

**CITY TREASURER'S OFFICE
FISCAL YEAR 2024 BUDGET TESTIMONY
MARCH 29, 2023**

INTRODUCTION

Good afternoon, President Clarke and Members of City Council. I am Jacqueline Dunn, City Treasurer. Joining me today are Natalia Dominguez Buckley, First Deputy City Treasurer, Matthew Bowman, Deputy City Treasurer for Debt, and Shakina Clark, Deputy City Treasurer for Banking. I am pleased to provide testimony on the City Treasurer's Office's Fiscal Year 2024 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 excess funds 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 2024: In Fiscal Year 2024, the City Treasurer's Office will focus on the following:

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 taxpayers and rate payers. Below is a list of upcoming anticipated debt transactions for the remainder of FY23 and for FY24 (timing and sizing is preliminary and subject to change based on market conditions).

- Philadelphia Redevelopment Authority (PRA) - \$100 million new money borrowing for the Neighborhood Preservation Initiative (NPI second issuance, Spring 2023)
- Philadelphia Energy Authority (PEA) - \$90 million new money borrowing for LED Streetlighting (Summer 2023)
- Philadelphia Authority for Industrial Development (PAID) - \$85 million new money borrowing for the Rebuild Program (second issuance, Summer 2023)
- Water and Wastewater Revenue Bonds - \$350 million new money borrowing (Summer 2023)
- General Obligation (GO) - \$419 million new money borrowing (Fall 2023)

Reconciliation: As of February 2023, CTO has maintained reconciliations on time for 100% of its 85 directly managed bank accounts. Reconciliation totals for the third quarter of FY23, through March 31, 2023, are not yet available because reconciliations are a lagged measure. Reconciliations are due 30 days after Finance Accounting closes the books for the prior month, which typically takes two weeks. Meaning, reconciliations close 45 days after the close of the month.

Request for Proposal (RFP): CTO will conduct one RFP in FY24 for arbitrage computation services in connection with the sale and delivery of certain bonds, notes, certificates, or other tax-exempt obligations.

BUDGET SUMMARY & OTHER BUDGET DRIVERS

Staff Demographics Summary (as of March 2023)				
	Total	Minority	White	Female
Number of Full-Time Staff	20	14	6	11
Number of Exempt Staff	9	6	3	5
Number of Executive Staff (deputy level and above)	4	2	2	3
Average Salary, Full-Time Staff	\$77,323	\$73,510	\$86,219	\$84,037
Average Salary, Exempt Staff	\$96,353	\$82,693	\$123,675	\$108,606
Average Salary, Executive Staff	\$131,625	\$124,425	\$138,825	\$137,550
Median Salary, Full-Time Staff	\$69,735	\$64,545	\$83,410	\$70,380
Median Salary, Exempt Staff	\$93,375	\$65,190	\$113,850	\$113,850
Median Salary, Executive Staff	\$124,425	\$124,425	\$138,825	\$135,000

Based on 3/27/23 Increment Run.

Employment Levels (as of March 2023)		
	Budgeted (FY24)	Filled
Number of Full-Time Positions	22	20
Number of Part-Time Positions	N/A	N/A
Number of Exempt Positions	11	9
Number of Executive Positions (deputy level and above)	4	4
Average Salary of All Full-Time Positions	\$81,431	\$77,323
Median Salary of All Full-Time Positions	\$69,087	\$69,735

City Treasurer's Office

General Fund Financial Summary by Class						
	FY22 Original Appropriations	FY22 Actual Obligations	FY23 Original Appropriations	FY23 Estimated Obligations	FY24 Proposed Appropriations	Difference: FY24-FY23
Class 100 - Employee Compensation	\$1,395,075	\$1,396,762	\$1,579,598	\$1,586,929	\$1,819,025	\$232,096
Class 200 - Purchase of Services	\$3,323,698	\$1,209,913	\$3,116,468	\$3,116,468	\$3,251,903	\$135,435
Class 300/400 - Materials, Supplies & Equipment	\$22,224	\$10,726	\$22,224	\$22,224	\$43,724	\$21,500
	\$4,740,997	\$2,617,401	\$4,718,290	\$4,725,621	\$5,114,652	\$389,031

Contracts Summary (Professional Services only)						
	FY20	FY21	FY22	FY23 ¹	FY23 YTD (Q1 & Q2)	FY24 Projected
Total amount of contracts	\$4,983,837	\$6,649,654	\$5,327,008	N/A	\$4,375,527	\$3,566,270
Total amount to M/W/DSBE	\$2,628,498	\$4,030,605	\$2,901,442	N/A	\$2,252,229	\$1,426,508
Participation Rate	53%	61%	54%	N/A	51%	40%

(not including spending through Debt transactions for FY24 and PGW payments)

(not including spending through Debt transactions for FY24 and PGW payments)

Total M/W/DSBE Contract Participation Goal (Public Works; Services, Supplies & Equipment; and Professional Services combined)			
	FY22	FY23	FY24 Projected
M/W/DSBE Contract Participation Goal	40%	40%	40%

¹ FY23 Q3 and Q4 totals are not yet available, therefore the fiscal year totals have not been listed. FY23 Q1 and Q2 totals are noted in the next column.

PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The proposed Fiscal Year 2024 General Fund budget totals \$5,114,652, an increase of \$389,031 over Fiscal Year 2023 estimated obligation levels. This increase is primarily due to adding three positions to the City Treasurer's Office, an increase in expected employee overtime, and salary increases. The proposed budget also includes additional funding to manage the increasing cost of professional services contracts and office equipment/supplies due to inflation.

The proposed budget includes:

- \$1,819,025 in Class 100, a \$232,096 increase over FY23. This funding will allow the CTO to continue operating at full staffing levels and add three additional positions to the department. The additional positions include a Bank Administrator, an Office Clerk 2, and a Treasury Research Analyst. It will also cover the cost of employee overtime, which in turn, will allow the CTO to continue completing our monthly reconciliation on time, and additionally allocate time to research older bank account variances or support other departments with reconciliation related requests. This funding will also cover the cost of approved Exempt and Civil Service staff raises to support employee retention.
- \$3,251,903 in Class 200, a \$135,435 increase over FY23. This funding will allow the CTO to continue paying for necessary professional services, including the costs for the Annual Lending Disparities Study, the management fees for the City's Investment Managers, legal counsel fees, and industry-specific trainings for staff.
- \$43,724 in Class 300/400, a \$21,500 increase over FY23. This funding will allow the CTO to keep up with inflation increases for office supplies and equipment, including the purchase of an inserter machine to help with the annual escheatment project.

STAFFING LEVELS

The department is requesting 22 budgeted positions for FY24, an increase of 3 positions over FY23.

The increase is attributed to the need for staffing to assist with the department’s banking and disbursement operations. The new positions, currently filled, include a Bank Administrator, an Office Clerk, and a Treasury Research Analyst.







NEW HIRES

New Hires (from 7/1/2022 to December 2022)	
	Total Number of New Hires
White	2
Other	1
Total	3

Detail for new hires since December 2022, if applicable:			
	Total Number of New Hires	Kalabari	Pidgin English
Black or African American	3	1	1
Total	3	1	1

PERFORMANCE, CHALLENGES, AND INITIATIVES






BANKING AND INVESTMENT MANAGEMENT

Measure	 FY22 ACTUAL	 FY23 TARGET	 FY24 TARGET	 MAYORAL PRIORITY
Con-cash actual investment return (1 year)	-0.06% ²	Meet and/ or exceed quarterly benchmark	Meet and/ or exceed quarterly benchmark	
Percent of bank accounts that are reconciled (of 85 accounts)	100.0%	100.0%	100.0%	




FY24 Strategic Goals

- Continue to reconcile 100 percent of CTO-managed bank accounts on time and institutionalize these efforts to ensure that timely reconciliations and reporting continue.
- Continue to effectively manage the City’s cash and investment portfolio to preserve principal, maintain sufficient liquidity, and exceed benchmark results.
- Provide armored car service and smart safe equipment to City departments to provide a more controlled, secure process to handle and expedite the deposit of cash collections.
- Provide City departments with accurate, efficient, secure, and accountable banking and treasury services to support their daily operations and goals.

DEBT MANAGEMENT

Measure	 FY22 ACTUAL	 FY23 TARGET	 FY24 TARGET	 MAYORAL PRIORITY
Net present value savings of the refunded bonds for	18.69%	≥ 3.00%	≥ 3.00%	






² Investment Return includes realized and unrealized gains and losses. The negative return amount is due to unrealized losses which occurs in this portfolio when interest rates increase, lowering the market price of held bonds. These bonds are held to maturity and will return their full initial investment as well as interest.

General Obligations (GO) debt				
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	17.83%	≥ 3.00%	≥ 3.00%	

FY24 Strategic Goals

- Maintain or improve 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.
- Continue to effectively manage the City's debt portfolio to minimize debt service costs for taxpayers and ratepayers.

ADMINISTRATION

Measure	 FY22 ACTUAL	 FY23 TARGET	 FY24 TARGET	 MAYORAL PRIORITY
Percent of budgeted positions filled	89.5%	90.0%	≥ 85.00%	

FY24 Strategic Goals

- Develop a Racial Equity Action plan.
- Continue to provide training and professional development opportunities for staff.

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

The City Treasurer's Office is not directly impacted by additional federal and state funding. However, the City Treasurer's Office worked closely with the Office of the Director of Finance to manage the second tranche of the American Recovery Plan (ARP) stimulus funds.

CONTRACTING EXPERIENCE

M/W/DSBE Participation on Large Professional Services Contracts											
Top Five Largest Contracts, FY23											
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]
Allspring Global Investments	Investment Management	\$650,000	12/20/2021	10/1/2022	MBE: Best Efforts	0%	\$0	0%	\$0		No
					WBE: Best Efforts	0%	\$0				
					DSBE: Best Efforts	0%	\$0				
Cozen O'Connor	Legal Services	\$660,000	6/15/2018	1/1/2019	MBE: Best Efforts	0%	\$0	100%	\$660,000	Yes	No
					WBE: Best Efforts	100%	\$660,000				
					DSBE: Best Efforts	0%	\$0				
Garcia Hamilton & Associates	Investment Management	\$300,000	12/20/2021	10/1/2022	MBE: Best Efforts	100%	\$300,000	100%	\$300,000	No	No
					WBE: Best Efforts	0%	\$0				
					DSBE: Best Efforts	0%	\$0				
Ballard Spahr	Legal Services	\$350,000	1/4/2021	7/1/2021	MBE: Best Efforts	0%	\$0	100%	\$350,000	Yes	No
					WBE: Best Efforts	100%	\$350,000				
					DSBE: Best Efforts	0%	\$0				
PFM Asset Management	Investment Management	\$490,000	10/30/2017	10/1/2018	MBE: Best Efforts	0%	\$0	0%	\$0	No	No
					WBE: Best Efforts	0%	\$0				

City Treasurer's Office

					DSBE: Best Efforts	0%	\$0				
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Non-profit Vendor Demographics:

N/A

EMPLOYEE DATA

Staff Demographics (as of March 2023)					
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	1
<i>% of Total</i>	10%	20%	<i>% of Total</i>	0%	25%
<i>Average Salary</i>	\$69,459	\$74,008	<i>Average Salary</i>	N/A	\$113,850
<i>Median Salary</i>	\$69,459	\$72,918	<i>Median Salary</i>	N/A	\$113,850
	White	White		White	White
<i>Total</i>	4	2	<i>Total</i>	1	1
<i>% of Total</i>	20%	10%	<i>% of Total</i>	25%	25%
<i>Average Salary</i>	\$70,018	\$118,623	<i>Average Salary</i>	\$113,850	\$163,800
<i>Median Salary</i>	\$64,938	\$118,623	<i>Median Salary</i>	\$113,850	\$163,800
	Hispanic	Hispanic		Hispanic	Hispanic
<i>Total</i>	1	1	<i>Total</i>	0	1
<i>% of Total</i>	5%	5%	<i>% of Total</i>	0%	25%
<i>Average Salary</i>	\$56,925	\$135,000	<i>Average Salary</i>	N/A	\$135,000
<i>Median Salary</i>	\$56,925	\$135,000	<i>Median Salary</i>	N/A	\$135,000
	Asian	Asian		Asian	Asian
<i>Total</i>	2	3	<i>Total</i>	0	0
<i>% of Total</i>	10%	15%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$73,065	\$65,378	<i>Average Salary</i>	N/A	N/A
<i>Median Salary</i>	\$73,065	\$69,090	<i>Median Salary</i>	N/A	N/A
	Other	Other		Other	Other
<i>Total</i>	0	1	<i>Total</i>	0	0
<i>% of Total</i>	0%	5%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	N/A	\$60,000	<i>Average Salary</i>	N/A	N/A
<i>Median Salary</i>	N/A	\$60,000	<i>Median Salary</i>	N/A	N/A
	Bilingual	Bilingual		Bilingual	Bilingual
<i>Total</i>	4	5	<i>Total</i>	0	1
<i>% of Total</i>	20%	25%	<i>% of Total</i>	0%	25%
<i>Average Salary</i>	\$70,493	\$73,496	<i>Average Salary</i>	N/A	\$135,000
<i>Median Salary</i>	\$68,103	\$69,090	<i>Median Salary</i>	N/A	\$135,000
	Male	Female		Male	Female
<i>Total</i>	9	11	<i>Total</i>	1	3
<i>% of Total</i>	45%	55%	<i>% of Total</i>	25%	75%
<i>Average Salary</i>	\$69,116	\$84,037	<i>Average Salary</i>	\$113,850	\$137,550
<i>Median Salary</i>	\$60,000	\$70,380	<i>Median Salary</i>	\$113,850	\$135,000

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 City Treasurer’s Office is Amanda Robinson. A refresher training was last completed in April 2022 by all staff and recent new hires completed the training in March 2023. The CTO’s language access plan can be found here: <https://www.phila.gov/media/20190425150520/Language-Access-Plan.pdf>.

- 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 CTO is a back office supporting agency and has little direct interaction with the public, but all staff members are trained to provide language access services.

	Total number of Staff	Vietnamese	Hindi	Malayalam	Gujarati	French	Sarpo	Bassa	Spanish	Portuguese	Urdu	Mandarin	Kalabari	Pidgin English
Black or African American	6					1	1	1					1	1
Asian	5	1	2	1	1						1	1		
Hispanic or Latino	2								2	1				
White	6													
Other	1													
Total	20	1	2	1	1	1	1	1	2	1	1	1	1	1

- 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.**

The CTO primarily provides back-office services to other City departments, employees, and vendors. Historically, the CTO has not had a need to utilize the language line or other services during the year to support City employees, departments, or vendors. However, staff are trained on how to do so in the event a future need arises.

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

The CTO annually evaluates language access related needs to understand whether the plan needs to be refined.

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. The CTO also 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?

The 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). The 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.

The CTO will be supporting the Philadelphia Energy Authority and Office of Sustainability with the LED streetlighting financing, anticipated in summer 2023.

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

The CTO will continue to work closely with our colleagues to plan for and respond to changing climate conditions.