

**OFFICE OF THE DIRECTOR OF FINANCE  
FISCAL YEAR 2016 BUDGET TESTIMONY  
APRIL 8, 2015**

---

**EXECUTIVE SUMMARY**

DEPARTMENT MISSION AND FUNCTION

The Office of the Director of 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. The proposed budget for the Office of the Director of Finance supports a number of departmental divisions, including: Executive Direction, which is comprised of the Administrative Services Center, the Contracting Unit, the Mayor's Office of Grants, the Administrative Systems Modernization project (OnePhilly), and the Bureau of Administrative Adjudication; the Office of Budget and Program Evaluation; the Accounting Bureau; the Office of Administrative Review; Risk Management; and the Office of Property Data. Joining me here today are representatives from these divisions who are available to answer your questions.

PROPOSED BUDGET HIGHLIGHTS/FUNDING REQUEST

The FY16 budget, as proposed, provides the necessary funding for the Office of the Director of Finance to accomplish its objectives.

The FY16 general fund budget, as proposed for the Office of the Director of Finance, totals \$1,327,356,488, an increase of \$50.3 million over FY15 estimated obligation levels. That increase is caused by a \$50.5 million increase in fringe benefit costs, including a \$35.6 million increase in pension costs and an increase of \$14.9 million in other fringe benefit costs; a decrease of \$180,233 in Class 100 salary costs; a decrease of \$1.09 million in Class 200 costs; and an increase of \$1.09 million in Class 500 costs. Direct general fund appropriations proposed for the Finance Department's core budget are \$13,283,655, a decrease of \$1,265,233 over FY15 estimated obligation levels in Class 100 and Class 200 as mentioned above. The Finance Department's proposed budget includes:

1. \$1,180,984,315 in Class 100 funds, an increase of \$50.3 million over estimated FY15 obligation levels. This funding will compensate 183 full-time Finance Department employees and fund fringe benefits for all City of Philadelphia General Fund employees. The \$50.3 million increase is a result of a \$35.6 million increase in Pension costs, a \$14.9 million increase in other fringe benefit costs, and a \$180,233 decrease in the proposed \$8,801,920 core budget.
2. \$4.5 million in Class 200 funds, a decrease of \$1.09 million from the FY15 estimated obligation level. This decrease is the result of both a decrease in Professional Services contracts and the transfer of the expense for Excess Workers' Compensation insurance to Class 187 where all other Employee Benefit Workers' Compensation costs are funded.
3. \$110,774 in Class 300/400 funding for materials, supplies and equipment, unchanged from FY15 estimated obligations.
4. \$141.7 million in Class 500 funds for contributions, an increase of \$1.09 million. This includes the City's \$69.2 million contribution to the School District, an increase of \$74,373 over the FY15 level; \$30.3 million for Community College of Philadelphia, an increase of \$3.4 million over the FY15 level; \$4 million to fund City contributions to various organizations, a decrease of \$725,000 from the FY15 level; and \$38 million to fund indemnities, a decrease of \$1.7 million over the FY15 estimated obligation level.

**Financial Summary by Class - General Fund**

	Fiscal 2014 Actual Obligations	Fiscal 2015 Original Appropriations	Fiscal 2015 Estimated Obligations	Fiscal 2016 Proposed Appropriations	Difference FY16-FY15
Class 100 - Employee Compensation	\$1,203,929,766	\$1,826,250,303	\$1,130,641,173	\$1,180,984,315	\$50,343,142
Class 200 - Purchase of Services	\$5,206,359	\$5,302,479	\$5,627,479	\$4,542,479	(\$1,085,000)
Class 300 - Materials and Supplies	\$68,095	\$95,158	\$95,158	\$95,158	\$0
Class 400 - Equipment	\$39,257	\$15,616	\$15,616	\$15,616	\$0
Class 500 - Contributions	\$144,852,416	\$134,629,507	\$140,629,507	\$141,718,880	\$1,089,373
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
<b>TOTAL</b>	<b>\$1,354,095,893</b>	<b>\$1,966,293,063</b>	<b>\$1,277,008,933</b>	<b>\$1,327,356,448</b>	<b>\$50,347,515</b>

**Staff Demographics Summary (as of February 2015)**

	Total	Minority	White	Female
Full-Time Staff	174	106	68	112
Executive Staff	26	11	15	17
Average Salary - Executive Staff	\$105,582	\$90,830	\$116,400	\$104,545
Median Salary - Executive Staff	\$101,700	\$89,010	\$112,453	\$98,751

**Employment Levels (as of February 2015)**

	Budgeted	Filled
Full-Time Positions	183	174
Part-Time Positions	1	1
Executive Positions	26	26

**Contracts Summary (as of February 2015)**

	FY10	FY11	FY12	FY13	FY14	FY15
Total amount of contracts	\$8,615,255	\$12,921,223	\$13,931,823	\$27,067,370	\$16,732,149	\$14,864,006
Total amount to M/W/DBE	\$3,353,375	\$5,229,801	\$5,037,804	\$7,683,758	\$4,156,525	\$4,212,657
Participation Rate	39%	40%	36%	28%	25%	28%

## **PERFORMANCE, CHALLENGES AND INITIATIVES**

---

### DEPARTMENT PERFORMANCE (OPERATIONS)

Among the Office of the Director of Finance's operational highlights during the year were:

- Implementing changes to employee pay as a result of arbitration awards and collective bargaining agreements.
- Continuing the OnePhilly effort that will replace the current Human Resources, Payroll, Time & Attendance, Benefits, and Pensions systems, as well as the effort to implement a program based budgeting system.

### DEPARTMENT CHALLENGES

- The Office of the Director of Finance will continue to work with agencies throughout the government to maintain the City's fiscal stability and increase its financial strength despite the uneven economic recovery, the City's relatively high level of fixed costs, and the City's large unfunded pension liability.
- The relatively narrow fund balances in the five year plan will limit the City's financial flexibility and require an added emphasis on cash management.
- The Office of the Director of Finance will continue to work with the Mayor's Office of Education, the School District of Philadelphia, City Council, the Governor's Office and state legislators towards securing financial stability for the District.

### ACCOMPLISHMENTS & INITIATIVES

- The Office of the Director of Finance has maintained balanced annual and five year budgets through careful monitoring of all expenses and revenues. While governments around the country continued to face financial challenges since the recession, the City, through its five year planning process, has avoided one-time budget balancing actions and has made tough decisions necessary to bring relative stability to its finances. The City's strong budgeting practices were one factor leading to rating agency upgrades since FY08.
- The Accounting Division received the GFOA Certificate of Achievement for Excellence in Financial Reporting for the 34th consecutive year.
- The Budget Office received the GFOA Distinguished Budget Presentation Award for the second consecutive year. Last year was the first time the City received this award in 25 years.
- Achieved efficiencies through the use of enhanced electronic means and increased on-line offerings:
  - The Accounting Bureau has increased the use of electronic Automated Clearing House (ACH) payments in lieu of paper checks. Accounting was able to achieve a 90% participation rate for foster parents and grandparents on ACH electronic payments. Additionally, effective May 1, 2015, all exempt and non-represented employees will be required to receive their paychecks through direct deposit or a new pay card program. In addition to reducing check printing and postage costs, this is a more secure method of payment allowing funds to be deposited directly into bank accounts, immediate access to the recipient, and eliminating the potential for lost or stolen checks and any need to wait for replacement checks.
  - In April 2011, the Bureau of Administrative Adjudication (BAA) began the use of the web for scheduling in-person parking ticket hearings. The BAA now provides an opportunity for users to submit information for parking ticket disputes online rather than attending a hearing in person;
  - The City's eContract Philly website is now compatible with all versions of the three major web browsers – Internet Explorer, Chrome and Safari. Previously, visitors were limited to using only version 5 or higher of Internet Explorer.
  - OAR developed an online option to submit administrative review requests for code violation notices and false alarm violations. Additionally, customers can now make payments online

through the City website and submit administrative review filings via email or mail from an electronic download.

- The Tax Review Board transitioned to electronic transmission of monthly dockets and hearing schedules to reduce the use of paper and inter-office deliveries. Work is underway to make Tax Review Board formal opinions available to the public on-line, and to move to electronic storage and retention of Tax Review Board files.
- In large part due to the efforts of the Mayor's Office of Grants, which worked in cooperation with a number of agencies, Philadelphia is one of only two cities in the country that has been successful at receiving both a \$30 million Choice Neighborhoods (North Philadelphia) grant and a Promise Zone designation (West Philadelphia) place based grant from the federal government.
- As a result of implementing recommendations in the FTI Consulting report, in FY14, the City collected an additional \$17 million in revenues from the EMS Transport Fee, the Commercial Trash Fee, and the Police Department's Reimbursable Overtime Program. In FY15, the City will achieve cost savings from implementing FTI recommendations for a fuel hedging program and energy conservation initiative.
- From FY08 to present, Risk Management has contributed approximately \$18.5 million dollars to the City's General Fund through its Property Damage Subrogation Program (\$4 million) and the Employee Disability Program (\$14.5 million) by recovering costs from insured losses, reimbursed property damage or unfounded work related injury claims.

**STAFFING**

The charts below include demographic information, broken down by gender and race, for all departmental staff, as well as for senior staff only; gender and race of new departmental hires in fiscal year 2015; and information on the number of bilingual employees in the department.

**Staff Demographics (as of February 2015)**

<i>Full-Time Staff</i>			<i>Executive Staff</i>			<i>Newly-Hired Staff - FY15</i>		
	<b>Male</b>	<b>Female</b>		<b>Male</b>	<b>Female</b>		<b>Male</b>	<b>Female</b>
	<b>African-American</b>	<b>African-American</b>		<b>African-American</b>	<b>African-American</b>		<b>African-American</b>	<b>African-American</b>
<i>Total</i>	22	63	<i>Total</i>	4	4	<i>Total</i>	1	5
<i>% of Total</i>	12.6%	36.2%	<i>% of Total</i>	15.4%	15.4%	<i>% of Total</i>	7.7%	38.5%
	<b>White</b>	<b>White</b>		<b>White</b>	<b>White</b>		<b>White</b>	<b>White</b>
<i>Total</i>	31	37	<i>Total</i>	5	10	<i>Total</i>	3	2
<i>% of Total</i>	17.8%	21.3%	<i>% of Total</i>	19.2%	38.5%	<i>% of Total</i>	23.1%	15.4%
	<b>Hispanic</b>	<b>Hispanic</b>		<b>Hispanic</b>	<b>Hispanic</b>		<b>Hispanic</b>	<b>Hispanic</b>
<i>Total</i>	5	5	<i>Total</i>	0	2	<i>Total</i>	0	1
<i>% of Total</i>	2.9%	2.9%	<i>% of Total</i>	0.0%	7.7%	<i>% of Total</i>	0.0%	7.7%
	<b>Asian</b>	<b>Asian</b>		<b>Asian</b>	<b>Asian</b>		<b>Asian</b>	<b>Asian</b>
<i>Total</i>	2	5	<i>Total</i>	0	0	<i>Total</i>	0	1
<i>% of Total</i>	1.1%	2.9%	<i>% of Total</i>	0.0%	0.0%	<i>% of Total</i>	0.0%	7.7%
	<b>Other</b>	<b>Other</b>		<b>Other</b>	<b>Other</b>		<b>Other</b>	<b>Other</b>
<i>Total</i>	2	2	<i>Total</i>	0	1	<i>Total</i>	0	0
<i>% of Total</i>	1.1%	1.1%	<i>% of Total</i>	0.0%	3.8%	<i>% of Total</i>	0.0%	0.0%
	<b>Bi-lingual</b>	<b>Bi-lingual</b>		<b>Bi-lingual</b>	<b>Bi-lingual</b>		<b>Bi-lingual</b>	<b>Bi-lingual</b>
<i>Total</i>	5	10	<i>Total</i>	0	3	<i>Total</i>	0	1
<i>% of Total</i>	2.9%	5.7%	<i>% of Total</i>	0.0%	11.5%	<i>% of Total</i>	0.0%	7.7%
	<b>Male</b>	<b>Female</b>		<b>Male</b>	<b>Female</b>		<b>Male</b>	<b>Female</b>
<i>Total</i>	62	112	<i>Total</i>	9	17	<i>Total</i>	4	9
<i>% of Total</i>	35.6%	64.4%	<i>% of Total</i>	34.6%	65.4%	<i>% of Total</i>	30.8%	69.2%

**CONTRACTING**

The Office of the Director of Finance is committed to supporting the Administration’s FY16 goal of 30% minority, woman, and disabled-owned business (M/W/DSBE) participation in City contracting. For FY15 to date, the Office of the Director of Finance has an overall 28.3% participation rate in contracting opportunities for minority and female-owned businesses. Based on the availability of funding for contracting opportunities, the Office of the Director of Finance has a FY16 participation goal of 30%.

Included in this testimony is information regarding historical M/W/DBE participation, as well as participation rate information on the largest FY15 contracts in the Office of the Director of Finance’s budget, whether those contracts were awarded through a RFP, and if the service providers are in compliance with the living wage requirements.

**M/W/DBE Participation on Large Contracts  
FY15 Contracts**

Vendor	Service Provided	Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RFP	% of M/W/DBE Part. Achieved	\$ Value of M/W/DBE Participation	Total % and \$ Value Participation - All DSBEs	Living Wage Compliant?
Comp Services Inc.	Medical health care & claims and litigation management services related to employees who sustain service-connected injuries.	\$5,820,000	1/27/14	7/1/14	MBE: 15-17%	20%	\$1,148,000		
					WBE: 10-12%	3%	\$168,000	23%	Yes
					DSBE: Best efforts	0%	\$0	\$1,316,000	
XEROX State & Local Solutions	Administer & collect code violation & alarm fees	\$1,412,500	12/15/12	1/1/14	MBE: 20-25%	20%	\$282,500		
					WBE: 20-25%	0%	\$0	20%	Yes
					DSBE: Best efforts	0%	\$0	\$282,500	
CGI Technologies	Budget Formulation System	\$938,320	2/21/13	3/17/14	MBE and/or WBE:	0%	\$0		
					15-20%	0%	\$0	0%	Yes
					DSBE: Best efforts	0%	\$0	\$0	
Lawton Associates	Insurance and Risk Management Services	\$850,000	3/7/14	7/1/14	MBE and/or WBE:	100%	\$850,000		
					25-30%	0%	\$0	100%	Yes
					DSBE: Best efforts	0%	\$0	\$850,000	
Various	Legal services related to City's Employee Disability/Worker's Compensation Program	\$4,000,000	3/20/13	7/6/13	MBE and/or WBE:	38%	\$1,500,000		
					15-20%	0%	\$0	38%	Yes
					DSBE: Best efforts	0%	\$0	\$1,500,000	(8 of 8 firms)
Various (TBD in FY16)	Legal services related to City's Aviation Liability Insurance Program	\$1,000,000	1/24/11	10/1/11	MBE and/or WBE:	8%	\$75,000		
					15-20%	0%	\$0	8%	Yes
					DSBE: Best efforts	0%	\$0	\$75,000	(2 of 2 firms)