | 16 | 9 | 7 | 6 |
| Executive Staff | 4 | 2 | 2 | 1 |
| Average Salary - Full-Time Staff | \$61,605.00 | \$63,658.00 | \$83,526.00 | \$56,822.00 |
| Average Salary - Executive Staff | \$105,375.00 | \$114,000.00 | \$96,750.00 | \$133,000.00 |
| Median Salary - Full-Time Staff | \$51,915.00 | \$48,830 | \$90,000.00 | \$42,389.00 |
| Median Salary - Executive Staff | \$99,250.00 | \$114,000 | \$84,635.00 | \$133,000.00 |

Employment Levels (as of January 2016)

| | Budgeted | Approved | Filled |
|-------------------------------|----------|----------|--------|
| Full-Time Positions | 16 | 16 | 16 |
| Part-Time Positions | 0 | 0 | 0 |
| Executive Positions | 4 | 4 | 4 |
| <i>Overall Average Salary</i> | 61,605 | \$61,605 | 61,605 |
| <i>Overall Median Salary</i> | 51,915 | \$51,915 | 51,915 |

Financial Summary by Class - General Fund

| | Fiscal 2015 Actual Obligations | Fiscal 2016 Original Appropriations | Fiscal 2016 Estimated Obligations | Fiscal 2017 Proposed Appropriations | Difference FY17-FY16 |
|------------------------------------|--------------------------------------|---|---|---|-------------------------|
| Class 100 - Employee Compensation | \$802,019 | \$985,689 | \$985,689 | \$1,040,058 | \$54,369 |
| Class 200 - Purchase of Services | \$101,477 | \$118,444 | \$118,444 | \$118,444 | \$0 |
| Class 300 - Materials and Supplies | \$17,127 | \$21,224 | \$21,224 | \$21,224 | \$0 |
| Class 400 - Equipment | \$4,253 | \$1000 | \$1000 | \$1000 | \$0 |
| TOTAL | \$924,876 | \$1,126,357 | \$1,126,357 | \$1,180,726 | \$54,369 |

(2017 M/W/DBE Participation Goal 30%)

| | FY11 | FY12 | FY13 | FY14 | FY15 | FY16* |
|---------------------------|-----------|-------------|-------------|-------------|-------------|-------------|
| Total amount of contracts | \$848,085 | \$2,488,601 | \$1,841,517 | \$2,292,640 | \$2,584,452 | \$2,937,537 |
| Total amount to M/W/DBE | \$205,773 | \$696,030 | \$598,456 | \$513,886 | \$627,050 | \$691,406 |
| Participation Rate | 24% | 28% | 32% | 22% | 24% | 24% |

*as of March 2016

DEPARTMENT PLANS & INITIATIVES FOR 2017:

Debt Management: Maximize the value received from new financings while reducing the City's debt service payments. CTO plans to issue debt through 3 to 4 transactions in FY17, including refundings to reduce debt service. While the level of savings will depend on market conditions, it is likely that refundings during FY17 will save substantial amounts for the General Fund, Water Department, and PGW.

FY 2016 & 2017 Proposed Debt Transactions:

June 2016 – PGW Refunding

July 2016 – Water Department Refunding

August 2016 – General Fund-Tax and Revenue Anticipation Note (TRAN)

August 2016 – General Fund-General Obligation Refunding

FY 2017 – Rebuilding Community Infrastructure

FY 2017 – Energy Authority

Vendor Selection Process: The existing pools of underwriters for the City and its Enterprise Funds will expire in June, and CTO will issue an RFQ for the selection of new pools in the coming weeks. Other expiring vendor arrangements include those with the City's General Obligation financial advisors, PGW and PWD bond counsel. CTO, along with other City Departments, will create a selection committee to evaluate and select a new pool for financial advisors and bond counsel.

Rating Agency Relations: The CTO manages the City's relationship with rating agencies, leveraging the City's improving economic and fiscal outlook, and working to optimize investor relations. Currently, the City is rated in the "A" category by all three rating agencies (Moody's "A2"; Standard & Poor's "A+"; Fitch "A-").

Investor Relations Conference: CTO plans to host the City's second Investor Conference in the fall of 2016 to better inform bankers and investors about the City and its goals and projects. Based on prior experience, we believe improved relationships and understanding can result in lower interest costs for the City's bonds. The rate the City pays on General Obligation (GO) bonds has been steadily reduced by approximately 94 basis points over the past few years, reducing the premium the City pays over the "AAA" Municipal Market Data (MMD) rate. Most recently, a City transaction priced 81 basis points over the "AAA" MMD, marking the best pricing the City has achieved in the many years.

Municipal Continuing Disclosure Cooperation ("MCDC"): In 2010 the Securities and Exchange Commission (SEC) approved amendments to Rule 15c2-12 under the Securities and Exchange Act of 1934. In general, the Rule includes provisions regarding what an underwriter must do in connection with a primary offering of municipal securities and what provision must be included in an issuer's continuing disclosure agreement. Over the past 6 years, CTO, the Sinking Fund Commission, the City's underwriters, many City departments and a number of internal and external legal counsels have determined that the City had no material non-disclosures in the reporting of a reportable event. The City continues to be in compliance in all material respects with its continuing disclosure obligations related to its outstanding debt. In FY15, CTO overhauled the City's financial disclosure process to ensure the City's continued compliance with increasingly stringent regulation. CTO plans to continue the regular review, update and implementation of the new policies and procedures to ensure the City's continued compliance with all SEC and IRS regulations.

Payroll Card Program Expansion: In early FY16 the CTO, in collaboration with the Office of Human Resources and OIT, rolled out the first phase of the City's Debit Card Payroll Program. The first phase of the program was introduced to all the City's non-represented and exempt employees who were receiving bi-weekly payroll via a paper check. Overall the first phase of the program has been successful, with no major issues or negative feedback from employees enrolled in the program. In FY17, the City intends to begin offering the Pay card program as an option to all other employee classes outside of the City's non-represented and exempt employees as an alternative to paper based checks.

Treasury Management System (TMS): The CTO would like to implement a Treasury Management System (TMS), which is being considered as part of the City's prioritization process for smaller IT projects. In the short term a TMS would provide the CTO with the ability to automate and add more control around key cash management processes that are highly manual and spreadsheet dependent. Another key benefit of the TMS would be a centralized, secured and standardized system for administering approximately 300 bank and investment accounts that the City holds. This would ensure that authorized users of accounts are routinely updated and monitored, and would also allow the CTO to provide a more in depth review of commercial banking fees, ensuring that the City is being provided services at beneficial prices and also allowing a timely audit of fees actually charged versus negotiated fees.

**CITY TREASURER OFFICE
PROPOSED BUDGET OVERVIEW**

PROPOSED FUNDING REQUEST

The proposed Fiscal Year 2017 general fund budget totals \$1,180,726 an increase of \$54,369 over Fiscal Year 2016 estimated obligation levels. This increase is primarily due to a request for an additional accountant.

The proposed budget includes:

- \$1,040,058 in Class 100, represents a \$54,369 increase over FY16. The additional funding will cover the \$11,369 increase in wages from the DC 47 raises beginning in July 2016, and \$43,000 will fund an additional accountant for the CTO accounting team.
- \$118,444 in Class 200, no change over FY16.
- \$21,224 in Class 300, no change over FY16.
- \$1,000 in Class 400, no change over FY16.

STAFFING LEVELS

- The following is a summary of the CTO's staffing levels as of March 2016:
 - Budgeted: 16
 - Approved: 16
 - Filled: 16
- FY16 Staffing Changes from July 2015 through March 2016:
 - New Hires: 4 (2 African American Females)
(2 African American Males)
- See appendix for Bilingual Employees Chart

**CITY TREASURER OFFICE
PERFORMANCE, CHALLENGES AND INITIATIVES**

DEPARTMENT PERFORMANCE (OPERATIONS)

- Monitor City debt portfolio to maximize debt service savings through refunding transactions.
- Expand investor outreach to increase demand for City bonds and lower borrowing costs.
- Continue to maintain or improve credit quality to optimize the City's spread to AAA MMD.
- Continue to reduce the number of paper checks printed and distributed for Payroll and General Disbursement payments.
- Meet or exceed the investment returns of established investment portfolio benchmarks.

**CITY TREASURER OFFICE
OTHER BUDGETARY IMPACTS**

FEDERAL AND STATE (WHERE APPLICABLE)

Not applicable.

CITY TREASURER OFFICE – CONTRACTING EXPERIENCE

| Vendor | Service Provided | Amount of Contract | RFP Issue Date | Contract Start Date | Ranges in RFP | % of M/W/DSBE Participation Achieved | \$ Value of M/W/DSBE Participation | Total % and \$ Value Participation - All DSBEs | Local Business | Living Wage Compliant ? |
|---------------------------------|---|--------------------|----------------|---------------------|---------------|--------------------------------------|------------------------------------|--|----------------|-------------------------|
| Econsult Solutions INC | Lending Report - Authorized City Depositories | \$46,340 | 9/3/14 | 12/15/14 | MBE: 20-25% | 50% | \$23,170 | 50% \$23,170 | Yes | Yes |
| | | | | | WBE: 20-25% | 0% | \$0 | | | |
| | | | | | DSBE: 0% | 0% | \$0 | | | |
| PFM Asset Management | Arbitrage Rebate Services | \$24,000 | 8/29/11 | 7/1/12 | MBE: 10-15% | 0% | \$0 | 0% \$0 | Yes | Yes |
| | | | | | WBE: 10-15% | 0% | \$0 | | | |
| | | | | | DSBE: 0% | 0% | \$0 | | | |
| Swap Financial Group | Swap Advisor | \$15,000 | 7/2/12 | 1/1/13 | MBE: 0% | 0% | \$0 | 0% \$0 | Yes | Yes |
| | | | | | WBE: 0% | 0% | \$0 | | | |
| | | | | | DSBE: 0% | 0% | \$0 | | | |
| SS&C Technologies Inc | Debt Management Software | \$9,415 | 7/2/12 | 12/1/12 | MBE: 10-15% | 0% | \$0 | 0% \$0 | Yes | Yes |
| | | | | | WBE: 10-15% | 0% | \$0 | | | |
| | | | | | DSBE: 0% | 0% | \$0 | | | |
| Digital Assurance Certification | Dissemination Agent | \$3,500 | 9/3/2014 | 1/1/2015 | MBE: 0% | 0% | \$0 | 100% \$3,500 | Yes | Yes |
| | | | | | WBE: 0% | 100% | \$3,500 | | | |
| | | | | | DSBE: 0% | 0% | \$0 | | | |

CITY TREASURER OFFICE – EMPLOYEE DATA

Staff Demographics (as of January 2016)

| <i>Full-Time Staff</i> | | | | <i>Executive Staff</i> | | | |
|------------------------|--|------------------|------------------|------------------------|--|------------------|------------------|
| | | Male | Female | | | Male | Female |
| | | African-American | African-American | | | African-American | African-American |
| <i>Total</i> | | 3 | 3 | <i>Total</i> | | 1 | 1 |
| <i>% of Total</i> | | 18.8% | 18.8% | <i>% of Total</i> | | 25.0% | 25.0% |
| <i>Average Salary</i> | | \$67,166 | \$72,478 | <i>Average Salary</i> | | \$95,000 | \$133,000 |
| <i>Median Salary</i> | | \$65,000 | \$47,000 | <i>Median Salary</i> | | \$95,000 | \$133,000 |
| | | White | White | | | White | White |
| <i>Total</i> | | 4 | 3 | <i>Total</i> | | 2 | 0 |
| <i>% of Total</i> | | 25.0% | 18.8% | <i>% of Total</i> | | 50.0% | 0% |
| <i>Average Salary</i> | | \$90,657 | \$39,202 | <i>Average Salary</i> | | \$96,750 | N/A |
| <i>Median Salary</i> | | \$90,020.00 | \$48,260 | <i>Median Salary</i> | | \$96,750 | N/A |
| | | Hispanic | Hispanic | | | Hispanic | Hispanic |
| <i>Total</i> | | 1 | 0 | <i>Total</i> | | 0 | 0 |
| <i>% of Total</i> | | 6.3% | 0% | <i>% of Total</i> | | 0% | % |
| <i>Average Salary</i> | | \$55,000 | N/A | <i>Average Salary</i> | | N/A | N/A |
| <i>Median Salary</i> | | \$55,000 | N/A | <i>Median Salary</i> | | N/A | N/A |
| | | Asian | Asian | | | Asian | Asian |
| <i>Total</i> | | 2 | 0 | <i>Total</i> | | 0 | 0 |
| <i>% of Total</i> | | 12.5% | 0% | <i>% of Total</i> | | 0% | 0% |
| <i>Average Salary</i> | | \$40,050 | N/A | <i>Average Salary</i> | | N/A | N/A |
| <i>Median Salary</i> | | \$49,354 | N/A | <i>Median Salary</i> | | N/A | N/A |
| | | Other | Other | | | Other | Other |
| <i>Total</i> | | 0 | 0 | <i>Total</i> | | 0 | 0 |
| <i>% of Total</i> | | 0% | 0% | <i>% of Total</i> | | 0% | 0% |
| <i>Average Salary</i> | | N/A | N/A | <i>Average Salary</i> | | N/A | N/A |
| <i>Median Salary</i> | | N/A | N/A | <i>Median Salary</i> | | N/A | N/A |
| | | Bi-lingual | Bi-lingual | | | Bi-lingual | Bi-lingual |
| <i>Total</i> | | 4 | 0 | <i>Total</i> | | 0 | 0 |
| <i>% of Total</i> | | 25.0% | 0% | <i>% of Total</i> | | 0% | 0% |
| <i>Average Salary</i> | | \$60,525 | N/A | <i>Average Salary</i> | | N/A | N/A |
| <i>Median Salary</i> | | \$ 51,915 | N/A | <i>Median Salary</i> | | N/A | N/A |
| | | Male | Female | | | Male | Female |
| <i>Total</i> | | 10 | 6 | <i>Total</i> | | 3 | 1 |
| <i>% of Total</i> | | 62.5% | 37.5% | <i>% of Total</i> | | 75.0% | 25.0% |
| <i>Average Salary</i> | | \$70,946 | \$56,822 | <i>Average Salary</i> | | \$ 96,167 | \$133,000 |
| <i>Median Salary</i> | | \$72,044 | \$42,389 | <i>Median Salary</i> | | \$95,000 | \$133,000 |

CITY TREASURER OFFICE
APPENDIX (Other Relevant Data and Charts)

Number of Bilingual Employees (as of March 2016)

| | Spanish | Hindi | Gujarati | Urdu | French |
|----------------------------------|---------|-------|----------|------|--------|
| Debt Management | 1 | 0 | 0 | 0 | 1 |
| Banking and Investment | 0 | 1 | 1 | 1 | 0 |
| Administration | 0 | 1 | 1 | 0 | 0 |
| Total - All Divisions | 1 | 2 | 2 | 1 | 1 |
| | | | | | |
| Total - # of Bilingual Employees | | 4 | | | |
| Total - # of Languages Spoken | | 5 | | | |