

**CITY TREASURER'S OFFICE
FISCAL YEAR 2022 BUDGET TESTIMONY
MAY 4, 2021**

INTRODUCTION

Good morning, President Clarke and Members of City Council. I am Jacqueline Dunn, City Treasurer. Joining me today are Natalia Dominguez Buckley, First Deputy City Treasurer, Raymond Hale, Deputy for Banking and Investments, and Matthew Bowman, Sinking Fund Executive Director. I am pleased to provide testimony on the City Treasurer's Office's Fiscal Year 2022 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 2022: In FY22, the City Treasurer's Office will:

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 tax payers and rate payers. Below is a list of upcoming anticipated debt transactions for the remainder of FY21 and FY22 (timing and sizing is preliminary and subject to change based on market conditions).

- Water and Wastewater Revenue Refunding Bonds - \$135 million refunding (spring 2021)
- General Obligation Bonds - \$366 million new money borrowing (summer 2021)
- Airport Revenue Refunding Bonds - \$150 million refunding (summer 2021)
- Philadelphia Redevelopment Authority (PRA) Bonds - \$100 million new money borrowing for the Neighborhood Preservation Initiative (NPI) (fall 2021)
- Philadelphia Authority for Industrial Development (PAID) - \$85 million new money borrowing for the Rebuild Program (TBD)

Treasury Management System (TMS): CTO continues to work with the Office of Innovation and Technology (OIT) 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 automate portions of the bank reconciliation process. To date, CTO and OIT selected a firm, obtained City Council's approval to issue a 10-year contract, and are preparing data for implementation while we are in the final stages of contract negotiations.

Reconciliation: Since discovering a variance between the City's Consolidated Cash account records and bank statements in 2017, the City reduced the unreconciled discrepancy by approximately 98%. The remaining variance of \$528,607 was written off in FY19. The CTO has maintained reconciliations on time for over 90% of its 77 directly managed bank accounts. No accounts are more than two months behind as of April 2021. As recommended by the Reconciliation Task Force and its nationally recognized accounting

consultant, the CTO developed reconciliation policies and filing conventions to institutionalize its recent efforts to reconcile accounts timely. CTO is also working with Finance to create a suspense line for unidentified revenue to ensure that any revenues that are not immediately identified are booked timely while awaiting final verification.

Upcoming Requests for Proposals: CTO will issue opportunities and award several contracts for professional services in FY22 as current contracts expire:

- Investment Manager services
- Lending study consultant
- Financial Advisory services for the Airport (Division of Aviation) and Philadelphia Gas Works (PGW) credits
- Bond and Disclosure counsel services for the General Obligation and Airport (Airport Division of Aviation) credits
- Debt Management Software Support Services

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 budget totals \$1,610,843, a decrease of \$338,095 from Fiscal Year 2021 estimated obligation levels. This decrease is primarily due to a reduction in Class 200 costs for the expiration of a one-time professional services contract.

The proposed budget includes:

- \$1,395,075 in Class 100, a \$26,905 increase over FY21 levels. This funding will support current staffing levels as well as and the restoration of exempt staff salary reductions.
- \$193,544 in Class 200, a \$365,000 decrease from FY21. This funding will support current ongoing professional service costs. The decrease is due to the expiration of a one-time professional service contract.
- \$22,224 in Class 300/400, level with FY21 expenditures.

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STAFFING LEVELS




The department is requesting 18 budgeted positions for FY22, no change from FY21 levels.

NEW HIRES

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

PERFORMANCE, CHALLENGES, AND INITIATIVES

Debt Management




Measure	 FY20 ACTUAL¹	 FY21 TARGET	 FY22 TARGET
Net present value savings of the refunded bonds for General Obligations (GO) debt versus the City's debt policy	13.18%	≥ 3.00%	≥ 3.00%
Net present value savings of the refunded bonds for Water debt	N/A	≥ 3.00%	≥ 3.00%
Net present value savings of the refunded bonds for Gas debt	N/A	≥ 3.00%	≥ 3.00%
Net present value savings of the refunded bonds for Airport debt	N/A	≥ 3.00%	≥ 3.00%

¹CTO did not have any Water, Gas, or Airport refunding bond transactions in FY20.

Program FY22 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 on future transactions.
- Issue and award an RFP for Debt Management Software Support Services due to an expiring contract.
- 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 FY21 and FY22.

Banking and Investment Management

Measure	 FY20 ACTUAL¹	 FY21 TARGET	 FY22 TARGET
Con-cash actual investment return (1 year)	1.66%	Meet and/or exceed quarterly benchmark	Meet and/or exceed quarterly benchmark

City Treasurer's Office

Percent of bank accounts that are reconciled (of 77 accounts) ¹	100.00%	100.00%	100.00%
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¹ Reconciliations are reported on a lag and due 30 days after Accounting closes the books on the prior month. Typically, this means reconciliations are due 45 days after the close of the month (~2 weeks for close of books + 30 days for CTO to reconcile).

Program FY22 Strategic Goals

- Continue to reconcile 100% of CTO-managed bank accounts on time and institutionalize such efforts to ensure timely reconciliations and reporting continue.
- Prepare for the implementation of a Treasury Managed 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.
- Provide City departments armored car and smart safe equipment to provide a more controlled, safer process to handle and expedite the deposit of cash collections.

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

CTO is not directly impacted by additional federal and state funding. CTO is working closely with the Office of the Director of Finance to manage the forthcoming American Recovery Plan (ARP) relief funds.

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CONTRACTING EXPERIENCE

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

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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.**

Saledeem Major, Assistant City Treasurer, is the new language access coordinator. The language access plan can be found at: <https://beta.phila.gov/documents/language-access-plans/>. CTO is working with the Managing Director's Office to update the language access coordinator listed in the plan due to previous staffing transitions.

CTO staff had language access training in 2019. Due to staffing transitions since the last training period, CTO has requested an additional training for staff and leadership.

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. In the event CTO receives calls or walk-ins requiring language assistance, CTO staff know to use the language line.

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

- 2. 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 did not receive any requests for language access services and did provide language access services in 2021. CTO does not provide vital documents to the public.

- 3. 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.

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 April 2021)				
	Total	Minority	White	Female
Number of Full-Time Staff	16	10	6	10
Number of Exempt Staff	8	4	4	4
Number of Executive Staff (deputy level and above)	3	1	2	2
Average Salary, Full-Time Staff	\$78,499	\$71,750	\$89,748	\$77,958
Average Salary, Exempt Staff	\$92,811	\$78,275	\$107,347	\$100,288
Average Salary, Executive Staff	\$126,733	\$125,000	\$127,600	\$133,750
Median Salary, Full-Time Staff	\$67,535	\$64,811	\$87,093	\$64,811
Median Salary, Exempt Staff	\$87,093	\$66,825	\$101,793	\$102,100
Median Salary, Executive Staff	\$125,000	\$125,000	\$142,500	\$133,750

2. Employment Levels

Employment Levels (as of April 2021)		
	Budgeted	Filled
Number of Full-Time Positions	18	16
Number of Part-Time Positions	0	0
Number of Exempt Positions	9	8
Number of Executive Positions (deputy level and above)	3	3
Average Salary of All Full-Time Positions	\$78,499	\$78,499
Median Salary of All Full-Time Positions	\$67,535	\$67,535

FY22 Budget Hearing Summary Charts - City Treasurer's Office

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	\$1,262,499	\$1,268,936	\$1,368,170	\$1,368,170	\$1,395,075	\$26,905
Class 200 - Purchase of Services	\$198,444	\$180,610	\$193,544	\$558,544	\$193,544	(\$365,000)
Class 300/400 - Materials, Supplies & Equipment	\$22,224	\$6,762	\$22,224	\$22,224	\$22,224	\$0
	\$1,483,167	\$1,456,308	\$1,583,938	\$1,948,938	\$1,610,843	(\$338,095)

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]
Smith Graham	Investment Management	\$471,395	10/30/2017	10/1/2018	MBE: Best Efforts	100%	\$471,395	100%	\$471,395	No	No
					WBE: Best Efforts	0%	\$0				
					DSBE: Best Efforts	0%	\$0				
Cozen O'Connor	Legal Services - PGW	\$402,000	6/15/2018	1/1/2019	MBE: Best Efforts	0%	\$0	100%	\$402,000	Yes	No
					WBE: Best Efforts	100%	\$402,000				
					DSBE: Best Efforts	0%	\$0				
Cozen O'Connor	Legal Services - General Obligation & Airport	\$347,770	6/15/2018	1/1/2019	MBE: Best Efforts	0%	\$0	100%	\$347,770	Yes	No
					WBE: Best Efforts	100%	\$347,770				
					DSBE: Best Efforts	0%	\$0				
Wells Capital Management	Investment Management	\$331,082	10/30/2017	10/1/2018	MBE: Best Efforts	0%	\$0	0%	\$0	Yes	No
					WBE: Best Efforts	0%	\$0				
					DSBE: Best Efforts	0%	\$0				
Phoenix Capital Partners	Financial Advisory Services	\$300,000	5/10/2018	9/15/2018	MBE: Best Efforts	100%	\$300,000	100%	\$300,000	Yes	No
					WBE: Best Efforts	0%	\$0				
					DSBE: Best Efforts	0%	\$0				

1. In accordance with the City's Office of Economic Opportunity Diverse Lawyer Rule, the attorney working directly with CTO on the above contract is a woman in a partnership position at a majority owned law firm, it can counted as a WBE.

2. The CTO's top five largest contract fees are not paid out of the General Fund. The payments are included in the cost of issuance allocated to the bond transaction.

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	\$6,331,506	\$5,640,803	\$4,984,754	N/A	N/A	\$4,617,014
Total amount to M/W/DSBE	\$3,190,181	\$2,996,638	\$2,629,415	N/A	N/A	\$2,924,101
Participation Rate	50%	53%	53%	N/A	N/A	63%

*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)			
	FY20	FY21	FY22
M/W/DSBE Contract Participation Goal	30%	40%	40%

FY22 Budget Hearing Summary Charts - City Treasurer's Office

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		African-American	African-American
<i>Total</i>	2	4	<i>Total</i>	0	0
<i>% of Total</i>	13%	25%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$59,631	\$70,319	<i>Average Salary</i>	N/A	N/A
<i>Median Salary</i>	\$59,631	\$66,825	<i>Median Salary</i>	N/A	N/A
	White	White		White	White
<i>Total</i>	3	3	<i>Total</i>	1	1
<i>% of Total</i>	19%	19%	<i>% of Total</i>	33%	33%
<i>Average Salary</i>	\$95,629	\$83,867	<i>Average Salary</i>	\$112,500	\$142,500
<i>Median Salary</i>	\$90,886	\$64,811	<i>Median Salary</i>	\$112,500	\$142,500
	Hispanic	Hispanic		Hispanic	Hispanic
<i>Total</i>	0	1	<i>Total</i>	0	1
<i>% of Total</i>	0%	6%	<i>% of Total</i>	0%	33%
<i>Average Salary</i>	N/A	\$125,000	<i>Average Salary</i>	N/A	\$125,000
<i>Median Salary</i>	N/A	\$125,000	<i>Median Salary</i>	N/A	\$125,000
	Asian	Asian		Asian	Asian
<i>Total</i>	1	2	<i>Total</i>	0	0
<i>% of Total</i>	6%	13%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$70,259	\$60,854	<i>Average Salary</i>	N/A	N/A
<i>Median Salary</i>	\$70,259	\$60,854	<i>Median Salary</i>	N/A	N/A
	Other	Other		Other	Other
<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
	Bilingual	Bilingual		Bilingual	Bilingual
<i>Total</i>	2	3	<i>Total</i>	0	1
<i>% of Total</i>	13%	19%	<i>% of Total</i>	0%	33%
<i>Average Salary</i>	\$67,535	\$82,236	<i>Average Salary</i>	N/A	\$125,000
<i>Median Salary</i>	\$67,535	\$64,811	<i>Median Salary</i>	N/A	\$125,000
	Male	Female		Male	Female
<i>Total</i>	6	10	<i>Total</i>	1	2
<i>% of Total</i>	38%	63%	<i>% of Total</i>	33%	67%
<i>Average Salary</i>	\$79,401	\$77,958	<i>Average Salary</i>	\$112,500	\$133,750
<i>Median Salary</i>	\$76,780	\$64,811	<i>Median Salary</i>	\$112,500	\$133,750

*These numbers reflect the 16 positions filled as of April 2021, including 1 position paid for out of Pension's budget.

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
Black or African American	0
Asian	0
Hispanic or Latino	0
White	0
Other	0
Total	0

Detail for new hires since					
	Total Number of New Hires	Spanish	Portuguese	Gujarati	Hindi
Hispanic or Latino	1	1	1	0	0
Asian	1	0	0	1	1
Total	2	1	1	1	1

All Staff							
	No Second Language	Spanish	Portuguese	Gujarati	Hindi	Urdu	French (conversational)
Black or African American	5	0	0	0	0	0	1
Asian	0	0	0	2	2	2	0
Hispanic or Latino	0	1	1	0	0	0	0
White	6	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Total	11	1	1	2	2	2	1

Note: Counts exceed total number of staff due to employees who speak more than two languages.

Frontline Staff	
	No Second Language
Black or African American	0
Asian	0
Hispanic or Latino	0
White	0
Other	0
Total	0

Note: CTO provides Backoffice support. CTO does not have frontline staff.