

**OFFICE OF THE DIRECTOR OF FINANCE
FISCAL YEAR 2022 BUDGET TESTIMONY
MAY 4, 2021**

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 Finance Director and Elizabeth Hanley, Deputy Finance Director for Administration, Development and Training. I am pleased to provide testimony on Finance's Fiscal Year 2022 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 2022: The various divisions of Finance will undertake the following in FY22:

- 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 \$800M in federal, state and local recovery funding to assist with new costs arising from the pandemic. We have invested over \$170M 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 \$1.4B under the American Rescue Plan (ARP), plus additional targeted support.
- 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 implementation of the Octavius Catto Scholarship, ensure that college graduation and transfer rates increase 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 accessible to residents, particularly marginalized communities, is a priority for FY22 and will include improved design and expanded distribution of budget information with a focus on infographics, plain language, and language access.
- Continue to strive for excellence in financial reporting, including receipt of the GFOA Certificate of Achievement for Excellence in Financing Reporting for the 41st year; implement reporting practices in the City's 2021 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.

- Continue to stabilize OnePhilly by streamlining help desk support and enhancing security features. 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 as planned 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.
- 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.

BUDGET SUMMARY & OTHER BUDGET DRIVERS

Please refer to attached FY22 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 2022 General Fund core Finance budget totals \$13,343,939, an increase of \$1,369,267 over Fiscal Year 2021 estimated obligation levels. This increase is primarily due to added funds for critical OnePhilly support positions, which are being transitioned from contracted positions to City positions (for a net savings to the City).

The proposed budget includes:

- \$9,869,056 in Class 100, a \$951,921 increase over FY21. This increase in funding will support critical OnePhilly support positions, which are being transitioned from contracted positions to City positions.
- \$3,439,267 in Class 200, a \$417,346 increase over FY21. This increase in funding will cover an increase in the City's insurance premiums, following the hardening of the insurance market.
- \$35,616 in Class 300/400, level funding with FY21.

STAFFING LEVELS




The department is requesting 133 budgeted positions for FY22, a decrease of 2 positions from the 135 budgeted positions from FY21. These positions will enable Finance to sustain core operations in FY22.

NEW HIRES

Please refer to attached FY22 Budget Hearing Summary Charts in section 8: New Hires Information.

PERFORMANCE, CHALLENGES, AND INITIATIVES

Executive Direction

Measure	 FY20 ACTUAL	 FY21 TARGET	 FY22 TARGET
Total competitive grant dollars awarded to the City of Philadelphia and to partner agencies (where supported by the Office of Recovery and Grants) ¹	\$64.2M	≥ FY20 Actual	≥ FY21 Actual
Total dollar amount reimbursed through FEMA for COVID-19 related emergency protective measures ²	\$0	TBD	TBD
Maintain or improve credit ratings	A2, A, A-	"A" category rating	"A" category rating




¹Competitive grants are defined as grants in which the City competes with other applicants for funding. These grants are different from formula grants, which are distributed to a pre-determined set of grantees based upon a formula. The Biden Administration has indicated that it will pursue additional stimulus funds, and the City anticipates the federal government may make additional, federal competitive grant opportunities available that align to the new administration’s policy goals.

²The City has incurred a number of costs related to its pandemic response and recovery that may be eligible for reimbursement through FEMA Public Assistance. Note that reimbursements will be reflected in the fiscal year when they are received, rather than in the fiscal year when the costs were originally incurred. Because the City and its consultants are still reviewing costs and potential funding sources and determining eligibility, projections for reimbursement in FY21 and FY22 are listed as “TBD.”

Program FY22 Strategic Goals

- 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 and policy goals.
- Continue to stabilize OnePhilly by streamlining help desk support, simplifying leave usage approvals, and enhancing security features.
- 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 as planned in FY23.
- Pursue additional grant funding to assist the City with its recovery from COVID-19 and work to ensure compliance with all existing grants and funding sources while also optimizing the programmatic use of stimulus funds.




Accounting Bureau

Measure	 FY20 ACTUAL	 FY21 TARGET	 FY22 TARGET
Percentage of new GASB pronouncements implemented by required date	100%	100%	100%
Percentage of paid vendors enrolled in ACH automatic payments	64%	75%	75%

Program FY22 Strategic Goals

- Receive the Certificate of Achievement for Excellence in Financial Reporting from GFOA for the 41st consecutive year.
- Continue to fully engage in Project OPAL, helping to select an implementation partner with a strong background in government accounting, and work 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.
- Work with the office of the Chief Administrative Officer (CAO) to modify contracting and procurement practices to increase ACH automatic payment enrollment.
- Continue hosting regular meetings with departmental finance staff to train and update them on proper internal controls and standard accounting procedures.




Budget Office

Measure	 FY20 ACTUAL	 FY21 TARGET	 FY22 TARGET
Percent change in the total dollar amount of General Fund revenue (actual) compared to budget (adopted)	-1.9%	0 to 1%	0 to 1%
Percent change in the total dollar amount of General Fund expenditures (actual) compared to budget (adopted)	-0.4%	-1 to 0%	-1 to 0%
Ratio of actual unreserved General Fund fund-balance to actual General Fund revenue	6.0%	6 to 8%	6 to 8%
Total number of Mayoral departments participating in program-based budgeting	50	53	53

Program FY22 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 FY22.
- Improve residents’ understanding of City budgets. Ensuring that budget information is accessible to residents, particularly marginalized communities, is a priority for FY22 and will include improved design and expanded distribution of budget information with a focus on infographics, plain language, and language access.

Finance Program Management Office




Measure	 FY20 ACTUAL	 FY21 TARGET	 FY22 TARGET
Percent complete of CAMA implementation schedule	Complete CAMA Project Phase 1 (100%)	Complete CAMA Project Phases 2 and 3	N/A
Major projects for which FPMO delivers on a solution that meets or exceeds business owners' needs ¹	N/A	Complete business process improvement projects associated with COVID-19 Recovery	Complete development of Fiscal Staff 101 Training Series

¹ N/A in FY20 because FPMO was created in FY21. “Projects” are defined as major business analysis, business process redesign, and project management projects that have been completed (substantially, meaning at least 85% complete) within the reporting period. The two recovery-related business process improvement projects that will be completed by the end of FY21 include the following: grant opportunity tracker (which automates identification of possible COVID-19 recovery-related grants), and recovery resource request process (which formalized the process for departments to request resources).

Program FY22 Strategic Goals

In FY22, the Finance PMO will work with OPA to further implement post-launch CAMA functionality and processes to support modernizing ongoing operations.

Risk Management

Measure	 FY20 ACTUAL	 FY21 TARGET	 FY22 TARGET
Average number of police and firefighters on no duty	522	565	565
Number of employee injuries	2,736	A reduction from FY20	A reduction from FY21
Settlement cost for closed claims (in millions of dollars)	\$0.238	\$1.300	\$1.300

Program FY22 Strategic Goals

- Continue to develop comprehensive insurance and risk management protections for the City’s Rebuild projects as Rebuild expands.
- 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.
- Provide increased cross-training among Risk Management staff in different risk disciplines to enhance capacity.
- Strengthen the quality of Risk’s claims handling for 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 best practice guidelines, and ensuring that there is oversight of claims where Risk only receives limited loss information.

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

To date, we have received over \$800M in federal, state and local recovery funding to assist with new costs arising from the pandemic. We have invested over \$170M to help people afford to stay in their homes and over \$140M to support nonprofits and small businesses impacted by the pandemic. We anticipate receiving an additional \$1.4B under the American Rescue Plan (ARP), plus additional targeted support.

CONTRACTING EXPERIENCE

Please refer to attached FY22 Budget Hearing Summary Charts in section 4: Contracts Summary.

EMPLOYEE DATA

Please refer to attached FY22 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.**

Dung Nguyen, who speaks Vietnamese, is Finance's language access coordinator.

Finance's last department training was held on February 23, 2021.

Finance's language access plan is posted online at <https://www.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.**

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

Please refer to FY22 Budget Hearing Summary Charts section 8: New Hire Information/Language Access.

- 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, 2020 through mid-April 2021, Finance requested and obtained telephonic interpretation for 6 phone calls in Spanish (5 calls) and Russian (1 call), for a combined total of 85 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:

Service	Usage (7/1/20-4/19/21)
In-person interpretation	None
Telephonic interpretation	6 calls
Video remote interpretation	None
Document translation	None

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

Improved the content and access to budget materials for internal and external stakeholders, including launching the Five Year Plan in Four Pages and Seven Languages (the 547) and a FY22-27 Six Year Capital Program Infographic in the following languages; Arabic, Simplified Chinese, French, Russian, Spanish, and Vietnamese.

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 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 continue to 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. Finance will continue to monitor and respond to these types of inquiries.

1. Staff Demographics Summary

Staff Demographics Summary (as of December 2020)				
	Total	Minority	White	Female
Number of Full-Time Staff	118	85	33	85
Number of Exempt Staff	40	26	14	34
Number of Executive Staff (deputy level and above)	15	8	7	12
Average Salary, Full-Time Staff	\$77,657	\$77,626	\$84,674	\$76,711
Average Salary, Exempt Staff	\$92,521	\$89,807	\$101,658	\$86,978
Average Salary, Executive Staff	\$130,849	\$122,682	\$142,874	\$118,257
Median Salary, Full-Time Staff	\$69,444	\$67,935	\$88,200	\$78,366
Median Salary, Exempt Staff	\$91,500	\$90,000	\$93,100	\$87,665
Median Salary, Executive Staff	\$123,500	\$123,500	\$127,295	\$123,500

2. Employment Levels

Employment Levels (as of December 2020)		
	Budgeted	Filled
Number of Full-Time Positions	135	118
Number of Part-Time Positions	0	0
Number of Exempt Positions	49	40
Number of Executive Positions (deputy level and above)	15	15
Average Salary of All Full-Time Positions	\$75,892	\$77,657
Median Salary of All Full-Time Positions	\$71,825	\$69,444

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						
	FY20 Original Appropriations	FY20 Actual Obligations	FY21 Original Appropriations	FY21 Estimated Obligations	FY22 Proposed Appropriations	Difference: FY22- FY21
Class 100 - Employee Compensation	\$9,084,313	\$9,222,201	\$10,312,396	\$8,917,135	\$9,869,056	\$951,921
Class 200 - Purchase of Services	\$3,029,912	\$3,044,069	\$2,626,660	\$3,021,921	\$3,439,267	\$417,346
Class 300/400 - Materials, Supplies & Equipment	\$103,109	\$46,241	\$35,616	\$35,616	\$35,616	\$0
	\$12,217,334	\$12,312,511	\$12,974,672	\$11,974,672	\$13,343,939	\$1,369,267

FY Budget Hearing Summary Charts - Finance

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, FY21											
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	Employee Disability Program	\$7,120,300	11/20/2017	7/1/2020	MBE: 15-20%	16%	\$1,139,248	16%	\$1,139,248	No	No
					WBE: 10-15%	0%	\$0				
					DSBE: Best effort	0%	\$0				
Bio-Care Inc	Medical Examination Program	\$2,315,000	10/6/2017	7/1/2020	MBE: Best effort	0%	\$0	0%	\$0	No	No
					WBE: Best effort	0%	\$0				
					DSBE: Best effort	0%	\$0				
Lawton Associates	Insurance and Risk Mgmt Services	\$900,000	3/12/2018	7/1/2020	MBE: 25-30%	100%	\$900,000	100%	\$900,000	Yes	No
					WBE: 25-30%	0%	\$0				
					DSBE: Best effort	0%	\$0				
Tetra Tech	Consulting and Grants Mgmt	\$5,889,034	N/A	6/1/2020	MBE: Best effort	20%	\$1,177,807	20%	\$1,177,807	No	No
					WBE: Best effort	0%	\$0				
					DSBE: Best effort	0%	\$0				
PeopleShare	Temporary Staffing	\$2,000,000	N/A	10/12/2020	MBE: Best effort	0%	\$0	0%	\$0	Yes	No
					WBE: Best effort	0%	\$0				
					DSBE: Best effort	0%	\$0				

Non-Profit Vendor Demographics: N/A

5. Performance Measures Table

Please refer to the FY22 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)						
	FY18	FY19	FY20	FY21*	FY22	FY21 YTD (Q1 & Q2)
Total amount of contracts	\$15,321,173	\$16,826,946	\$16,355,698	\$27,047,732	\$16,439,875	\$12,324,198
Total amount to M/W/DSBE	\$6,168,809	\$6,112,572	\$6,504,572	\$9,466,782	\$5,753,956	\$2,014,643
Participation Rate	40%	36%	40%	35%	35%	16%

*Finance would be on track to hit its 35% OEO goal if not for two unanticipated contracts in FY21: the PeopleShare election staffing support contract (held by Finance on behalf of the City Commissioners) and the BioCare COVID-19 services contract.

Total M/W/DSBE Contract Participation Goal (Public Works; Services, Supplies & Equipment; and Professional Services combined)			
	FY20	FY21	FY22
M/W/DSBE Contract Participation Goal	35%	35%	35%

7. Staff Demographics

Biracial employees should be included under "Other."

Staff Demographics (as of December 2020)					
Full-Time Staff			Executive Staff		
	Male	Female		Male	Female
	African-American			African-American	
<i>Total</i>	11	47	<i>Total</i>	2	3
<i>% of Total</i>	9%	40%	<i>% of Total</i>	13%	20%
<i>Average Salary</i>	\$69,812	\$66,758	<i>Average Salary</i>	\$132,325	\$115,816
<i>Median Salary</i>	\$78,721	\$59,403	<i>Median Salary</i>	\$132,325	\$123,500
	White			White	
<i>Total</i>	13	20	<i>Total</i>	1	6
<i>% of Total</i>	11%	17%	<i>% of Total</i>	7%	40%
<i>Average Salary</i>	\$93,459	\$86,752	<i>Average Salary</i>	\$157,453	\$125,847
<i>Median Salary</i>	\$95,673	\$88,200	<i>Median Salary</i>	\$157,453	\$123,500
	Hispanic			Hispanic	
<i>Total</i>	1	4	<i>Total</i>	0	0
<i>% of Total</i>	1%	3%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$113,735	\$73,505	<i>Average Salary</i>	N/A	N/A
<i>Median Salary</i>	\$113,735	\$78,366	<i>Median Salary</i>	N/A	N/A
	Asian			Asian	
<i>Total</i>	7	13	<i>Total</i>	0	3
<i>% of Total</i>	6%	11%	<i>% of Total</i>	0%	20%
<i>Average Salary</i>	\$72,418	\$80,383	<i>Average Salary</i>	N/A	\$119,906
<i>Median Salary</i>	\$63,691	\$83,300	<i>Median Salary</i>	N/A	\$117,600
	Other			Other	
<i>Total</i>	1	1	<i>Total</i>	0	0
<i>% of Total</i>	1%	1%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$87,064	\$77,390	<i>Average Salary</i>	N/A	N/A
<i>Median Salary</i>	\$87,064	\$77,390	<i>Median Salary</i>	N/A	N/A
	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>	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>	33	85	<i>Total</i>	3	12
<i>% of Total</i>	28%	72%	<i>% of Total</i>	20%	80%
<i>Average Salary</i>	\$87,297	\$76,711	<i>Average Salary</i>	\$144,889	\$118,257
<i>Median Salary</i>	\$87,064	\$78,366	<i>Median Salary</i>	\$144,889	\$123,500

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

8. New Hire Information

Date range is 7/1/20 to December 2020 increment run. Detail for any hires since then can be added in the text box below the table.

New Hires (from 7/1/2020 to December 2020)						
	Total Number of New Hires	Laos	Malayalam	Spanish	Vietnamese	Thai
Black or African American	1	0	0	0	0	0
Asian	3	1	1	0	1	1
Hispanic or Latino	1	0	0	1	0	0
White	1	0	0	0	0	0
Total	6	1	1	1	1	1

Detail for new hires since December 2020, if applicable: 1 Asian male who speaks Telugu and Hindi and one Asian female who speaks Tulu, Kannada, and Hindi

All Staff															
	American Sign Language	Cantonese	Gujerati	Hindi	Kannada	Laos	Malayalam	Mandarin	Spanish	Tagalog	Telugu	Tulu	Urdu	Vietnamese	Thai
Asian	0	2	1	4	1	1	3	1	0	1	1	1	2	2	1
Hispanic or Latino	0	0	0	0	0	0	0	0	4	0	0	0	0	0	0
White	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	1	2	1	4	1	1	3	1	4	1	1	1	2	2	1

Data includes active employees in Finance as of April 2021 who self-identified as speaking a language other than English.

Frontline Staff	
	Spanish
Hispanic or Latino	2
Total	2

The only unit in Finance that has frontline staff is Risk Management.