

**CITY TREASURER'S OFFICE
FISCAL YEAR 2023 BUDGET TESTIMONY
APRIL 6, 2022**

INTRODUCTION

Good afternoon, President Clarke, and Members of City Council. I am Jacqueline Dunn, City Treasurer. Joining me today are Natalia Dominguez Buckley, First Deputy City Treasurer and Matthew Bowman, Deputy City Treasurer for Debt and Executive Director of the Sinking Fund Commission. I am pleased to provide testimony on the City Treasurer's Office's Fiscal Year 2023 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 manages new and outstanding debt in accordance with the City's debt management policies and works to improve and maintain the City's credit ratings.

Plans for Fiscal Year 2023: In Fiscal Year 2023, the City Treasurer's Office will focus on the following:

Proactive Credit and Debt Management: CTO will continue to work to maintain or improve the City's credit ratings through regular communication with the rating agencies. Additionally, CTO proactively monitors the City's debt portfolio for potential refunding opportunities to minimize debt service costs for taxpayers and rate payers. Below is a list of upcoming anticipated debt transactions for the remainder of FY22 and FY23 (timing and sizing is preliminary and subject to change based on market conditions).

- Philadelphia Gas Works Revenue Refunding Bonds - \$200 million refunding bonds
- Water and Wastewater Revenue and Revenue Refunding Bonds - \$250 million new money and refunding (summer 2023)
- Philadelphia Energy Authority - \$90 million new money borrowing for LED streetlighting (TBD)
- Philadelphia Authority for Industrial Development (PAID) - \$85 million new money borrowing for the Rebuild Program (TBD)
- Service Agreement Borrowing - \$100 million new money borrowing for the Neighborhood Preservation Initiative (NPI) (TBD)

Treasury Management System (TMS): CTO continues to work with the Office of Innovation and Technology (OIT) and Finance's Program Management Office to fully integrate a treasury management system (TMS). 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 automating portions of the bank reconciliation process.

Reconciliation: As of February 2022, CTO has maintained reconciliations on time for 97.5% of its 85 directly managed bank accounts. One account is currently two months behind as CTO, Revenue, and Finance work on reconciling variances related to a new information system. Reconciliation totals for the quarter that just closed, March 2022, are not yet available because reconciliations are a lagged measure.

City Treasurer's Office

Reconciliations are due 30 days after Finance Accounting closes the books for the prior month, which typically takes two weeks. Meaning, reconciliations close 45 days after the close of the month.

Investment Managers: CTO issued a Request for Proposals to establish a new pool of pre-qualified investment managers to manage the City's operating and capital funds.

BUDGET SUMMARY & OTHER BUDGET DRIVERS

Please refer to attached FY23 Budget Hearing Summary Charts in section 1: Staff Demographics Summary, section 2: Employment Levels, section 3: Financial Summary by Class, section 6: Participation Rate and Goal.

PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The proposed Fiscal Year 2023 General Fund budget totals \$4,693,585, an increase of \$42,545 from Fiscal Year 2022 estimated obligation levels. This increase is primarily due to moving an Assistant City Treasurer position onto the Treasurer's Office budget from the Board of Pensions where it was previously funded.

The proposed budget includes:

- \$1,554,893 in Class 100, a \$107,545 increase over FY22. This funding will allow the City Treasurer's Office to continue operating at full staffing levels and add one position to move the Assistant City Treasurer for Cash Management onto the Treasurer's Office budget, from the Board of Pensions where it was previously located.
- \$3,116,468 in Class 200, a \$65,000 decrease from FY22. This funding will allow the City Treasurer's Office to continue paying for necessary professional services, including the costs for the Annual Lending Disparities Study, the annual costs for the new Treasury Management System and the management fees for the City's Investment Managers.
- \$22,224 in Class 300/400, level with FY22. This funding will allow the City Treasurer's Office to maintain current office supply levels required to continue operating at its current rate and to allow for moderate updates to replace aging office furniture and equipment with more ergonomic furniture, and updated equipment.

STAFFING LEVELS

The department is requesting 19 budgeted positions for FY23, an increase of 1 position over FY22.

The increase is attributed to moving the Assistant City Treasurer for Cash Management's position from the Board of Pensions onto the City Treasurer's Office's budget. The Assistant City Treasurer for Cash Management has traditionally provided support to and been funded by the Board of Pensions, however, moving the position to the CTO budget will better align with actual department operations.

NEW HIRES

Please refer to attached FY23 Budget Hearing Summary Charts in section 8: New Hires Information.

PERFORMANCE, CHALLENGES, AND INITIATIVES

BANKING AND INVESTMENTS

Performance Measure	FY21 Actual	FY22 Target	FY23 Target
Con-cash actual investment return (1 year)	0.52%	Meet and/or exceed quarterly benchmark	Meet and/or exceed quarterly benchmark
Percent of bank accounts that are reconciled (of 85 accounts)	94.16%	100.00%	100.00%

Program FY23 Strategic Goals

- Continue to reconcile 100% of CTO-managed bank accounts on time and institutionalize such efforts to ensure timely reconciliations and reporting continue.
- Finalize the implementation of the City's Treasury Management System (TMS) to automate processes that are currently manual and spreadsheet dependent.
- Continue to manage the City's investment portfolio effectively and exceed benchmark results.
- Issue an RFP to determine a new pool of investment managers. CTO has traditionally maintained a diverse pool of investment managers and plans to continue that practice with this new pool.

DEBT MANAGEMENT

Performance Measure	FY21 Actual	FY22 Target	FY23 Target
Net present value savings of the refunded bonds for General Obligations (GO) debt versus the City's debt policy	-0.86%	≥ 3.00%	≥ 3.00%
Net present value savings of the refunded bonds for Water debt	18.51%	≥ 3.00%	≥ 3.00%
Net present value savings of the refunded bonds for Gas debt	25.61%	≥ 3.00%	≥ 3.00%
Net present value savings of the refunded bonds for Airport debt	21.64%	≥ 3.00%	≥ 3.00%

Program FY23 Strategic Goals

- Maintain and/or upgrade all the City's credit ratings.
- Increase the participation of institutional buyers in the City's investor pool to increase demand and borrow at lower interest rates to lower costs for the City.
- Create an Investor Relations website through an external vendor to better communicate the City's financial position to individual and institutional buyers of City debt. Using an external site would increase visibility and information available to the market as the City's information would be in a central repository for investors and would allow the City to track investor views compared to the existing portion of the CTO website.
- 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 FY22 and FY23.

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

The City Treasurer's Office is not directly impacted by additional federal and state funding. However, the City Treasurer's Office is working closely with the Office of the Director of Finance to manage the forthcoming second tranche of the American Recovery Plan (ARP) stimulus funds.

City Treasurer's Office

CONTRACTING EXPERIENCE

Please refer to attached FY23 Budget Hearing Summary Charts in section 4: Contracts Summary.

City Treasurer's Office

EMPLOYEE DATA

Please refer to attached FY23 Budget Hearing Summary Charts in section 7: Staff Demographics.

LANGUAGE ACCESS

1. Provide the name of your language access coordinator, the date of your last department training, and a link to the posting of your language access plan.

CTO’s language access coordinator is Saledeem Major, Assistant City Treasurer. The last department-wide training was in 2018. However, as of March 2022, CTO staff is either working to complete, or has recently completed updated training. The language access plan can be found at: <https://beta.phila.gov/documents/language-access-plans/>

2. Breakdown new hires and existing staff by race and language. Breakdown how many front-line personnel are trained to provide language access services.

CTO is a back office supporting agency and has little direct interaction with the public. CTO staff complete periodic language access training.

	Total Number of Staff	Vietnamese	Hindi	Malayalam	Gujarati	French	Sarpo	Bassa	Spanish	Portuguese	Urdu	Mandarin
Black or African American	6					1	1	1				
Asian	5	1	2	1							1	1
Hispanic or Latino	1								1	1		
White	5											
Other												
Total	17	1	2	1	0	1	1	1	1	1	1	1

3. How many requests for language access services did your department receive in the past year? How many language access services were delivered by staff? Breakdown language access services provided, by language, including but not

limited to the language line, translation of public notices and documents, website language services, and advertisement/publication services.

CTO is a back office supporting agency and has little direct interaction with the public. CTO does not provide language access services.

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

CTO is a back office supporting agency and has little direct interaction with the public. CTO does not provide language access services.

CLIMATE CHANGE

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

The City's response to climate change can impact our debt issuances and influence our credit rating. CTO manages the City's debt portfolio and issues debt to fund 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?

CTO supports 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.

Additionally, the rating agencies have an increased focus on the financial and operational impacts of environmental, social and governance issues (ESG). CTO works to proactively support other departmental efforts to address and proactively plan for and respond to changing climate conditions and to convey such efforts to the rating agencies throughout the fiscal year.

CTO will be supporting the Philadelphia Energy Authority and Office of Sustainability with the LED streetlighting financing, anticipated in FY23.

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

We will continue to work closely with our colleagues to plan for and respond to changing climate conditions.

1. Staff Demographics Summary

Staff Demographics Summary (as of December 2021)				
	Total	Minority	White	Female
Number of Full-Time Staff	17	12	5	10
Number of Exempt Staff	8	5	3	4
Number of Executive Staff (deputy level and above)	3	1	2	2
Average Salary, Full-Time Staff	\$78,971	\$72,269	\$95,056	\$81,899
Average Salary, Exempt Staff	\$95,019	\$80,530	\$119,167	\$108,875
Average Salary, Executive Staff	\$131,833	\$128,000	\$133,750	\$142,750
Median Salary, Full-Time Staff	\$70,334	\$64,873	\$90,000	\$66,040
Median Salary, Exempt Staff	\$90,000	\$68,000	\$110,000	\$109,000
Median Salary, Executive Staff	\$128,000	\$128,000	\$133,750	\$142,750

2. Employment Levels

Employment Levels (as of December 2021)		
	Budgeted	Filled
Number of Full-Time Positions	19	17
Number of Part-Time Positions	0	0
Number of Exempt Positions	9	8
Number of Executive Positions (deputy level and above)	4	3
Average Salary of All Full-Time Positions	\$78,633	\$78,971
Median Salary of All Full-Time Positions	\$70,334	\$70,334

3. Financial Summary by Class

Some departments may also want to provide financial summary tables for other funds, such as the Grants Fund. Departments should delete any budget lines that have \$0 in every year (i.e. if a department has no Class 500 appropriations, actuals, or proposed appropriations, the Class 500 row should be deleted).

General Fund Financial Summary by Class						
	FY21 Original Appropriations	FY21 Actual Obligations	FY22 Original Appropriations	FY22 Estimated Obligations	FY23 Proposed Appropriations	Difference: FY23-FY22
Class 100 - Employee Compensation	\$1,368,170	\$1,230,203	\$1,395,075	\$1,447,348	\$1,554,893	\$107,545
Class 200 - Purchase of Services	\$193,544	\$473,559	\$3,323,698	\$3,181,468	\$3,116,468	(\$65,000)
Class 300/400 - Materials, Supplies & Equipment	\$22,224	\$10,742	\$22,224	\$22,224	\$22,224	\$0
	\$1,583,938	\$1,714,504	\$4,740,997	\$4,651,040	\$4,693,585	\$42,545

4. Contracts Summary

This table focuses on large professional services contracts with for-profit vendors.
 "Large" is defined as meaning that an RFP was required.
 Departments should focus on contracts that have been conformed to date.
 Any departments that have large contracts with non-profit providers are encouraged to provide board makeup information in the optional "Non-Profit Vendor Demographics" table below.

M/W/DSBE Participation on Large Professional Services Contracts

Top Five Largest Contracts, FY22

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]
Cozen O'Connor	Legal Services	\$799,000	6/15/2018	1/1/2019	MBE: Best Efforts	0%	\$0	100%	\$799,000	Yes	No
					WBE: Best Efforts	100%	\$799,000				
					DSBE: Best Efforts	0%	\$0				
Ahmad Zaffarese	Legal Services	\$235,000	6/15/2018	1/1/2019	MBE: Best Efforts	100%	\$235,000	100%	\$235,000	Yes	No
					WBE: Best Efforts	0%	\$0				
					DSBE: Best Efforts	0%	\$0				
PFM Financial Advisors	Financial Advisor	\$205,000	10/1/2015	1/1/2016	MBE: Best Efforts	0%	\$0	0%	\$0	Yes	No
					WBE: Best Efforts	0%	\$0				
					DSBE: Best Efforts	0%	\$0				
Allspring Global Investors f/k/a Wells Calpital Management Inc	Investment Management	\$204,998	10/30/2017	10/1/2018	MBE: Best Efforts	0%	\$0	0%	\$0	No	No
					WBE: Best Efforts	0%	\$0				
					DSBE: Best Efforts	0%	\$0				
Frasca & Associates	Financial Advisor	\$175,000	9/15/2018	5/10/2018	MBE: Best Efforts	0%	\$0	100%	\$175,000	No	No
					WBE: Best Efforts	100%	\$175,000				
					DSBE: Best Efforts	0%	\$0				

5. Performance Measures Table

Please refer to the FY23 Budget Testimony narrative for Performance Measure data.

6. Participation Rate and Goal

The Contract Participation Goal table is for all contracts (Public Works, SS&E, and Professional Services, combined).

Contracts Summary (Professional Services only)						
	FY19	FY20	FY21	FY22	FY23	FY22 YTD (Q1 & Q2)
Total amount of contracts	\$1,492,747	\$4,983,837	\$6,649,654	N/A	\$3,000,000	\$4,138,021
Total amount to M/W/DSBE	\$309,936	\$2,628,498	\$4,030,605	N/A	\$1,200,000	\$2,539,623
Participation Rate	21%	53%	61%	--	40%	61%

Note: The majority of CTO contract spending is related to bond transactions and is difficult to predict the timing or size of those future costs.

Total M/W/DSBE Contract Participation Goal (Public Works; Services, Supplies & Equipment; and Professional Services combined)			
	FY21	FY22	FY23
M/W/DSBE Contract Participation Goal	40%	40%	40%

7. Staff Demographics

Biracial employees should be included under "Other."

Staff Demographics (as of December 2021)					
Full-Time Staff			Executive Staff		
	Male	Female		Male	Female
	African-American	African-American		African-American	African-American
<i>Total</i>	3	3	<i>Total</i>	N/A	N/A
<i>% of Total</i>	18%	18%	<i>% of Total</i>	N/A	N/A
<i>Average Salary</i>	\$64,995	\$80,020	<i>Average Salary</i>	N/A	N/A
<i>Median Salary</i>	\$68,000	\$90,000	<i>Median Salary</i>	N/A	N/A
	White	White		White	White
<i>Total</i>	2	3	<i>Total</i>	1	1
<i>% of Total</i>	12%	18%	<i>% of Total</i>	33%	33%
<i>Average Salary</i>	\$100,000	\$91,077	<i>Average Salary</i>	\$110,000	\$157,500
<i>Median Salary</i>	\$100,000	\$70,334	<i>Median Salary</i>	\$110,000	\$157,500
	Hispanic	Hispanic		Hispanic	Hispanic
<i>Total</i>	N/A	1	<i>Total</i>	N/A	1
<i>% of Total</i>	N/A	6%	<i>% of Total</i>	N/A	33%
<i>Average Salary</i>	N/A	\$128,000	<i>Average Salary</i>	N/A	\$128,000
<i>Median Salary</i>	N/A	\$128,000	<i>Median Salary</i>	N/A	\$128,000
	Asian	Asian		Asian	Asian
<i>Total</i>	2	3	<i>Total</i>	N/A	N/A
<i>% of Total</i>	12%	18%	<i>% of Total</i>	N/A	N/A
<i>Average Salary</i>	\$63,642	\$57,734	<i>Average Salary</i>	N/A	N/A
<i>Median Salary</i>	\$63,642	\$60,000	<i>Median Salary</i>	N/A	N/A
	Other	Other		Other	Other
<i>Total</i>	N/A	N/A	<i>Total</i>	N/A	N/A
<i>% of Total</i>	N/A	N/A	<i>% of Total</i>	N/A	N/A
<i>Average Salary</i>	N/A	N/A	<i>Average Salary</i>	N/A	N/A
<i>Median Salary</i>	N/A	N/A	<i>Median Salary</i>	N/A	N/A
	Bilingual	Bilingual		Bilingual	Bilingual
<i>Total</i>	4	4	<i>Total</i>	N/A	1
<i>% of Total</i>	24%	24%	<i>% of Total</i>	N/A	33%
<i>Average Salary</i>	\$63,879	\$75,300	<i>Average Salary</i>	N/A	\$128,000
<i>Median Salary</i>	\$63,492	\$60,873	<i>Median Salary</i>	N/A	\$128,000
	Male	Female		Male	Female
<i>Total</i>	7	10	<i>Total</i>	1	2
<i>% of Total</i>	41%	59%	<i>% of Total</i>	33%	67%
<i>Average Salary</i>	\$74,610	\$81,449	<i>Average Salary</i>	\$110,000	\$142,750
<i>Median Salary</i>	\$70,334	\$66,040	<i>Median Salary</i>	\$110,000	\$142,750

Detail for non-binary employees, if applicable N/A

8. New Hire Information

Date range is 7/1/21 to December 2021 increment run. Detail for any hires since then can be added in the text box below the table.

New Hires (from 7/1/2021 to December 2021)				
	Total Number of New Hires	Vietnamese	Hindi	Malayalam
Black or African American	1			
Asian	2	1	1	1
Hispanic or Latino				
White	1			
Other				
Total	4	1	1	1

Detail for new hires since December 2021, if applicable: N/A