

**CITY TREASURER'S OFFICE
FISCAL YEAR 2018 BUDGET TESTIMONY
APRIL 5, 2017**

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 and Christopher Schwartz, Deputy City Treasurer. I am pleased to provide testimony on the City Treasurer's Office's Fiscal Year 2018 Operating Budget.

DEPARTMENT MISSION & PLANS

Mission: The Office of the City Treasurer's (CTO) mission is to safeguard City funds, serve as the disbursing agent for payments from the City Treasury, and invest those funds that are in excess of the amount needed to meet daily cash requirements. The CTO also works to improve and maintain the City's credit ratings.

Debt Management

FY 2017 Proposed Debt Transactions:

- Philadelphia Water Department New Money
- Philadelphia Municipal Authority Refunding

FY 2018 Proposed Debt Transactions:

- General Obligation New Money
- Gas Works Revenue New Money
- Philadelphia Authority for Industrial Development - Affordable Housing Program (BSRP)
- Philadelphia Authority for Industrial Development - Rebuilding Community Infrastructure (assuming PBT litigation is resolved)
- Tax and Revenue Anticipation Note

Expand the City's Investor Relations: CTO plans to implement a comprehensive investor outreach program. The program aims to increase the number of investors in an effort to lower the City's cost of debt by increasing demand for the City's bonds. The program includes outreach to the banker and investor community to be more informed about the City and its goals and initiatives, resulting in lower interest costs for the City's bonds. CTO plans to schedule one-on-one meetings with institutional investors in Boston, New York, and Philadelphia.

Continuing Disclosure: The City continues to be in compliance in all material respects in regard to continuing disclosure for prior obligations issued. 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.

Rating Agency Relations: The CTO manages the City's credit relationship with the three major rating agencies. The City recently received negative outlook changes from two of the three rating agencies. In explaining those negative outlooks, the rating agencies stressed the City's continuing pension challenges and its relatively low fund balances. Currently, the City is rated in the "A" category by all three rating agencies (Moody's "A2"; Standard & Poor's "A+"; Fitch "A-").

Banking & Investment Management

Direct Deposit & Payroll Card Program Expansion: In FY16, the CTO, with the assistance of the City's Payroll Department, began work to reduce the number of weekly paper payroll checks distributed with the introduction of a new Debit Card Payroll Program and a campaign to enroll more City employees into the City's Direct Deposit Program. Since the start of this program, City employees in DC 33 and those employees in the exempt and non-represented classes have all been successfully converted into either Direct Deposit or the Payroll Card Program for payment of their bi-weekly payroll. During this program, approximately 2,478 employees have converted from paper checks. During FY18, the program will focus on those employees who have not yet made the conversion to electronic payments, to further drive down the number of related paper payroll checks.

Treasury Management System (TMS): During FY18, the CTO will be working with the Office of Innovation and Technology on the procurement and implementation of a Treasury Management System ("TMS"). In the short term, a TMS will 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 is a centralized, secure and standardized system for administering approximately 300 bank and investment accounts that the City holds. This centralization will ensure that authorized users of accounts are routinely updated and monitored, and will also allow the CTO to conduct 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.

BUDGET SUMMARY & OTHER BUDGET DRIVERS

Staff Demographics Summary (as of December 2016)				
	Total	Minority	White	Female
Number of Full-Time Staff	12	6	6	6
Number of Civil Service-Exempt Staff	5	3	2	2
Number of Executive Staff (deputy level and above)	3	2	1	1
Average Salary, Full-Time Staff	\$68,969	\$68,408	\$52,147	\$59,505
Average Salary, Civil Service-Exempt Staff	\$93,708	\$91,667	\$96,770	\$90,000
Average Salary, Executive Staff	\$110,500	\$114,000	\$103,500	\$133,000
Median Salary, Full-Time Staff	\$49,351	\$48,176	\$48,212	\$47,036
Median Salary, Civil Service-Exempt Staff	\$95,000	\$95,000	\$69,770	\$90,000
Median Salary, Executive Staff	\$103,500	\$114,000	\$103,500	\$133,000

Employment Levels (as of December 2016)		
	Budgeted	Filled
Number of Full-Time Positions	16	12
Number of Part-Time Positions	0	0
Number of Civil-Service Exempt Positions	7	5
Number of Executive Positions	3	3
Average Salary of All Full-Time Positions	\$62,316	\$68,969
Median Salary of All Full-Time Positions	\$55,827	\$49,351

General Fund Financial Summary by Class						
	FY16 Original Appropriations	FY16 Actual Obligations	FY17 Original Appropriations	FY17 Estimated Obligations	FY18 Proposed Appropriations	Difference: FY18-FY17
Class 100 - Employee Compensation	\$985,689	\$985,689	\$1,040,058	\$1,050,911	\$1,062,869	\$11,958
Class 200 - Purchase of Services	\$118,444	\$107,442	\$118,444	\$115,631	\$118,444	\$2,813
Class 300 - Materials and Supplies	\$21,224	\$14,907	\$21,224	\$21,224	\$21,224	\$0
Class 400 - Equipment	\$1,000	\$6,918	\$1,000	\$1,000	\$1,000	\$0
Class 500 - Contributions	\$0	\$0	\$0	\$0	\$0	\$0
Class 700 - Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
Class 800 - Payment to Other Funds	\$0	\$0	\$0	\$0	\$0	\$0
Class 900 - Advances/Misc. Payments	\$0	\$0	\$0	\$0	\$0	\$0
	\$1,126,357	\$1,114,956	\$1,180,726	\$1,188,766	\$1,203,537	\$14,771

Professional Services Contracts Summary						
	FY12	FY13	FY14	FY15	FY16	FY17 YTD(Q1 & Q2)
Total amount of contracts	\$2,488,601	\$1,841,517	\$2,292,640	\$2,584,452	\$2,844,125	\$2,528,251
Total amount to M/W/DSBE	\$696,030	\$598,456	\$513,886	\$627,050	\$618,547	\$482,278
Participation Rate*	28%	32%	22%	24%	22%	19%
<i>*Due to the technical and specialized work performed under certain contracts, CTO does not always have an available M/W/DSBE service provider.</i>						

M/W/DSBE Contract Participation Goal			
	FY16	FY17	FY18
M/W/DSBE Contract Participation Goal	30%	30%	30%

PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The proposed Fiscal Year 2018 General Fund budget totals \$1,203,537, an increase of \$14,771 over Fiscal Year 2017 estimated obligation levels. This increase is driven by raises for DC 33 and exempt employees and the restoration of Class 200 to Original Budget levels in Class 200.

The proposed budget includes:

- \$1,062,869 in Class 100, an \$11,958 increase over FY17. This funding will cover the additional expense related to the raises for DC 33 and exempt employees of the department.
- \$118,444 in Class 200, a \$2,813 increase over FY17. This funding restores the cut made to the department's Class 200 Estimated FY17 budget.
- \$21,224 in Class 300, level funding with respect to FY17.
- \$1,000 in Class 400, level funding with respect to FY17.

CITY TREASURER’S OFFICE

STAFFING LEVELS

The department is requesting 16 budgeted positions for FY18, which is equal to FY17 requested staffing levels.

NEW HIRES

New Hires (July 1, 2016 to March 28, 2017)			
	Total Number	English	French
Black or African American	3	3	1
Asian	0	0	0
Hispanic or Latino	0	0	0
White	1	1	0
Other	0	0	0
Total	4	4	1

PERFORMANCE, CHALLENGES, AND INITIATIVES

FY18 Performance Measures: Banking & Investment Management				
Measure	FY16 Actual	FY17 YTD (Q1 & Q2)	FY17 Estimate	FY18 Target
Con-cash actual investment return (1 year)	.0038%	.0056%	Meet and/or exceed portfolio benchmark	Meet and/or exceed portfolio benchmark

FY18 Performance Measures: Debt Management				
Measure	FY16 Actual	FY17 YTD (Q1 & Q2)	FY17 Estimate	FY18 Target
Net present value savings of the refunded bonds for General Obligations (GO) debt versus the City's debt policy*	12.10%	9.63%	11.00%	≥ 3.00%
Net present value savings of the refunded bonds for Water debt	13.98%	13.80%	13.80%	≥ 3.00%
Net present value savings of the refunded bonds for Gas debt	11.02%	10.86%	10.86%	≥ 3.00%
Net present value savings of the refunded bonds for Airport debt **	9.48%	N/A	5.00%	≥ 3.00%

**The City’s policy is that the present value savings on refunded bonds for GO debt should be at least three percent of the principal amount of the refunded debt incorporating all costs of issuance.*

*** CTO did not have an Airport transaction during Calendar Year 2016, so there is no YTD figure available.*

CITY TREASURER'S OFFICE

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

N/A

CITY TREASURER’S OFFICE

CONTRACTING EXPERIENCE

M/W/DSBE Participation on Large Professional Services Contracts											
Top Five Largest Contracts, FY17											
Vendor Name	Service Provided	Dollar Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RFP	% M/W/DSBE Participation Achieved	\$ Value M/W/DSBE Participation	% of M/W/DSBE Participation Achieved	\$ Value of M/W/DSBE Participation	Local Business? (principal place of business located within City limits)*	Waiver for Living Wage Compliance?
Digital Assurance Certification LLC	Dissemination Agent	\$3,500	9/3/2014	10/19/2015	MBE: 0%	0%	\$0	100%	\$3,500	No	No
					WBE: 100%	100%	\$3,500				
					DSBE: 0%	0%	\$0				
Econsult Solutions, Inc.	Lending Report - Authorized City Depositories	\$47,615	10/15/2014	12/15/2014	MBE: 0%	0%	\$0	50%	\$23,808	Yes	No
					WBE: 33%	50%	23,808				
					DSBE: 0%	0%	\$0				
Swap Financial Group	Swap Advisor	\$12,000	8/31/2016	1/1/2017	MBE: 10-15%	0%	\$0	10%	\$1,200	No	No
					WBE: 0%	0%	\$0				
					DSBE: 0%	0%	\$0				
Hawkins Delafield & Wood LLP	Arbitrage Rebate Services	\$19,250	4/7/2016	6/15/2016	MBE: 0%	0%	\$0	0%	\$0	No	No
					WBE: 0%	0%	\$0				
					DSBE: 0%	0%	\$0				
SS&C Technologies, Inc	Debt Management Software	\$9,415	7/2/2012	6/30/2013	MBE: 10-15%	0%	\$0	0%	\$0	No	No
					WBE: 0%	0%	\$0				
					DSBE: 0%	0%	\$0				

*Due to the technical and specialized work performed under certain contracts, CTO does not always have an available local business that that can provide the service.

CITY TREASURER’S OFFICE

EMPLOYEE DATA

Staff Demographics (as of December 2016)					
Full-Time Staff			Executive Staff		
	Male	Female		Male	Female
	African-American	African-American		African-American	African-American
<i>Total</i>	2	3	<i>Total</i>	1	1
<i>% of Total</i>	17%	25%	<i>% of Total</i>	33%	33%
<i>Average Salary</i>	\$70,130	\$73,605	<i>Average Salary</i>	\$95,000	\$133,000
<i>Median Salary</i>	\$70,130	\$47,000	<i>Median Salary</i>	\$95,000	\$133,000
	White	White		White	White
<i>Total</i>	3	3	<i>Total</i>	1	0
<i>% of Total</i>	25%	25%	<i>% of Total</i>	33%	0%
<i>Average Salary</i>	\$93,265	\$47,367	<i>Average Salary</i>	\$103,500	\$0
<i>Median Salary</i>	\$90,040	\$47,072	<i>Median Salary</i>	\$103,500	\$0
	Hispanic	Hispanic		Hispanic	Hispanic
<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>	\$0	\$0	<i>Average Salary</i>	\$0	\$0
<i>Median Salary</i>	\$0	\$0	<i>Median Salary</i>	\$0	\$0
	Asian	Asian		Asian	Asian
<i>Total</i>	1	0	<i>Total</i>	0	0
<i>% of Total</i>	8%	0%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$49,351	\$0	<i>Average Salary</i>	\$0	\$0
<i>Median Salary</i>	\$49,351	\$0	<i>Median Salary</i>	\$0	\$0
	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>	\$0	\$0	<i>Average Salary</i>	\$0	\$0
<i>Median Salary</i>	\$0	\$0	<i>Median Salary</i>	\$0	\$0
	Bilingual	Bilingual		Bilingual	Bilingual
<i>Total</i>	2	0	<i>Total</i>	1	0
<i>% of Total</i>	17%	0%	<i>% of Total</i>	33%	0%
<i>Average Salary</i>	\$72,176	\$0	<i>Average Salary</i>	\$95,000	\$0
<i>Median Salary</i>	\$72,176	\$0	<i>Median Salary</i>	\$95,000	\$0
	Male	Female		Male	Female
<i>Total</i>	6	6	<i>Total</i>	2	1
<i>% of Total</i>	50%	50%	<i>% of Total</i>	67%	33%
<i>Average Salary</i>	\$78,235	\$60,486	<i>Average Salary</i>	\$99,250	\$133,000
<i>Median Salary</i>	\$88,148	\$47,036	<i>Median Salary</i>	\$99,250	\$133,000

CITY TREASURER'S OFFICE

NUMBER OF BILINGUAL EMPLOYEES

Number of Bilingual Employees (as of December 31, 2016)				
	Hindi	French	Gujarati	Urdu
Debt Management	0	1	0	0
Banking and Investment	1	0	1	1
Administration	0	0	0	0
Total - All Divisions	1	1	1	1
Total - # of Bilingual Employees		2		
Total - # of Languages Spoken		4		