

**OFFICE OF THE DIRECTOR OF FINANCE
FISCAL YEAR 2023 BUDGET TESTIMONY
APRIL 6, 2022**

INTRODUCTION

Good morning, President Clarke and Members of City Council. I am Rob Dubow, Finance Director. Joining me today are Cat Lamb, First Deputy Finance Director and Elizabeth Hanley, Deputy Finance Director for Administration, Development and Training. I am pleased to provide testimony on the Office of the Director of Finance's Fiscal Year 2023 Operating Budget.

DEPARTMENT MISSION & PLANS

Mission: Finance strives to ensure that the City maintains long-term fiscal stability while meeting its policy goals. It does this by overseeing the City's financial, accounting, and budgetary functions, including establishing fiscal policy guidelines, overseeing the City's budget and financial management programs, adding financial capacity throughout the government, and recording and accounting for 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.

Plans for Fiscal Year 2023: The various divisions of Finance will undertake the following in FY23:

- Continue to support the City's response to the COVID-19 pandemic by ensuring that funding is secured for City operations and response efforts while working to optimize the programmatic use of stimulus funds. The City has received over \$1.7B in federal, state and local recovery funding to date to assist with new costs arising from the pandemic. We have invested over \$248M to help people stay in their homes and over \$140M to support nonprofits and small businesses impacted by the pandemic. We anticipate receiving an additional \$700M under the American Rescue Plan (ARP), plus additional targeted support. The ARP funds have been built into the Five Year Plan to help cover some of the City's revenue losses related to the pandemic. We will also work with colleagues across the City to ensure that we are able to maximize the infrastructure dollars that come to Philadelphia in the coming years, following the adoption of the Infrastructure Investment and Jobs Act last fall.
- Work with the Mayor's Office and City Council to ensure that the School District of Philadelphia has the appropriate level of funding and increase support to the Community College of Philadelphia (CCP) through the continued expansion of the Octavius Catto Scholarship in order to boost college graduation and transfer rates among CCP students.
- Work with colleagues in the Treasurer's Office and within Finance to maintain at least the City's "A" category ratings for its General Obligation (GO) debt from all three major rating agencies (rated A2 by Moody's, A by Standard & Poor's and A- by Fitch).
- Improve residents' understanding of City budgets and continue to monitor revenues and expenditures carefully with the long-term goal of achieving a healthier fund balance while being responsive to planned and unplanned funding needs. Ensuring that budget information is more accessible to residents, particularly marginalized communities, will continue to be a priority for FY23.

- Continue to strive for excellence in financial reporting, including receipt of the GFOA Certificate of Achievement for Excellence in Financing Reporting for the 42nd year; implement reporting practices in the City's 2022 financial statements in compliance with Governmental Accounting Standards Board (GASB) requirements; update the City's Standard Accounting Procedures (SAPs); and increase the number of vendors receiving payment through electronic means.
- Keep Project OPAL on track by contracting for implementation support to complete the technical readiness and planning phases of the project, setting the City up to enter the design phase in FY23.
- Continue to work with OPA, providing project management and business analysis support for the final implementation phases of the CAMA system, which went live in early 2020. In addition, work with Council on appropriate relief measures in response to increases in assessments.
- Continue efforts to reduce the number and severity of worker injuries through improved worker safety while managing cost and returning employees to normal or light duty work as soon 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.

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 \$14,722,055, an increase of \$1,046,001 over Fiscal Year 2022 estimated obligation levels. This increase is due primarily to the addition of funds to support contracted and non-represented and exempt wage increases; increased insurance costs as the insurance market continues to harden; and added professional services support for Accounting and Risk Management.

The proposed budget includes:

- \$10,718,490 in Class 100, a \$403,165 increase over \$10,315,325 in FY22. This increase is driven primarily by employee wage increases.
- \$3,964,949 in Class 200, a \$649,836 increase over \$3,315,113 in FY22. This increase will support increased insurance costs as the insurance market continues to harden, along with added professional services support for Accounting and Risk Management.
- \$38,616 in Class 300/400, a \$7,000 decrease from \$45,616 in FY22. This is the net amount from a one-time increase in FY22 that was used to purchase IT equipment for virtual work.

STAFFING LEVELS

The department is requesting 134 budgeted positions for FY23, an increase of 2 positions over FY22 budgeted levels. These positions will enable Finance to sustain core operations in FY23.

NEW HIRES

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

PERFORMANCE, CHALLENGES, AND INITIATIVES

Executive Direction

Performance Measure	FY21 Year-End	FY22 Target	FY23 Target
Grants: Total competitive grant dollars awarded to the City of Philadelphia and to partner agencies (where supported by the Office of Recovery and Grants)	\$97.3M	≥ FY21 Actual	≥ FY22 Actual
Grants: Total dollar amount reimbursed through FEMA for COVID-19 related emergency protective measures	\$3.9M	≥ FY21 Actual	≥ FY22 Actual
Executive Direction: Maintain or improve credit ratings	A2, A, A-	"A" category rating	"A" category rating

Program FY23 Strategic Goals

- Keep Project OPAL on track by contracting for implementation support to complete the technical readiness and planning phases of the project, setting the City up to enter the design phase in FY23.
- Pursue additional grant funding to assist the City with its recovery from COVID-19; support key City stakeholders in maximizing the City's share of funds from the Infrastructure Investment and Jobs Act; work to ensure compliance with all grants and funding sources while also optimizing the programmatic use of funds; and maximize the City's reimbursements from the Federal Emergency Management Agency (FEMA).

Accounting Bureau

Performance Measure	FY21 Year-End	FY22 Target	FY23 Target
Percentage of new GASB pronouncements implemented by required date	100.0%	100%	100%
Percentage of paid vendors enrolled in ACH automatic payments	66%	75%	80%

Program FY23 Strategic Goals

- Produce an ACFR that meets the standards required to receive the Certificate of Achievement for Excellence in Financial Reporting from GFOA for the 42nd consecutive year.
- To improve the City's financial management systems and processes, continue to fully engage in Project OPAL, working with the OPAL team on the design of the new system, in particular the Chart of Accounts, a key building block of an accounting system.
- Continue hosting regular meetings with departmental finance staff to train and update them on proper internal controls and standard accounting procedures.

Budget Office

Performance Measure	FY21 Year-End	FY22 Target	FY23 Target
Percent change in the total dollar amount of General Fund revenue (actual) compared to budget (adopted)	2.6%	0 to 1%	0 to 1%
Percent of capital dollars unspent after 6 years (General Obligation only)	14.4%	<10%	<10%
Percent change in the total dollar amount of General Fund expenditures (actual) compared to budget (adopted)	-1.5%	-1 to 0%	-1 to 0%
Ratio of actual unreserved General Fund fund-balance to actual General Fund revenue	6.4%	6 to 8%	6 to 8%

Program FY23 Strategic Goals

- Facilitate efficient, effective, and equitable delivery of City services by developing and monitoring operating and capital budgets that convert available resources into positive outcomes for all Philadelphians. 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.
- 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 remains tricky with the uncertainty faced by the City due to the economic impacts of the coronavirus. The goal of improving the City's short-term fiscal resilience, bond ratings, and fiscal flexibility in the future will remain a focus of the Budget Office in FY23.
- Improve residents' understanding of City budgets. Ensuring that budget information is accessible to residents, particularly marginalized communities, is a priority for FY23 and will include improved design and expanded distribution of budget information with a focus on equity, digital access, disability access, and language access. The Budget Office will continue to produce infographics, videos, and blog posts.

Finance Program Management Office

Performance Measure	FY21 Year-End	FY22 Target	FY23 Target
Percent complete of CAMA implementation schedule	75%	Complete CAMA Project Phase 2 and Phase 3 (100%)	Complete Project Phase 2 and Phase 3 (100%)
Major projects for which FPMO delivers on a solution that meets or exceeds business owners' needs	Completed COVID-19 Recovery support projects; substantially completed OPA data quality project	Complete development of Fiscal Staff 101 Training Series	Complete additional OPA data quality projects and the implementation of the Treasury Management System (TMS)

Program FY23 Strategic Goals

- In FY23, the FPMO will continue to work with OPA to further implement post-launch CAMA functionality and processes to support modernizing ongoing operations, including data quality initiatives, and establishing release management cycles for any new functionality released by the vendor for the CAMA system.

Risk Management

Performance Measure	FY21 Year-End	FY22 Target	FY23 Target
Average number of police and firefighters on no duty	660	693	800
Number of employee injuries	2,832	A reduction from FY21	A reduction from FY22
Settlement cost for closed claims (in millions of dollars)	\$0.403	\$0.90	\$0.70

Program FY23 Strategic Goals

- Continue to implement best practices to improve the City's recovery process with the goal of increasing the amount of dollars recovered from the insurers of third parties involved in a claim against the City, such as vehicle crashes damaging City cars or equipment, streetlights, signs or traffic signals.
- Strengthen the quality of Risk's handling of third-party claims against the City by continuing to collaborate with tort litigation partners. This includes resolving investigations more rapidly,

reviewing files for quality, establishing and following best practice guidelines, and ensuring that there is oversight of claims where Risk only receives limited loss information.

- Increase recovery efforts from third parties involved in the claim by partnering with the Law Department on more aggressive recovery efforts (i.e., filing suit as needed).
- Continue to develop comprehensive insurance and risk management protections for the City's Rebuild projects as Rebuild continues to expand.

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

To date, we have received over \$1.7B in federal, state and local recovery funding to date to assist with new costs arising from the pandemic. We have invested over \$248M to help people stay in their homes and over \$140M to support nonprofits and small businesses impacted by the pandemic. We anticipate receiving an additional \$700M under the American Rescue Plan (ARP), plus additional targeted support. These funds have been built into the Five Year Plan to help cover some of the City's revenue losses related to the pandemic.

We will also work with colleagues across the City to ensure that we can maximize the infrastructure dollars that come to Philadelphia in the coming years, following the adoption of the Infrastructure Investment and Jobs Act last fall.

CONTRACTING EXPERIENCE

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

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.**

The Language Access Coordinator for the Office of the Director of Finance is Dung Nguyen.

The last training held for public-facing staff in Finance was in February of 2021.

A copy of Finance's language access plan can be found [here](#).

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

The following languages are self-identified among Finance employees:

	American Sign Language	Cantonese	Gujarati	Hindi	Kannada	Malayalam	Mandarin	Marathi	Spanish	Tulu	Urdu	Vietnamese	Yoruba
Asian		1	1	3	1	3	1	1		1	2	2	
Black/African American													1
Hispanic/Latino									4				
White	1												
Total	1	1	1	3	1	3	1	1	4	1	2	2	1

**Data includes active employees in Finance as of March 2022 who self-identified as speaking a language other than English.*

In February of 2021, the Office of Immigrant Affairs held a language access training for 16 front-line staffers in Risk Management.

- 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.**

From July 1, 2021 through the end of February 2022, Finance requested and obtained telephonic interpretation for a total of 8 phone calls in Spanish (6 calls) and in Arabic (2 calls), for a combined total of 66 minutes. This does not count any calls that came

through 311, as those calls would be counted under 311's telephonic interpretation figures.

Below is a table outlining usage by service for Finance:

Service	Usage (7/1/21- 2/28/22)	Arabic	Chinese (simplified)	French	Spanish	Vietnamese
In-person interpretation	None					
Telephone interpretation	8 phone calls	2			6	
Video remote interpretation¹	4 Zoom calls		4	3	3	3
Document translation¹	8 documents	1	2	1	8	1

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

For FY23, the Budget Office replaced the FY22 community engagement survey with more focus group sessions designed to be demographically representative and a town hall with Mayor Kenney and members of his Administration. This approach allowed for deeper engagement and better reflected all Philadelphians preferences and priorities. The Budget Office held 21 budget engagement sessions with nearly 500 community members and City employees. These sessions included a virtual budget town hall, nine community focus groups, six City employee focus groups, and five grasstop focus groups. And, allowed participants to learn more about the budget process and share their priorities, preferences, and concerns for the upcoming budget cycle. The town hall, which was held on January 27th, was hosted in English and had live interpretation for Spanish, Mandarin, and French (Vietnamese was planned but due to technical issues was not able to be interpreted). Additionally, the Budget Office hosted nine community budget focus groups and invited 180 individuals to participate. Focus group members were advised that translation services would be available during the session. However, only one session utilized a Mandarin interpreter based on a community member's request. Outreach for public engagement in the FY23 budget process was done in English and Spanish in the form of a blog post, press release, social media toolkit, and flyers.

¹ Zoom calls and document translations are often made available in multiple languages per document. Thus, the total counts of Zoom calls and documents translated are less than the sums across the languages listed in those rows.

Additionally, in October 2021, as part of the City's Tax Reform process, City staff convened two public meetings to “demystify” the City’s taxes and issued a survey to gauge Philadelphians' tax preferences. The public meetings were held on October 20th and 23rd and featured live language interpretation in Spanish, French, Vietnamese, and Chinese. Recordings of the meeting from October 23rd are available on the Department of Revenue’s YouTube channel in English and Spanish. The survey was available in English, Spanish, Simplified Chinese, Vietnamese, and French and it could be completed online or by phone using Philly311.

Lastly, the FY23-27 Five Year Plan’s supplemental budget documents were translated in Spanish, Swahili, Arabic, Russian, Portuguese, Haitian Creole, Simplified Chinese, Vietnamese, and French to reach a diverse and wide audience.

CLIMATE CHANGE

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

The potential impact of climate change is largely responsible for projected increases in City insurance premiums, as the insurance market has hardened 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 also need to consider how to make more funding available for capital improvements, such as roof and building envelope repairs.

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

Finance will continue to work with departments to make sure we have the appropriate insurance 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. Finance will continue to monitor and respond to these types of inquiries.

1. Staff Demographics Summary

Staff Demographics Summary (as of December 2021)				
	Total	Minority	White	Female
Number of Full-Time Staff	116	85	31	83
Number of Exempt Staff	43	28	15	33
Number of Executive Staff (deputy level and above)	15	9	6	11
Average Salary, Full-Time Staff	\$82,314	\$78,397	\$93,053	\$78,012
Average Salary, Exempt Staff	\$103,515	\$102,662	\$105,108	\$99,234
Average Salary, Executive Staff	\$138,921	\$133,084	\$147,676	\$138,343
Median Salary, Full-Time Staff	\$74,374	\$73,800	\$89,116	\$70,000
Median Salary, Exempt Staff	\$103,000	\$103,152	\$92,700	\$91,350
Median Salary, Executive Staff	\$136,500	\$133,250	\$147,000	\$136,500

2. Employment Levels

Employment Levels (as of December 2021)		
	Budgeted	Filled
Number of Full-Time Positions	134	116
Number of Part-Time Positions	0	0
Number of Exempt Positions	55	43
Number of Executive Positions (deputy level and above)	16	15
Average Salary of All Full-Time Positions	\$81,675	\$82,314
Median Salary of All Full-Time Positions	\$77,416	\$74,374

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	\$10,312,396	\$9,293,924	\$10,185,891	\$10,315,325	\$10,718,490	\$403,165
Class 200 - Purchase of Services	\$2,626,660	\$2,714,841	\$3,475,113	\$3,315,113	\$3,964,949	\$649,836
Class 300/400 - Materials, Supplies & Equipment	\$35,616	\$24,386	\$35,616	\$45,616	\$38,616	(\$7,000)
	\$12,974,672	\$12,033,151	\$13,696,620	\$13,676,054	\$14,722,055	\$1,046,001

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]
PMA Management	Employee Disability Program	\$7,123,156	11/20/2017	7/1/2021	MBE: 15-20%	12%	\$878,997	12%	\$878,997	No	No
					WBE: 10-15%	0%	\$0				
					DSBE: Best effort	0%	\$0				
Tetra Tech	Consulting and Grants Mgmt	\$4,116,101	N/A	6/1/2021	MBE: Best effort	20%	\$823,220	20%	\$823,220	No	No
					WBE: Best effort	0%	\$0				
					DSBE: Best effort	0%	\$0				
Bio – Care	Medical Examination Program	\$1,665,000	10/6/2017	7/1/2021	MBE: Best effort	0%	\$0	0%	\$0	No	No
					WBE: Best effort	0%	\$0				
					DSBE: Best effort	0%	\$0				
Lawton Associates	Risk Mgmt Services	\$990,000	3/12/2018	7/1/2021	MBE: 25-30%	100%	\$990,000	100%	\$990,000	Yes	No
					WBE: 25-30%	0%	\$0				
					DSBE: Best effort	0%	\$0				
Various (9 vendors)	Legal services related to City's Employee Disability/Worker's Compensation Program	\$6,050,000	Various	Various	MBE: 15-20%	29%	\$1,732,720	29%	\$1,732,720	Yes	No
					WBE: 15-20%	0%	\$0				
					DSBE: Best effort	0%	\$0				

6. Participation Rate and Goal

The Contracts Summary table is for **professional services contracts only**.

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	\$16,826,946	\$18,047,367	\$20,610,198	\$16,439,875	\$18,000,000	\$10,201,656
Total amount to M/W/DSBE	\$6,112,572	\$6,657,272	\$6,090,000	\$5,753,956	\$5,400,000	\$1,894,747
Participation Rate	36%	37%	30%	35%	30%	19%

****For FY21 actuals - Excluding the PeopleShare contract, which is a City Commissioners contract, our participation rate was 33%.**

**** For FY22 end of year - we expect our percentage to increase during the second half of FY22 to reach our FY22 goal - as of 3/31/2022 we are at 31%.**

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	30%	30%	30%

7. Staff Demographics

Totals in this table should tie out to numbers in tables 1 and 2 above.
Biracial employees should be included under "Other."
The number of employees who identify as non-binary (i.e. employees who do not identify as either female or male) should be included in the text box below the table, along with salary detail.

Staff Demographics (as of December 2021)					
Full-Time Staff			Executive Staff		
Male		Female	Male		Female
African-American		African-American	African-American		African-American
Total	10	46	Total	3	3
% of Total	9%	40%	% of Total	20%	20%
Average Salary	\$87,588	\$70,582	Average Salary	\$132,097	\$128,250
Median Salary	\$78,407	\$67,127	Median Salary	\$132,461	\$133,250
White		White	White		White
Total	12	19	Total	1	5
% of Total	10%	16%	% of Total	7%	33%
Average Salary	\$96,559	\$90,838	Average Salary	\$165,741	\$144,063
Median Salary	\$93,590	\$75,748	Median Salary	\$165,741	\$136,500
Hispanic		Hispanic	Hispanic		Hispanic
Total	1	5	Total	0	0
% of Total	1%	4%	% of Total	0%	0%
Average Salary	\$116,578	\$70,102	Average Salary	n/a	n/a
Median Salary	\$116,578	\$73,800	Median Salary	n/a	n/a
Asian		Asian	Asian		Asian
Total	9	12	Total	0	3
% of Total	8%	10%	% of Total	0%	20%
Average Salary	\$92,553	\$88,959	Average Salary	n/a	\$138,904
Median Salary	\$75,942	\$90,300	Median Salary	n/a	\$152,250
Other		Other	Other		Other
Total	1	1	Total	0	0
% of Total	1%	1%	% of Total	0%	0%
Average Salary	\$89,241	\$84,278	Average Salary	n/a	n/a
Median Salary	\$89,241	\$84,278	Median Salary	n/a	n/a
Bilingual		Bilingual	Bilingual		Bilingual
Total	3	12	Total	0	2
% of Total	3%	10%	% of Total	0%	13%
Average Salary	\$63,265	\$80,332	Average Salary	\$0	\$130,706
Median Salary	\$65,283	\$74,756	Median Salary	\$0	\$130,706
Male		Female	Male		Female
Total	33	83	Total	4	11
% of Total	28%	72%	% of Total	27%	73%
Average Salary	\$93,133	\$78,012	Average Salary	\$140,508	\$138,343
Median Salary	\$89,116	\$70,000	Median Salary	\$143,146	\$136,500
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	Spanish
Asian	1	
Hispanic or Latino	1	1
White	1	
Total	3	1

Detail for new hires since December 2021, if applicable: one white female