

**OFFICE OF THE DIRECTOR OF FINANCE  
FISCAL YEAR 2017 BUDGET TESTIMONY  
April 6, 2016**

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Introduction

Good morning, President Clarke and Members of City Council. I am Rob Dubow, Director of Finance. I am pleased to provide testimony on the Office of the Director of Finance's Fiscal Year 2017 operating budget. Joining me at the table today is Catherine Paster, First Deputy Director of Finance. Also, representatives from all of the divisions of Finance are available here to answer questions that you may have.

Department Mission

The Office of the Director of Finance is charged with overseeing the City's financial, accounting and budgetary functions, including establishing fiscal policy guidelines; overseeing the City's budget and financial management programs; and recording and accounting all City financial activities. The proposed budget for the Office of the Director of Finance supports a number of departmental divisions, including: Executive Direction, which is comprised of the Administrative Services Center, the Mayor's Office of Grants, and the Administrative Systems Modernization project (OnePhilly); the Office of Budget and Program Evaluation; the Accounting Bureau; Risk Management; and the Office of Property Data.

Plans for Fiscal Year 2017

Finance plans the following for fiscal year 2017:

- Work with agencies throughout the government to carefully monitor expenses and revenues to ensure positive cash flow, maintain the City's fiscal stability and increase its financial strength despite the uneven economic recovery, the City's relatively high level of fixed costs, and the City's large unfunded pension liability. The relatively narrow fund balances in the Five Year Plan will limit the City's financial flexibility and require an added emphasis on cash management.
- The Budget Office will continue implementation efforts around the new budgeting system and plans to begin a program-based budgeting process in FY17, with plans for broader implementation for FY18.
- The Grants Office will focus efforts on securing new resources to advance the Administration's priorities, including education, health and safety of Philadelphia's children and families; comprehensive neighborhood strategies for public safety, community engagement and health in underserved communities; workforce development and career pathways for Philadelphia's young adults; and diversity and inclusion in new funding opportunities.
- The One Philly team will continue the effort to replace the current Human Resources, Payroll, Time & Attendance, Benefits, and Pensions systems with one integrated system, allowing for more efficient operation and improving services for employees.
- The Office of Property Data will continue its work with the Office of Property Assessment to implement a Computer Assisted Mass Appraisal System and to implement recommendations from a recently-completed report related to improved address management across various City departments.
- Risk Management, through its Property Damage Subrogation Program and the Employee Disability Program, will continue efforts to recover costs from insured losses, reimbursed property damage or unfounded work related injury claims.

**OFFICE OF THE DIRECTOR OF FINANCE  
BUDGET SUMMARY AND OTHER BUDGET DRIVERS**

**Staff Demographics Summary (as of January 2016)**

	Total	Minority	White	Female
Full-Time Staff	141	90	51	93
Executive Staff	30	11	19	20
Average Salary - Full-Time Staff	\$61,966	\$51,981	\$79,010	\$58,431
Average Salary - Executive Staff	\$103,553	\$91,047	\$110,793	\$100,956
Median Salary - Full-Time Staff	\$49,196	\$43,680	\$75,104	\$45,088
Median Salary - Executive Staff	\$101,563	\$89,010	\$103,988	\$98,090

**Employment Levels (as of January 2016)**

	Budgeted	Approved	Filled
Full-Time Positions	151	151	141
Part-Time Positions	1	1	1
Executive Positions	30	30	30
<i>Overall Average Salary</i>	\$57,129	\$57,129	\$61,966
<i>Overall Median Salary</i>	\$48,887	\$48,887	\$49,196

**Financial Summary by Class - General Fund**

	Fiscal 2015	Fiscal 2016	Fiscal 2016	Fiscal 2017	Difference
	Actual Obligations	Original Appropriations	Estimated Obligations	Proposed Appropriations	FY17-FY16
Class 100 - Employee Compensation	\$1,110,058,399	\$1,180,984,315	\$1,189,032,993	\$1,236,196,482	\$47,163,489
Class 200 - Purchase of Services	\$4,988,026	\$4,542,479	\$4,542,479	\$3,201,430	(\$1,341,049)
Class 300 - Materials and Supplies	\$86,988	\$95,158	\$95,158	\$87,493	(\$7,665)
Class 400 - Equipment	\$12,118	\$15,616	\$15,616	\$15,616	\$0
Class 500 - Contributions	\$102,873,876	\$152,143,880	\$181,543,880	\$176,472,824	(\$5,071,056)
Class 700 - Debt Service	\$	\$	\$	\$	\$
Class 800 - Payment to Other Funds	\$	\$	\$	\$	\$
Class 900 - Advances/Misc. Payments	\$	\$	\$	\$	\$
<b>TOTAL</b>	\$1,218,019,407	\$1,337,781,448	\$1,375,230,126	\$1,415,973,845	\$40,743,719

**Contracts Summary (as of December 2015)**

	FY11	FY12	FY13	FY14	FY15	FY16*
Total amount of contracts	\$12,921,223	\$13,931,823	\$27,067,370	\$16,732,149	\$14,387,548	\$15,186,210
Total amount to M/W/DBE	\$5,229,801	\$5,037,804	\$7,683,758	\$4,156,525	\$4,309,020	\$4,764,753
Participation Rate	40%	36%	28%	25%	30%	31%

\* as of December 2015

**OFFICE OF THE DIRECTOR OF FINANCE  
PROPOSED BUDGET OVERVIEW**

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Proposed Funding Request

The FY2017 budget, as proposed, provides the necessary funding for the Office of the Director of Finance to accomplish its objectives.

The FY2017 general fund budget, as proposed for the Office of the Director of Finance, totals \$1,415,973,845 an increase of \$40.7 million over FY2016 estimated obligation levels. That increase is caused by a \$49.1 million increase in fringe benefit costs, including a \$20.3 million increase in pension costs and an increase of \$28.8 million in other fringe benefit costs; a decrease of \$1.9 million in other Class 100 costs; a decrease of \$1.34 million in Class 200 costs; and a decrease of \$5 million in Class 500 costs. Direct general fund appropriations proposed for the Finance Department's core budget are \$10,044,580, a decrease of \$3,239,075 over FY16 estimated obligation levels in Class 100 and Class 200 as mentioned above. The Finance Department's proposed budget includes:

- \$1,236,196,482 in Class 100 funds, an increase of \$47.2 million over estimated FY16 obligation levels. This funding will compensate 116 full-time Finance Department employees and fund fringe benefits for all City of Philadelphia General Fund employees. The \$47.2 million increase is a result of a \$20.3 million increase in Pension costs, a \$28.8 million increase in other fringe benefit costs, and a \$1.9 decrease from \$8.8 million to \$6.9 million in Finance's core Class 100 budget due to the transfer of the Bureau of Administrative Adjudication, the Office of Administrative Review and the Contracting Unit to the Office of the Chief Administrative Officer.
- \$3.2 million in Class 200 funds, a decrease of \$1.3 million from the FY2016 estimated obligation level. This \$1.3 million decrease is mainly related to the transfer of Office of Administrative Review's collections contract to the Office of the Chief Administrative Officer.
- \$103,109 in Class 300/400 funding for materials, supplies and equipment, a decrease of \$7,665 that has been transferred to the Office of the Chief Administrative Officer for Office of Administrative Review expenses.
- \$176.5 million in Class 500 funds for contributions, a decrease of \$5.1 million. This includes the City's \$104.3 million contribution to the School District, an increase of \$78,944 over the FY2016 level; \$28.9 million for Community College of Philadelphia, a decrease of \$1.4 million over a one-time increase in FY 2016; \$2.4 million to fund City contributions, a decrease of \$4.3 million from the FY16 level; and \$40.7 million to fund indemnities, an increase of 575,000 over the FY2016 obligation level.

Staffing Levels

The Office of the Director of Finance is sufficiently staffed to carry out its mission. Charts in my testimony include demographic information, broken down by gender and race, for all departmental staff, as well as for senior staff only; gender and race of new departmental hires in fiscal year 2016; and information on the number of bilingual employees in the department.

**OFFICE OF THE DIRECTOR OF FINANCE  
PERFORMANCE, CHALLENGES AND INITIATIVES**

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**DEPARTMENT PERFORMANCE (OPERATIONS)**

<b>Performance Measures</b>	<b>FY15 Actual</b>	<b>FY16 YTD (as of 12/31/15)</b>	<b>FY17 Target</b>
Departments with formal safety and health goals	80%	83%	80%
Number of employee injuries	3,028	1,452	2,865

**OFFICE OF THE DIRECTOR OF FINANCE – CONTRACTING EXPERIENCE**

The Office of the Director of Finance is committed to supporting the Administration’s fiscal year 2017 goal of 35 percent minority, woman, and disabled-owned business (M/W/DSBE) participation in City contracting. For fiscal year 2016 to date, the Finance Department has an overall 31.38 percent participation rate in contracting opportunities for minority and female-owned businesses. Based on the availability of funding for contracting opportunities, the Office of the Director of Finance has a fiscal year 2017 participation goal of 35 percent.

Included in this testimony is information regarding historical M/W/DBE participation, as well as participation rate information on the largest fiscal year 2016 contracts in the Department’s budget, whether those contracts were awarded through a RFP, and if the service providers are local businesses and in compliance with the living wage requirements.

M/W/DSBE Participation on Large Contracts										
FY16 Contracts										
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?
Comp Services Inc.	Medical health care & claims and litigation management services	\$6,150,000	1/27/14	7/1/14	MBE: 15-17%	23%	\$1,414,500		Yes	Yes
					WBE: 10-12%	0%	\$0	23%		
					DSBE: Best efforts	0%	\$0	\$1,414,500		
XEROX State & Local Solutions	Administer & collect code violation & alarm fees.	\$1,412,500	12/15/12	1/1/14	MBE: 20-25%	20%	\$282,500		Yes	Yes
					WBE: 20-25%	0%	\$0	20%		
					DSBE: Best efforts	0%	\$0	\$282,500		
CGI Technologies	Budget Formulation System	\$888,036	2/21/13	3/17/14	MBE and/or WBE: 15-20%	0%	\$0	0%	No	Yes
					DSBE: Best efforts	0%	\$0	\$0		
Lawton Associates	Insurance and Risk Management Services	\$850,000	3/7/14	7/1/14	MBE and/or WBE: 25-30%	100%	\$850,000		Yes	Yes
					DSBE: Best efforts	0%	\$0	100%		
								\$850,000		
Various	Legal services related to City's Employee Disability/Worker's	\$4,000,000	3/20/13	7/6/13	MBE and/or WBE: 15-20%	38%	\$1,500,000		Yes	Yes (8 of 8 firms)
					DSBE: Best efforts	0%	\$0	38%		
								\$1,500,000		

**OFFICE OF THE DIRECTOR OF FINANCE – EMPLOYEE DATA**

**Staff Demographics (as of January 2016)**

	<b>Full-Time Staff</b>		<b>Executive Staff</b>		<b>New Hires - FY2016</b>			
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>		
	<b>African-American</b>	<b>African-American</b>	<b>African-American</b>	<b>African-American</b>	<b>African-American</b>	<b>African-American</b>		
<i>Total</i>	19	51	<i>Total</i>	3	5	<i>Total</i>	2	2
<i>% of Total</i>	13.5%	36.2%	<i>% of Total</i>	10.0%	16.7%	<i>% of Total</i>	20.0%	20.0%
<i>Average Salary</i>	\$63,645	\$48,203	<i>Average Salary</i>	\$111,474	\$76,499	<i>Average Salary</i>	\$44,290	\$37,842
<i>Median Salary</i>	\$59,171	\$43,569	<i>Median Salary</i>	\$103,360	\$74,795	<i>Median Salary</i>	\$44,290	\$37,842
	<b>White</b>	<b>White</b>		<b>White</b>	<b>White</b>		<b>White</b>	<b>White</b>
<i>Total</i>	21	30	<i>Total</i>	7	12	<i>Total</i>	1	1
<i>% of Total</i>	14.9%	21.3%	<i>% of Total</i>	23.3%	40.0%	<i>% of Total</i>	10.0%	10.0%
<i>Average Salary</i>	\$82,892	\$76,294	<i>Average Salary</i>	\$107,577	\$112,669	<i>Average Salary</i>	\$90,168	\$64,170
<i>Median Salary</i>	\$78,000	\$67,495	<i>Median Salary</i>	\$103,988	\$110,500	<i>Median Salary</i>	\$90,168	\$64,170
	<b>Hispanic</b>	<b>Hispanic</b>		<b>Hispanic</b>	<b>Hispanic</b>		<b>Hispanic</b>	<b>Hispanic</b>
<i>Total</i>	2	5	<i>Total</i>	0	1	<i>Total</i>	0	0
<i>% of Total</i>	1.4%	3.5%	<i>% of Total</i>	0%	3.3%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$32,797	\$45,042	<i>Average Salary</i>	N/A	\$74,520	<i>Average Salary</i>	N/A	N/A
<i>Median Salary</i>	\$32,797	\$45,088	<i>Median Salary</i>	N/A	\$74,520	<i>Median Salary</i>	N/A	N/A
	<b>Asian</b>	<b>Asian</b>		<b>Asian</b>	<b>Asian</b>		<b>Asian</b>	<b>Asian</b>
<i>Total</i>	5	6	<i>Total</i>	0	2	<i>Total</i>	2	2
<i>% of Total</i>	3.5%	4.3%	<i>% of Total</i>	0%	6.7%	<i>% of Total</i>	20.0%	20.0%
<i>Average Salary</i>	\$48,781	\$64,529	<i>Average Salary</i>	N/A	\$105,037	<i>Average Salary</i>	\$38,667	\$61,314
<i>Median Salary</i>	\$43,942	\$52,951	<i>Median Salary</i>	N/A	\$105,037	<i>Median Salary</i>	\$38,667	\$61,314
	<b>Other</b>	<b>Other</b>		<b>Other</b>	<b>Other</b>		<b>Other</b>	<b>Other</b>
<i>Total</i>	1	1	<i>Total</i>	0	0	<i>Total</i>	0	0
<i>% of Total</i>	0.7%	0.7%	<i>% of Total</i>	0%	0%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$45,094	\$43,690	<i>Average Salary</i>	N/A	N/A	<i>Average Salary</i>	N/A	N/A
<i>Median Salary</i>	\$45,094	\$43,690	<i>Median Salary</i>	N/A	N/A	<i>Median Salary</i>	N/A	N/A
	<b>Bi-lingual</b>	<b>Bi-lingual</b>		<b>Bi-lingual</b>	<b>Bi-lingual</b>		<b>Bi-lingual</b>	<b>Bi-lingual</b>
<i>Total</i>	9	10	<i>Total</i>	1	3	<i>Total</i>	2	1
<i>% of Total</i>	6.4%	7.1%	<i>% of Total</i>	3.3%	10.0%	<i>% of Total</i>	20.0%	10.0%
<i>Average Salary</i>	\$49,676	\$57,915	<i>Average Salary</i>	\$78,000	\$94,865	<i>Average Salary</i>	\$38,677	\$95,000
<i>Median Salary</i>	\$43,942	\$47,110	<i>Median Salary</i>	\$78,000	\$95,000	<i>Median Salary</i>	\$38,677	\$95,000
	<b>Male</b>	<b>Female</b>		<b>Male</b>	<b>Female</b>		<b>Male</b>	<b>Female</b>
<i>Total</i>	48	93	<i>Total</i>	10	20	<i>Total</i>	5	5
<i>% of Total</i>	34.0%	66.0%	<i>% of Total</i>	33.3%	66.7%	<i>% of Total</i>	50.0%	50.0%
<i>Average Salary</i>	\$68,816	\$58,431	<i>Average Salary</i>	\$108,746	\$100,956	<i>Average Salary</i>	\$51,220	\$52,496
<i>Median Salary</i>	\$60,952	\$45,088	<i>Median Salary</i>	\$103,674	\$101,179	<i>Median Salary</i>	\$43,942	\$42,272

**OFFICE OF THE DIRECTOR OF FINANCE**  
**APPENDIX (Other Relevant Data and Charts)**

**Number of Bilingual Employees (as of January 2016)**

	Spanish	Greek	Tagalog	Arabic	Mandarin	Hindi	Gujarati	Cantonese	Punjabi	Akan	Pampango	Urdu
Risk Management	1	1	0	0	0	0	0	0	0	0	0	0
Bureau of Administrative Adjudication	2	0	0	0	0	0	0	0	0	0	0	0
Accounting Bureau	1	0	2	1	1	4	3	1	1	1	1	1
Office of Administrative Review	3	0	0	0	0	0	0	0	0	0	0	0
Budget Bureau	0	0	0	0	1	0	0	0	0	0	0	0
Mayor's Office of Grants	0	0	0	1	0	0	0	0	0	0	0	0
Total - All Divisions	7	1	2	2	2	4	3	1	1	1	1	1
Total - # of Bilingual Employees		19										
Total - # of Languages Spoken		12										