

**OFFICE OF THE CITY TREASURER
FISCAL YEAR 2015 BUDGET TESTIMONY
APRIL 1, 2014**

EXECUTIVE SUMMARY

DEPARTMENT MISSION AND FUNCTION

The City Treasurer is responsible for the distribution of checks and electronic payments and the investment of bond funds and operating funds not needed for daily requirements. In addition, the Office is responsible for new bond issuances, refundings and the management of over \$8.5 billion of outstanding debt, including debt issued for the General Fund, Water Department, Aviation Department, and Philadelphia Gas Works.

PROPOSED BUDGET HIGHLIGHTS/FUNDING REQUEST

The Fiscal Year 2015 General Fund budget request is \$899,260, which is exactly the same as the prior year's budget.

The highlights of the fiscal 2015 budget request by proposed expenditures are as follows:

1. The \$758,592 in Class 100 funds represent 84.3% of the Office's proposed budget and funds 15 positions.
2. The \$118,444 in Class 200 funds represent 13.2% of the Office's proposed budget.
3. The combined Class 300/400 amount is \$22,224 for supplies and equipment.

**CITY TREASURER'S OFFICE
BUDGET SUMMARY AND OTHER BUDGET DRIVERS**

Financial Summary by Class - General Fund

	Fiscal 2013 Actual Obligations	Fiscal 2014 Original Appropriations	Fiscal 2014 Estimated Obligations	Fiscal 2015 Proposed Appropriations	Difference FY14 - FY15
Class 100 - Employee Compensation	\$755,428	\$758,592	\$758,592	\$758,592	\$0
Class 200 - Purchase of Services	\$116,473	\$118,444	\$118,444	\$118,444	\$0
Class 300 - Materials and Supplies	\$9,905	\$21,224	\$21,224	\$21,224	\$0
Class 400 - Equipment	\$2,191	\$1,000	\$1,000	\$1,000	\$0
Class 500 - Contributions	\$0	\$0	\$0	\$0	\$0
Class 700 - Debt Service	\$0	\$0	\$0	\$0	\$0
Class 800 - Payment to Other Funds	\$0	\$0	\$0	\$0	\$0
Class 900 - Advances/Misc. Payments	\$0	\$0	\$0	\$0	\$0
TOTAL	\$883,997	\$899,260	\$899,260	\$899,260	\$0

Staff Demographics Summary*

Total	Minority	White	Female
14	50%	50%	43%
5	20%	80%	20%
Average Salary - Executive Staff	\$75,257	\$101,169	\$143,500
Median Salary - Executive Staff	\$75,257	\$90,998	\$143,500

Employment Levels*

Budgeted	Approved	Filled
15	15	14
0	0	0
6	6	5

Contracts Summary*

	FY09	FY10	FY11	FY12	FY13	FY14*
Total amount of contracts	\$42,502	\$3,453,425	\$848,085	\$2,488,601	\$1,841,517	\$1,602,471
Total amount to M/W/DBE	\$21,250	\$528,552	\$205,773	\$696,030	\$598,456	\$441,156
Participation Rate	50%	15%	24%	28%	32%	28%

*As of December 2013

OFFICE OF THE CITY TREASURER PERFORMANCE, CHALLENGES AND INITIATIVES

DEPARTMENT PERFORMANCE (OPERATIONS)

Debt Cost Savings: The Treasurer's Office ("CTO") seeks to reduce debt service and related costs by refunding bonds, negotiating lower letter of credit costs, and improving market pricing. Each year the savings are measured versus appropriate benchmarks. General Fund debt service cash flow savings were \$14.4 million in FY 13 and \$17.0 million in FY 14 and transactions executed will produce General Fund savings (over the entire term of the transactions) of \$44.0 million for issuances completed in FY13 and \$8.7 million for issuances completed in FY14. Those savings are reflected in the five year plan. Airport, Water and PGW debt service cash flow savings were \$8.3 million in FY13 and 11.4 million in FY14, and executed transactions produced savings (over the entire term of the transactions) of \$14.6 million in FY13 and \$10.9 million in FY14. As part of its efforts to make the City more attractive to potential investors, the Treasurer's Office held the City's first ever Investor Conference, attracting over 100 attendees, including more than 40 institutional investors to the City.

Treasury Operations Savings: The Treasurer's Office has obtained reductions in banking costs of over \$120,000 per year. Beginning in calendar year 2014, the City will enter into competitively procured contracts that are estimated to save approximately \$400,000 per year in bank fees. Working with the Board of Pensions and Retirement, CTO raised the percentage of pension checks going through Direct Deposit to 90.3% (from 87% in FY11). CTO recovered over \$435,000 of unclaimed money from the Commonwealth, and opened lockboxes to facilitate the collection of delinquent revenues.

Management Accomplishments: CTO successfully procured, tested and onboarded a networked Debt Management system, substantially improving analytical capabilities and mitigating risk. In addition, we lead the effort to obtain further General Obligation rating upgrades, after S&P upgrades from "BBB+" to "A-" in June 2013, and to "A+" in December 2013, leading to over \$10 million in lifetime estimated interest cost savings on new money already issued. The City now has all A-category ratings for the first time since the 1970s.

DEPARTMENT CHALLENGES

Like many other city departments, we face challenges related to limited resources, older technology and the high rate of upcoming retirement in FY15. In addition, challenges include low interest rates (which hinder investment performance) and other market risks, cost of banking fees; and a projected decline in City's fund balance that may increase TRAN borrowing costs and may impact other planned savings.

STAFFING LEVELS

CTO currently has 14 employees, whose salaries account for 84% of the departmental budget. CTO is also in the process of hiring a new Deputy Treasurer for banking and investments.

CTO hired 1 person this year. He is male, African-American and not bilingual.

PAST INITIATIVES

Please see "Department Performance" tab above. In addition, I'd like to highlight the new Debt Management software as a completed initiative that will greatly improve the City's efficiency in managing its debt portfolio. This new software greatly increases not only CTO's ability to perform analysis on the existing portfolio, it also greatly enhances the capabilities of the Sinking Fund Commission to monitor debt levels, ensure timely payment of debt service and provide a powerful analytical tool for all users, including not only CTO and Sinking Fund, but also Finance and the enterprise funds (Airport, Water, PGW). The software replaced a system that was over 20 years old, extremely cumbersome, and incomplete. The new software cost \$105,000, with conversion costs of \$35,000 and ongoing maintenance and licensing costs of \$35,000. These costs were borne by OIT and the various user

departments of the City, and we expect this software will remain useful for the foreseeable future (at least the next 10-15 years).

CURRENT AND NEW INITIATIVES

CTO's overall concerns and goals lie in transition planning as well as seeking to use technology and management coaching to improve existing staff productivity. Specific examples of our current and new initiatives include:

Debt Management/Sinking Fund

- Planned Bond/Debt Transactions:
 - Continuous 2014 – Airport commercial paper issuance
 - Jan 2014 – Water – refunding for savings
 - Feb 2014 – GO – refunding for savings
 - Feb 2014 – PGW – capital commercial paper financing
 - April 2014 – procure new Letters of Credit for PAID 2007B-1 and B-3
 - April/May 2014 – 4601 Market – new money (initial financing)
 - Late 2014 – Water – new money
 - Late 2014 – Airport – new money/commercial paper takeout
 - Late 2014 – Airport – prepare for CONRAC financing
- Work in concert with Budget and Finance to develop a Fund Balance Policy for the City
- Revamp the Debt Policy to include updating refunding criteria and cover new municipal advisor rules
- If the City's financial condition permits, continue to drive the City's borrowing costs down through improvements to credit and marketing, and wider distribution to investors
- Continue implementation of networked Debt Manager Software, specifically:
 - Increase utilization of Debt Manager throughout linked City departments (Treasury, Accounting, Airport, Water, PGW)
 - Continue to parallel-run Debt Manager with former databases through end of FY14 to ensure quality control
 - Establish and maintain a user group of internal (City) users with bi-monthly meetings
 - Investigate external user groups
- Continue to develop post-issuance compliance database of all City bond-financed projects.
- Support the potential sale efforts for PGW

Investment and Cash Flow

- Implement a networked Treasury Management System to manage investments, cashflows and bank accounts
- Maintain recently-enhanced monthly Cash Flow meeting with outside cash managers to manage investment duration and monitor liquidity levels
- Update the City's Investment Policy
- Select money managers from recently-advertised RFP and standardize money manager reports

Banking and Disbursement

- All banking relationships under contract for first time ever, including implementation of recommended changes to banking services.
- Implement Check 21 processing for Revenue at MSB Concourse payment center
- Seek a paperless environment, reducing number of checks issued, enrolling greater percentages of pensioners and employees onto Direct Deposit (and converting those pay stub records to electronic copies), storing pension register on SharePoint, and enrolling incoming payments into ACH
- Post unclaimed monies list to CTO website and allow claims to be completed electronically
- RFP the depository lending study, and RFI to all depository vendors; continue to add authorized depositories

- Finalize payroll and Neighborhood Funding Stream (Empowerment Zone Endowment) banking services contracts
- Continue to monitor and implement Sandy Hook Principles

CONTRACTING EXPERIENCE

M/W/DBE Participation on Large Contracts

FY14 Contracts

Vendor	Service Provided	Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RFP	% of M/W/DBE Participation Achieved	\$ Value of M/W/DBE Participation	Total % and \$ Value Participation - All DSBEs	Living Wage Compliant?
Econsult Corporation	Lending report of City Authorized Depositories	\$41,000	09/27/10	12/15/10	MBE:	50%	\$ 20,500		Yes
					WBE:	%		50%	
					DSBE:	%	\$	20,500	
PFM Asset Management LLC	Arbitrage Calculation Provider	\$22,500	08/29/11	07/01/12	MBE:	%		0%	Yes
					WBE:	%			
					DSBE:	%			
Swap Financial Group	Swap Advisor	\$15,000	07/02/12	01/01/13	MBE:	%		0%	Yes
					WBE:	%			
					DSBE:	%			
SS&C Technologies Inc	Debt Management Software	\$8,875	07/02/12	12/01/12	MBE:	%		0%	Yes
					WBE:	%			
					DSBE:	%			
		\$							

DEPARTMENT EMPLOYEE DATA

Staff Demographics

Full-Time Staff

Executive Staff

	Male	Female	Male	Female
Total	8	6	4	1
% of Total	57%	43%	80%	20%
	African-American	African-American	African-American	African-American
Total	2	3	1	0
% of Total	14%	21%	20%	0%
	White	White	White	White
Total	4	3	3	1
% of Total	29%	21%	60%	20%
	Hispanic	Hispanic	Hispanic	Hispanic
Total	0	0	0	0
% of Total	0%	0%	0%	0%
	Asian	Asian	Asian	Asian
Total	2	0	0	0
% of Total	14%	0%	0%	0%
	Other	Other	Other	Other
Total	0	0	0	0
% of Total	0%	0%	0%	0%
	Bi-lingual	Bi-lingual	Bi-lingual	Bi-lingual
Total	3	0	1	0
% of Total	21%	0%	20%	0%