

**CITY TREASURER'S OFFICE
FISCAL YEAR 2025 BUDGET TESTIMONY
MARCH 27, 2024**

INTRODUCTION

Good afternoon, President Johnson and Members of City Council. I am Jackie Dunn, City Treasurer. Joining me today are 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 2025 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. These functions are critical to the City's overall fiscal health, which enables the City to meet the Mayor's policy goals to make Philadelphia the safest, cleanest, and greenest big city in the nation with economic opportunity for everyone.

Plans for Fiscal Year 2025: In Fiscal Year 2025, the City Treasurer's Office (CTO) 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 FY24 and for FY25 (timing and sizing is preliminary and subject to change based on market conditions).

- Philadelphia Authority for Industrial Development (PAID) - \$85 million new money borrowing for the Rebuild Program (second issuance, Spring 2024)
- Water and Wastewater Revenue Bonds - \$500 million new money borrowing (Fall 2024)
- Philadelphia Gas Works Revenue Bonds - \$450 million new money borrowing (Fall 2024)
- Airport Revenue Bonds - \$266 million new money borrowing and \$175 million refunding (Spring 2025)

The timing of the next authorized General Obligation (GO) and Neighborhood Preservation Initiative (NPI) transactions is to be determined based on cash needs.

Reconciliation: As of February 2024, CTO has maintained reconciliations on time for 100% of its 71 directly managed bank accounts. Reconciliation totals for the third quarter of FY24, through March 31, 2024, 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.

Requests for Proposals (RFP): CTO will conduct two RFPs in FY25. The first RFP is for a Lending Study Consultant; CTO will select a firm to serve as a consultant and provide an annual study examining lending practices of authorized depositories as required by Resolution No. 051161. The second RFP is for Payroll Depository/Paycard Services; CTO will select a bank or other qualified financial institution to provide banking services related to employee payroll disbursements and to provide payment card services for employees who do not have direct deposit. Payroll disbursements include payments to employees, various charities, and vendors for payroll deductions, as well as employer and employee taxes.

PROPOSED BUDGET OVERVIEW

General Fund Financial Summary by Class						
	FY23 Original Appropriations	FY23 Actual Obligations	FY24 Original Appropriations	FY24 Estimated Obligations	FY25 Proposed Appropriations	Difference: FY25-FY24
Class 100 - Employee Compensation	\$1,579,598	\$1,579,598	\$1,819,025	\$1,819,025	\$1,894,025	\$75,000
Class 200 - Purchase of Services	\$3,116,468	\$3,197,024	\$3,251,903	\$3,251,903	\$3,351,903	\$100,000
Class 300/400 - Materials, Supplies & Equipment	\$22,224	\$20,741	\$43,724	\$43,724	\$43,724	\$0
Total	\$4,718,290	\$4,797,363	\$5,114,652	\$5,114,652	\$5,289,652	\$175,000

Proposed Funding Request:

The proposed Fiscal Year 2025 General Fund budget totals \$5,289,652, an increase of \$175,000 over Fiscal Year 2024 estimated obligation levels. This increase is primarily due to the pilot of a Purchasing Card Program, which will allow for the direct purchase of small dollar items using Procurement Cards (P-Cards). The intent is to significantly reduce the need for small dollar purchase orders, direct reimbursements, petty cash and accounts. These funds were previously included in the Office of the Director of Finance’s budget and are being transferred to CTO starting in FY25.

The proposed budget includes:

- \$1,894,025 in Class 100, a \$75,000 increase over FY24. This funding will allow CTO to continue operating at full staffing levels and cover the cost of employee overtime. This funding will also allow CTO to hire an Assistant City Treasurer to oversee the P-Card program and make sure other City departments are equipped with P-Cards for operational needs.
- \$3,351,903 in Class 200, a \$100,000 increase over FY24. This funding will allow 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, costs associated with the P-Card program, and industry-specific trainings for staff.
- \$43,724 in Class 300/400, level with FY24. This funding will allow CTO to continue paying for office supplies and equipment related to check printing and mailing.

STAFFING LEVELS

The department is requesting 23 budgeted positions for FY25, an increase of 1 position over FY24.

The increase is attributed to adding an Assistant City Treasurer position to manage the P-Card pilot program.

Employment Levels (as of December 2023)		
	FY25 Budgeted	Filled as of December 2023
Number of Full-Time Positions	23	19
Number of Part-Time Positions	0	0
Number of Exempt Positions	13	10
Number of Executive Positions (deputy level and above)	4	3
Average Salary of All Full-Time Positions	\$81,421	\$78,681
Median Salary of All Full-Time Positions	\$75,000	\$71,960

NEW HIRES

New Hires (from 7/1/2023 to December 2023)			
	Total Number of New Hires	Japanese	Mandarin
Asian	1	1	1
Total	1	1	1

Detail for new hires since December 2023, if applicable:	
	Total Number of New Hires
White	1
Total	1

PROGRAM BASED BUDGETING:

Program Name: Banking and Investment Management

Program Number: 01

FY25 Proposed General Fund: \$4,348,010

Program Description: The CTO manages the custodial banking of all City funds by encouraging standards and practices consistent with safeguarding City funds and aims to maximize the amount of cash available for investment after meeting daily cash requirements. The CTO serves as the disbursing agent for checks and electronic payments from the City.

FY25 Strategic Goals:

- The Office of the Director of Finance is launching a project to design and pilot a Purchasing Card Program that will allow for the direct purchase of small dollar items using Procurement Cards (P-Cards). CTO is working with Finance to onboard the program to modernize payment methods, streamline business processes around small dollar purchases, reduce the need for petty cash accounts and operational advances or reimbursements, and allow the City to take advantage of supplier discount programs. CTO also is supporting critical work to draft policies and procedures to ensure compliance. The FY25 Budget proposes moving existing funds from the Office of the Director of Finance to CTO to manage the program.
- Continue the timely and accurate reconciliation of CTO-managed bank accounts and the resolution of outstanding accounting variances.
- Research and claim any unclaimed funds for the City from the PA Treasury.

FY25 Performance Measures:

Measure	FY23 Actual	FY24 Target	FY25 Target
Con-cash actual investment return (1 year)	3.51%	Meet and/ or exceed quarterly benchmark	Meet and/ or exceed quarterly benchmark
Percent of bank accounts that are reconciled (of 71 accounts)	100%	100%	100%

PROGRAM BASED BUDGETING:

Program Name: Debt Management

Program Number: 02

FY25 Proposed General Fund: \$426,854

Program Description: The CTO manages new and outstanding City debt in accordance with the City’s debt management policies, maximizes the value received from new financings, and minimizes interest and transaction costs. The City issues debt primarily to finance critical infrastructure improvements and major equipment acquisitions on behalf of each of its credits: General Obligation and Tax-Supported debt, Water & Wastewater, Philadelphia International Airport, and the Philadelphia Gas Works. Examples of critical projects funded by recent debt issues include street paving and repair, water treatment facility improvements, airport runway rehabilitation, and gas main replacement. To effectively manage the City’s debt, CTO implements measures that promote financial integrity, flexibility, and credit strength.

FY25 Strategic Goals:

- Maintain or improve the City’s credit ratings.
- Host a successful 2024 Investor Conference to increase the participation of institutional buyers in the City's investor pool to increase demand, further publicize the City’s strong financial management efforts, and potentially reduce borrowing costs for the City.
- Continue to effectively manage the City’s debt portfolio to minimize debt service costs for taxpayers and ratepayers.

FY25 Performance Measures:

Measure	FY23 Actual	FY24 Target	FY25 Target
Net present value savings of the refunded bonds for General Obligations (GO) debt	2.12%	≥ 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%

PROGRAM BASED BUDGETING:

Program Name: Administration

Program Number: 03

FY25 Proposed General Fund: \$514,788

Program Description: The Administration program provides leadership and administrative support for all CTO divisions. This program is responsible for overall strategic planning, new hiring, budget and contract management, and communications for CTO.

FY25 Strategic Goals:

- Continue to provide training and professional development opportunities for staff.
- Hire additional staff to fill current vacancies, which will enhance daily operations.
- Continue monthly staff meetings and celebrations that bring staff together and foster inclusivity.

FY25 Performance Measures:

Measure	FY23 Actual	FY24 Target	FY25 Target
Percent of budgeted full-time positions filled	88.64%	≥ 85.00%	≥ 85.00%

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

The CTO is not directly impacted by additional federal and state funding. However, the CTO worked closely with the Office of the Director of Finance to manage the investment and draw down of the American Recovery Plan (ARP) stimulus funds. The final draw will occur by the end of December 2024 (FY25).