

**OFFICE OF THE DIRECTOR OF FINANCE
REVISED FISCAL YEAR 2021 BUDGET TESTIMONY
MAY 19TH, 2020**

The revised FY21 Budget and FY21-25 Plan focuses on providing core services and targeting reductions to areas with the least impact on vulnerable populations and areas where others can fund or deliver services.

DEPARTMENT FUNDING LEVELS

General Fund Financial Summary by Class					
	FY20 Original Appropriations	FY20 Estimated Obligations	FY21 Original Proposed Appropriations	FY21 Revised Proposed Appropriations	\$ Difference Original to Revised Proposed
Class 100 - Employee Compensation	\$9,084,313	\$9,241,878	\$11,866,911	\$10,278,838	(\$1,588,073)
Class 200 - Purchase of Services	\$3,029,912	\$3,284,912	\$3,361,912	\$2,626,660	(\$735,252)
Class 300/400 - Materials, Supplies & Equipment	\$103,109	\$103,109	\$103,109	\$35,616	(\$67,493)
Class 500 - Contributions	\$4,725,000	\$4,975,000	\$3,595,000	\$950,000	(\$2,645,000)
Class 800 - Payment to Other Funds	\$28,285,000	\$33,285,000	\$21,143,000	\$4,500,000	(\$16,643,000)
	\$45,227,334	\$50,889,899	\$40,069,932	\$18,391,114	(\$21,678,818)

GENERAL FUND FULL-TIME POSITIONS

General Fund Full-Time Positions					
	FY20 Adopted Budget	November 2019 Increment Run	FY21 Original Proposed Budget	FY21 Revised Proposed Budget	Difference Original to Revised Proposed
Full-Time Positions	124	117	147	137	(10)

**OFFICE OF THE DIRECTOR OF FINANCE
FISCAL YEAR 2021 BUDGET TESTIMONY
MAY 19, 2020**

This testimony was prepared by the Office of the Director of Finance after the onset of COVID-19 and its impact on City government operations. It reflects the revised proposed FY21 budget or the department's new operational plan. Post COVID-19 responses from the Department are listed in the next section.

INTRODUCTION

Good Morning, President Clarke and Members of City Council. I am Rob Dubow, Director of Finance. Joining me today are Cat Lamb, First Deputy Director of Finance and Elizabeth Hanley, Deputy Finance Director of Administration, Development and Training. Also, representatives from all divisions of Finance are available here to answer questions. I am pleased to provide testimony on Finance's Fiscal Year 2021 Operating Budget.

DEPARTMENT MISSION & PLANS

Mission: The Office of the Director of Finance (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. Finance administers the City's payroll activities and risk management functions, issues financial reports, and oversees expenditures and reports on all grants. Finance strives to ensure that the City maintains long-term fiscal stability while meeting its policy goals.

Plans for Fiscal Year 2021: The various divisions of Finance will undertake the following in FY21:

- Support the City's continued response to the COVID-19 pandemic by ensuring that funding is secured for City operations and response efforts, and by ensuring the continuity of essential financial functions, including payroll and vendor payments, needed to support those operations and response efforts.
- Work with the Mayor's Office and City Council to ensure that the School District of Philadelphia has the appropriate level of funding.
- Work with the Mayor's Office and City Council to increase college graduation and transfer rates at the Community College of Philadelphia (CCP), through the implementation of the Catto Scholarship and through increased operating support for CCP.
- Work with the Treasurer's Office, Budget, and other departments to maintain the City's "A" category ratings for its General Obligation (GO) debt from all three major rating agencies (currently rated A2 by Moody's, A by Standard & Poor's and A- by Fitch).
- Continue efforts to make the budgeting process more efficient, effective, and accessible, through program-based budgeting and careful monitoring of revenues and expenditures with the long-term goal of achieving a healthier fund balance while being responsive to planned and unplanned funding needs.

OFFICE OF THE DIRECTOR OF FINANCE

- Strive for excellence in financial reporting, including receipt of the GFOA Certificate of Achievement for Excellence in Financing Reporting for the 40th year; implement reporting practices in the 2020 CAFR in compliance with requirements in all GASB pronouncements; continue increased communications and training efforts with City departments to improve compliance with existing policies and procedures; update the City's Standard Accounting Procedures (SAPs); and work to increase the number of vendors receiving payment through electronic means, instead of paper checks.
- Secure new public and private resources; assist City agencies and programs to effectively manage grant funds; work with the Mayor's Office of Diversity and Inclusion, the Managing Director's Office, and the Department of Commerce to promote equitable practices and inclusive policies throughout the City's grant-seeking and grant management practices. For the remainder of FY20 and in FY21, this work will focus on COVID-19 cost recovery from federal and state grant opportunities.
- Continue to optimize the City's new integrated Human Capital Management system, OnePhilly, which replaced the City's legacy payroll, human resources, and time entry systems with one integrated system, allowing for more efficient operation and improved services for employees. Identify software and contract for implementation services for the second phase of the Administrative Modernization effort, project OPAL, which will replace the City's financial and purchasing systems.
- Continue to work with OPA, providing project management and business analysis support for the implementation of the CAMA system, which went live in early 2020. The team will focus on rolling out public self-service and field data capture functionality of the new system.
- Continue efforts to reduce the number and severity of worker injuries through improved worker safety, while managing cost and returning employees to normal function/work as quickly as possible. Continue efforts to recover costs from insured losses, property damage or worker injury caused by others, as well as reduce the City's exposure to liability claims and lawsuits arising from activities and operations of independent contractors and vendors.

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The tables in pages (4 through 12) below were prepared by Finance after the onset of COVID-19 and its impact on City government operations. The General Fund summary numbers below, however, are correct.

BUDGET SUMMARY & OTHER BUDGET DRIVERS

Staff Demographics Summary (as of December 2019)				
	Total	Minority	White	Female
Number of Full-Time Staff	117	82	35	82
Number of Exempt Staff	40	24	16	33
Number of Executive Staff (deputy level and above)	15	8	7	12
Average Salary, Full-Time Staff	\$76,022	\$70,712	\$89,250	\$73,195
Average Salary, Exempt Staff	\$97,381	\$93,903	\$102,380	\$93,775
Average Salary, Executive Staff	\$135,806	\$132,327	\$139,781	\$132,730
Median Salary, Full-Time Staff	\$95,380	\$60,000	\$86,520	\$64,501
Median Salary, Exempt Staff	\$88,910	\$88,910	\$89,215	\$88,670
Median Salary, Executive Staff	\$130,000	\$130,000	\$130,000	\$130,000

Employment Levels (as of December 2019)		
	Budgeted	Filled
Number of Full-Time Positions	124	117
Number of Part-Time Positions	0	0
Number of Exempt Positions	44	40
Number of Executive Positions (deputy level and above)	15	15
Average Salary of All Full-Time Positions	\$74,124	\$76,022
Median Salary of All Full-Time Positions	\$93,570	\$95,380

General Fund Financial Summary by Class						
	FY19 Original Appropriations	FY19 Actual Obligations	FY20 Original Appropriations	FY20 Estimated Obligations	FY21 Proposed Appropriations	Difference: FY21-FY20
Class 100 - Employee Compensation	\$1,370,653,742	\$7,756,138	\$9,084,313	\$9,241,878	\$10,278,838	\$1,036,960
Class 200 - Purchase of Services	\$3,201,430	\$2,828,025	\$3,029,912	\$3,284,912	\$2,626,660	(\$658,312)
Class 300/400 - Materials, Supplies & Equipment	\$103,109	\$73,980	\$103,109	\$103,109	\$35,616	(\$67,493)
Class 500 - Contributions	\$266,859,748	\$6,531,063	\$4,725,000	\$4,975,000	\$950,000	(\$4,025,000)
Class 800 - Payment to Other Funds	\$8,366,704	\$141,193,804	\$28,285,000	\$33,285,000	\$4,500,000	(\$28,785,000)
Class 900 - Advances/Misc. Payments	\$54,573,000	N/A	N/A	N/A	N/A	N/A
	\$1,703,757,733	\$158,383,010	\$45,227,334	\$50,889,899	\$18,391,114	(\$32,498,785)

Contracts Summary (Professional Services only)						
	FY17	FY18	FY19	FY20	FY21	FY20 YTD (Q1 & Q2)
Total amount of contracts	\$15,071,114	\$15,321,173	\$16,826,946	\$16,355,698	\$16,355,698	\$9,196,525
Total amount to M/W/DSBE	\$4,616,575	\$6,168,809	\$6,112,572	\$6,504,572	\$6,504,572	\$1,059,072
Participation Rate	31%	40%	36%	40%	40%	12% ¹

Total M/W/DSBE Contract Participation Goal (Public Works; Services, Supplies & Equipment; and Professional Services combined)			
	FY19	FY20	FY21
M/W/DSBE Contract Participation Goal	35%	35%	35%

¹ Finance expects the participation rate to increase during the second half of the year.

PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The proposed Fiscal Year 2021 General Fund budget totals \$18,391,114, a decrease of \$32,498,785 over Fiscal Year 2020 estimated obligation levels. This decrease is primarily due to a \$28,785,000 decrease in Class 800 for payments to other funds, specifically capital funding and the Housing Trust Fund.

The proposed budget includes:

- \$10,278,838 in Class 100, a \$1,036,960 increase over FY20. This added funding will support personnel needs for the OnePhilly project and will be offset by a reduction in needed contract costs in OIT.
- \$2,626,660 in Class 200, a \$658,312 decrease over FY20 levels. This decrease is due to the COVID-19 pandemic that required reductions to the FY21 budget.
- \$35,616 in Class 300/400, a \$67,493 decrease over FY20 levels. This decrease is due to the COVID-19 pandemic that required reductions to the FY21 budget.
- \$950,000 in Class 500, a \$4,025,000 decrease from FY20 levels. This decrease is due to the COVID-19 pandemic that required reductions to the FY21 budget.
- \$4,500,000 in Class 800, a \$28,785,000 decrease from FY20 levels. This decrease is due to the COVID-19 pandemic that required reductions to the FY21 budget.

STAFFING LEVELS

The department is requesting 137 budgeted positions for FY21, an increase of 13 positions over the 124 budgeted positions from FY20.

The added positions are primarily attributed to having the resources to more fully support OnePhilly in FY21, most of which is being moved from contracted costs in class 200 of the Office of Innovation and Technology’s budget.

NEW HIRES

New Hires (from 7/1/2019 to December 2019)	
	Total Number of New Hires
Black or African American	3
Asian	1
Hispanic or Latino	1
White	2
Total	7

PERFORMANCE, CHALLENGES, AND INITIATIVES

EXECUTIVE DIRECTION

FY21 Strategic Goals				
<ul style="list-style-type: none"> • Work with the Office of Labor Relations to ensure that compensation packages in upcoming collective bargaining agreements are consistent with the City’s ability to pay. • Fully stabilize the City’s new payroll system ensuring all paychecks are accurate and produced on time, while reducing the time and effort to produce bi-weekly payrolls. • Design and begin implementing a citywide training and development program for employees in fiscal titles. • Keep project OPAL on a revised schedule and budget, while ensuring stakeholders remain engaged and the project will lead to delivering on desired benefits. • Continue to co-lead the City’s recovery effort, identifying sources of recovery revenues, interpreting rules for reimbursement, and creating policies and procedures to maximize the City’s likelihood of successfully drawing down recovery funds. 				
FY21 Performance Measures				
Measure	FY19 Actual	FY20 YTD (Q1 + Q2)	FY20 Target	FY21 Target
Grants: Number of consultations between departments and Grants to pursue competitive grant applications ¹	47	29	50	55
Grants: Percentage of grant applications resulting in successful award ²	35%	N/A	38%	40%
Executive Direction: Maintain or improve credit ratings ³	A2, A, A-	N/A	"A" category rating	"A" category rating

¹The goal is to increase the number of consultations with departments. The Grants Office anticipates that through outreach and education, additional departments will have the capacity to pursue competitive grant applicants in collaboration with the Grants Office over time. Not every consultation will result in a grant application, and in some cases multiple departments may work together to pursue a single application. Note: the measure counts each instance in which a department consults with the Grants Office in a reporting period; thus, a single department may be counted more than once per period or annually.

²This is an annual measure.

³The City maintains its “A” category rating with all three rating agencies. In November 2019, S&P revised its outlook on the City's general obligation rating from stable to positive, noting the City's improved financial position and strong revenue growth. In April 2019, Fitch revised its outlook on the City's general obligation rating from stable to positive, noting the City's improved financial position and increased financial flexibility. The Fitch rating is the City's lowest of the three agencies and so this improvement may result in lower future borrowing costs. Moody's outlook on the City's General Obligation debt was last revised from negative to stable in November 2018.

ACCOUNTING BUREAU

FY21 Strategic Goals				
<ul style="list-style-type: none"> • Receive the Certificate of Achievement for Excellence in Financial Reporting from GFOA for the fortieth consecutive year. • Increase the percent of vendors paid through electronic automated clearing house (ACH) to 75%. • Continue to fully engage in project OPAL. • Continue regular meetings with departmental finance staff to train and update them on proper internal controls and standard accounting procedures. 				
FY21 Performance Measures				
Measure	FY19 Actual	FY20 YTD (Q1 + Q2)	FY20 Target	FY21 Target
Percentage of new GASB pronouncements implemented by required date ¹	100%	N/A	100%	100%
Percentage of paid vendors enrolled in ACH automatic payments ²	60%	62%	75%	75%

¹This is an annual measure. GASB pronouncements are implemented through the CAFR, which is completed at the end of February. All required GASB pronouncements were implemented for the FY19 CAFR.

²This is an annual measure. As an efficiency measure, Accounting aims to reduce the numbers of vendors receiving paper checks by increasing the number of vendors receiving payment through electronic automated clearing house (ACH). While the percentage of paid vendors enrolled in ACH has increased since FY17, Accounting has identified additional fraud risk associated with payments through ACH and will focus on implementing additional controls to ensure that these risks are mitigated before a mass conversion of vendors to ACH occurs.

BUDGET OFFICE

FY21 Strategic Goals				
<ul style="list-style-type: none"> Facilitate efficient and effective delivery of City services by developing and monitoring operating and capital budgets that convert available resources into positive outcomes. In FY21, this will include implementing a new IT system for formulating and managing the Capital Budget. The Budget Office will continue efforts to produce, monitor, and adjust the Operating and Capital Budgets in accordance with legal requirements and best practices to ensure that budgeted resources turn into improved outcomes for Philadelphia. Maintain and strengthen the City's long-term fiscal stability. Managing the General Fund budget to meet the internal goal of a 6-8% fund balance and making strategic decisions and investments related to the Pension Fund, recession reserves, education, and city infrastructure will be a focus in FY21, with the goal of improving the City's short-term fiscal resilience, bond ratings, and fiscal flexibility in the future. Improve residents' understanding of City budgets. Ensuring that budget information is accessible to residents, particularly marginalized communities, is a priority for FY21 and will include improved design and expanded distribution of budget information with a focus on infographics, plain language, and language access. 				

FY21 Performance Measures				
Measure	FY19 Actual	FY20 YTD (Q1 + Q2)	FY20 Target	FY21 Target
Percent change in the total dollar amount of General Fund revenue (actual) compared to budget (adopted) ¹	4%	N/A	0 to 1%	0 to 1%
Percent change in the total dollar amount of General Fund expenditures (actual) compared to budget (adopted) ²	1%	N/A	-1 to 0%	-1 to 0%
Ratio of actual unreserved General Fund fund-balance to actual General Fund revenue ³	9%	N/A	6 to 8%	6 to 8%
Total number of departments participating in program-based budgeting ⁴	43	N/A	53	53

¹ This is an annual measure. Target is to be \geq fiscal year projection.

² This is an annual measure. Target is to be \geq fiscal year projection.

³ This is an annual measure. Budget aims to maintain the Fund Balance at 6-8% of expenditures. While FY19 ended with an all-time high fund balance, the City is on track for a lower fund balance at the end of FY20. In December 2019, Moody's released a report comparing the fiscal health of the 25 largest cities in the United States. According to their analysis, Philadelphia ranks 24th out of the 25 for fund balance as a percent of revenues. Moody's did note that we are in better shape than we were before the last recession.

⁴ The roll-out of program-based budgeting began in FY17. For FY21, all departments under Mayoral control and some independent offices will be participating.

OFFICE OF PROPERTY DATA (OPD)

FY21 Strategic Goals				
<ul style="list-style-type: none"> Complete the implementation of Phase 2 (Field Mobile) of the Computer-Assisted Mass Appraisal (CAMA) Project. Complete the implementation of Phase 3 (Citizen's Portal) of the Computer-Assisted Mass Appraisal (CAMA) Project. Facilitate the use of the PIN across Departments. 				

FY21 Performance Measures				
Measure	FY19 Actual	FY20 YTD (Q1 + Q2)	FY20 Target	FY21 Target
Annual number of data addressing project improvement recommendations completed as scheduled ¹	Completed the implementation of the citywide address assignment policies and identified the city addressing authority; PIN project is 75% complete	N/A	Complete PIN Project Phase 1	No phases defined beyond PIN Project Phase 1 which will be complete in FY20.
Percent complete of CAMA implementation schedule ²	65%	N/A	Complete CAMA Project Phase 1 (100%)	Complete CAMA Project Phases 2 and 3.

¹ The Municipal Street Addressing Analysis Project, which was initiated to guide the City's implementation of new property data related processes, yielded 11 improvement recommendations based on the City's business requirements. To date, six recommendations have been implemented completely and four remain as possible future initiatives. The last recommendation: "Define and implement a unique parcel identification number (PIN) for all City parcels" is 75% complete with a goal to complete the recommendation in FY20.

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² In FY20, Phase 1 of the Computer Assisted Mass Appraisal (CAMA) implementation was completed. Through a staggered rollout, OPA Staff is now using the CAMA software to access and update property and assessment related information. BRT Staff is using the same software to schedule appeals and record Board decisions. In FY21, the CAMA measure will be the percent complete for Phase 2 (Field Mobile - evaluators can confirm and update property information while in the field) and Phase 3 (Public Access - public can submit online applications for exemptions and appeals).

RISK MANAGEMENT

FY21 Strategic Goals				
<ul style="list-style-type: none"> • Decrease worker injury-related medical costs by 3%. • Continue to reduce employee injury frequency by 5% of the average of the prior three fiscal years through safety education, training, communications, program development and relationship building. • Maintain Liability Claims General Fund settlement costs below \$1.5M and continue to reduce costs of claims and litigation through aggressive claims management and loss control techniques. 				
FY21 Performance Measures				
Measure	FY19 Actual	FY20 YTD (Q1 + Q2)	FY20 Target	FY21 Target
Average number of police and firefighters on no duty ¹	578	529	535	565
Number of employee injuries	3,201	1,470	A reduction from FY19	A reduction from FY20
Settlement cost for closed claims (in millions of dollars) ²	\$0.929	\$0.136	\$1.500	\$1.300

¹ While the number of claims has decreased over previous years, the number of no duty days has increased.

² This category captures the settlement costs of General Fund claims only. Beginning in FY19, Risk hired a new claims manager who changed claim adjudication policies. This has significantly reduced payouts, resulting in lower settlement costs.

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

To mitigate against the risk of future federal funding cuts, the Plan includes an annual recession reserve of \$20 million. In addition, the City will receive federal and state reimbursements for the COVID-19 related costs.

CONTRACTING EXPERIENCE

M/W/DSBE Participation on Large Professional Services Contracts											
Top Five Largest Contracts, FY20											
Vendor Name	Service Provided	Dollar 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 % 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]
PMA Management Corp	Medical health care, claims and litigation management services to employees who sustain service-connected injuries	\$7,029,950	11/20/2017	7/1/2019	MBE: 15-20%	13%	\$878,744	24%	\$1,676,643	No	No
					WBE: 10-15%	11%	\$797,899				
					DSBE: best efforts	0%	\$0				
Bio-Care Inc	Medical examinations for uniformed population of the Fire Department	\$966,825	10/6/2017	7/1/2019	MBE: best efforts	0%	\$0	0%	\$0	No	No
					WBE: best efforts	0%	\$0				
					DSBE: best efforts	0%	\$0				
Lawton Associates	Insurance & Risk Management Services	\$900,000	3/12/2018	7/1/2019	MBE: 25-30%	100%	\$900,000	100%	\$900,000	Yes	No
					WBE: 25-30%	0%	\$0				
					DSBE: best efforts	0%	\$0				
Various (9 vendors)	Legal services related to City's Employee Disability/Worker's Compensation Program	\$4,700,000	Various	Various	MBE: 15-20%	26%	\$1,206,960	42%	\$1,979,170	Yes	No
					WBE: 15-20%	16%	\$772,210				
					DSBE: best efforts	0%	\$0				

Non-Profit Vendor Demographics: N/A

EMPLOYEE DATA

Staff Demographics (as of December 2019)					
Full-Time Staff			Executive Staff		
	Male	Female		Male	Female
	African-American	African-American		African-American	African-American
<i>Total</i>	14	47	<i>Total</i>	2	2
<i>% of Total</i>	12%	40%	<i>% of Total</i>	13%	13%
<i>Average Salary</i>	\$78,135	\$65,961	<i>Average Salary</i>	\$139,290	\$130,000
<i>Median Salary</i>	\$74,818	\$58,038	<i>Median Salary</i>	\$139,290	\$130,000
	White	White		White	White
<i>Total</i>	14	21	<i>Total</i>	1	6
<i>% of Total</i>	12%	18%	<i>% of Total</i>	7%	40%
<i>Average Salary</i>	\$101,713	\$83,137	<i>Average Salary</i>	\$165,741	\$135,621
<i>Median Salary</i>	\$96,952	\$69,000	<i>Median Salary</i>	\$165,741	\$129,615
	Hispanic	Hispanic		Hispanic	Hispanic
<i>Total</i>	1	3	<i>Total</i>	-	-
<i>% of Total</i>	1%	3%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$100,108	\$62,894	<i>Average Salary</i>	N/A	N/A
<i>Median Salary</i>	\$100,108	\$60,000	<i>Median Salary</i>	N/A	N/A
	Asian	Asian		Asian	Asian
<i>Total</i>	5	10	<i>Total</i>	-	4
<i>% of Total</i>	4%	9%	<i>% of Total</i>	0%	27%
<i>Average Salary</i>	\$71,917	\$86,262	<i>Average Salary</i>	N/A	\$130,010
<i>Median Salary</i>	\$58,287	\$84,360	<i>Median Salary</i>	N/A	\$132,500
	Other	Other		Other	Other
<i>Total</i>	1	1	<i>Total</i>	-	-
<i>% of Total</i>	1%	1%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$85,357	\$66,603	<i>Average Salary</i>	N/A	N/A
<i>Median Salary</i>	\$85,357	\$66,603	<i>Median Salary</i>	N/A	N/A
	Bilingual	Bilingual		Bilingual	Bilingual
<i>Total</i>	-	-	<i>Total</i>	-	-
<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
	Male	Female		Male	Female
<i>Total</i>	35	82	<i>Total</i>	3	12
<i>% of Total</i>	30%	70%	<i>% of Total</i>	20%	80%
<i>Average Salary</i>	\$87,446	\$72,971	<i>Average Salary</i>	\$152,516	\$131,877
<i>Median Salary</i>	\$85,357	\$66,603	<i>Median Salary</i>	\$152,516	\$130,000

** Regarding Bilingual Data: Finance does not collect this information

LANGUAGE ACCESS

1. Has your leadership received language access training?

Yes.

2. Do you currently have a language access coordinator?

Yes. Dan O'Brien -- Arabic speaker, Returned Peace Corps Volunteer and former translator for refugees who are survivors of trauma.

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

Finance has a language access plan and it is posted online at <https://www.phila.gov/documents/language-access-plans/>.

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

Refresher trainings for leadership and staff will be scheduled with OIA.

CLIMATE CHANGE

1. How has climate change affected your department's provision of services?

The potential impact of climate change is largely responsible for the increase in our insurance premiums, as insurance companies begin to price in this uncertainty. Beyond that, other services provided by Finance have been largely unaffected.

2. How might worsening climate change increase costs and demands for your department?

The Department anticipates that worsening climate change would cause insurance premiums to continue to rise. Finance may need to consider how to make more funding available for capital improvements such as roof and envelope repairs.

3. How does your department intend to mitigate and adapt to climate change?

We will work with departments to make sure we have the appropriate insurances in place to help weather the storm and ensure that the City is making necessary investments to adapt and respond to the changing climate. In addition, worsening climate change would necessitate planning for reserves to help mitigate other impacts. Credit rating agencies have also begun asking about climate change and its impacts on municipal finances, which the Department will continue to monitor.

REVISED PLANS FOR FISCAL YEAR 2021

1. With the revised budget for FY21, what will your department accomplish in FY21?

- Work with the Office of Labor Relations to ensure that compensation packages in upcoming collective bargaining agreements are consistent with the City’s ability to pay.
- Fully stabilize the City’s new payroll system ensuring all paychecks are accurate and produced on time, while reducing the time and effort to produce bi-weekly payrolls.
- Design and begin implementing a citywide training and development program for employees in fiscal titles.
- Keep project OPAL on its post-pandemic revised schedule and budget, while ensuring stakeholders remain engaged and the project will lead to delivering on desired benefits.
- The Grants Office will continue to work with the Grants Accounting Unit to develop and manage standards for administrative compliance, financial and program reporting for grants from state and federal government agencies.
- Work with the Treasurer’s Office, Budget, and other departments to maintain the City’s “A” category ratings for its General Obligation (GO) debt from all three major rating agencies (currently rated A2 by Moody’s, A by Standard & Poor’s and A- by Fitch).

2. With the revised budget for FY21, what existing programs or services will be reduced or eliminated?

The cuts reflected below, which are a result of careful reflection and consideration as we attempt to preserve core services, will have the following service impacts:

- Cutting OnePhilly Class 100 will lead to a slower ramp down of Class 200 support for the services in OIT’s budget, as well as a slowdown in the pace of enhancements the program can release. This OnePhilly Class 100 funding was proposed new funding in the FY21 budget.
- A reduction to “pay-as-you-go” Capital will result in reduced infrastructure investment as it is coupled with a reduction in the size of the FY21 capital budget.
- Hiring delays will lead to delays in the implementation of the OPAL program to replace the City’s core Financial and Purchasing Systems.
- Delay in the project to revise the City’s SAPs due to resourcing limitations.
- Delays in claims processing because of reduced contracted support for claims management.
- Less printed material and planned public engagement related to the City’s FY21 budget.
- Less capacity to handle complex tax issues related to payroll.

3. With the revised budget for FY21, what planned, new services or programs will not happen?

N/A

REVISED PERFORMANCE MEASURES

The Department did not update their performance measures as part of the revised budget process. Original performance measures are listed below.

PERFORMANCE, CHALLENGES, AND INITIATIVES**EXECUTIVE DIRECTION**

FY21 Performance Measures				
Measure	FY19 Actual	FY20 YTD (Q1 + Q2)	FY20 Target	FY21 Target
Grants: Number of consultations between departments and Grants to pursue competitive grant applications ¹	47	29	50	55
Grants: Percentage of grant applications resulting in successful award ²	35%	N/A	38%	40%
Executive Direction: Maintain or improve credit ratings ³	A2, A, A-	N/A	"A" category rating	"A" category rating

¹The goal is to increase the number of consultations with departments. The Grants Office anticipates that through outreach and education, additional departments will have the capacity to pursue competitive grant applicants in collaboration with the Grants Office over time. Not every consultation will result in a grant application, and in some cases multiple departments may work together to pursue a single application. Note: the measure counts each instance in which a department consults with the Grants Office in a reporting period; thus, a single department may be counted more than once per period or annually.

²This is an annual measure.

³The City maintains its "A" category rating with all three rating agencies. In November 2019, S&P revised its outlook on the City's general obligation rating from stable to positive, noting the City's improved financial position and strong revenue growth. In April 2019, Fitch revised its outlook on the City's general obligation rating from stable to positive, noting the City's improved financial position and increased financial flexibility. The Fitch rating is the City's lowest of the three agencies and so this improvement may result in lower future borrowing costs. Moody's outlook on the City's General Obligation debt was last revised from negative to stable in November 2018.

ACCOUNTING BUREAU

FY21 Performance Measures				
Measure	FY19 Actual	FY20 YTD (Q1 + Q2)	FY20 Target	FY21 Target
Percentage of new GASB pronouncements implemented by required date ¹	100%	N/A	100%	100%
Percentage of paid vendors enrolled in ACH automatic payments ²	60%	62%	75%	75%

¹This is an annual measure. GASB pronouncements are implemented through the CAFR, which is completed at the end of February. All required GASB pronouncements were implemented for the FY19 CAFR.

²This is an annual measure. As an efficiency measure, Accounting aims to reduce the numbers of vendors receiving paper checks by increasing the number of vendors receiving payment through electronic automated clearing house (ACH). While the percentage of paid vendors enrolled in ACH has increased since FY17, Accounting has identified additional fraud risk associated with payments through ACH and will focus on implementing additional controls to ensure that these risks are mitigated before a mass conversion of vendors to ACH occurs.

BUDGET OFFICE

FY21 Performance Measures				
Measure	FY19 Actual	FY20 YTD (Q1 + Q2)	FY20 Target	FY21 Target
Percent change in the total dollar amount of General Fund revenue (actual) compared to budget (adopted) ¹	4%	N/A	0 to 1%	0 to 1%
Percent change in the total dollar amount of General Fund expenditures (actual) compared to budget (adopted) ²	1%	N/A	-1 to 0%	-1 to 0%
Ratio of actual unreserved General Fund fund-balance to actual General Fund revenue ³	9%	N/A	6 to 8%	6 to 8%
Total number of departments participating in program-based budgeting ⁴	43	N/A	53	53

¹This is an annual measure. Target is to be \geq fiscal year projection.

OFFICE OF THE DIRECTOR OF FINANCE

² This is an annual measure. Target is to be \geq fiscal year projection.

³ This is an annual measure. Budget aims to maintain the Fund Balance at 6-8% of expenditures. While FY19 ended with an all-time high fund balance, the City is on track for a lower fund balance at the end of FY20. In December 2019, Moody's released a report comparing the fiscal health of the 25 largest cities in the United States. According to their analysis, Philadelphia ranks 24th out of the 25 for fund balance as a percent of revenues. Moody's did note that we are in better shape than we were before the last recession.

⁴ The roll-out of program-based budgeting began in FY17. For FY21, all departments under Mayoral control and some independent offices will be participating.

OFFICE OF PROPERTY DATA (OPD)

FY21 Performance Measures				
Measure	FY19 Actual	FY20 YTD (Q1 + Q2)	FY20 Target	FY21 Target
Annual number of data addressing project improvement recommendations completed as scheduled ¹	Completed the implementation of the citywide address assignment policies and identified the city addressing authority; PIN project is 75% complete	N/A	Complete PIN Project Phase 1	No phases defined beyond PIN Project Phase 1 which will be complete in FY20.
Percent complete of CAMA implementation schedule ²	65%	N/A	Complete CAMA Project Phase 1 (100%)	Complete CAMA Project Phases 2 and 3.

¹ The Municipal Street Addressing Analysis Project, which was initiated to guide the City's implementation of new property data related processes, yielded 11 improvement recommendations based on the City's business requirements. To date, six recommendations have been implemented completely and four remain as possible future initiatives. The last recommendation: "Define and implement a unique parcel identification number (PIN) for all City parcels" is 75% complete with a goal to complete the recommendation in FY20.

² In FY20, Phase 1 of the Computer Assisted Mass Appraisal (CAMA) implementation was completed. Through a staggered rollout, OPA Staff is now using the CAMA software to access and update property and assessment related information. BRT Staff is using the same software to schedule appeals and record Board decisions. In FY21, the CAMA measure will be the percent complete for Phase 2 (Field Mobile - evaluators can confirm and update property information while in the field) and Phase 3 (Public Access - public can submit online applications for exemptions and appeals).

RISK MANAGEMENT

FY21 Performance Measures				
Measure	FY19 Actual	FY20 YTD (Q1 + Q2)	FY20 Target	FY21 Target
Average number of police and firefighters on no duty ¹	578	529	535	565
Number of employee injuries	3,201	1,470	A reduction from FY19	A reduction from FY20
Settlement cost for closed claims (in millions of dollars) ²	\$0.929	\$0.136	\$1.500	\$1.300

¹ While the number of claims has decreased over previous years, the number of no duty days has increased.

² This category captures the settlement costs of General Fund claims only. Beginning in FY19, Risk hired a new claims manager who changed claim adjudication policies. This has significantly reduced payouts, resulting in lower settlement costs.

COMMITTEE ON APPROPRIATIONS

MAY 19, 2020

TESTIMONY ON BILLS 200288,200289, 200290, 200291, AND 200292

ROB DUBOW, FINANCE DIRECTOR

Good morning, Council President Clarke and members of the Committee of the Whole. My name is Rob Dubow, Finance Director for the City of Philadelphia. I am here to testify in support of:

- **Bill 200288** - Amending Chapter 19-1200 of The Philadelphia Code, entitled “Parking Tax,” by revising certain tax rates,
- **Bill 200289** - Amending Chapter 19-1800 of The Philadelphia Code, entitled “School Tax Authorization,” by revising certain tax rates,
- **Bill 200290** - Amending Chapter 19-2600 of The Philadelphia Code, entitled “Business Income and Receipts Taxes,” by revising certain tax rates,
- **Bill 200291** - Amending Chapter 19-1500 of The Philadelphia Code, entitled “Wage and Net Profits Tax,” by revising certain tax rates; and
- **Bill 200292** - Amending Chapter 19-1300 of The Philadelphia Code, entitled “Real Estate Taxes,” to eliminate the discount for early payment of real estate taxes.

In putting together the revised FY21 budget and FY21-FY25 five year plan, the Administration faced a series of painful choices and had to decide between bad options. With the onset of the COVID-19 global pandemic and ensuing economic shutdown, Philadelphia faced a \$649M budget gap for FY21. No one wants to cut services and no one wants to increase taxes, but to close that gap, we had to do both. Before doing that, to minimize the impact on Philadelphia residents, businesses and employees, we utilized reserves that we had built up over time in an attempt to build up a buffer against an economic downturn. This addressed about \$229M, or about 35% of the problem. The remaining 65% of the gap had to come from spending reductions or revenue increases. With businesses closed, the economic impact of COVID-19 has resulted in layoffs, business closures across industry sectors, with those not yet impacted feeling great uncertainty. In this environment, there are limited options for seeking revenue enhancements, between a desire to limit any further financial burden on Philadelphia residents and businesses and the likelihood that efforts to increase tax rates would yield limited returns under current conditions. Given those constraints plus the desire to preserve as many services as possible for Philadelphians by minimizing spending reductions, the Administration proposes limited changes to revenues, totaling \$49.9 million in FY21. This is 9% of the revenue losses expected compared to the original FY21 budget and fills 8% of the

budget gap. In other words, the Administration closed 90% of the gap before turning to revenue increases in order to avoid crippling service cuts.

The approach to tax changes focused on ones that limit racially disparate impacts and are likely to produce the expected revenues without significant implementation costs or delays due to a need for state approval. We propose two tax increases for the General Fund. First, raising the Parking Tax from 22.5% to 27% to generate an additional \$17 million in FY21. This tax has proved fairly inelastic, with revenue growth despite prior rate increases, declines in car ownership, and increased alternatives to driving private vehicles. While 40% of Philadelphia households of people of color do not have access to a vehicle, while just 23% of white Philadelphia households do not, this tax increase avoids disproportionately adding to the burden on people of color.

The second tax increase proposed will raise the rate of the Non-Resident Wage and Net Profit Tax by less than 2%, bringing the rate to 3.5019%, still below the rate for Philadelphians of 3.871%. This change is paired with a decision not to seek a reduction in the Resident Wage Tax rate, as had been previously planned. Together, these changes are expected to generate \$17.2 million in FY21. We intend to maintain these rates until FY24, when reductions would be reinstated for both residents and non-residents. This proposed FY21 change will result in no change for Philadelphians. For a commuter, making \$50,000 per year, this would increase the tax by about \$27 per year. We also propose delaying planned reductions to the Business Income and Receipts Tax until FY24, which will generate \$2.6 million in FY21. This will not affect small businesses, as no tax is due from businesses with less than \$100,000 in sales.

As part of the budget proposal, we recommend ending the 1% discount for taxpayers that pay their property taxes early. This will generate \$5.7 million for the General Fund and over \$6 million for the School District. The challenges the School District faces are severe, with deficits growing to over \$1 billion over the course of the District's FY21-FY25 Five Year Plan. In order to avoid seeing the District go back to the days of painful cuts, this budget also includes a proposal to increase the School District's share of the Real Estate Tax by 3.95%, bringing the total rate to 1.4551%. For a homeowner with a Homestead Exemption and a \$150,000 assessment, this rate increase will add \$58 to their annual bill.

We remain committed to moving towards a tax structure that supports an inclusive, thriving economy and financial stability for our residents – but the long-standing problems of our city's poverty and the constraints of the uniformity clause that prevent a more progressive approach are now compounded by the economic devastation wrought by COVID-19. At the same time, we want to avoid service cuts that would diminish

the health, safety or education of Philadelphians. Together, Council and the Administration face very difficult decisions about how to best meet the needs of Philadelphians with far fewer resources than they deserve. The tax changes proposed in Bills 200288, 200289, 200290, 200291, and 200292 will help us achieve our shared goal of helping Philadelphians, particularly our most vulnerable Philadelphians. We thank Council for their thoughtful yet swift consideration of this legislation and are happy to answer any questions you may have.

**DEPARTMENT OF REVENUE
REVISED FISCAL YEAR 2021 BUDGET TESTIMONY
TUESDAY, MAY 19TH, 2020**

The revised FY21 Budget and FY21-25 Plan focuses on providing core services and targeting reductions to areas with the least impact on vulnerable populations and areas where others can fund or deliver services.

DEPARTMENT FUNDING LEVELS

General Fund Financial Summary by Class					
	FY20 Original Appropriations	FY20 Estimated Obligations	FY21 Original Proposed Appropriations	FY21 Revised Proposed Appropriations	\$ Difference Original to Revised Proposed
Class 100 - Employee Compensation	\$23,934,508	\$24,073,730	\$24,268,133	\$22,536,343	-1,731,790
Class 200 - Purchase of Services	\$7,755,749	\$7,755,749	\$7,652,749	\$5,627,749	(\$2,025,000)
Class 300/400 - Materials, Supplies & Equipment	\$1,188,976	\$1,188,976	\$964,976	\$859,976	(\$105,000)
	\$32,879,233	\$33,018,455	\$32,885,858	\$29,024,068	(\$3,861,790)

GENERAL FUND FULL-TIME POSITIONS

General Fund Full-Time Positions					
	FY20 Adopted Budget	November 2019 Increment Run	FY21 Original Proposed Budget	FY21 Revised Proposed Budget	Difference Original to Revised Proposed
Full-Time Positions	458	400	462	436	(26)

**DEPARTMENT OF REVENUE
ORIGINAL FISCAL YEAR 2021 BUDGET TESTIMONY**

INTRODUCTION

Good morning, President Clarke and Members of City Council. I am Frank Breslin, Revenue Commissioner. Joining me today are Kathleen McColgan, First Deputy Revenue Commissioner- Taxes and Fees and Michelle L. Bethel-Miller, Deputy Revenue Commissioner- Water. I am pleased to provide testimony on the Department of Revenue's Fiscal Year 2021 Operating Budget.

DEPARTMENT MISSION & PLANS

Mission: The Department of Revenue collects tax and non-tax revenue due to the City and tax revenue due to the School District of Philadelphia promptly and efficiently by increasing on-time payments and decreasing delinquency; while providing excellent service to customers that is fair and efficient.

Plans for Fiscal Year 2021: There are seven programmatic areas dedicated to maximizing and supporting the collection process resulting in over \$5 billion in revenue collections from taxes and fees each year. The Department recognizes that the economic and financial impact of the COVID-19 pandemic will be felt for months, if not years and has led to a reexamination of the FY21-25 Five Year Plan. Meanwhile, through data forecasting and analysis, we will continue to maximize revenue collections using technological enhancements making it easier to pay on time, expand outreach and assistance programs to provide relief to vulnerable citizens and apply enforcement efforts allowing for early intervention to aid taxpayers in managing debts.

Technological Enhancements and Efficiencies:

- Continue in collaboration with the Office of Innovation and Technology (OIT) to work on the replacement of the 35-year old tax legacy system with an Integrated Tax System (ITS). The focus of the ITS is to enhance the customer experience and self-service capability, as well as improve internal operations that can accommodate off-site work assignments easily and securely. An ITS Director was hired last year to give leadership to this initiative.
- Further increase the adoption rate of e-pay and e-bill for residential and commercial water customers through targeted campaigns while reducing paper, printing, and postage costs. First year utility industry paperless adoption rate is 8%. Philadelphia in less than a year has a 17.8% adoption rate, more than twice the industry adoption rate.
- Expand participation in modernized e-file options by partnering with software vendors to increase electronic payments and tax return filings, and on time payments. Electronic payments reduce processing times and costs.
- Improve overall customer satisfaction by collaborating with 311 to model and expand customer correspondence and customer service training tools, as well as a more robust training program.

DEPARTMENT OF REVENUE

- Continue to implement process improvements that decrease costs and increase revenue using software solutions and automation.

Outreach and Assistance Programs:

- Increase enrollment in all assistance programs by improving cross-enrollment and outreach efforts.
- Continue to translate assistance program applications into common languages used in Philadelphia.
- Increase assistance program awareness through targeted outreach and partnering with external agencies to provide relief to more eligible customers.

Compassionate Enforcement and Debt Reduction:

- Encourage and compel payment of delinquent accounts by administering payment agreements, making phone calls, sending letters, placing liens on properties and filing suit and sale of property through Sheriff Sales.
- Improve collections through early alerts to taxpayers and customer about debts, expanded use of collection agencies, co-counsels and assumpsit actions to consolidate and collect all liabilities.
- Develop new tools to keep taxpayers and customers in compliance as they face economic consequences of the COVID-19 coronavirus emergency.
- Sequestration
- Expand the filing of legal actions that consolidate all the municipal obligations (Real Estate Tax, Water debt, and License & Inspection liabilities) of habitually delinquent multi-property landlords, so that the resulting judgment attaches to all the landlords' Philadelphia properties.

DEPARTMENT OF REVENUE

BUDGET SUMMARY & OTHER BUDGET DRIVERS

Staff Demographics Summary (as of December 2019)				
	Total	Minority	White	Female
Number of Full-Time Staff	615	471	145	443
Number of -Exempt Staff	81	37	44	48
Number of Executive Staff (deputy level and above)	8	4	4	5
Average Salary, Full-Time Staff	\$52,230	\$49,424	\$61,344	\$50,411
Average Salary, Exempt Staff	\$78,636	\$75,091	\$82,586	\$75,602
Average Salary, Executive Staff	\$135,168	\$127,926	\$142,410	\$133,117
Median Salary, Full-Time Staff	\$44,631	\$43,421	\$51,106	\$44,353
Median Salary, Exempt Staff	\$72,450	\$72,450	\$75,610	\$72,450
Median Salary, Executive Staff	\$127,926	\$127,926	\$140,903	\$127,926

Employment Levels (as of December 2019)		
	Budgeted	Filled
Number of Full-Time Positions	690	615
Number of Part-Time Positions	0	1
Number of Exempt Positions	78	81
Number of Executive Positions (deputy level and above)	8	8
Average Salary of All Full-Time Positions	\$51,174	\$52,230
Median Salary of All Full-Time Positions	\$44,631	\$44,631

General Fund Financial Summary by Class						
	FY19 Original Appropriations	FY19 Actual Obligations	FY20 Original Appropriations	FY20 Estimated Obligations	FY21 Proposed Appropriations	Difference: FY21-FY20
Class 100 - Employee Compensation	\$22,156,816	\$22,700,386	\$23,934,508	\$24,073,730	\$22,536,343	(\$1,537,387)
Class 200 - Purchase of Services	\$7,630,749	\$7,706,845	\$7,755,749	\$7,755,749	\$5,627,749	(\$2,128,000)
Class 300/400 - Materials, Supplies & Equipment	\$919,976	\$887,779	\$1,188,976	\$1,188,976	\$859,976	(\$329,000)
Class 500 - Contributions	\$0	\$328,357	\$0	\$0	\$0	\$0
	\$30,707,541	\$31,623,367	\$32,879,233	\$33,018,455	\$29,024,068	(\$3,994,387)

Contracts Summary (Professional Services only)						
	FY17	FY18	FY19	FY20	FY21	FY20 YTD (Q1 & Q2)
Total amount of contracts	\$14,711,615	\$31,262,090	\$22,475,000	\$26,850,660	\$22,955,000	\$17,354,500
Total amount to M/W/DSBE	\$4,928,680	\$13,003,700	\$11,671,165	\$13,694,865	\$12,424,800	\$12,374,800
Participation Rate	34%	42%	52%	51%	54%	71%

Total M/W/DSBE Contract Participation Goal (Public Works; Services, Supplies & Equipment; and Professional Services combined)			
	FY19	FY20	FY21
M/W/DSBE Contract Participation Goal	46%	46%	46%

PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The proposed Fiscal Year 2021 General Fund budget totals \$29,024,068, a decrease of \$3,994,387 over Fiscal Year 2020 estimated obligation levels. This decrease is primarily due to budget cuts in Class 100 Full-time positions, Class 200 Professional Services funds and in Class 300/400 cut in Supplies and Equipment and Furniture for ITS which was purchased in FY2020.

The proposed Fiscal Year 2021 Water Fund budget totals \$17,527,491 an increase of \$34,825 over Fiscal Year 2020 estimated obligation levels. This increase is due to labor contract extensions for DC 33, DC47 and Non-Representative employees, which enabled a 2% salary increase effective May 1, 2020.

The proposed Fiscal Year 2021 Grant funds budget totals is \$23,000,000. No change from Fiscal Year 2020 estimated obligations levels.

The proposed budget includes:

- \$22,536,343 in General Fund Class 100, a \$1,537,387 decrease from FY20. This funding will support the payroll costs for the 436 budgeted positions. \$10,927,991 in Water Fund Class 100, a \$34,825 increase over FY20. This funding will support the payroll cost of 232 budgeted positions.
- \$5,627,749 in General Fund Class 200, a \$2,128,000 decrease from FY20. This funding is for the Purchase of Services in support of delinquent collections, modernization of revenue collection processes with eFile/ePay options and tax relief assistance to homeowners. \$5,165,000 in Water Fund Class 200. No change compared to FY20 estimated obligations levels.
- \$859,976 in General Fund Class 300/400, a \$329,000 decrease from FY20. This funding will allow the Department to procure office supplies and services, equipment and furniture in support of Department programs and initiatives. \$1,434,500 in Water Fund Class 300/400, to support normal operations. This is a minor increase from FY20 estimated obligations levels.

DEPARTMENT OF REVENUE

STAFFING LEVELS

The department is requesting 668 budgeted positions for FY21, a decrease of twenty-six (26) positions over FY20. The decrease is due to additional budget cuts in FY21 as result of the pandemic crisis.

NEW HIRES

New Hires (from 7/1/2019 to December 2019)	
	Total Number of New Hires
Black or African American	18
White	3
Other	10
Total	31

Detail for new hires since December 2019, if applicable: N/A

DEPARTMENT OF REVENUE

PERFORMANCE, CHALLENGES, AND INITIATIVES

POLICY, ANALYSIS, EXECUTIVE DIRECTION AND ADMINISTRATION

FY21 Strategic Goals				
<ul style="list-style-type: none"> Continue efforts to modernize the Department's technology by replacing the legacy system, which will improve the customer experience and expand self-service options while increasing efficiency. This project is expected to begin in the second half of FY20 and will take 3-4 years to complete. Increase compliance and assistance, and ensure all customers receive excellent service. Continue to increase internal efficiencies, customer satisfaction, and reduce costs. 				

FY21 Performance Measures				
Measure	FY19Actual	FY20YTD (Q1 + Q2)	FY20 Target	FY21 Target
Percent of budgeted positions filled ¹	92.8%	89.0%	95.0%	95.0%

¹ The budgeted positions filled dropped from 93% to 89% because 20 new ITS positions in FY20 have not been filled due to contract negotiation delays. Revenue anticipates getting closer to the target during the remainder of the year.

WATER BILLING, ACCOUNTING, AND COSTUMER SERVICE

FY21 Strategic Goals				
<ul style="list-style-type: none"> Continue to increase the percentage of water bills paid on-time. Reduce internal billing costs, by increasing e-pay and e-bill adoption. Assess the lifespan and requirements of the current water billing IT system (Basis2) and explore replacement systems with expanded functionality. 				

FY21 Performance Measures				
Measure	FY19Actual	FY20YTD (Q1 + Q2)	FY20 Target	FY21 Target
Percent of water bills paid in 90 days	88.0%	87.6%	89.0%	89.0%
Dollar amount of water bills collected	\$654,069,580	\$338,303,222	\$654M	\$654M

WATER ASSISTANCE

FY21 Strategic Goals				
<ul style="list-style-type: none"> Continue to increase TAP enrollment for eligible customers. Increase awareness of the senior citizen discount program to provide relief to more eligible customers. Continue to make it easier for eligible customers to take advantage of all relief programs. 				

FY21 Performance Measures				
Measure	FY19Actual	FY20YTD (Q1 + Q2)	FY20 Target	FY21 Target
Percent of applications reviewed within 30 days	93.3%	99.1%	100.0%	100.0%

WATER COLLECTIONS

FY21 Strategic Goals				
<ul style="list-style-type: none"> Expand consolidated assumpsit actions to combine and collect on all liabilities. Increase legal enforcement action on commercial delinquent accounts. Continue to reduce delinquent water debts on rental properties. 				

FY21 Performance Measures				
Measure	FY19Actual	FY20YTD (Q1 + Q2)	FY20 Target	FY21 Target
Percent change in delinquent principal outstanding (excludes current charges not yet overdue/delinquent and city bills)	0.0%	N/A	-1.0%	-1.0%
Percent of Delinquent Water Accounts in Payment Agreements or TAP	19.0%	N/A	20.0%	20.0%

¹This is an annual measure.

²This is an annual measure.

TAX BILLING, ACCOUNTING, AND CUSTOMER SERVICE

FY21 Strategic Goals				
<ul style="list-style-type: none"> • Continue to increase electronic payments and tax return filing. • Improve customer service and increase customer satisfaction. • The Department will continue to make the modernization of Revenue’s tax system a priority by dedicating subject matter experts to the team and preparing data for conversion. 				
FY21 Performance Measures				
Measure	FY19Actual	FY20YTD (Q1 + Q2)	FY20 Target	FY21 Target
Percent of real estate tax collected within calendar year ¹	96.1%	N/A	96.5%	96.5%
Total dollar amount collected (General Fund) ²	\$4.1B	\$1.6B	\$4.1B	\$4.4B
Total dollar amount collected (School District) ³	\$1.2B	\$226.471M	\$1.2B	\$1.2B

¹ This is an annual measure and lags by two quarters.

² This includes real estate, BIRT, wage tax (wage tax includes the PICA portion of the taxes) and all other general fund taxes. A greater proportion of tax revenue is collected in the second half of the year than in the first half.

³ This includes Payment In Lieu of Taxes (PILOT) revenue as well as all School District taxes collected by the Revenue Department. A greater proportion of tax revenue is collected in the second half of the year than in the first half.

TAXPAYER ASSISTANCE AND CREDIT PROGRAMS

FY21 Strategic Goals				
<ul style="list-style-type: none"> • Continue timely processing of over 18,000 applications received annually. • Meet taxpayers where they are, through neighborhood pop-up events, to increase assistance program enrollment. • Translate all assistance program applications into Spanish and Mandarin. 				
FY21 Performance Measures				
Measure	FY19Actual	FY20YTD (Q1 + Q2)	FY20 Target	FY21 Target
Percent of eligible homeowners receiving relief ¹	79.2%	N/A	80.0%	80.0%
Number of free Federal Tax Returns prepared to support the Earned Income Tax Credit (EITC) ²	26,111	N/A	25,600	25,600

¹ This is an annual measure.

² This is an annual measure. The contracts are funded on a per return basis, capped at 25,600 based on the available funds – but sometimes the vendor can prepare more.

DELINQUENT TAX COLLECTION

FY21 Strategic Goals				
<ul style="list-style-type: none"> • Reduce delinquent active principal for Real Estate and Business Taxes. • Increase Real Estate Tax collected in the year it is due. • Expand the use of collection agencies and co-counselors for Business Tax discovery. • Increase the placement of self-assessed liens for Use and Occupancy and Realty Transfer Taxes. • Expand the consolidated assumpsit actions to consolidate and collect on all liabilities. 				
FY21 Performance Measures				
Measure	FY19Actual	FY20YTD (Q1 + Q2)	FY20 Target	FY21 Target
Percent change in delinquent principal outstanding - Real Estate Tax ¹	-8.5%	N/A	-9.0%	-9.0%
Percent delinquent real estate tax accounts in payment agreements ²	28.8%	N/A	30.0%	30.0%

¹ This is an annual measure. This represents real estate taxes for active periods. Active periods being defined as the last 10 years for real estate.

² This is an annual measure. This measure consists of active periods. Active periods are defined as the last 10 years for real estate. The calculation divides the number of real estate accounts with payment agreement by the total number of delinquent real estate accounts.

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

Ongoing Federal tax relief in response to the COVID-19 coronavirus emergency have already affected Philadelphia's collection efforts. Although the full provisions of IRS changes to filing and payment are not yet known, Revenue has already aligned policies to mirror federal action. The IRS announced the extension of the federal income tax filing due date from April 15, 2020 to July 15, 2020. In addition, taxpayers can also defer federal income tax payments due on April 15, 2020 to July 15, 2020. To align with these changes and similar extension terms announced by PA Department of Revenue, Philadelphia granted extensions for payment and filing for Business Income and Receipts Tax and Net Profits Tax to July 15, 2020. We continue to monitor the situation at both the federal and state levels and expect that we may need to take additional measures for tax and water relief in Philadelphia beyond the actions taken already.

Proposed state legislation (HB 1766 and HB 1765), altering the Sterling Act to require that Non-Resident Wage Taxes be remitted back to the home jurisdiction of the commuter working in Philadelphia, continues to loom in committee, and if passed could have a negative impact estimated at \$180 million annually if passed and surrounding jurisdictions all implemented a 1% Earned Income Tax. Additionally, HB 1549 to bar the taxation of the distribution of sweetened beverages remains open and if passed would create a dramatic revenue loss and would have a devastating impact on PHLPreK, Community Schools and Rebuild.

DEPARTMENT OF REVENUE

CONTRACTING EXPERIENCE

M/W/DSBE Participation on Large Professional Services Contracts											
Top Five Largest Contracts, FY20											
Vendor Name	Service Provided	Dollar 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 % 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]
Goehring, Rutter & Boehm	Real Estate Delinquent Tax Collections	\$7,000,000	6/30/2016	7/1/2017	MBE: 17-22%	15%	\$1,050,000	18%	1,260,000.00	No	No
					WBE: 3-7%	3%	\$210,000				
					DSBE:	0%	\$0				
Linebarger, Goggan, Blair & Sampson, LLP	Real Estate Delinquent Tax Collections	\$7,000,000	6/30/2016	1/1/2017	MBE: 17-22%	100%	\$6,983,900	100%	7,000,000.00	Yes	No
					WBE: 3-7%	0%	\$16,100				
					DSBE:	0%	\$0				
Revenue Collection Bureau, Inc.	Discovery & Delinquent Tax Collections	\$4,400,000	7/13/2016	12/1/2017	MBE: 12-16%	98%	\$4,323,000	100%	4,400,000.00	Yes	No
					WBE: 10-15%	2%	\$77,000				
					DSBE:	0%	\$0				
Pioneer Credit Recovery, Inc.	Discovery & Delinquent Tax Collections	\$2,450,000	7/13/2016	7/1/2017	MBE: 12-16%	12%	\$294,000	22%	539,000.00	No	No
					WBE: 10-15%	10%	\$245,000				
					DSBE:	0%	\$0				
Goehring, Rutter & Boehm	Discovery & Delinquent Tax Collections	\$1,000,000	7/13/2016	7/1/2017	MBE: 12-16%	12%	\$120,000	22%	220,000.00	No	No
					WBE: 10-15%	10%	\$100,000				
					DSBE:	0%	\$0				

DEPARTMENT OF REVENUE

Non-Profit Vendor Demographics		
Campaign for Working Families	Minority %	Female %
Workforce	25.00%	25.00%
Executive	50.00%	50.00%
Board	43.00%	57.00%
LaSalle University	Minority %	Female %
Workforce	24.00%	58.00%
Executive	33.00%	56.00%
Board	8.00%	18.00%
PathWays, PA, Inc.	Minority %	Female %
Workforce	59.00%	92.00%
Executive	25.00%	75.00%
Board	33.00%	80.00%
Community College of Philadelphia	Minority %	Female %
Workforce	47.70%	56.30%
Executive	50.00%	63.00%
Board	60.00%	40.00%

DEPARTMENT OF REVENUE

EMPLOYEE DATA

Staff Demographics (as of December 2019)				
Full-Time Staff			Executive Staff	
	Male	Female	Male	Female
	African-American	African-American	African-American	African-American
<i>Total</i>	81	292	0	2
<i>% of Total</i>	13%	47%	0%	25%
<i>Average Salary</i>	\$50,017	\$47,787	0	\$127,926
<i>Median Salary</i>	\$43,421	\$43,421	0	\$127,926
	White	White	White	White
<i>Total</i>	56	89	2	2
<i>% of Total</i>	9%	14%	25%	25%
<i>Average Salary</i>	\$66,536	\$58,078	\$143,917	\$140,903
<i>Median Salary</i>	\$59,414	\$45,869	\$143,917	\$140,903
	Hispanic	Hispanic	Hispanic	Hispanic
<i>Total</i>	10	24	1	1
<i>% of Total</i>	2%	4%	13%	13%
<i>Average Salary</i>	\$60,873	\$56,415	\$127,926	\$127,926
<i>Median Salary</i>	\$51,664	\$46,006	\$127,926	\$127,926
	Asian	Asian	Asian	Asian
<i>Total</i>	20	20	0	0
<i>% of Total</i>	3%	3%	0%	0%
<i>Average Salary</i>	\$58,613	\$54,764	0	0
<i>Median Salary</i>	\$59,059	\$52,491	0	0
	Other	Other	Other	Other
<i>Total</i>	6	18	0	0
<i>% of Total</i>	1%	3%	0%	0%
<i>Average Salary</i>	\$47,238	\$42,210	0	0
<i>Median Salary</i>	\$45,110	\$39,138	0	0
	Bilingual	Bilingual	Bilingual	Bilingual
<i>Total</i>	34	36	1	1
<i>% of Total</i>	6%	6%	13%	13%
<i>Average Salary</i>	\$58,764	\$52,064	\$127,926	\$127,926
<i>Median Salary</i>	\$58,885	\$44,631	\$127,926	\$127,926
	Male	Female	Male	Female
<i>Total</i>	173	443	3	5
<i>% of Total</i>	28%	72%	38%	63%
<i>Average Salary</i>	\$56,889	\$50,411	\$127,926	\$133,117
<i>Median Salary</i>	\$48,235	\$44,353	\$138,587	\$127,926

LANGUAGE ACCESS

1. Has your leadership received language access training?

The Department’s leadership received language access training in March 2018. In addition, two Revenue staff have been accepted to City-sponsored interpretation training this year. This training was supposed to start in March but has been postponed because of the COVID-19 emergency.

2. Do you currently have a language access coordinator?

Yes, Joseph Bamat, Communications and Outreach Manager

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

Yes, the Department has written and posted the plan online. Our plan is listed along with other departments’ plans in the webpage: <https://www.phila.gov/documents/language-access-plans/>

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

In Calendar Year 2019, the Department produced videos explaining our Language Access policy and how to request translation services in English, Spanish, Russian, Mandarin, Vietnamese and Cantonese. These videos were published on Revenue’s YouTube channel.

In December 2019, Revenue added Spanish and simplified Chinese instructions to our automated customer-service kiosks in the Concourse level of the Municipal Services Building. These two languages cover the large majority, more than 85 percent, of our non-English customer service requests.

In FY2020, we plan to award two small contracts for outreach efforts that specifically target the African and Haitian Creole, and Chinese communities. These plans are currently delayed because of COVID-19 disruptions.

In Calendar Year 2019 Revenue published 18 blog posts in Spanish on our website. The posts covered a wide range of topics, including Real Estate Tax relief, the City’s new water ebilling site, and the new City Municipal ID. We have continued these initiatives in 2020, publishing two Spanish-language blog posts and two Spanish Facebook Live videos since

CLIMATE CHANGE

1. How has climate change affected your department's provision of services?

At this time, climate change has not affected Revenue's provision of services.

2. How might worsening climate change increase costs and demands for your department?

Like all departments, climate change increases the likelihood of disruptive severe weather events and poor air quality (and higher incidents of asthma related illness), which would affect productivity of department staff.

3. How does your department intend to mitigate and adapt to climate change?

We will comply with City's policies and efforts to mitigate and adapt to climate change.

REVISED PLANS FOR FISCAL YEAR 2021

1. With the revised budget for FY21, what will your department accomplish in FY21?

- Continue efforts to modernize the Department’s technology by replacing the legacy system, which will improve the customer experience and expand self-service options while increasing efficiency. This project is expected to begin in the first half of FY21 and will take 3-4 years to complete.
 - The Department will continue to make the modernization of Revenue’s tax system a priority by dedicating subject matter experts to the team and preparing data for conversion.
- Continue to increase internal efficiencies, customer satisfaction, and reduce costs.
- Continue to increase the percentage of water bills paid on-time. Reduce internal billing costs, by increasing e-pay and e-bill adoption.
- Expand consolidated assumpsit actions to combine and collect on all liabilities.
- Increase legal enforcement action on commercial delinquent accounts. Continue to reduce delinquent water debts on rental properties.
- Continue to increase electronic payments and tax return filing
- Improve customer service and increase customer satisfaction.
- Continue timely processing of over 18,000 taxpayer assistance applications received annually.
- Translate all assistance program applications into Spanish and Mandarin.
- Reduce delinquent active principal for Real Estate and Business Taxes.
- Increase Real Estate Tax collected in the year it is due.
- Expand the use of collection agencies and co-counselors for Business Tax discovery. Increase the placement of self-assessed liens for Use and Occupancy and Realty Transfer Taxes.

2. With the revised budget for FY21, what existing programs or services will be reduced or eliminated?

-
- Revised budget may delay response and reduce capacity in administration of tax credit programs
- Reduced Outreach capacity will decrease our ability to increase participation rates of taxpayer assistance and water affordability programs. Affecting these goals:
 - Continue to increase TAP enrollment for eligible customers and increase awareness of the senior citizen discount program to provide relief to more eligible customers.
 - Continue to make it easier for all eligible customers to take advantage of relief programs.
 - Meet taxpayers where they are, through neighborhood pop-up events, to increase assistance program enrollment.
- Total elimination of the City’s EITC outreach and tax preparation services will limit access to free tax preparation for vulnerable citizens.

3. With the revised budget for FY21, what planned, new services or programs will not happen?

DEPARTMENT OF REVENUE

Assess the lifespan and requirements of the current water billing IT system (Basis2) and explore replacement systems with expanded functionality.

DEPARTMENT OF REVENUE

REVISED PERFORMANCE MEASURES

The Department of Revenue did not update their performance measures as part of the revised budget process. Original performance measures are listed below.

POLICY, ANALYSIS, EXECUTIVE DIRECTION AND ADMINISTRATION

FY21 Performance Measures				
Measure	FY19Actual	FY120YTD (Q1 + Q2)	FY20 Target	FY21 Target
Percent of budgeted positions filled ¹	92.8%	89.0%	95.0%	95.0%

¹ The budgeted positions filled dropped from 93% to 89% because 20 new ITS positions in FY20 have not been filled due to contract negotiation delays. Revenue anticipates getting closer to the target during the remainder of the year.

WATER BILLING, ACCOUNTING, AND COSTUMER SERVICE

FY21 Performance Measures				
Measure	FY19Actual	FY120YTD (Q1 + Q2)	FY20 Target	FY21 Target
Percent of water bills paid in 90 days	88.0%	87.6%	89.0%	89.0%
Dollar amount of water bills collected	\$654,069,580	\$338,303,222	\$654M	\$654M

WATER ASSISTANCE

FY21 Performance Measures				
Measure	FY19Actual	FY120YTD (Q1 + Q2)	FY20 Target	FY21 Target
Percent of applications reviewed within 30 days	93.3%	99.1%	100.0%	100.0%

WATER COLLECTIONS

FY21 Performance Measures				
Measure	FY19Actual	FY120YTD (Q1 + Q2)	FY20 Target	FY21 Target
Percent change in delinquent principal outstanding (excludes current charges not yet overdue/delinquent and city bills)	0.0%	N/A	-1.0%	-1.0%
Percent of Delinquent Water Accounts in Payment Agreements or TAP	19.0%	N/A	20.0%	20.0%

¹This is an annual measure.

²This is an annual measure.

TAX BILLING, ACCOUNTING, AND COSTUMER SERVICE

FY21 Performance Measures				
Measure	FY19Actual	FY120YTD (Q1 + Q2)	FY20 Target	FY21 Target
Percent of real estate tax collected within calendar year ¹	96.1%	N/A	96.5%	96.5%
Total dollar amount collected (General Fund) ²	\$4.1B	\$1.6B	\$4.1B	\$4.4B
Total dollar amount collected (School District) ³	\$1.2B	\$226.471M	\$1.2B	\$1.2B

¹ This is an annual measure and lags by two quarters.

² This includes real estate, BIRT, wage tax (wage tax includes the PICA portion of the taxes) and all other general fund taxes. A greater proportion of tax revenue is collected in the second half of the year than in the first half.

³ This includes Payment In Lieu of Taxes (PILOT) revenue as well as all School District taxes collected by the Revenue Department. A greater proportion of tax revenue is collected in the second half of the year than in the first half.

TAXPAYER ASSISTANCE AND CREDIT

FY21 Performance Measures				
Measure	FY19Actual	FY120YTD (Q1 + Q2)	FY20 Target	FY21 Target
Percent of eligible homeowners receiving relief ¹	79.2%	N/A	80.0%	80.0%
Number of free Federal Tax Returns prepared to support the Earned Income Tax Credit (EITC) ²	26,111	N/A	25,600	25,600

¹This is an annual measure.

²This is an annual measure. The contracts are funded on a per return basis, capped at 25,600 based on the available funds – but sometimes the vendor is able to prepare more.

DELINQUENT TAX COLLECTION

FY21 Performance Measures				
Measure	FY19Actual	FY120YTD (Q1 + Q2)	FY20 Target	FY21 Target
Percent change in delinquent principal outstanding - Real Estate Tax ¹	-8.5%	N/A	-9.0%	-9.0%
Percent delinquent real estate tax accounts in payment agreements ²	28.8%	N/A	30.0%	30.0%

¹This is an annual measure. This represents real estate taxes for active periods. Active periods being defined as the last 10 years for real estate.

²This is an annual measure. This measure consists of active periods. Active periods are defined as the last 10 years for real estate. The calculation divides the number of real estate accounts with payment agreement by the total number of delinquent real estate accounts.

SINKING FUND COMMISSION

**SINKING FUND COMMISSION
FISCAL YEAR 2021 BUDGET TESTIMONY
MAY 19, 2020**

The revised FY21 Budget and FY21-25 Plan focuses on providing core services and targeting reductions to areas with the least impact on vulnerable populations and areas where others can fund or deliver services.

DEPARTMENT FUNDING LEVELS

General Fund Financial Summary by Class					
	FY20 Original Appropriations	FY20 Estimated Obligations	FY21 Original Proposed Appropriations	FY21 Revised Proposed Appropriations	\$ Difference Original to Revised Proposed
Class 200 - Purchase of Services	\$109,222,498	\$109,222,498	\$101,655,814	\$99,255,814	(\$2,400,000)
Class 700 - Debt Service	\$187,482,819	\$187,482,819	\$181,589,117	\$181,589,117	-
	\$296,705,317	\$296,705,317	\$283,244,931	\$280,844,931	(\$2,400,000)

Water Fund Financial Summary by Class					
	FY20 Original Appropriations	FY20 Estimated Obligations	FY21 Original Proposed Appropriations	FY21 Revised Proposed Appropriations	\$ Difference Original to Revised Proposed
Class 700 - Debt Service	\$218,105,830	\$218,105,830	\$202,653,391	\$203,122,357	\$468,966
	\$218,105,830	\$218,105,830	\$202,653,391	\$203,122,357	\$468,966

Aviation Fund Financial Summary by Class					
	FY20 Original Appropriations	FY20 Estimated Obligations	FY21 Original Proposed Appropriations	FY21 Revised Proposed Appropriations	\$ Difference Original to Revised Proposed
Class 700 - Debt Service	\$134,825,501	\$134,825,501	\$138,778,094	\$138,778,094	-
	\$134,825,501	\$134,825,501	\$138,778,094	\$138,778,094	-

Car Rental Fund Financial Summary by Class					
	FY20 Original Appropriations	FY20 Estimated Obligations	FY21 Original Proposed Appropriations	FY21 Revised Proposed Appropriations	\$ Difference Original to Revised Proposed
Class 700 - Debt Service	\$7,000,000	\$7,000,000	\$7,000,000	\$7,000,000	-
	\$7,000,000	\$6,000,000	\$7,000,000	\$7,000,000	-

GENERAL FUND FULL-TIME POSITIONS¹

General Fund Full-Time Positions					
	FY20 Adopted Budget	November 2019 Increment Run	FY21 Original Proposed Budget	FY21 Revised Proposed Budget	Difference Original to Revised Proposed
Full-Time Positions	N/A	N/A	N/A	N/A	N/A

¹The department is requesting zero budgeted positions for FY21, consistent with FY20. The Executive Director is paid for out of the City Treasurer's Office.

**SINKING FUND COMMISSION
FISCAL YEAR 2021 BUDGET TESTIMONY
MAY 19, 2020**

This testimony was prepared by the Sinking Fund after the onset of COVID-19 and its impact on City government operations. It reflects the revised proposed FY21 budget or the department's new operational plan. Post COVID-19 responses from the Department are also listed in the next section.

INTRODUCTION

Good Morning, President Clarke and Members of City Council. I am Matthew Bowman, Executive Director of the Sinking Fund Commission. I am pleased to provide testimony on the Sinking Fund's Fiscal Year 2021 Operating Budget.

DEPARTMENT MISSION & PLANS

Mission: The Sinking Fund is responsible for the budgeting, payment, and administration of the City's debt service and debt-related payments across its General Obligation, City Service Agreement, Airport Revenue, Water Revenue and Gas Works Revenue credits. The Sinking Fund also coordinates with an outside consultant for calculation of arbitrage rebate on the City's tax-exempt bonds and the timely payment of any liabilities to the Internal Revenue Service (IRS).

Plans for Fiscal Year 2021 The Commission oversees the timely repayment of bond principal and interest on City-related debt, service agreements and lease obligations. The City has \$8.4 billion of debt outstanding as of 4/30/2020; the City's general obligation bond ratings are A2/A/A-.

SINKING FUND COMMISSION

The tables below were prepared by the Sinking Fund after the onset of COVID-19 and its impact on City government operations. They are based on the original FY21 budget proposal.

BUDGET SUMMARY & OTHER BUDGET DRIVERS¹

General Fund Financial Summary by Class						
	FY19 Original Appropriations	FY19 Actual Obligations	FY20 Original Appropriations	FY20 Estimated Obligations	FY21 Proposed Appropriations	Difference: FY21-FY20
Class 200 - Purchase of Services	\$125,536,378	\$97,145,595	\$109,222,498	\$109,222,498	\$101,655,814	(\$7,566,684)
Class 700 - Debt Service	\$169,496,126	\$159,786,966	\$187,482,819	\$187,482,819	\$181,589,117	(\$5,893,702)
	\$295,032,504	\$256,932,561	\$296,705,317	\$296,705,317	\$283,244,931	(\$13,460,386)

Water Fund Financial Summary by Class						
	FY19 Original Appropriations	FY19 Actual Obligations	FY20 Original Appropriations	FY20 Estimated Obligations	FY21 Proposed Appropriations	Difference: FY21-FY20
Class 700 - Debt Service	\$212,992,336	\$190,908,003	\$218,105,830	\$218,105,830	\$202,653,391	(\$15,452,439)
	\$212,992,336	\$190,908,003	\$218,105,830	\$218,105,830	\$202,653,391	(\$15,452,439)

Aviation Fund Financial Summary by Class						
	FY19 Original Appropriations	FY19 Actual Obligations	FY20 Original Appropriations	FY20 Estimated Obligations	FY21 Proposed Appropriations	Difference: FY21-FY20
Class 700 - Debt Service	\$163,801,936	\$133,550,088	\$134,825,501	\$134,825,501	\$138,778,094	\$3,952,593
	\$163,801,936	\$133,550,088	\$134,825,501	\$134,825,501	\$138,778,094	\$3,952,593

Car Rental Fund Financial Summary by Class						
	FY19 Original Appropriations	FY19 Actual Obligations	FY20 Original Appropriations	FY20 Estimated Obligations	FY21 Proposed Appropriations	Difference: FY21-FY20
Class 700 - Debt Service	\$7,000,000	\$7,000,000	\$7,000,000	\$7,000,000	\$7,000,000	\$0
	\$7,000,000	\$6,000,000	\$7,000,000	\$7,000,000	\$7,000,000	\$0

¹ The Sinking Fund Commission has no staff with the Executive Director being paid out of the Office of the City Treasurer’s budget. They also do not have an M/W/DSBE goal, as their activities are reflected in CTO’s hiring and contracting numbers. As these numbers indicate, the CTO strives to achieve diversity in its hiring of professionals for each transaction, as well have diversity reflected among CTO’s staff.

SINKING FUND COMMISSION

PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The highlights of the Fiscal Year 2021 Sinking Fund debt service budget are as follows:

- The total budget (All Funds) is \$629.75 million, which is a decrease of \$26.89 million, or 4.10% from the estimated obligations for Fiscal Year 2020.
- The Fiscal Year 2021 budget for each of the funds and the change from FY20 estimated obligations are as follows:

	Budget (in millions)	Increase/(Decrease) (in millions)	Percent Increase/(Decrease)
General	\$280.84	(\$15.87)	(5.35%)
Water	\$203.12	(\$14.98)	(6.87%)
Aviation	\$138.78	\$3.95	2.93%
Car Rental Tax	\$7.00	\$0.00	0.00%
Total	\$629.75	(\$26.89)	(4.10%)

The highlights for each fund are discussed below.

GENERAL FUND

The General Fund portion of this request totals \$280.84 million, comprised of two classes: Class 200 for city service agreement obligations and lease payments, and Class 700 for debt service.

The Class 200 request of \$99.26 million reflects a \$9.97 million decrease from the FY20 current estimate.

The Class 700 request of \$181.59 million is mainly for debt service on the City's general obligations. This is \$5.89 million less than the FY20 current estimate.

WATER FUND

The Commission's request for the Water Fund for FY21 totals \$203.12 million, all in Class 700, for payment of debt service on Water and Sewer bonds. This represents a \$14.98 million decrease from FY20 estimated obligations.

AVIATION FUND

The Commission's request for the Aviation Fund for FY21 is \$138.78 million, all Class 700. This amount is an increase of \$3.95 million from FY20 estimated obligations.

CAR RENTAL TAX FUND

The Commission's request of \$7 million in the Car Rental Tax fund is to provide for lease revenue bond payments on the sports stadiums from vehicle rental tax revenues. This is unchanged from FY 20.

SINKING FUND COMMISSION

STAFFING LEVELS

The department is requesting zero budgeted positions for FY21, consistent with FY20. The Executive Director is paid for out of the City Treasurer's Office.

NEW HIRES

N/A – the department has zero budgeted positions

PERFORMANCE, CHALLENGES, AND INITIATIVES

FY21 Strategic Goals
<ul style="list-style-type: none">• Continue to make timely and accurate debt service payments for all of the City's credits.• Make the payment process more efficient while maintaining the appropriate internal controls.

Performance is reflected in the City Treasurer's Office's testimony.

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

N/A

CONTRACTING EXPERIENCE

N/A

EMPLOYEE DATA

N/A – The Department has 0 budgeted positions

LANGUAGE ACCESS

Given the overlap with the City Treasurer's Office, Language Access for the Sinking Fund is covered under the CTO's plan. The Sinking Fund's answers to the Language Access section can be found in the CTO's testimony.

CLIMATE CHANGE

Given the overlap with the City Treasurer's Office, Climate Change for the Sinking Fund is covered under the CTO's plan. The Sinking Fund's answers to the Climate Change section can be found in the CTO's testimony.

SINKING FUND COMMISSION

REVISED PLANS FOR FISCAL YEAR 2021

Given the overlap with the City Treasurer's Office, revised plans for the Sinking Fund are covered under the CTO's plan. The Sinking Fund's answers to this section can be found in the CTO's testimony.

REVISED PERFORMANCE MEASURES

Performance is reflected in the City Treasurer's Office's testimony.

FY21 Strategic Goals
<ul style="list-style-type: none">• Continue to make timely and accurate debt service payments for all of the City's credits.• Make the payment process more efficient while maintaining the appropriate internal controls.

**CITY TREASURER'S OFFICE
REVISED FISCAL YEAR 2021 BUDGET TESTIMONY
MAY 19, 2020**

The revised FY21 Budget and FY21-25 Plan focuses on providing core services and targeting reductions to areas with the least impact on vulnerable populations and areas where others can fund or deliver services.

DEPARTMENT FUNDING LEVELS

General Fund Financial Summary by Class					
	FY20 Original Appropriations	FY20 Estimated Obligations	FY21 Original Proposed Appropriations	FY21 Revised Proposed Appropriations	\$ Difference Original to Revised Proposed
Class 100 - Employee Compensation	\$1,262,499	\$1,293,623	\$1,472,266	\$1,366,107	(\$106,159)
Class 200 - Purchase of Services	\$198,444	\$198,444	\$199,444	\$193,544	(\$5,900)
Class 300/400 - Materials, Supplies & Equipment	\$22,224	\$22,224	\$22,224	\$22,224	-
	\$1,483,167	\$1,514,291	\$1,693,934	\$1,581,875	(\$112,059)

GENERAL FUND FULL-TIME POSITIONS

General Fund Full-Time Positions*					
	FY20 Adopted Budget	November 2019 Increment Run	FY21 Original Proposed Budget	FY21 Revised Proposed Budget	Difference Original to Revised Proposed
Full-Time Positions	18	16	19	18	(1)

*These numbers reflect the 18 budgeted positions in CTO, not including 1 position paid for out of Finance's budget and 1 position paid for out of Pension's budget.

**CITY TREASURER'S OFFICE
REVISED FISCAL YEAR 2021 BUDGET TESTIMONY**

This testimony was prepared by the City Treasurer's Office after the onset of COVID-19 and its impact on City government operations. It reflects the revised proposed FY21 budget or the department's new operational plan. Post COVID-19 responses from the Department are also listed in the next section.

INTRODUCTION

Good Morning, President Clarke and Members of City Council. I am Christian Dunbar, City Treasurer. Joining me today is Jacqueline Dunn, First Deputy City Treasurer. I am pleased to provide testimony on the City Treasurer's Office Fiscal Year 2021 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 2021:

Banking and Investments: In FY21, the CTO will release an RFP for employee payroll and pension payroll banking services. The City's current contracts expire in June and August of 2021. CTO will also onboard armored car and smart safe equipment services to provide the Department of Revenue, Department of Records, and Philadelphia Police Department with a more controlled, safer alternative to handle and expedite the deposit of cash collections. The current armored car program is funded by Earnings Credit Rate (ECR), but in order to establish a best practice, the CTO will standardize the process across all departments involved.

Reconciliation: Since discovering a variance between the City's Consolidated Cash account records and bank statements in 2017, the City reduced the unreconciled discrepancy by approximately 98%. The remaining variance of \$528,607 was written off in FY19. The CTO has maintained reconciliations on time for over 90% of its 77 directly managed bank accounts. No accounts are more than two months behind. As recommended by the Reconciliation Task Force and its nationally recognized accounting consultant, the CTO developed reconciliation policies and filing conventions to institutionalize its recent efforts to reconcile accounts timely.

Treasury Management System (TMS): CTO continues to work with the Office of Innovation and Technology (OIT) to fully integrate the system. The implementation of a TMS will automate processes that are currently manual and spreadsheet-dependent, such as: the daily cash positioning for the General, Airport, and Water funds; examining bank fees; creating a centralized, secured, and standardized system to administer more than 300 bank and investment accounts for the City; and automate portions of the bank reconciliation process. To date, CTO and OIT selected a firm, obtained City Council's approval to issue a

CITY TREASURER'S OFFICE

10-year contract, and are preparing data for implementation while we are in the final stages of contract negotiations.

Public Bank Feasibility Study: CTO, in partnership with City Council, released an RFP to complete a public bank feasibility study to assess the potential to establish and operate a municipally owned bank and better understand how municipal banking activities could impact Philadelphians. CTO hired an external consultant to examine the potential services of a municipally owned bank and related partnerships, as well as the related financial, operational, and legal considerations. The study is expected to be completed in Spring 2020. Once completed, the City will prioritize its goals based on the information found in the study.

Debt Management: In addition to managing the City's credit ratings, the 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. The City issues debt primarily to finance capital projects and major equipment acquisitions on behalf of each of its credits – General Obligation and Tax-Supported debt, Water & Wastewater, Philadelphia International Airport, and Philadelphia Gas Works.

CITY TREASURER’S OFFICE

The tables in pages (4 through 12) below were prepared by the City Treasurer’s Office after the onset of COVID-19 and its impact on City government operations. They are based on the revised FY21 budget proposal.

BUDGET SUMMARY & OTHER BUDGET DRIVERS

Staff Demographics Summary (as of December 2019)*				
	Total	Minority	White	Female
Number of Full-Time Staff	18	11	7	11
Number of -Exempt Staff	10	6	4	5
Number of Executive Staff (deputy level and above)	3	1	2	1
Average Salary, Full-Time Staff	\$73,579	\$68,445	\$81,647	\$65,242
Average Salary, Exempt Staff	\$84,708	\$72,848	\$102,498	\$72,020
Average Salary, Executive Staff	\$130,000	\$150,000	\$120,000	\$125,000
Median Salary, Full-Time Staff	\$61,531	\$55,781	\$77,250	\$59,059
Median Salary, Exempt Staff	\$78,625	\$58,612	\$103,871	\$65,240
Median Salary, Executive Staff	\$125,000	\$150,000	\$120,000	\$125,000

Employment Levels (as of December 2019)*		
	Budgeted	Filled
Number of Full-Time Positions	20	18
Number of Part-Time Positions	0	0
Number of Exempt Positions	11	10
Number of Executive Positions (deputy level and above)	3	3
Average Salary of All Full-Time Positions	\$73,971	\$73,579
Median Salary of All Full-Time Positions	\$64,003	\$61,531

*These numbers reflect the 18 positions filled as of December 2019, including 1 position paid for out of Finance’s budget and 1 position paid for out of Pension’s budget.

General Fund Financial Summary by Class						
	FY19 Original Appropriations	FY19 Actual Obligations	FY20 Original Appropriations	FY20 Estimated Obligations	FY21 Proposed Appropriations	Difference: FY21-FY20
Class 100 - Employee Compensation	\$1,046,647	\$1,098,380	\$1,262,499	\$1,293,623	\$1,366,107	\$72,484
Class 200 - Purchase of Services	\$623,444	\$535,106	\$198,444	\$198,444	\$193,544	(\$4,900)
Class 300/400 - Materials, Supplies & Equipment	\$22,224	\$18,925	\$22,224	\$22,224	\$22,224	\$0
	\$1,692,315	\$1,652,411	\$1,483,167	\$1,514,291	\$1,581,875	\$64,584

Contracts Summary (Professional Services only)				
	FY17	FY18	FY19	FY20 YTD (Q1, Q2 & Q3)
Total amount of contracts	\$2,675,767	\$6,331,506	\$5,640,803	\$4,483,864
Total amount to M/W/DSBE	\$1,166,253	\$3,190,181	\$2,996,638	\$2,321,824
Participation Rate	44%	50%	53%	52%

Total M/W/DSBE Contract Participation Goal (Public Works; Services, Supplies & Equipment; and Professional Services combined)			
	FY19	FY20	FY21
M/W/DSBE Contract Participation Goal	30%	30%	40%

PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The proposed Fiscal Year 2021 General Fund budget totals \$1,581,875, an increase of \$67,584 over Fiscal Year 2020 estimated obligation levels. This increase is primarily due to increased personnel costs.

The proposed budget includes:

- \$1,366,107 in Class 100, a \$72,484 increase over FY20. The additional funds will fully fund a current vacancy to support the accounting team with reconciliations. These funds also support several adjustments within CTO's accounting division: fill an existing Accounting Supervisor vacancy through an internal promotion, reallocate the resulting vacancy into a Senior Accountant, and continue funding out-of-class work by a third employee not yet eligible for a promotion. These changes will allow the CTO to build a career ladder for employees within the accounting division. CTO is delaying its request for additional funds to hire a new position to support the administration of bank accounts and the implementation of its Treasury Management System.
- \$193,544 in Class 200, a \$4,900 decrease from FY20. CTO reduced expenses for professional development and membership dues as a part of the request for budget reductions. CTO's current contract to pay an external consultant to conduct a public bank feasibility study will lapse on June 30, 2020 and in FY21 CTO is adding a contract for a smart safe and weekly armored car transportation services for the revenue collected by the Department of Revenue, Department of Records, and cash evidence held by the Philadelphia Police Department. Each of these contracts is for \$75,000, so the reduction and increase will offset each other.
- \$22,244 in Class 300 and 400, no change from FY20.

CITY TREASURER'S OFFICE

STAFFING LEVELS

The department is requesting 18 budgeted positions for FY21, level with FY20.

NEW HIRES

New Hires (from 7/1/2019 to December 2019)	
	Total Number of New Hires
Black or African American	
Asian	
Hispanic or Latino	
White	1
Other	
Total	1

PERFORMANCE, CHALLENGES, AND INITIATIVES

DEBT MANAGEMENT

FY21 Strategic Goals				
<ul style="list-style-type: none"> • Maintain and/or upgrade all the City’s credit ratings. • 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. • Issue and award four RFPs for professional services due to expiring contracts: <ul style="list-style-type: none"> ○ Water & Wastewater Bonds – Bond Counsel and Disclosure Counsel ○ Philadelphia Gas Works Bonds – Bond Counsel and Disclosure Counsel ○ Underwriting Pool for all City credits ○ Swap Advisor 				
FY21 Performance Measures				
Measure	FY19 Actual	FY20 YTD (Q1, Q2 & Q3)	FY20 Target	FY21 Target
Net present value savings of the refunded bonds for General Obligations (GO) debt versus the City's debt policy ¹	13.51%	13.18%	≥ 3.00%	≥ 3.00%
Net present value savings of the refunded bonds for Water debt ²	12.10%	N/A	≥ 3.00%	≥ 3.00%
Net present value savings of the refunded bonds for Gas debt ³	N/A	N/A	≥ 3.00%	≥ 3.00%
Net present value savings of the refunded bonds for Airport debt ⁴	N/A	N/A	≥ 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. CTO exceeded the 3% requirement during its General Obligation 2020A refunding transaction.

² CTO did not have any Water refunding bond transactions to date for FY20.

³ CTO did not have any Gas refunding bond transactions to date for FY20.

⁴ CTO did not have any Airport refunding bond transactions to date for FY20.

BANKING AND INVESTMENT MANAGEMENT

FY21 Strategic Goals
<ul style="list-style-type: none"> • Continue to reconcile 100% of CTO-managed bank accounts on time and institutionalize such efforts to ensure timely reconciliations and reporting continue. • Complete contract negotiations and begin the implementation of a Treasury Management System (TMS) to automate processes that are currently manual and spreadsheet-dependent. • Complete a public bank feasibility study to assess the potential to establish and operate a municipally-owned bank and better understand how municipal banking activities could impact Philadelphians. CTO has engaged a consultant to examine the potential services of a municipally-owned bank and related partnerships, as well as the related financial, operational, and legal considerations. The study is expected to be completed in spring 2020. • Issue and award an RFP for Employee Payroll and Pension Payroll Banking Services. The process is expected to be completed in April 2021 before the current contracts expire in June and August of 2021. • Provide certain City departments armored car and smart safe equipment to provide a more controlled, safer process to handle and expedite the deposit of cash collection.

CITY TREASURER’S OFFICE

FY21 Performance Measures				
Measure	FY19 Actual	FY20 YTD (Q1, Q2 & Q3)	FY20 Target	FY21 Target
Con-cash actual investment return (1 year) ¹	1.96%	2.22%	Meet and/or exceed quarterly benchmark	Meet and/or exceed quarterly benchmark
Percent of bank accounts that are reconciled (of 77 accounts) ²	100.00%	91.77%	100.00%	100.00%

¹ Quarterly results are the returns (net of fees) at the end of each quarter for the Con-Cash investment portfolio. The BAML three-month T-Bill Total Return for the one-year period ending 03/31/20 was 2.25%. In response to the COVID-19 crisis, the Federal Reserve cut overnight funds rates from their 1.50% - 1.75% range at the beginning of the year down to nearly zero in March. They also injected liquidity into the market to support treasuries and credit. Although the portfolio was slightly short of the three-month treasury index, shorter maturities had greater price appreciation than longer maturities in this quarter. The benchmark for Q3 only was .58 and the portfolio return (net of fees) was .61.

² As of 3/31/20, 7 of the 77 City bank accounts were unreconciled due to the City shut down during the COVID-19 crisis. Currently, there are 2 accountants with laptop access while the other 3 accountants are waiting to receive a laptop to complete their bank reconciliations.

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, FY20 YTD											
Vendor Name	Service Provided	Dollar 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 % Participation - All DSBES	Total \$ Value Participati on - 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 Bond Counsel	\$300,909	6/15/2018	1/1/2019	MBE: 0%	0%	\$0	100%	\$300,909	Yes	No
					WBE: 0%	100%	\$300,909				
					DSBE: 0%	0%	\$0				
PFM Asset Management, LLC	Investment Manager	\$274,690	10/30/2017	10/1/2018	MBE: 0%	0%	\$0	0%	\$0	No	No
					WBE: 0%	0%	\$0				
					DSBE: 0%	0%	\$0				
PFM Financial Advisors LLC	General Obligation Fund Municipal Advisor	\$245,293	3/11/2016	8/1/2016	MBE: 0%	0%	\$0	0%	\$0	Yes	No
					WBE: 0%	0%	\$0				
					DSBE: 0%	0%	\$0				
Eckert Seamans Cherin & Mellott, LLC	General Obligation Fund Bond Counsel	\$301,375	6/15/2018	1/1/2019	MBE: 0%	0%	\$0	100%	\$301,375	Yes	No
					WBE: 0%	100%	\$301,375				
					DSBE: 0%	0%	\$0				
Smith Graham & Co. Investment Advisors, LP	Investment Manager	\$240,530	10/30/2017	10/1/2018	MBE: 0%	100%	\$240,530	100%	\$240,530	No	No
					WBE: 0%	0%	\$0				
					DSBE: 0%	0%	\$0				

¹ In accordance with the City’s Office of Economic Opportunity Diverse Lawyer Rule, the attorney working directly with CTO on the above contract is a woman in a partnership position at a majority owned law firm, it can count as a WBE.

² 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.

CITY TREASURER’S OFFICE

EMPLOYEE DATA

Staff Demographics (as of December 2019)				
Full-Time Staff			Executive Staff	
	Male	Female	Male	Female
	African-American	African-American	African-American	African-American
<i>Total</i>	3	6	1	0
<i>% of Total</i>	17%	33%	33%	0%
<i>Average Salary</i>	\$85,992	\$63,105	\$150,000	N/A
<i>Median Salary</i>	\$55,781	\$57,551	\$150,000	N/A
	White	White	White	White
<i>Total</i>	3	4	1	1
<i>% of Total</i>	17%	22%	33%	33%
<i>Average Salary</i>	\$94,997	\$71,635	\$115,000	\$125,000
<i>Median Salary</i>	\$92,741	\$59,059	\$115,000	\$125,000
	Hispanic	Hispanic	Hispanic	Hispanic
<i>Total</i>	0	0	0	0
<i>% of Total</i>	0%	0%	0%	0%
<i>Average Salary</i>	N/A	N/A	N/A	N/A
<i>Median Salary</i>	N/A	N/A	N/A	N/A
	Asian	Asian	Asian	Asian
<i>Total</i>	1	1	0	0
<i>% of Total</i>	6%	6%	0%	0%
<i>Average Salary</i>	\$64,003	\$52,491	N/A	N/A
<i>Median Salary</i>	\$64,003	\$52,491	N/A	N/A
	Other	Other	Other	Other
<i>Total</i>	0	0	0	0
<i>% of Total</i>	0%	0%	0%	0%
<i>Average Salary</i>	N/A	N/A	N/A	N/A
<i>Median Salary</i>	N/A	N/A	N/A	N/A
	Bilingual	Bilingual	Bilingual	Bilingual
<i>Total</i>	3	1	1	0
<i>% of Total</i>	17%	6%	33%	0%
<i>Average Salary</i>	\$89,928	\$52,491	\$150,000	N/A
<i>Median Salary</i>	\$64,003	\$52,491	\$150,000	N/A
	Male	Female	Male	Female
<i>Total</i>	7	11	2	1
<i>% of Total</i>	39%	61%	67%	33%
<i>Average Salary</i>	\$86,680	\$65,242	\$132,500	\$125,000
<i>Median Salary</i>	\$77,250	\$59,059	\$132,500	\$125,000

*These numbers reflect the 18 positions filled as of December 2019, including 1 position paid for out of Finance’s budget and 1 position paid for out of Pension’s budget.

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?

Yes, CTO does have a language access coordinator.

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

Yes, the language access plan can be found at: <https://beta.phila.gov/documents/language-access-plans/>.

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

CTO primarily supports other departments and has limited interaction with the public. Each year the language access plan is reviewed to ensure it reflects the needs of the office.

CLIMATE CHANGE

1. How has climate change affected your department's provision of services?

Climate change and our efforts to prepare for changes and mitigate their effects impacts our credit rating and our debt issuances. We help the City borrow funding for critical infrastructure projects, many of which also mitigate the impact of climate on our assets. Rating agencies are placing increased emphasis on preparation for climate change, environmental issues, and resiliency.

2. How might worsening climate change increase costs and demands for your department?

Although the CTO will not be directly impacted, we support other departments such as the Philadelphia Water Department, Philadelphia Gas Works and Philadelphia International Airport with infrastructure projects that could be impacted by climate change.

3. How does your department intend to mitigate and adapt to climate change?

We will continue to work closely with our colleagues and stay ahead of climate change conditions.

REVISED PLANS FOR FISCAL YEAR 2021

1. With the revised budget for FY21, what will your department accomplish in FY21?

Debt Management:

- Maintain and/or upgrade all the City's credit ratings.
- 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.
- Issue and award four Request for Proposals for professional services due to expiring contracts:
 - Water & Wastewater Bonds – Bond Counsel and Disclosure Counsel
 - Philadelphia Gas Works Bonds – Bond Counsel and Disclosure Counsel
 - Underwriting Pool for all City credits
 - Swap Advisor
 - Continue to effectively manage the City's debt portfolio to minimize debt service costs for taxpayers and ratepayers. The chart below lists upcoming anticipated debt transactions for the remainder of FY20 and FY21.

Banking and Investment Management:

- Reconcile 100% of CTO-managed bank accounts on time and institutionalize such efforts to ensure timely reconciliations and reporting continue.
- Complete contract negotiations and begin the implementation of a Treasury Management System (TMS) to automate processes that are currently manual and spreadsheet dependent.
- Complete a public bank feasibility study to assess the potential to establish and operate a municipally owned bank and better understand how municipal banking activities could impact Philadelphians. CTO has engaged a consultant to examine the potential services of a municipally owned bank and related partnerships, as well as the related financial, operational, and legal considerations. The study is expected to be completed in Spring 2020.
- Issue and award an RFP for Employee Payroll and Pension Payroll Banking Services. The process is expected to be completed in April 2021 before the current contracts expire in June and August of 2021.
- Provide certain City departments armored car and smart safe equipment to provide a more controlled, safer process to handle and expedite the deposit of cash collection.

2. With the revised budget for FY21, what existing programs or services will be reduced or eliminated?

We are indefinitely delaying the hiring of a new exempt position that would support our new Treasury Management System. We also reduced our professional development resources for external training's, conferences, and professional association memberships. Staff will utilize internal resources during this period.

3. With the revised budget for FY21, what planned, new services or programs will not happen?

We are indefinitely delaying the hiring of a new position that would help us onboard our new Treasury Management System and add critical capacity within our banking and investments division. With the reduced budget allocation, existing staff will have to take on new responsibilities around implementation and this may result in delays.

REVISED PERFORMANCE MEASURES

The City Treasurer’s Office performance measures were not impacted by the revised budget process. Original performance measures are listed below.

DEBT MANAGEMENT

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

FY21 Performance Measures				
Measure	FY19 Actual	FY20 YTD (Q1, Q2 & Q3)	FY20 Target	FY21 Target
Net present value savings of the refunded bonds for General Obligations (GO) debt versus the City’s debt policy ¹	13.51%	13.18%	≥ 3.00%	≥ 3.00%
Net present value savings of the refunded bonds for Water debt ²	12.10%	N/A	≥ 3.00%	≥ 3.00%
Net present value savings of the refunded bonds for Gas debt ³	N/A	N/A	≥ 3.00%	≥ 3.00%
Net present value savings of the refunded bonds for Airport debt ⁴	N/A	N/A	≥ 3.00%	≥ 3.00%

on each refunding transaction. CTO exceeded the 3% requirement during its General Obligation 2020A refunding transaction.

² CTO did not have any Water refunding bond transactions to date for FY20.

³ CTO did not have any Gas refunding bond transactions to date for FY20.

⁴ CTO did not have any Airport refunding bond transactions to date for FY20.

BANKING AND INVESTMENT MANAGEMENT

FY21 Performance Measures				
Measure	FY19 Actual	FY120YTD (Q1, Q2 & Q3)	FY20 Target	FY21 Target
Con-cash actual investment return (1 year) ¹	1.96%	2.22%	Meet and/or exceed quarterly benchmark	Meet and/or exceed quarterly benchmark
Percent of bank accounts that are reconciled (of 77 accounts) ²	100.00%	91.77%	100.00%	100.00%

¹ Quarterly results are the returns (net of fees) at the end of each quarter for the Con-Cash investment portfolio. The BAML three-month T-Bill Total Return for the one-year period ending 03/31/20 was 2.25%. In response to the COVID-19 crisis, the Federal Reserve cut overnight funds rates from their 1.50% - 1.75% range at the beginning of the year down to nearly zero in March. They also injected liquidity into the market to support treasuries and credit. Although the portfolio was slightly short of the three-month treasury index, shorter maturities had greater price appreciation than longer maturities in this quarter. The benchmark for Q3 only was .58 and the portfolio return (net of fees) was .61.

² As of 3/31/20, 7 of the 77 City bank accounts were unreconciled due to the City shut down during the COVID-19 crisis. Currently, there are 2 accountants with laptop access while the other 3 accountants are waiting to receive a laptop to complete their bank reconciliations.

BOARD OF PENSIONS AND RETIREMENT

**BOARD OF PENSIONS AND RETIREMENT
REVISED FISCAL YEAR 2021 BUDGET TESTIMONY
MAY 19, 2020**

The revised FY21 Budget and FY21-25 Plan focuses on providing core services and targeting reductions to areas with the least impact on vulnerable populations and areas where others can fund or deliver services.

DEPARTMENT FUNDING LEVELS

Pension Fund Financial Summary by Class					
	FY20 Original Appropriations	FY20 Estimated Obligations	FY21 Original Proposed Appropriations	FY21 Revised Proposed Appropriations	\$ Difference Original to Revised Proposed
Class 100 - Employee Compensation	\$4,355,000	\$4,355,000	\$4,445,000	\$4,445,000	\$0
Class 100 - Employee Benefits	\$4,938,000	\$5,653,000	\$5,769,000	\$5,769,000	\$0
Class 200 - Purchase of Services	\$2,478,000	\$2,478,000	\$2,600,000	\$2,600,000	\$0
Class 300/400 - Materials, Supplies & Equipment	\$92,000	\$92,000	\$92,000	\$92,000	\$0
Class 800 - Payment to Other Funds	\$80,000	\$80,000	\$80,000	\$80,000	\$0
	\$11,943,000	\$12,658,000	\$12,986,000	\$12,986,000	\$0

GENERAL FUND FULL-TIME POSITIONS

General Fund Full-Time Positions					
	FY20 Adopted Budget	November 2019 Increment Run	FY21 Original Proposed Budget	FY21 Revised Proposed Budget	Difference Original to Revised Proposed
Full-Time Positions	73	56	73	73	0

**BOARD OF PENSIONS AND RETIREMENT
ORIGINAL FISCAL YEAR 2021 BUDGET TESTIMONY**

This testimony has been partially updated to reflect COVID-19, but does not fully reflect the revised proposed FY21 budget or the department's new operational plan. Post COVID-19 responses from the Department are listed in the next section.

INTRODUCTION

Good Afternoon, President Clarke and Members of City Council. I am Francis Bielli, Executive Director of the Board of Pensions and Retirement. Joining me today are Shamika Taliaferro, Deputy Pension Director, Christopher DiFusco, Chief Investment Officer, members of our executive staff, and the Chair of the Board, Mr. Rob Dubow. I am pleased to provide testimony on the Board's Fiscal Year 2021 Operating Budget.

DEPARTMENT MISSION & PLANS

Mission: The Board of Pensions and Retirement manages the assets of the City's Pension Fund, ensuring there is enough money to pay out to those who have earned benefits. The City Home Rule Charter requires that the pension fund is always able to cover current and future payments to people who have paid into the fund. To do this, the Board oversees all pension contributions from current employees and all benefit payments made to eligible people who have left City service. The Board also makes sure that decisions are made that keep the pension fund financially healthy. All retiring employees meet with one of the Board's pension counselors for assistance in the retirement process. In addition to administering pensions, the Board publishes a quarterly newsletter with helpful pension and pension-planning information.

Plans for Fiscal Year 2021 In FY21, the Board plans to continue to maintain a reduced ratio of manager fees to assets under management. The ratio achieved at FY19 year-end was 0.316%. The Board goal for FY21 is a ratio of 0.33% to 0.38%, while achieving returns at least equal to the Fund's earnings assumption of 7.55%. The Board has reduced this ratio over the past several years from a high of 0.69% in FY14 by increasing its percentage of lower fee passively managed funds from 29.9% in FY14 to 55.5% in FY19. The Board will also continue to balance its commitment to reduced fees with the potential benefits that higher fee actively managed investments might provide in achieving the earnings assumption.

The Fund maintains a diversified asset mix designed to achieve the long-term actuarial target rate of return across a wide range of market cycles. The asset allocation and investment strategy is never static, and the Board is always seeking to improve and adjust the Fund's exposure to reflect the current market environment while maintaining core positions based on a long-term investment horizon. The Board focuses continually on maximizing returns, net of investment fees, at the lowest level of risk and for the best possible value. Core market exposure to public equities in our Plan is generally achieved at a very low cost via index funds and is the Board's starting point when evaluating any investment strategy. When active investment management is appropriate, the Fund's investment partners are viewed in relation to the overall value provided in terms of performance, strategy, process, and cost. Managers who are not meeting the Fund's long-term objectives are brought to the attention of the Board for possible action including, but not limited to, a reduction of assets under management, renegotiation of fees, or termination. The Board's returns for FY19 and calendar year 2019 were 5.7% and 18.2% respectively, net of fees.

BOARD OF PENSIONS AND RETIREMENT

Per the preliminary valuation report for FY19 provided by Board's actuary, the System's funded status increased from 46.8% at the end of FY18 to 49.7% at the end of FY19. The report indicates that the City's progress on paying down the unfunded actuarial liability (UAL) increased by 2.1% in FY18 and 2.24% in FY19. The Fund was cash positive for the second consecutive fiscal year.

As it pertains to benefits for members of the retirement system, the Board will continue to provide retirement education sessions to system members by further expanding its outreach to operating departments and bargaining units. This initiative is further enhanced by the outreach efforts of Nationwide, the Board's Third-Party Administrator for the 457 Plan and for the Defined Contribution component of Plans 10 and 16. The Board also plans to work with Nationwide to increase the number of 457 Plan participants from its current total of 24,115 as of January 2020, to 26,000 by the end of FY25.

The Board's goal is to increase the percentage of monthly pension benefits received via direct deposit from its current 95.1% as of December 2019, to 96% in FY21 and to 98% by the conclusion of FY25. Since Electronic Funds Transfer (EFT) recipients receive quarterly statements instead of monthly checks, increased EFT participation means that the Board uses less paper and saves on postage costs.

Lastly, the Board will continue to develop and maintain a diverse workforce. The current Board staff is 69% female and 73% minority. While staff size is limited and primarily governed by the Civil Service Regulations, the Board is committed to further developing and maintaining a diverse workforce. The Board's exempt staff is 65% minority and 41% female. The Board also seeks to promote diversity and inclusion in its investment manager selection process. Using our investment manager database, the Board once again conducted a utilization study to determine the universe of diverse investment managers that meet the Fund's criteria, which is having a 3-year track record and at least \$100 million in assets under management. The results are that 7.7% of firms and 3.7% of the products had greater than 50% minority or women ownership. Through January 31, 2020, the Fund's current lineup of investment managers includes 21% diversity managers, far surpassing the universe that the utilization study revealed. Diverse plus local managers are approximately 30.9% of the Fund. The Board continues to seek out high quality diverse, local, and emerging managers for allocations across all asset classes.

BOARD OF PENSIONS AND RETIREMENT

The tables in pages (4 through 11) below were prepared by the Board of Pensions and Retirement prior to the onset of COVID-19 and its impact on City government operations. They are based on the original FY21 budget proposal.

BUDGET SUMMARY & OTHER BUDGET DRIVERS

Staff Demographics Summary (as of December 2019)				
	Total	Minority	White	Female
Number of Full-Time Staff	55	40	15	38
Number of -Exempt Staff	17	11	6	7
Number of Executive Staff (deputy level and above)	11	7	4	5
Average Salary, Full-Time Staff	\$62,510	\$57,451	\$71,679	\$54,306
Average Salary, Exempt Staff	\$93,739	\$92,987	\$95,117	\$95,200
Average Salary, Executive Staff	\$103,910	\$101,894	\$107,438	\$103,890
Median Salary, Full-Time Staff	\$54,217	\$52,710	\$66,950	\$50,726
Median Salary, Exempt Staff	\$95,000	\$92,700	\$99,000	\$95,000
Median Salary, Executive Staff	\$101,108	\$100,000	\$103,000	\$100,000

Employment Levels (as of December 2019)		
	Budgeted	Filled
Number of Full-Time Positions	73	55
Number of Part-Time Positions	0	0
Number of Exempt Positions	17	17
Number of Executive Positions (deputy level and above)	11	11
Average Salary of All Full-Time Positions	\$55,058	\$62,510
Median Salary of All Full-Time Positions	\$45,029	\$54,217

Pension Fund Financial Summary by Class						
	FY19 Original Appropriations	FY19 Actual Obligations	FY20 Original Appropriations	FY20 Estimated Obligations	FY21 Proposed Appropriations	Difference: FY21-FY20
Class 100 - Employee Compensation	\$4,195,000	\$3,753,392	\$4,355,000	\$4,355,000	\$4,445,000	\$90,000
Class 100 - Employee Benefits	\$3,918,000	\$4,871,451	\$4,938,000	\$5,653,000	\$5,769,000	\$116,000
Class 200 - Purchase of Services	\$2,194,000	\$2,334,729	\$2,478,000	\$2,478,000	\$2,600,000	\$122,000
Class 300/400 - Materials, Supplies & Equipment	\$165,000	\$116,981	\$92,000	\$92,000	\$92,000	\$0
Class 800 - Payment to Other Funds	\$90,000	\$68,804	\$80,000	\$80,000	\$80,000	\$0
	\$10,562,000	\$11,145,357	\$11,943,000	\$12,658,000	\$12,986,000	\$328,000

Contracts Summary (Professional Services only)						
	FY17	FY18	FY19	FY20	FY21	FY20 YTD (Q1 & Q2)
Total amount of contracts	\$16,424,039	\$17,672,083	\$16,000,000	\$16,000,000	\$16,000,000	N/A
Total amount to M/W/DSBE	\$4,463,693	\$4,966,441	\$4,000,000	\$4,000,000	\$4,000,000	N/A
Participation Rate	27%	28%	25%	25%	25%	N/A

BOARD OF PENSIONS AND RETIREMENT

Total M/W/DSBE Contract Participation Goal (Public Works; Services, Supplies & Equipment; and Professional Services combined)			
	FY19	FY20	FY21
M/W/DSBE Contract Participation Goal	25%	25%	25%

BOARD OF PENSIONS AND RETIREMENT

PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The proposed Fiscal Year 2021 Pension Fund budget totals \$12,986,000 an increase of \$328,000 over Fiscal Year 2020 estimated obligation levels. This increase is primarily due to the cost of salaries for full staffing and the associated fringe benefits; and for professional services contracts.

The proposed budget includes:

- \$10,214,000 in Class 100, a \$206,000 increase over FY20. This funding will maintain staffing at its optimal level (\$4,445,000) and cover fringe benefits (\$5,769,000) for Board staff, which are paid from the Pension Fund.
- \$2,600,000 in Class 200, a \$122,000 increase over FY20. This funding will permit the Board to meet all anticipated contractual obligations, including the Board's trustee election.
- \$92,000 in Class 300/400, the same as FY20. This funding will provide staff with the supplies and equipment necessary to deliver services efficiently.
- \$80,000 in Class 800, the same as FY20. This funding will reimburse the General Fund for work performed on the Board's behalf by the City's central service agencies.

BOARD OF PENSIONS AND RETIREMENT

STAFFING LEVELS

The department is requesting 73 budgeted positions for FY21, the same as FY20.

NEW HIRES

New Hires (from 7/1/2019 to December 2019)	
	Total Number of New Hires
Black or African American	0
Asian	0
Hispanic or Latino	0
White	0
Other	0
Total	0

Detail for new hires since December 2019, if applicable:

Since December 2019, the Board has hired one employee, a female.

BOARD OF PENSIONS AND RETIREMENT

PERFORMANCE, CHALLENGES, AND INITIATIVES

FY20 Strategic Goals				
<ul style="list-style-type: none"> • Conclude FY21 with a ratio of fees to assets of between 0.33% and 0.38%. • Achieve an Investment Return of at least 7.55% or equal to the assumed rate of return. • Provide defined benefit plan, 457 plan, and defined contribution plan educational programs to 8,000 members. • Increase the percentage of recipients receiving monthly benefits via direct deposit to 96%. • Increase the number of participants in the 457 Plan to 24,500. 				
FY20 Performance Measures				
Measure	FY18 Actual	FY19 YTD (Q1 + Q2)	FY19 Target	FY20 Target
Investment Ratio ¹	0.32%	Available FY21 Q2	Between 0.33% and 0.38%	Between 0.33% and 0.38%
Investment Return ²	5.00%	5.80%	at least 7.55%	at least 7.55%
Member Education (count of attendees) ³	7,804	3,376	7,850	8,000
Number of 457 Plan deferred compensation participants	23,600	23,705	24,000	25,000
Percentage of recipients receiving benefits electronically	95.0%	95.1%	95.5%	96.0%

¹This is an annual measure. This measure is calculated by taking fees divided by assets under management. The goal is to continue to reduce fees.

²This includes "lagged" private equity data. Official return information for this investment class is typically reported to the Board 3 to 6 months following the close of each quarter.

³This measure includes attendees at educational sessions for members of 457, defined contribution, and defined benefit plans.

BOARD OF PENSIONS AND RETIREMENT

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

The Board of Pensions' annual operating budget does not receive Federal or State funds.

BOARD OF PENSIONS AND RETIREMENT

CONTRACTING EXPERIENCE

M/W/DSBE Participation on Large Professional Services Contracts											
Top Five Largest Contracts, FY20											
Vendor Name	Service Provided	Dollar 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 % 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]
Rhumbline	Investment Manager	\$628,993	7/20/2016	3/1/2017	MBE: Best Efforts	0%	\$0	0%	\$0	No	No
					WBE: Best Efforts	0%	\$0				
					DSBE: Best Efforts	0%	\$0				
Causeway	Investment Manager	\$615,364	6/29/2010	6/1/2011	MBE:	0%	\$0	0%	\$0	No	No
					WBE: Best Efforts	0%	\$0				
					DSBE: Best Efforts	0%	\$0				
Marquette	Investment Consultant	\$620,000	2/1/2016	5/25/2016	MBE: Best Efforts	0%	\$0	0%	\$0	No	No
					WBE: Best Efforts	0%	\$0				
					DSBE: Best Efforts	0%	\$0				
Brandywine	Investment Manager	\$556,093	2/19/2008	1/1/2009	MBE: Best Efforts	0%	\$0	0%	\$0	No	No
					WBE: Best Efforts	0%	\$0				
					DSBE: Best Efforts	0%	\$0				
Emerald	Investment Manager	\$491,737	5/13/2009	6/1/2009	MBE: Best Efforts	0%	\$0	0%	\$0	No	No
					WBE: Best Efforts	0%	\$0				
					DSBE: Best Efforts	0%	\$0				

BOARD OF PENSIONS AND RETIREMENT

EMPLOYEE DATA

Staff Demographics (as of December 2019)					
Full-Time Staff			Executive Staff		
	Male	Female		Male	Female
	African-American	African-American		African-American	African-American
<i>Total</i>	8	29	<i>Total</i>	2	4
<i>% of Total</i>	15%	53%	<i>% of Total</i>	18%	36%
<i>Average Salary</i>	\$67,771	\$53,486	<i>Average Salary</i>	\$96,404	\$106,113
<i>Median Salary</i>	\$71,025	\$48,824	<i>Median Salary</i>	\$96,404	\$101,500
	White	White		White	White
<i>Total</i>	6	9	<i>Total</i>	3	1
<i>% of Total</i>	11%	16%	<i>% of Total</i>	27%	9%
<i>Average Salary</i>	\$93,776	\$56,948	<i>Average Salary</i>	\$111,583	\$95,000
<i>Median Salary</i>	\$99,311	\$57,087	<i>Median Salary</i>	\$103,000	\$103,000
	Hispanic	Hispanic		Hispanic	Hispanic
<i>Total</i>	1	0	<i>Total</i>	0	0
<i>% of Total</i>	2%	0%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$37,404	\$0	<i>Average Salary</i>	\$0	\$0
<i>Median Salary</i>	\$37,404	\$0	<i>Median Salary</i>	\$0	\$0
	Asian	Asian		Asian	Asian
<i>Total</i>	2	0	<i>Total</i>	1	0
<i>% of Total</i>	4%	0%	<i>% of Total</i>	9%	0%
<i>Average Salary</i>	\$83,693	\$0	<i>Average Salary</i>	\$96,000	\$0
<i>Median Salary</i>	\$83,693	\$0	<i>Median Salary</i>	\$96,000	\$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>	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
	Male	Female		Male	Female
<i>Total</i>	17	38	<i>Total</i>	6	5
<i>% of Total</i>	31%	69%	<i>% of Total</i>	55%	45%
<i>Average Salary</i>	\$77,036	\$54,306	<i>Average Salary</i>	\$103,926	\$103,980
<i>Median Salary</i>	\$80,250	\$48,377	<i>Median Salary</i>	\$101,554	\$100,000

LANGUAGE ACCESS

1. Has your leadership received language access training?

Yes.

2. Do you currently have a language access coordinator?

David Fegan is the Board's language access coordinator.

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

Yes, the Board has a written language access plan and it 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 Board's primary clientele is composed of City employees and retirees. Thus, the demand for language access services is small. In the past year, there have been no requests for language access services. There has been only one instance in which language access services were required during the nearly ten years I have been Executive Director. That situation involved a foreign-born and residing beneficiary who contacted the Board through the American embassy in her nation. To the extent that language access services may be required, staff has been trained to arrange for provision of these services.

BOARD OF PENSIONS AND RETIREMENT

CLIMATE CHANGE

1. How has climate change affected your department's provision of services?

Climate change has not affected the Board's provision of services.

2. How might worsening climate change increase costs and demands for your department?

The Board does not foresee increase costs associated with climate change.

3. How does your department intend to mitigate and adapt to climate change?

The Board has a tradition of supporting proxy initiatives in order to effect social change and intends to expand the use of its proxy role to address issues related to climate change.

REVISED PLANS FOR FISCAL YEAR 2021

1. With the revised budget for FY21, what will your department accomplish in FY21?

The Board of Pensions will:

- Conclude FY21 with a ratio of fees to assets of between 0.33% and 0.38%.
- Achieve an Investment Return of at least 7.55%.
- Provide defined benefit plan; 457 plan; and defined contribution plan educational programs to 8,000 members.
- Increase the percentage of recipients receiving monthly benefits via direct deposit to 96%.
- Increase the number of participants in the 457 Plan to 24,500

2. With the revised budget for FY21, what existing programs or services will be reduced or eliminated?

The Board's retirement education programs may see a reduction in attendees in FY21. Any such reduction would not be budget related, but due to space and attendance limitations imposed by potentially ongoing social distancing requirements and the possibility of extended and/or additional stay at home orders. Pensions will work with OIT to explore video conference capabilities that would allow the seminars to be conducted virtually.

3. With the revised budget for FY21, what planned, new services or programs will not happen?

The Board has not planned any new services for implementation in FY21.

BOARD OF PENSIONS AND RETIREMENT

REVISED PERFORMANCE MEASURES

The Board of Pensions and Retirement did not update their performance measures as a part of the revised budget process. Original performance measures listed below.

FY20 Performance Measures				
Measure	FY18 Actual	FY19 YTD (Q1 + Q2)	FY19 Target	FY20 Target
Investment Ratio ¹	0.32%	Available FY21 Q2	Between 0.33% and 0.38%	Between 0.33% and 0.38%
Investment Return ²	5.00%	5.80%	at least 7.55%	at least 7.55%
Member Education (count of attendees) ³	7,804	3,376	7,850	8,000
Number of 457 Plan deferred compensation participants	23,600	23,705	24,000	25,000
Percentage of recipients receiving benefits electronically	95.0%	95.1%	95.5%	96.0%

¹This is an annual measure. This measure is calculated by taking fees divided by assets under management. The goal is to continue to reduce fees.

² This includes "lagged" private equity data. Official return information for this investment class is typically reported to the Board 3 to 6 months following the close of each quarter.

³This measure includes attendees at educational sessions for members of 457, defined contribution, and defined benefit plans.

**OFFICE OF PROPERTY ASSESSMENT
REVISED FISCAL YEAR 2021 BUDGET TESTIMONY
MAY 19, 2020**

The revised FY21 Budget and FY21-25 Plan focuses on providing core services and targeting reductions to areas with the least impact on vulnerable populations and areas where others can fund or deliver services.

DEPARTMENT FUNDING LEVELS

General Fund Financial Summary by Class					
	FY20 Original Appropriations	FY20 Estimated Obligations	FY21 Original Proposed Appropriations	FY21 Revised Proposed Appropriations	\$ Difference Original to Revised Proposed
Class 100 - Employee Compensation	\$14,127,682	\$14,127,682	\$14,127,682	\$13,117,163	(\$1,010,519)
Class 200 - Purchase of Services	\$2,403,126	\$2,403,126	\$2,712,400	\$2,180,632	(\$531,768)
Class 300/400 - Materials, Supplies & Equipment	\$787,600	\$787,600	\$787,600	\$762,600	(\$25,000)
	\$17,318,408	\$17,318,408	\$17,627,682	\$16,060,395	(\$1,567,287)

GENERAL FUND FULL-TIME POSITIONS

General Fund Full-Time Positions					
	FY20 Adopted Budget	November 2019 Increment Run	FY21 Original Proposed Budget	FY21 Revised Proposed Budget	Difference Original to Revised Proposed
Full-Time Positions	251	194	250	220	(30)

**OFFICE OF PROPERTY ASSESSMENT
ORIGINAL FISCAL YEAR 2021 BUDGET TESTIMONY**

This testimony was prepared by the Office of Property Assessment prior to the onset of COVID-19 and its impact on City government operations. It does not reflect the revised proposed FY21 budget or the department's new operational plan. Post COVID-19 responses from the Department are listed in the next section.

DEPARTMENT MISSION & PLANS

Mission: The Office of Property Assessment (OPA) is responsible for determining the value of all real property in Philadelphia and is dedicated to doing so in a fair, accurate, and understandable way. OPA's primary goal, through ongoing assessments, is to improve the accuracy and uniformity of all property values and to instill confidence in Philadelphia taxpayers regarding the fairness of the property tax system, as well as the competency and professionalism of Philadelphia's assessment office.

Plans for Fiscal Year 2021:

FY21 will be the first full fiscal year in which OPA utilizes our new Computer Assisted Mass Appraisal (CAMA) system, which went live in February 2020. OPA expects to complete the full transition to utilizing the CAMA system for existing OPA and BRT operations in FY21. It is expected that all Evaluation staff will be using the system to perform their daily work such as answering Tax Year 2020 appeals and making value and characteristic updates. Training and support will continue to be offered for staff in FY21 to ease the transition to this new work environment. Work will also continue on the remaining phases of the CAMA project, which includes technology for mobile data collection.

In FY21, OPA will continue to work on implementing recommendations from OPA's consultant, Robert Gloude-mans. These recommendations include reviewing all classifications of residential and non-residential properties, reviewing the assignment of construction grades and condition codes for all residential properties, examining the reliability and consistency of commercial building grade and condition codes, and maintaining flexibility provided by current valuation methods in the transition to the CAMA system.

The vast majority of properties in the city will see their Tax Year 2020 market value carried forward to Tax Year 2021. In preparation for the Tax Year 2022 re-assessment, OPA will look to hire an independent third party to conduct a full audit of the department. The intention of this audit will be to evaluate the valuation methodologies, processes and performance, as well as organizational structure and staffing levels in the new CAMA environment.

OPA will continue to work on maintaining a staffing compliment in accordance with industry recommendations. We currently have active lists for entry level positions that we will use to fill vacancies for the evaluation and clerical staff. For existing staff, we will look to create additional training opportunities for employees, such as building a Supervisor training program that develops and sharpens supervisory soft skills.

OFFICE OF PROPERTY ASSESSMENT

The tables in pages (3 through 10) below were prepared by the Office of Property Assessment prior to the onset of COVID-19 and its impact on City government operations. They are based on the original FY21 budget proposal.

BUDGET SUMMARY & OTHER BUDGET DRIVERS

Staff Demographics Summary (as of December 2019)				
	Total	Minority	White	Female
Number of Full-Time Staff	182	93	86	105
Number of -Exempt Staff	11	4	7	6
Number of Executive Staff (deputy level and above)	8	4	4	3
Average Salary, Full-Time Staff	\$63,935	\$61,194	\$64,355	\$64,045
Average Salary, Exempt Staff	\$105,122	\$105,043	\$105,043	\$87,452
Average Salary, Executive Staff	\$122,660	\$118,614	\$115,629	\$103,172
Median Salary, Full-Time Staff	\$67,899	\$67,899	\$67,899	\$67,899
Median Salary, Exempt Staff	\$113,558	\$113,558	\$113,558	\$82,400
Median Salary, Executive Staff	\$113,558	\$113,558	\$113,558	\$113,558

Employment Levels (as of December 2019)		
	Budgeted	Filled
Number of Full-Time Positions	250	182
Number of Part-Time Positions	0	0
Number of Exempt Positions	13	13
Number of Executive Positions (deputy level and above)	8	8
Average Salary of All Full-Time Positions	\$61,912	\$63,935
Median Salary of All Full-Time Positions	\$67,274	\$67,899

General Fund Financial Summary by Class						
	FY19 Original Appropriations	FY19 Actual Obligations	FY20 Original Appropriations	FY20 Estimated Obligations	FY21 Proposed Appropriations	Difference: FY21-FY20
Class 100 - Employee Compensation	\$11,890,699	\$12,500,926	\$14,127,682	\$14,127,682	\$14,127,682	\$0
Class 200 - Purchase of Services	\$1,703,126	\$991,148	\$2,403,126	\$2,403,126	\$2,712,400	\$309,274
Class 300/400 - Materials, Supplies & Equipment	\$622,600	\$442,723	\$787,600	\$787,600	\$787,600	\$0
	\$14,216,425	\$13,934,796	\$17,318,408	\$17,318,408	\$17,627,682	\$309,274

Contracts Summary (Professional Services only)						
	FY17	FY18	FY19	FY20	FY21	FY20 YTD (Q1 & Q2)
Total amount of contracts	\$768,378	\$904,756	\$756,000	\$765,000	\$1,738,232	\$765,000
Total amount to M/W/DSBE	\$0	\$0	\$0	\$0	\$0	\$0
Participation Rate	0%	0%	0%	0%	0%	0%

OFFICE OF PROPERTY ASSESSMENT

Total M/W/DSBE Contract Participation Goal (Public Works; Services, Supplies & Equipment; and Professional Services combined)			
	FY19	FY20	FY21
M/W/DSBE Contract Participation Goal ¹	50%	0%	0%

¹ OPA has a contract with Linebarger, which, in prior years, had a minority stakeholder. The minority stakeholder has retired from Linebarger, causing a drop in the M/W/DSBE participation rate.

PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The proposed Fiscal Year 2021 General Fund budget totals \$17,627,682 an increase of \$309,274 from Fiscal Year 2020 estimated obligation levels. This increase is primarily due to an increase in Class 200.

The proposed budget includes:

- \$14,127,682 in Class 100. This funding will support the achievement of the full staffing level of 250.
- \$2,712,400 in Class 200, an increase of \$309,274 from FY20. This funding will primarily provide the necessary resources for data collection consultation fees.
- \$787,600 in Class 300/400. This funding will primarily cover expenditures associated with printing and mailing notices to taxpayers. As well as the cost of maintaining and replacing current office equipment and furniture. OPA also intends to have an audit done by an outside entity. This will assist in our continued effort to monitor our processed to insure fair and equitable assessments.

OFFICE OF PROPERTY ASSESSMENT

STAFFING LEVELS

The department is requesting 250 budgeted positions for FY21. This is 1 position less than requested in FY20. This is because a review of the FY20 budget positions indicated a position that should have been removed from the roster.

NEW HIRES

New Hires (from 7/1/2019 to December 2019)	
	Total Number of New Hires
Black or African American	2
Asian	1
Hispanic or Latino	0
White	1
Other	0
Total	4

Detail for new hires since December 2019, if applicable: N/A

PERFORMANCE, CHALLENGES, AND INITIATIVES

EVALUATION

FY21 Strategic Goals				
<ul style="list-style-type: none"> • Continue to implement remaining recommendations from internal audit. • Complete the full transition of utilizing the CAMA system for existing OPA operations and continue the implementation of the remaining phases. • Maintain an acceptable variance for mass appraisals as identified in the performance measures. 				
FY21 Performance Measures				
Measure	FY19 Actual	FY20 YTD (Q1 + Q2)	FY20 Target	FY21 Target
Coefficient of Dispersion ¹	0.110	N/A	≤ 0.15	≤ 0.15
Overall single-family price-related differential ²	1.010	N/A	> .98 & < 1.03	> .98 & < 1.03

¹ The Coefficient of Dispersion (COD) is considered the most reliable, and therefore is the most frequently used, measure of assessment uniformity in ratio studies. It is based on an average absolute deviation but expresses it as a percentage and provides a more objective measure of uniformity that is independent of the level of appraisal. A COD of less than 0.15 is considered to be very good for a jurisdiction with the number of parcels and the heterogeneity of housing stock that exists in Philadelphia. In general, low CODs are associated with a more uniform level of assessment.

² This measures assessment progressivity or regressivity. Assessments are considered progressive if high-value properties are relatively over-appraised, and regressive if high-value properties are under-appraised relative to low-value properties. While no differential (a PRD of 1) is considered perfect, PRDs tend to have an upward bias due in part to assessment time lags. A PRD between .98 and 1.03 is considered ideal.

ADMINISTRATION

FY21 Strategic Goals				
<ul style="list-style-type: none"> • Fill vacancies in both the evaluation and clerical classes. • Build a Supervisor Training program that develops and sharpens supervisory soft skills. 				
FY21 Performance Measures				
Measure	FY19 Actual	FY20 YTD (Q1 + Q2)	FY20 Target	FY21 Target
Percent of budgeted positions that are filled ¹	86.1%	76.9%	90.0%	90.0%

¹ The decrease in percentage relates to the increase from the FY19 225 to the FY20 251 budgeted positions.* A Real Property Evaluator I eligibility list has been established. Candidates from this list should assist with filling a number of vacancies by the end of FY20

OFFICE OF PROPERTY ASSESSMENT

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

N/A

OFFICE OF PROPERTY ASSESSMENT

CONTRACTING EXPERIENCE

M/W/DSBE Participation on Large Professional Services Contracts											
Top Five Largest Contracts, FY20											
Vendor Name	Service Provided	Dollar 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 % Participation - All DSBEs	Total \$ Value Participation - All DSBEs	Local Business (principal place of business located within City limits) <i>[yes / no]</i>	Waiver for Living Wage Compliance ? <i>[yes / no]</i>
RCDH of Pennsylvania	Commercial Consultant	\$350,000	7/27/2016	10/25/2019	MBE: 0% - 15%	0%	\$0	0%	\$0	no	no
					WBE: 0% - 15%	0%	\$0				
					DSBE: 0% - 15%	0%	\$0				
Linebarger Googan Blair and Sampson, LLP	Customer Service Call Center	\$325,000	5/24/2016	7/1/2019	MBE: 10% - 15%	0%	\$0	0%	\$0	yes	no
					WBE: 5% - 10%	0%	\$0				
					DSBE: 0% - 0%	0%	\$0				
Doyle Real Estate Advisors, LLC	Appraisal Consultant	\$90,000	5/16/2016	7/1/2019	MBE: 0% - 15%	0%	\$0	0%	\$0	no	no
					WBE: 0% - 15%	0%	\$0				
					DSBE: 0% - 15%	0%	\$0				
					WBE:	0%	\$0				
					DSBE:	0%	\$0				

Non-Profit Vendor Demographics: N/A

OFFICE OF PROPERTY ASSESSMENT

EMPLOYEE DATA

Staff Demographics (as of December 2019)				
Full-Time Staff			Executive Staff	
	Male	Female	Male	Female
	African-American	African-American	African-American	African-American
<i>Total</i>	28	54	1	3
<i>% of Total</i>	16%	30%	13%	38%
<i>Average Salary</i>	\$61,060	\$58,941	\$128,726	\$105,300
<i>Median Salary</i>	\$67,274	\$63,540	\$128,726	\$113,558
	White	White	White	White
<i>Total</i>	42	44	4	0
<i>% of Total</i>	23%	24%	50%	0%
<i>Average Salary</i>	\$70,906	\$61,868	\$116,372	\$0
<i>Median Salary</i>	\$67,274	\$67,274	\$113,558	\$0
	Hispanic	Hispanic	Hispanic	Hispanic
<i>Total</i>	1	4	0	0
<i>% of Total</i>	1%	2%	0%	0%
<i>Average Salary</i>	\$67,274	\$72,079	\$0	\$0
<i>Median Salary</i>	\$67,274	\$71,079	\$0	\$4
	Asian	Asian	Asian	Asian
<i>Total</i>	4	2	0	0
<i>% of Total</i>	2%	1%	0%	0%
<i>Average Salary</i>	\$67,274	\$57,925	\$0	\$0
<i>Median Salary</i>	\$67,274	\$57,925	\$0	\$0
	Other	Other	Other	Other
<i>Total</i>	0	0	0	0
<i>% of Total</i>	0%	0%	0%	0%
<i>Average Salary</i>	\$0	\$0	\$0	\$0
<i>Median Salary</i>	\$0	\$0	\$0	\$0
	Bilingual	Bilingual	Bilingual	Bilingual
<i>Total</i>	0	1	0	0
<i>% of Total</i>	0%	1%	0%	0%
<i>Average Salary</i>	\$0	\$67,247	\$0	\$0
<i>Median Salary</i>	\$0	\$67,274	\$0	\$0
	Male	Female	Male	Female
<i>Total</i>	75	105	5	3
<i>% of Total</i>	42%	58%	63%	38%
<i>Average Salary</i>	\$67,102	\$60,434	\$0	\$0
<i>Median Salary</i>	\$67,274	\$64,540	\$0	\$0

LANGUAGE ACCESS

1. Has your leadership received language access training?

Yes, on May 2, 2018. We are scheduled to receive our bi-annual training on April 22nd, 2020.

2. Do you currently have a language access coordinator?

Yes, Salima Cunningham.

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

Yes: <https://www.phila.gov/documents/language-access-plans>

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

OPA administrators and senior staff have met with representatives of the Mayor's Office of Immigrant Affairs to assist with the procurement of additional interpretation and translation services.

CLIMATE CHANGE

1. How has climate change affected your department's provision of services?

Climate change has not yet affected the OPA's provision of services.

2. How might worsening climate change increase costs and demands for your department?

Climate change that causes extreme weather conditions would limit the OPA's ability to have employees work in the field, which could impede the OPA's ability to collect the most recent data on properties throughout the city. Severe weather events that cause extensive property damage in the city could increase the need for in-person property inspections and the number of Catastrophic Loss applications submitted to the OPA.

3. How does your department intend to mitigate and adapt to climate change?

As technology has improved, OPA has increased the frequency of desktop inspections utilizing aerial and street-level photography. These images are updated yearly and exceed the minimum resolution required by industry standards. This could minimize the need for field work in the future and mitigate the risk of losing time in the field due to weather. OPA will continue to monitor the real estate market to see if climate change is affecting the demand or price of certain types of housing or features, such as those with solar panels.

REVISED PLANS FOR FISCAL YEAR 2021

1. With the revised budget for FY21, what will your department accomplish in FY21?

For Tax Year 2021, OPA will not be conducting a comprehensive reassessment. This will allow OPA staff to focus on learning the new CAMA system as well as allow OPA to continue to implement the recommendations of the internal audit. The decision not to conduct a comprehensive reassessment was made prior to and is unrelated to the COVID-19 pandemic. These recommendations include reviewing all classifications of residential and non-residential properties, reviewing the assignment of construction grades and condition codes for all residential properties, examining the reliability and consistency of commercial building grade and condition codes, and maintaining flexibility provided by current valuation methods in the transition to the CAMA system. OPA expects to complete the full transition of utilizing the CAMA system for existing OPA and BRT operations. It is expected that the Evaluation staff will be using the system to perform their daily work such as answering Tax Year 2020 appeals and making value and characteristic updates. OPA will be working toward a Tax Year 2022 reassessment during FY21. OPA will also work toward building a monthly Supervisor Training program that develops and sharpens supervisory soft skills.

2. With the revised budget for FY21, what existing programs or services will be reduced or eliminated?

With the revised budget for FY21, we do not anticipate the reduction or elimination of existing programs or services.

3. With the revised budget for FY21, what planned, new services or programs will not happen?

There are no planned new services or programs that would be affected by the revised FY21 budget.

OFFICE OF PROPERTY ASSESSMENT

REVISED PERFORMANCE MEASURES

The Office of Property Assessment did not update their performance measures as a part of the revised budget process. Original performance measures listed below.

EVALUATION

FY21 Performance Measures				
Measure	FY19 Actual	FY20 YTD (Q1 + Q2)	FY20 Target	FY21 Target
Coefficient of Dispersion ¹	0.110	N/A	≤ 0.15	≤ 0.15
Overall single-family price-related differential ²	1.010	N/A	> .98 & < 1.03	> .98 & < 1.03

¹ The Coefficient of Dispersion (COD) is considered the most reliable, and therefore is the most frequently used, measure of assessment uniformity in ratio studies. It is based on an average absolute deviation but expresses it as a percentage and provides a more objective measure of uniformity that is independent of the level of appraisal. A COD of less than 0.15 is considered to be very good for a jurisdiction with the number of parcels and the heterogeneity of housing stock that exists in Philadelphia. In general, low CODs are associated with a more uniform level of assessment.

² This measures assessment progressivity or regressivity. Assessments are considered progressive if high-value properties are relatively over-appraised, and regressive if high-value properties are under-appraised relative to low-value properties. While no differential (a PRD of 1) is considered perfect, PRDs tend to have an upward bias due in part to assessment time lags. A PRD between .98 and 1.03 is considered ideal.

ADMINISTRATION

FY21 Performance Measures				
Measure	FY19 Actual	FY20 YTD (Q1 + Q2)	FY20 Target	FY21 Target
Percent of budgeted positions that are filled ¹	86.1%	76.9%	90.0%	90.0%

¹ The decrease in percentage relates to the increase from the FY19 225 to the FY20 251 budgeted positions. A Real Property Evaluator 1 eligibility list has been established. Candidates from this list should assist with filling a number of vacancies by the end of FY20