

**CITY TREASURER'S OFFICE
FISCAL YEAR 2019 BUDGET TESTIMONY
APRIL 3, 2018**

INTRODUCTION

Good Morning, Council 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 2019 Operating Budget.

DEPARTMENT MISSION & PLANS

Mission: The mission of the City Treasurer's Office (CTO) is to safeguard City funds, serve as the disbursement agent for all City-related payments, 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.

Plans for Fiscal Year 2019:

Banking and Investment: Treasury Management System (TMS): CTO continues its multi-year plan, partnering with OIT, on the procurement and implementation of a TMS. To date, CTO and OIT have identified the processes to incorporate into the TMS and created a blueprint to provide an initial scope and needs assessment for identifying the necessary software. Implementing a TMS will provide CTO with the ability to automate processes that are currently manual and spreadsheet-dependent, such as the daily cash positioning for the City, Airport and Water Department and bank fee review and analysis. Another key benefit of the TMS will be a centralized, secured and standardized system for administering more than 300 bank and investment accounts for the City.

Investment Management Service: The Investment Management RFP was issued to diversify funds and build a larger pool of eligible investment managers for the City's investment portfolio at the best price.

In FY19, CTO will issue and award two RFPs for banking and investment professional services.

- June 2018: Authorized Depositories Lending Studies Consultant
- December 2018: Investment Banking Custodian Services

Debt Management:

Over the five years of the Plan, the CTO will continue to manage new and outstanding City debt. The list below details upcoming debt transactions for the remainder of FY18 and FY19.

FY19 Proposed Debt Transactions:

- Summer 2018: Water and Wastewater Revenue Bonds - New Money
- Fall 2018: Tax and Revenue Anticipation Note for FY19
- TBD: Philadelphia Authority for Industrial Development Rebuild

In addition to new bond transactions, the CTO will issue and award five RFPs for professional service contracts that are due to expire in FY19.

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- July 2018: Bond Counsel and Disclosure Counsel for General Obligation and Airport
- August 2018: Dissemination Agent

Expand the City's Investor Relations: CTO is planning the City's second municipal bond investors conference in the Summer of 2018. The goal of the conference will be to attract approximately 100 attendees to the conference to educate existing and attract new institutional investors and letter of credit providers and, secondarily, underwriters about the credit characteristics of major tax-exempt issuers in the City to generate more interest in our bonds and, as a result, drive down interest rates.

BUDGET SUMMARY & OTHER BUDGET DRIVERS

Staff Demographics Summary (as of December 2017)				
	Total	Minority	White	Female
Number of Full-Time Staff	17	11	6	9
Number of -Exempt Staff	9	6	3	4
Number of Executive Staff (deputy level and above)	3	2	1	1
Average Salary, Full-Time Staff	\$67,041	\$66,184	\$68,612	\$63,533
Average Salary, Exempt Staff	\$80,449	\$75,917	\$89,513	\$75,750
Average Salary, Executive Staff	\$113,333	\$118,250	\$103,500	\$133,000
Median Salary, Full-Time Staff	\$52,876	\$52,251	\$63,938	\$52,876
Median Salary, Exempt Staff	\$75,000	\$61,500	\$90,040	\$61,500
Median Salary, Executive Staff	\$103,500	\$118,250	\$103,500	\$133,000

Employment Levels (as of December 2017)		
	Budgeted	Filled
Number of Full-Time Positions	17	17
Number of Exempt Positions	9	9
Number of Executive Positions (deputy level and above)	3	3
Average Salary of All Full-Time Positions	\$67,041	\$67,041
Median Salary of All Full-Time Positions	\$52,876	\$52,876

General Fund Financial Summary by Class						
	FY17 Original Appropriations	FY17 Actual Obligations	FY18 Original Appropriations	FY18 Estimated Obligations	FY19 Proposed Appropriations	Difference: FY19-FY18
Class 100 - Employee Compensation	\$1,040,058	\$979,945	\$1,062,869	\$1,038,648	\$1,046,647	\$7,999
Class 200 - Purchase of Services	\$118,444	\$98,140	\$118,444	\$109,873	\$623,444	\$513,571
Class 300/400 - Materials, Supplies & Equipment	\$22,224	\$14,478	\$22,224	\$12,724	\$22,224	\$9,500
	\$1,180,726	\$1,092,563	\$1,203,537	\$1,161,245	\$1,692,315	\$531,070

Contracts Summary (Professional Services only)						
	FY13	FY14	FY15	FY16	FY17	FY18 YTD (Q1 & Q2) ¹
Total amount of contracts	\$1,841,517	\$2,292,640	\$2,584,452	\$2,844,125	\$2,675,767	\$4,503,746
Total amount to M/W/DSBE	\$598,456	\$513,886	\$627,050	\$618,547	\$1,166,253	\$2,578,688
Participation Rate	32%	22%	24%	22%	44%	57%

¹The total amount of FY18 YTD contracts (FY18 Q1 & Q2) is higher than previous years due to the lack of reporting of funds paid to the City’s Investment Managers and the large number of bond transaction in the first half of FY18.

Total M/W/DSBE Contract Participation Goal (Public Works; Services, Supplies & Equipment; and Professional Services combined)			
	FY17	FY18	FY19
M/W/DSBE Contract Participation Goal	30%	30%	30%

PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The proposed Fiscal Year 2019 General Fund budget totals \$1,692,315, an increase of \$531,070 over Fiscal Year 2018 estimated obligation levels. This increase is primarily due to the addition of funds for an outside consultant to assist with the consolidated cash account reconciliation.

The proposed budget includes:

- \$1,046,647 in Class 100, a \$7,999 increase over FY18. The additional funds will restore FY18 target budget reductions and provide a pay increase for District Council 33 employees.
- \$623,444 in Class 200, a \$513,571 increase over FY18. The additional funding will pay for Professional Services in Class 250 including a consultant to assist with consolidated cash account reconciliation.
- \$22,224 in Class 300/400, a \$9,500 increase over FY18. This funding will restore office materials, supplies and envelope printing from FY18 budget reductions.

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STAFFING LEVELS

The department is requesting 17 budgeted positions for FY19, consistent with the FY18 budget.

NEW HIRES

New Hires (from 7/1/2017 to December 2017)	
	Total Number of New Hires
Black or African American	2
Total	2

The CTO hired one new employee in January 2018. This person is of Asian descent and speaks Tagalog.

PERFORMANCE, CHALLENGES, AND INITIATIVES

Debt Management:

FY19 Strategic Goals				
<ul style="list-style-type: none"> Maintain and/or upgrade all of the City’s credit ratings and remove the negative outlook by Moody’s on the City’s General Obligation credit. Increase the participation of institutional buyers in the City's investor pool to borrow at a lower interest rate, creating additional savings for the City. Hold second institutional investor conference in the summer of 2018 to educate existing and new institutional investors and letter of credit providers and underwriters about the credit characteristics of major tax-exempt issuers in the City of Philadelphia. 				
FY19 Performance Measures				
Measure	FY17 Actual	FY18 YTD (Q1 + Q2)	FY18 Target	FY19 Target
Net present value savings of the refunded bonds for General Obligations (GO) debt versus the City's debt policy ¹	18.59%	9.13%	≥ 3.00%	≥ 3.00%
Net present value savings of the refunded bonds for Water debt	13.80%	13.22%	≥ 3.00%	≥ 3.00%
Net present value savings of the refunded bonds for Gas debt	10.86%	10.11%	≥ 3.00%	≥ 3.00%
Net present value savings of the refunded bonds for Airport debt ²	N/A	15.13%	≥ 3.00%	≥ 3.00%

¹ The City’s Debt policy requires a minimum net present value savings of 3% on the principal amount of refunded bonds including costs of issuance on each refunding transaction.

² Due to the structure of the Airport’s debt portfolio they did not have any opportunities to refund any outstanding debt in FY17.

Banking and Investment Management:

FY19 Strategic Goals				
<ul style="list-style-type: none"> Select a pool of Investment Managers to manage the City’s investment accounts in compliance with the City’s Investment Policy. Reduce the number of paper checks printed by the City Treasurer’s Office by 5%. 				
FY19 Performance Measures				
Measure	FY17 Actual	FY18 YTD (Q1 + Q2)	FY18 Target	FY19 Target
Con-cash actual investment return (1 year) ¹	0.75%	0.92%	Meet and/or exceed portfolio benchmark	Meet and/or exceed portfolio benchmark

¹ Quarterly results are the annual returns at the end of each quarter for the Con-Cash investment portfolio (i.e. FY18 Q3 will be the total return of the portfolio from 4/1/17-3/31/18). The BAML three-month T-Bill Total Return for the one-year period ending was .49% and .86%, for 6/30/17 and 12/31/17 respectively.

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OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

N/A

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CONTRACTING EXPERIENCE

M/W/DSBE Participation on Large Professional Services Contracts											
Top Five Largest Contracts, FY18											
Vendor Name	Service Provided	Dollar Amount Spent on Contract *	RFP Issue Date	Contract Start Date	Ranges in RFP	% of M/W/DSBE Participation Achieved	\$ Value of M/W/DSBE Participation [‡]	Total % Participation - All DSBES	Total \$ Value Participation - All DSBES	Local Business (principal place of business located within City limits) [yes / no]	Waiver for Living Wage Compliance ? [yes / no]
Cozen O'Connor	General Obligation Fund Bound Counsel	\$958,000	6/27/2014	12/15/2014	MBE: 0%	0%	\$0	100%	958,000	Yes	No
					WBE: 0%	100%	\$958,000				
					DSBE: 0%	0%	\$0				
Eckert Seamans Cherin & Mellott, LLC	PGW Bond Counsel	\$290,000	8/16/2016	1/1/2017	MBE: 0%	0%	\$0	100%	\$290,000	Yes	No
					WBE: 0%	100%	\$290,000				
					DSBE: 0%	0%	\$0				
PFM Financial Advisors LLC	General Obligation Fund Municipal Advisor	\$265,355	3/11/2016	8/1/2016	MBE: 0%	0%	\$0	0%	\$0	Yes	No
					WBE: 0%	0%	\$0				
					DSBE: 0%	0%	\$0				
Hawkins Delafield & Wood LLP	General Obligation Fund Disclosure Counsel	\$224,305	6/27/2014	12/15/2014	MBE: 0%	0%	\$0	0%	\$0	No	No
					WBE: 0%	0%	\$0				
					DSBE: 0%	0%	\$0				
Frasca & Associates, LLC	PHL Municipal Advisor	\$200,000	4/23/2014	8/1/2014	MBE: 0%	0%	\$0	100%	\$200,000	No	No
					WBE: 0%	100%	\$200,000				
					DSBE: 0%	0%	\$0				

* The CTO’s top five largest contract fees are not paid out of the General Fund. The payments are included in the cost of issuance allocated to the bond transaction.

‡ In accordance with the City’s Office of Economic Opportunity Diverse Lawyer Rule, if the attorneys working directly with CTO on the above contracts are women in a partnership position at a majority owned law firm, they count as WBE.

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EMPLOYEE DATA

Staff Demographics (as of December 2017)					
Full-Time Staff			Executive Staff		
	Male	Female		Male	Female
	African-American	African-American		African-American	African-American
<i>Total</i>	4	6	<i>Total</i>	1	1
<i>% of Total</i>	24%	35%	<i>% of Total</i>	33%	33%
<i>Average Salary</i>	\$61,778	\$71,445	<i>Average Salary</i>	\$103,500	\$133,000
<i>Median Salary</i>	\$49,176	\$61,500	<i>Median Salary</i>	\$103,500	\$133,000
	White	White		White	White
<i>Total</i>	3	3	<i>Total</i>	1	0
<i>% of Total</i>	18%	18%	<i>% of Total</i>	33%	0%
<i>Average Salary</i>	\$89,513	\$47,710	<i>Average Salary</i>	\$103,500	N/A
<i>Median Salary</i>	\$90,040	\$47,072	<i>Median Salary</i>	\$103,500	N/A
	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>	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
	Asian	Asian		Asian	Asian
<i>Total</i>	1	0	<i>Total</i>	0	0
<i>% of Total</i>	6%	0%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$52,251	N/A	<i>Average Salary</i>	N/A	N/A
<i>Median Salary</i>	\$52,251	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
	Bilingual	Bilingual		Bilingual	Bilingual
<i>Total</i>	3	0	<i>Total</i>	1	0
<i>% of Total</i>	18%	0%	<i>% of Total</i>	33%	0%
<i>Average Salary</i>	\$67,004	N/A	<i>Average Salary</i>	\$103,500	N/A
<i>Median Salary</i>	\$52,251	N/A	<i>Median Salary</i>	\$103,500	N/A
	Male	Female		Male	Female
<i>Total</i>	8	9	<i>Total</i>	2	1
<i>% of Total</i>	47%	53%	<i>% of Total</i>	67%	33%
<i>Average Salary</i>	\$70,988	\$63,533	<i>Average Salary</i>	\$103,500	\$133,000
<i>Median Salary</i>	\$63,626	\$52,876	<i>Median Salary</i>	\$103,500	\$133,000

LANGUAGE ACCESS

1. *Has your leadership received language access training?*

Yes, the leadership team for CTO received language access training.

2. *Do you currently have a language access coordinator?*

Due to CTO's limited interaction with limited-English proficient populations, the department is covered under a master language access plan with several other offices under the Finance Department. The Finance Department's language access coordinator left the department in March 2018. They will be appointing a new coordinator very soon.

3. *Has your department written a language access plan and is it posted online?*

Due to CTO's limited interaction with limited-English proficient populations, the department is covered under a master language access plan with several other offices under the Finance Department. That language access plan is posted online:
<https://beta.phila.gov/documents/language-access-plans/>

4. *Explain what your department has done to improve language access services over the past year.*

The Finance Department has set up telephone interpretation services in the event that CTO needs to assist someone that is limited-English proficient.