PUBLIC OVERSIGHT HEARING ON

THE FY 2008 AND FY 2009 SPENDING AND PERFORMANCE OF THE OFFICE OF THE CHIEF FINANCIAL OFFICER (OCFO)

Before the
Committee on Finance & Revenue
Council of the District of Columbia

The Honorable Jack Evans, Chairman

March 6, 2009; 10:00 a.m.
Council Chamber, John A. Wilson Building

Testimony of
Natwar M. Gandhi
Chief Financial Officer
Government of the District of Columbia

Good morning, Chairman Evans and members of the Committee on Finance and Revenue. I am Natwar M. Gandhi, Chief Financial Officer of the District of Columbia government. I am here for your annual oversight hearing to testify on the FY 2008 performance and FY 2009 plans of the Office of the Chief Financial Officer (OCFO).

My deputy chief financial officers have prepared testimony and are with me to help address specific issues or answer questions as needed: Stephen Cordi, Deputy CFO for the Office of Tax and Revenue (OTR), Anthony Pompa, Deputy CFO for the Office of Financial Operations and Systems (OFOS); Lasana Mack, Deputy CFO for the Office of Finance and Treasury (OFT); and Robert Ebel, Deputy CFO for the Office of Revenue Analysis (ORA). Also here to answer questions is Gordon McDonald, Deputy CFO for the Office of Budget and Planning (OBP), whose oversight hearing before the Committee of the Whole is also scheduled for today. In addition, today, Jeanette Michael, executive director of the DC Lottery, has testified already on behalf of the Lottery. See Attachment 1 for an organizational chart of the entire OCFO.

OCFO HISTORY SINCE 1995

As you know, Mr. Chairman, Standard & Poor's has awarded its highest possible rating of "AAA" to the District's new Income Tax Secured Revenue Bonds. This is the first time the District has issued Income Tax-backed bonds, and the first time that any of the District's bonds have been rated AAA. According to S&P, the stable outlook of these income tax-backed bonds reflects, "… very strong coverage of annual debt service and a history of good overall, long-term growth."

This unprecedented rating follows a recovery that has been phenomenal -- from junk bond status and a half a billion dollar cumulative deficit in the mid 1990s to the highest ratings ever on District bonds and a cumulative general fund balance of $1.24 billion.

Since 2000 when I assumed the role of Chief Financial Officer for the District of Columbia, with Mayoral guidance and Council oversight, we transformed the OCFO into one of the most efficient and best-performing agencies of the District government. In that time, our team of experienced and highly professional public administrators:

- Developed new tax compliance initiatives that have generated millions of dollars in previously uncollected tax revenues – an amazing $2.8 billion more in FY 2008 than in FY 1997;
- Integrated into the fabric of the District government highly sophisticated financial systems that have generated operational efficiencies, accountability, and transparency (including CFO$ource and Executive Dashboard, the new Agency Operational Dashboard, SOAR, and the new Peoplesoft Payroll System with Employee Self Service);
- Achieved upgrades from two rating agencies to reach highest ever general obligation bond ratings for the District from all three rating agencies, thereby reducing the District's borrowing costs;

- Aggressively sought ways to save taxpayer dollars through cutting edge finance and investment techniques, such as tobacco securitization in 2001 and 2006 and the new Income Tax Secured Revenue Bonds that have just garnered a AAA rating from Standard and Poor's and double-A ratings from Moody's and Fitch, and should lower borrowing costs even more.
- Instituted a comprehensive agency-wide effort to identify risks and ensure that we have the strongest possible internal controls.

We have always been committed to enhancing the fiscal and financial stability, accountability and integrity of the financial operations of the Government of the District of Columbia with the residents of Washington, D.C., our federal partners, and the financial markets of this nation.

Since 1997 we have enjoyed consecutively balanced budgets and clean audit opinions. We have a fund balance and cash reserves that are a far cry from the mid-1990s, remarkably improved bond ratings and well-deserved respect in the financial markets. Our annual audit process, which once was deeply flawed and problematic, has become routine with little concern over its timely issuance or whether the District will receive a clean audit opinion.

All of this shows that we, as a jurisdiction, can manage our financial operations well and also take care of emergencies as they arise. Attachment 2 depicts this history though FY 2008 in terms of annual surpluses, cumulative fund balances, and bond ratings.

The financial management infrastructure of the District is strong and functions well in support of the District's elected leaders, who demonstrate a strong commitment to maintaining fiscal balance. Whenever we find shortcomings and deficiencies in the three essential elements of the financial infrastructure – people, processes, and systems – we act immediately to study, diagnose, and remedy the problems.

We are also very serious about our responsibility to operate cost-effectively to protect the District's financial integrity and preserve and enhance its revenue stream. We seek to maximize gains from technology investments, upgrading staff skills and organizational improvements as the primary means to address our ever increasing workload. We currently operate under an approved FY 2009 budget that has 1,078 FTEs, an increase of 30 FTEs from last year, 25 of them designed solely to increase revenues through enhanced compliance efforts.

As you review the performance of the OCFO, we ask the committee to keep this record of fiscal prudence in mind. It is imperative that the District maintain its capability to perform core financial functions: keeping track of the books, financing its operations and collecting revenue due the District.

OCFO OVERARCHING GOALS

As the Chief Financial Officer, my objective is to preserve and enhance the overall financial stability of the District in both the short and long term. My colleagues and I are busy working to achieve this goal at all times, in activities such as estimating reliable revenues, exercising control of the budget, scrutinizing and improving internal controls, and improving relationships with the financial community and Congress.

As we work to strengthen and maintain the District's financial viability, we keep five key goals in mind in formulating our budgets. In all instances, it is our intent to present to this committee, the Mayor and the Council the OCFO resource request consistent with attaining these goals. In each case, I believe the achievement of these goals is absolutely necessary to maintain and increase the District's financial independence. These goals are:

1. Protect and Enhance District Revenues

OTR must efficiently process all tax returns voluntarily remitted and aggressively pursue enforcement action to both increase revenue and reduce the rate of noncompliance each year. Every year since 1997, OTR has significantly increased revenue collections – both those voluntarily remitted and those collected as a result of enforcement action. OTR has taken a variety of other, largely automated initiatives to increase revenue – the CP2000 federal matching program, offering payment plans to every taxpayer it bills, contracts with collection agencies, and an automated fraud detection program. And since November 2007, when the tax fraud was made public, we have made very good progress in restoring confidence in OTR and the OCFO.

Accountability

In November 2007 I took swift, deliberate, and appropriate action against all OTR employees involved and responsible for the tax fraud, including OTR leadership. By holding them accountable I sent a clear message that this type of activity, and lax management, will not be tolerated. Since the beginning of FY 2008 almost 40 OTR employees, including senior managers, were separated as a result of the tax scandal, unrelated matters, failed background checks or other ethical issues. We continue our internal review to identify additional OCFO employees who should be held accountable for lack of oversight and poor judgment.

New Leadership

By the end of January 2008, just two and one-half months after the fraud was made public, Mr. Stephen Cordi, an experienced tax administrator, was on board as the new Deputy CFO for OTR. To date, six of the seven senior management positions and 12 of the 13 positions in the next management level are filled, signifying excellent progress in rebuilding OTR since the tax scandal.

Business Processes

Over the last year, OTR has had the benefit of recommendations from multiple audit and other external entities on how best to focus its resources and improve its business processes. As the most recent Yellow Book findings by BDO Seidman attest, we have made substantial progress in many areas – security within the Integrated Tax System (ITS), segregation of duties, review and issuance of both manual and automated refund checks. Mr. Cordi will speak at greater length on these matters, as well as efforts to create a culture of compliance among the workforce.

Systems

ITS has provided significant benefits to OTR and to the District in terms of automated billing, improved collections and shortened processing cycle times, and has enabled implementation of significant e-filing and other online technologies that provide valuable services to taxpayers. However, the underlying code is less flexible than desired, and some decisions made during implementation have necessitated manual processes outside the system. We have been working to correct some of the latter, and looking at other interim measures to integrate or otherwise link other critical external databases and manual processes, such as the tax sale, into ITS to ensure better internal controls. We have also engaged a new vendor, Revenue Solutions, Inc, to replace Accenture in maintaining the ITS system. The Revenue Solutions, Inc. contract will not only reduce our maintenance costs but bring valuable new perspectives to our ITS system.

The implementation of ITS was a significant undertaking for the OCFO and the District. It represented a very necessary investment in IT infrastructure, which has more than paid for itself since the project began in 1998. By the end of FY 2008 the benefits to the District were more than double the cost. But it is necessary that we continue to invest in more modern technology to support the collection of District taxes as the current ITS system is approaching the end of its lifecycle. We have already started that long process, and we expect a new Real Property Tax system by FY 2011 and new individual and business tax system by FY 2013.

2. Maintain Financial Controls and Safeguard Assets

Throughout the OCFO, we have the goal of protecting District assets. This requires the maintenance of internal checks and balances, effective internal audits, and the maintenance of systems to record and check financial transactions. In November 2007 we began a thorough review of all our policies and procedures to make sure they are up to date and effective. The Office of Financial Operations and Systems has thoroughly researched the current status, formed project teams, inventoried necessary tasks, and defined responsibilities for updating and standardizing policies and procedures throughout the entire financial cluster, to ensure the most effective internal controls.

Also in the wake of the fraud at OTR, on December 5, 2007 I announced the establishment of the OCFO Audit Committee to Review Financial Management and Internal Controls. This group was established to advise the OCFO on how to strengthen our organization's internal controls and financial management, especially in light of the fraud. The Committee is composed of leading figures in accounting, public finance and the law. The Committee, which met regularly throughout FY 2008, is chaired by Sheldon Cohen, former Commissioner of the U.S. Internal Revenue Service.

The Audit Committee focused its first year on all areas of the OCFO that handle cash or are involved in the preparation of District government checks. We also engaged the services of Kroll Associates, the nationally recognized audit and consulting firm, to review OTR's internal controls, as well as its policies and procedures. Kroll generously provided its services to the OCFO pro bono as a measure of its commitment to assisting the District in this matter. Kroll's team at OTR was led by Lynn E. Turner, formerly chief accountant for the U.S. Securities and Exchange Commission. Based on Kroll's assessment, the changes implemented since November 2007 have improved the controls to mitigate the risk of issuing fraudulent refunds. Kroll also identified other needed improvements.

Two other outside firms, Deloitte Financial Advisory Services and Ernst & Young, facilitated a fraud risk assessment of specific business processes within the Office of Finance and Treasury, also on a pro bono basis. Both assessments were important proactive steps in enhancing and promoting a culture of fraud prevention, detection, and deterrence and should serve as a model for use throughout the District. To assist the Audit Committee in its continuing work, the OCFO has engaged the services of Deloitte and Touche Advisory Services.

Deloitte was selected through a competitive process to assist OCFO management in the development and full implementation of a system of internal controls consistent with OMB Circular 123 and Sarbanes Oxley. The contract with Deloitte began in September 2008 and will end in September 2009. Deloitte teams are currently working within the Office of Tax and Revenue on a comprehensive internal control improvement initiative. The initiative includes conducting an agency-wide risk assessment, enhancing the documentation of significant controls related to financial reporting, assessing the design and operating effectiveness of existing controls, and developing corrective actions to address control gaps. Additionally, Deloitte will assist OTR in developing and conducting training to staff on updated processes and procedures. Deloitte teams will also perform similar work within the Office of Finance and Treasury.

We note that BDO Seidman's description of OTR's manual refund processes, which they labeled a "material weakness" in the FY 2007 CAFR, was downgraded in severity to a "significant deficiency" in FY 2008. However, as you are aware, "Treasury Functions" was classified as a material weakness in FY 2008. This circumstance was very troubling for me and for the Office of the Chief Financial Officer as a whole. We are determined that this is not repeated in FY 2009.

I am pleased to report that, for the first quarter of fiscal year 2009, account reconciliations—i.e., a full assessment of account activity that identifies any discrepancies between the actual transactions that have occurred and what is reflected in the accounting system—have been done for all bank and investment accounts. Based on these reconciliations and the accounting actions that have been taken to address any identified discrepancies, the accounts are, in all material respects, in balance in the accounting system. By the end of this quarter we will be reconciling all accounts on a regular basis, as required, and I am confident that the CAFR auditors will never again identify "Treasury Functions" as an issue in their Yellow Book report.

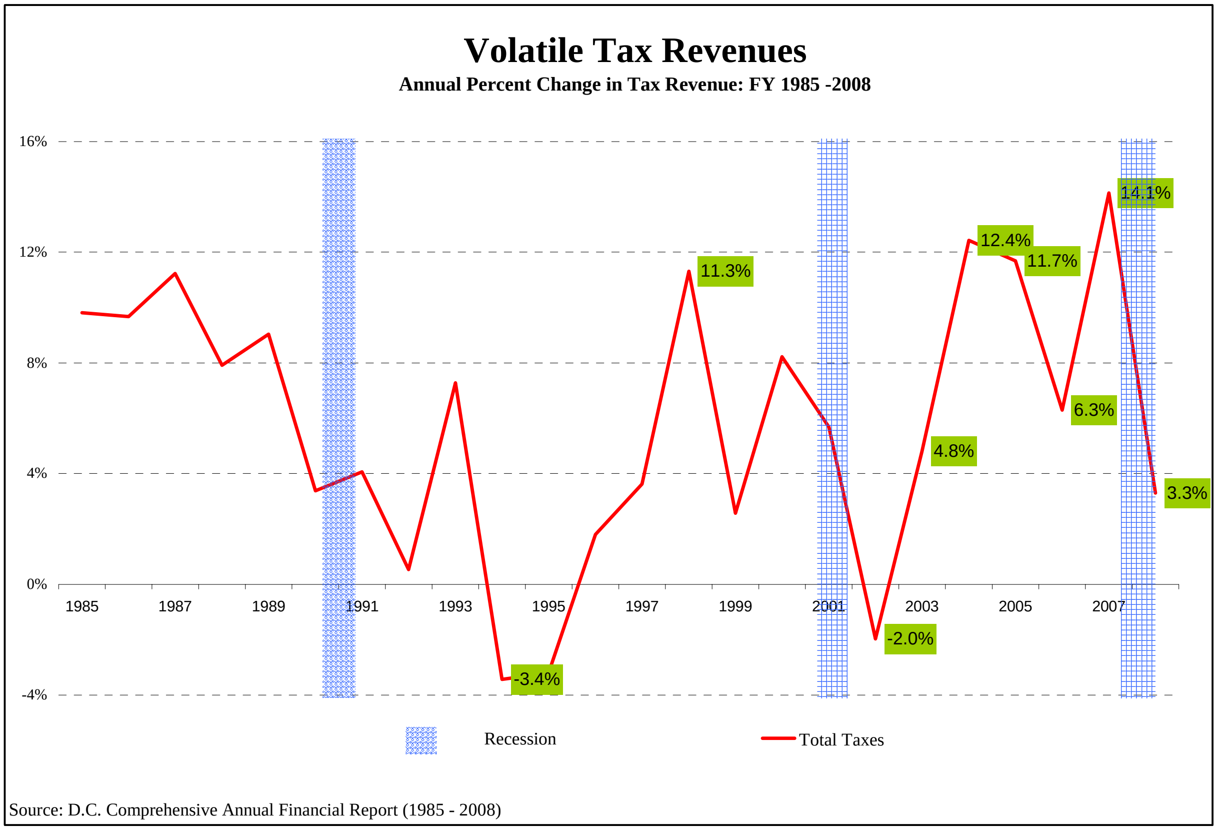
3. Produce Reliable Revenue Estimates

The District employs the range of revenue sources typically used by states as well as general purpose local governments. This District state-plus-local revenue profile not only has its benefits as well as its drawbacks, but also makes revenue estimation in the District of Columbia far more complex than what the other 50 state and local systems face. Whereas the state governments generate nearly 90 percent of their tax revenues from sales and income taxes and local governments typically rely on the property tax for about three-quarters (72 percent) of their total tax revenues, the District of Columbia generates about half of its total revenues (53 percent of our "local fund" revenues) from state-like sales, income, and estate taxes and a third of revenues from the real property tax (33 percent).

As I have said on many occasions, the District's revenue estimates must be realistically conservative as a matter of both necessity and good financial management. Conservative estimates are at the heart of a balanced budget and adequate cash flow, and the District must end every fiscal year with a balanced budget. In the time between the May official binding estimate on which the budget is based and the end of the forthcoming fiscal year any number of changes can happen to the economy and the revenue stream that are beyond our control.

For FY 2008, quarterly re-estimates were issued as the District's economy performed better than the original forecast anticipated. As a result, we experienced higher fund balances at the end of FY 2008, and some of these funds were used to adjust the FY 2009-FY2012 budget and financial plan in November 2008.

However, as the chart below shows, the annual change in tax revenue can range widely. One challenge is to determine what is "normal" in this growth and plan for a budget supported by normality – *and* subject to large swings. "Normal" or average growth in the last 5 years (FY 2004 – FY 2008) was about 9.6 percent, and in the last 3 years (FY 2006 – FY 2008) the percentage was about 7.9 percent. Yet actual tax revenue did not grow by either of these specific percentages in any one of the last 6 fiscal years, bouncing from - 2 percent to 14.1 percent.



Since FY 2000, the District has had to grapple with this volatility three times. First, in FY 2002 income tax revenue fell abruptly and precipitously following September 11, 2001: a subsequent recession accompanied by stock market decline. Adjustments were made in both FY 2002 and 2003, and the District of Columbia closed out both FY 2002 and FY 2003 with small, but positive, budget surpluses.

In FY 2003 the opposite swing began with transactions in both residential and commercial real property. Arising out of a year of no change in FY 2002, by the end of FY 2004 the annual value of transactions had more than doubled. Moreover, due in part to the deed tax rate changes that had been enacted to deal with the prior revenue shortfall, deed tax revenues also more than doubled between 2002 and 2004. However, this fiscal year, the District, as well as the country, is witnessing an astonishing decline in its revenue, facing a challenge not experienced since the Great Depression of 1929.

4. Assure Balanced Budgets

Budgets built on quality analysis that include all foreseeable costs ensure the smooth execution of programs approved by the Mayor and Council. Online monitoring of expenses helps control costs and spots operations that are off-course. During the past few years, we have built capacity in this program area (e.g., CFO$ource and the Executive Dashboard and the new Agency Operational Dashboard), and I believe the District is now being better served as a result.

Sound financial management also requires a realistic assessment of the costs of achieving the Mayor's and Council's policy goals. During FY 2008, ORA analyzed and prepared fiscal impact statements on approximately 270 bills, contracts and regulations. Five months into FY 2009 ORA has already worked on 153 fiscal impact statements, and we are on track to prepare at least as many fiscal impact statements as we did during FY 2008. All fiscal impact statements prepared by the OCFO since May 2001 are retrievable on the OCFO Web site at *www.cfo.dc.gov*.

5. Prepare Audited Comprehensive Annual Financial Reports (CAFRs)

Our ability to record financial transactions timely and accurately is critical to our ability to produce audited financial statements on time and maintain and improve the District's bond ratings. Accurate and timely recording of transactions is imperative throughout the fiscal year, but formal activities for the annual fiscal year closing process begin on October 1 and culminate with the issuance of the CAFR prior to the February 1 deadline four months later (compared to the six-months standard for all other states and local governments). This year, again, the closing process was uneventful in that there were no "surprises" and no serious threats to the schedule or calendar. This is due in large part to the philosophy that we have regarding the CAFR or closing exercise – it is a 365-days-a-year process. Through "lessons learned" assessments, monthly and quarterly closings, training, Accounting System Manager assignments, closing workshops, and variance analyses, the closing period has become routine.

DISTRICT-WIDE OCFO

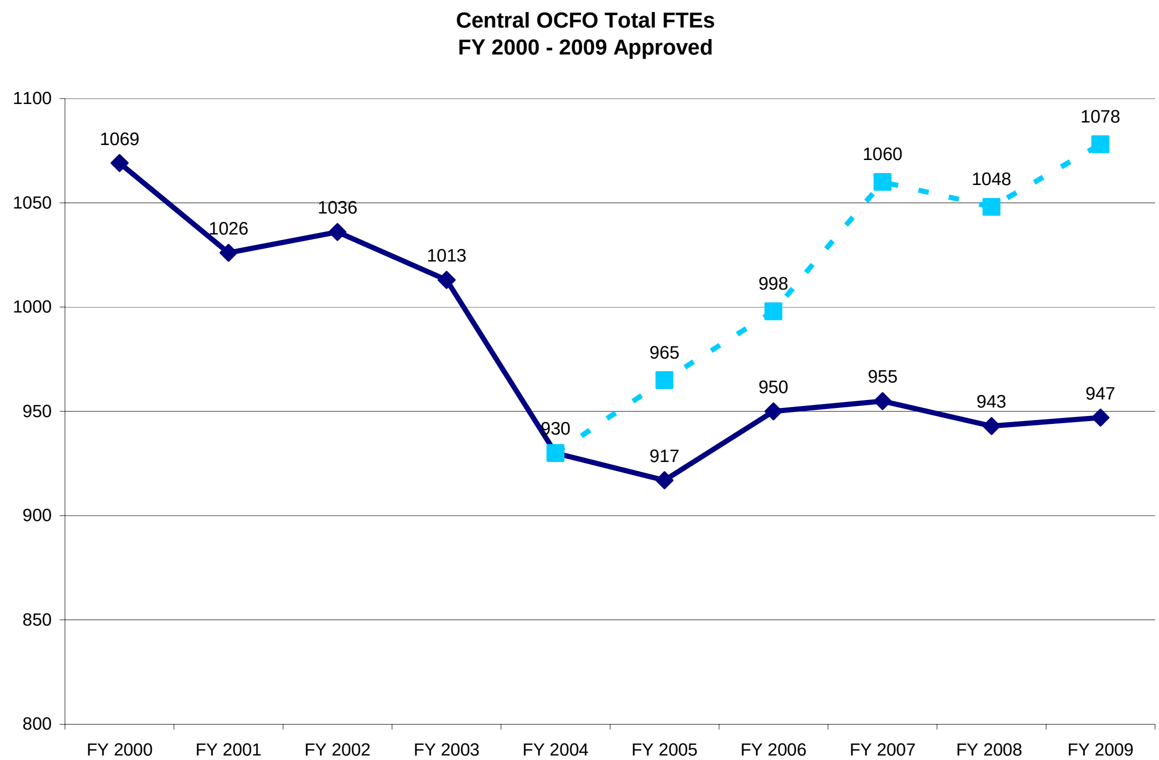
The OCFO's goals are met not only by the deputy CFOs, who lead the central offices, but also by the District-wide OCFO staff. The DC Lottery and Charitable Games Control Board is an independent agency; however, because of the significant revenue it generates, it falls under the auspices of the OCFO. Its administrative functions (i.e., procurement, personnel, security), as well as its financial management, are centrally coordinated within the OCFO.

Additionally, associate chief financial officers (ACFOs) represent the major appropriation titles in the District's annual budget and manage agency financial operations. ACFOs serve as the OCFO's key representatives to the city administrator, deputy mayors, and agency directors in managing the city's finances and the government's programmatic priorities.

MULTI-YEAR CHANGE IN NUMBER OF FTEs IN CENTRAL OCFO AND DISTRICT-WIDE

Downward Trend in Central OCFO

From FY 2000 to FY 2004 the number of FTEs in the central OCFO dropped from 1,069 to 930, or 13 percent. (See the following chart and Attachments 4, 5, and 6.)



Note: The dotted lines include the effect of FTEs in OTR for compliance initiatives.

The FTE increases since FY 2004 have been primarily due to Council-mandated revenue generating initiatives and related revenue compliance activities in OTR. In FY 2005, the Council added 48 FTEs to the OCFO for a tax compliance initiative to produce additional revenue to support District operations. Without this initiative the FTEs would have declined further to 917 in FY 2005, or another 1.4 percent reduction. The FY 2006 approved budget added 33 FTEs in the central OCFO, including 17 for mandated functions and 16 for real property assessors. In FY 2007, an additional 62 FTEs were added for several tax compliance initiatives. After a decline of 12 FTEs in FY 2008, 30 were added in FY 2009, including 25 solely for revenue enhancement purposes.

The overall impact of the streamlining of OCFO operations during the past several years has enabled more than 100 FTEs to be added to direct revenue generating activities, at the same time as total staffing has decreased.

Initiatives and Ongoing Work of the OCFO in FY 2009

The total FY 2009 budget for the OCFO from all funding sources is 1,078 FTEs and $160.9 million after the FY 2009 rescission. From local sources, we have 928 FTEs and $116.3 million. Reflected in the initial approved budget were local fund increases of nearly $4 million to cover the cost of mandated pay raises for both union and non-union employees, $1.2 million for increases in fixed costs and $1.3 million to cover increased maintenance and support of our core tax system and related data warehouse. An increase of $1.9 million funded 30 new FTEs, of which 25 were revenue generating tax compliance positions, 2 were required to provide training in PASS and SOAR, 2 for improved grants management, and 1 to implement the audit requirements of the Organ Donor program. Other NPS increases totaled $856,000 to fund a check guarantee system, mailing costs, and increased postage. These were offset by NPS reductions of $630,000 for contract costs and $350,000 for one-time costs in FY 2008.

The current FY 2009 budget has been reduced by a rescission amount of $3.8 million. To achieve this we froze 44 vacant positions resulting in savings of $2.1 million, and we reduced funding for equipment and contracts by $702,000. Increases in nonlocal revenue were sufficient to allow for an additional $952,000 and 14 FTEs to be shifted out of local funding. As always, we seek to fulfill our mission in the most efficient manner possible with the resources that have been provided.

DEBT MANAGEMENT AND BOND RATINGS

Next week, we expect to go to the financial markets to sell the District of Columbia Income Tax Secured Revenue Bonds to fund the District's FY 2009 Capital Improvements Program. This will be the District's inaugural issuance of income tax revenue bonds which as I noted earlier have been assigned higher ratings than the District's general obligation bonds, producing even more debt service savings for the District. (See Attachment 3 for the complete schedule of bond ratings.)

The AAA rating from Standard and Poor's – the highest possible rating – and the double-A ratings from Moody's and Fitch are expected to result in debt service savings of $4 million in FY 2010, $6 million in FY 2011, $8 million in FY 2012 and $10 million in FY 2013, for a total cumulative savings of $28 million compared to selling our G.O. Bonds. This represents quite an accomplishment for the District.

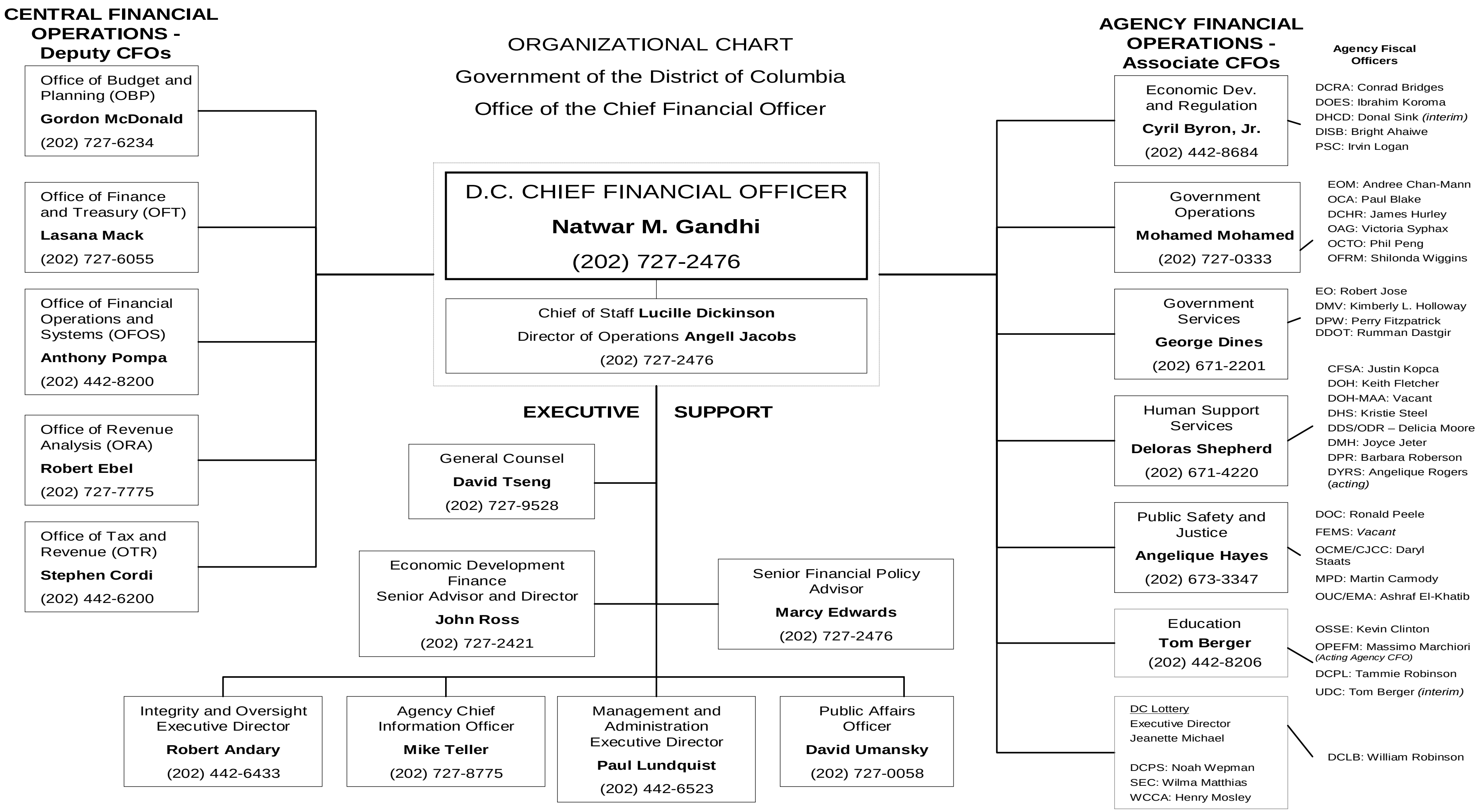
For those who have invested in and are currently holding the District's General Obligation Bonds, I must emphasize that the creation of Income Tax Secured Revenue Bonds has not adversely affected the rating on the District's outstanding $4 billion G.O. bonds. Both Fitch Ratings and Moody's, in their reports on the Income Tax bonds, make note of the A+ and A1 G.O. ratings, with Fitch noting the "stable outlook," and Moody's stating that the new income tax bonds do not negatively impact the rating on the G.O. bonds. Indeed, our bankers have suggested the possibility that the values of outstanding G.O. bonds may increase following issuance of the Income Tax bonds because of expected scarcity of future G.O. bond sales. Investors in all of the District's debt obligations can be assured that there is a commitment of sound financial policies and fiscal prudence protecting their investments.

Our steadfast objective is to sustain the high bond ratings we have achieved so far and to continue to make financial strides in order to achieve additional upgrades. To that end, in June 2007, the OCFO transmitted a letter addressing the growing burden of debt on the District, and recommending a target limit on debt service as a percent of expenditures of 10 percent, with a firm cap of 12 percent. I applaud the recent enactment of this cap by the District's elected leaders. This will help ensure that the District maintain flexibility in future budgets. Specifically, by limiting the percentage of debt service – a fixed cost – to no more than 12 percent, you ensure that the balance of the District's budget, that is, 88 percent to 90 percent of expenditures, would be available to fund services to taxpayers.

CONCLUSION

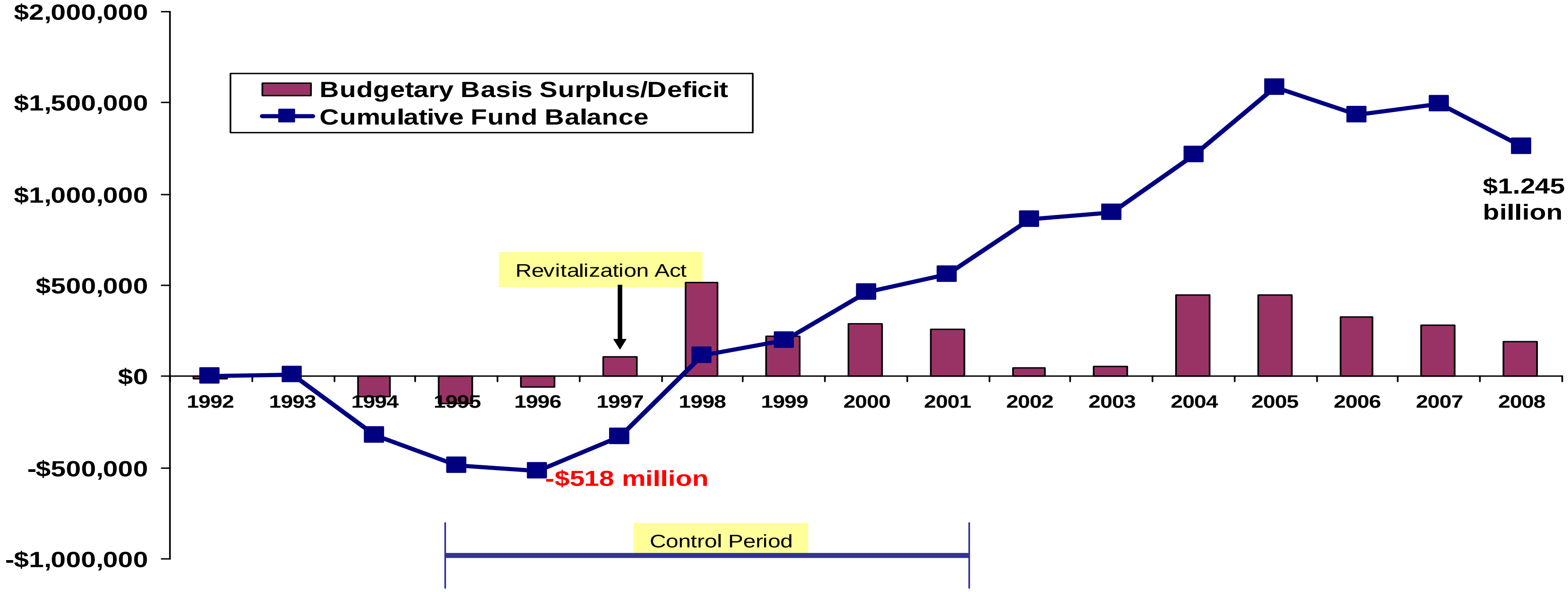
The continuing leadership provided by the Mayor, by you, Mr. Evans, and the Council has enabled the District to experience a major financial turnaround. The OCFO is committed to doing everything we can to support continued financial improvements in the city in FY 2009 and beyond.

This concludes my remarks. I would be pleased to answer any questions you may have.



ORGANIZATIONAL CHART
Government of the District of Columbia
Office of the Chief Financial Officer
CENTRAL FINANCIAL OPERATIONS - Deputy CFOs
Office of Budget and Planning (OBP)
Gordon McDonald
(202) 727-6234
Office of Finance and Treasury (OFT)
Lasana Mack
(202) 727-6055
Office of Financial Operations and Systems (OFOS)
Anthony Pompa
(202) 442-8200
Office of Revenue Analysis (ORA)
Robert Ebel
(202) 727-7775
Office of Tax and Revenue (OTR)
Stephen Cordi
(202) 442-6200
D.C. CHIEF FINANCIAL OFFICER
Natwar M. Gandhi
(202) 727-2476
Chief of Staff Lucille Dickinson
Director of Operations Angell Jacobs
(202) 727-2476
EXECUTIVE SUPPORT
General Counsel
David Tseng
(202) 727-9528
Economic Development Finance
Senior Advisor and Director
John Ross
(202) 727-2421
Senior Financial Policy Advisor
Marcy Edwards
(202) 727-2476
Integrity and Oversight Executive Director
Robert Andary
(202) 442-6433
Agency Chief Information Officer
Mike Teller
(202) 727-8775
Management and Administration Executive Director
Paul Lundquist
(202) 442-6523
Public Affairs Officer
David Umansky
(202) 727-0058
AGENCY FINANCIAL OPERATIONS - Associate CFOs
Agency Fiscal Officers
Economic Dev. and Regulation
Cyril Byron, Jr.
(202) 442-8684
DCRA: Conrad Bridges
DOES: Ibrahim Koroma
DHCD: Donal Sink (interim)
DISB: Bright Ahaiwe
PSC: Irvin Logan
Government Operations
Mohamed Mohamed
(202) 727-0333
EOM: Andree Chan-Mann
OCA: Paul Blake
DCHR: James Hurley
OAG: Victoria Syphax
OCTO: Phil Peng
OFRM: Shilonda Wiggins
Government Services
George Dines
(202) 671-2201
EO: Robert Jose
DMV: Kimberly L. Holloway
DPW: Perry Fitzpatrick
DDOT: Rumman Dastgir
Human Support Services
Deloras Shepherd
(202) 671-4220
CFSA: Justin Kopca
DOH: Keith Fletcher
DOH-MAA: Vacant
DHS: Kristie Steel
DDS/ODR – Delicia Moore
DMH: Joyce Jeter
DPR: Barbara Roberson
DYRS: Angelique Rogers (acting)
Public Safety and Justice
Angelique Hayes
(202) 673-3347
DOC: Ronald Peele
FEMS: Vacant
OCME/CJCC: Daryl Staats
MPD: Martin Carmody
OUC/EMA: Ashraf El-Khatib
Education
Tom Berger
(202) 442-8206
OSSE: Kevin Clinton
OPEFM: Massimo Marchiori (Acting Agency CFO)
DCPL: Tammie Robinson
UDC: Tom Berger (interim)
DC Lottery
Executive Director
Jeanette Michael
DCPS: Noah Wepman
SEC: Wilma Matthias
WCCA: Henry Mosley
DCLB: William Robinson

Surplus and Bond Rating History



	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
S&P:	A-	A-	A-	BBB-	B	B	BB	BBB	BBB	BBB+	BBB+	A-	A	A+	A+	A+	A+
Moody's:	Baa	Baa	Baa	Ba	Ba	Ba2	Ba1	Ba1	Baa3	Baa3	Baa1	Baa1	A2	A2	A2	A1	A1
Fitch:		A-	BBB+	BB	BB	BB	BB+	BB+	BBB	BBB	BBB+	A-	A-	A	A	A+	A+

Schedule of Bond Ratings

	Fitch Ratings	Moody's Investors Service	Standard & Poor's
Highest Quality	AAA	Aaa	AAA
High Quality	AA+	Aa1	AA+
	AA	Aa2	AA
	AA-	Aa3	AA-
Good Quality	**A+**	**A1**	**A+**
	A	A2	A
	A-	A3	A-
Adequate Quality	BBB+	Baa1	BBB+
	BBB	Baa2	BBB
	BBB-	Baa3	BBB-
Below Investment Grade -- "junk" or "speculative"	BB+	Ba1	BB+
	BB	Ba2	BB
	BB-	Ba3	BB-
	B+	B1	B+
	B	B2	B
	B-	B3	B-
	CCC	Caa	CCC
	CC	Ca	CC
	C	C	C
	D	D	D

Current District of Columbia Income Tax Secured Revenue Bond Ratings

Current District of Columbia General Obligation Bond Ratings

Office of the Chief Financial Officer
FY 2007 - FY 2009 Operating Budget and FTEs, Evolution By Program
Operating Budget ($000)

Program	FY 2007 Actuals FTEs	FY 2007 Actuals Exp's	FY 2008 Actuals FTEs	FY 2008 Actuals Exp's	FY 07 - FY 08 % Change FTEs	FY 07 - FY 08 % Change Dollars	FY 2009 Congressional Approved FTEs	FY 2009 Congressional Approved Budget	FY 08 - FY 09 % Change FTEs	FY 08 - FY 09 % Change Dollars	FY 2009 with Rescission FTEs	FY 2009 with Rescission Budget	FY 08 - FY 09 with Rescission % Change FTEs	FY 08 - FY 09 with Rescission % Change Dollars
Management	74	10,167	73	9,433	-1.4%	-7.2%	84	9,496	15.1%	0.7%	84	9,248	15.1%	-2.0%
Financial Ops & Systems	123	15,782	111	14,968	-9.8%	-5.2%	125	14,507	12.6%	-3.1%	125	14,204	12.6%	-5.1%
Budget Devt & Execution	57	6,541	53	6,793	-7.0%	3.9%	62	7,237	17.0%	6.5%	62	6,992	17.0%	2.9%
Research and Analysis	25	3,508	27	3,684	8.0%	5.0%	26	3,518	-3.7%	-4.5%	26	3,419	-3.7%	-7.2%
Office of Tax & Revenue	526	72,193	558	72,336	6.1%	0.2%	633	93,180	13.4%	28.8%	633	90,674	13.4%	25.4%
Chief Information Officer	34	13,051	34	11,859	0.0%	-9.1%	38	10,071	11.8%	-15.1%	38	9,934	11.8%	-16.2%
Treasury Operations	82	18,663	80	17,206	-2.4%	-7.8%	86	21,804	7.5%	26.7%	86	21,640	7.5%	25.8%
Integrity and Oversight	22	4,794	21	4,776	-4.5%	-0.4%	24	4,841	14.3%	1.4%	24	4,760	14.3%	-0.3%
TOTAL	**943**	**144,699**	**957**	**141,055**	**1.5%**	**-2.5%**	**1,078**	**164,654**	**12.6%**	**16.7%**	**1,078**	**160,871**	**12.6%**	**14.0%**

Notes: Agency Financial Operations are included in the Management total as follows:

	FY 2007 FTEs	FY 2007 Exp's	FY 2008 FTEs	FY 2008 Exp's	FY 2009 Congressional FTEs	FY 2009 Congressional Budget	FY 2009 with Rescission FTEs	FY 2009 with Rescission Budget
Agency Financial Operatior	11	1,307	11	986	11	1,063	11	1,063

Office of the Chief Financial Officer
FY 2007 - FY 2009 Operating Budget and FTEs, Evolution By Fund Type

Operating Budget ($000)

BUDGET BY FUND ($000)														
	FY 2007 Actuals		FY 2008 Actuals		FY 07 - FY 08 % Change		FY 2009 Congressional Approved		FY 08 - FY 09 % Change		FY 2009 with Rescission		FY 08 - FY 09 with Rescission % Change	
Fund	**FTEs**	**Exp's**	**FTEs**	**Exp's**	**FTEs**	**Dollars**	**FTEs**	**Budget**	**FTEs**	**Dollars**	**FTEs**	**Budget**	**FTEs**	**Dollars**
Local	817	120,842	840	113,406	2.8%	-6.2%	928	120,085	10.5%	5.9%	928	116,302	10.5%	2.6%
Federal (150/200)	1	836	1	857	0.0%	2.5%	1	877	0.0%	2.3%	1	877	0.0%	2.3%
Other	70	12,438	73	17,461	4.3%	40.4%	100	37,541	37.0%	115.0%	100	37,541	37.0%	115.0%
Intra-District	55	10,583	43	9,331	-21.8%	-11.8%	49	6,152	14.0%	-34.1%	49	6,152	14.0%	-34.1%
TOTAL	**943**	**144,699**	**957**	**141,055**	**1.5%**	**-2.5%**	**1,078**	**164,654**	**12.6%**	**16.7%**	**1,078**	**160,871**	**12.6%**	**14.0%**

OFFICE OF THE CHIEF FINANCIAL OFFICER **3/2/2009**
FY 2004 - FY 2009 FTEs

	Mandated Increases	Net Impact of Other FTE Changes	Total FTEs
FY 2004 Budgeted FTEs			**930**
OCFO PS Reductions		-13	
FY 05 Revenue Compliance Initiative	48		
	48	-13	35
FY 2005 Budgeted FTEs			**965**
FY 06 Increases			
Non Custodial Fathers Initiative	8		
Baseball Initiative	3		
Anti-Deficiency Act	4		
OTR - Counsel (OAH work)	2		
Real Property Assessment	16		
FY 2006 Proposed FTE Changes	33	0	33
FY 2006 Budgeted FTEs			**998**
Note: other changes in FY 2006 netted to zero			
FY 07 Increases			
Revenue Initiatives	57		
IT Staff - convert capital to operating		5	
(convert contract IT staff to DC employees)	57	5	**62**
FY 2007 Budgeted FTEs			**1,060**
FY 08 Increases/Decreases			
OCFO PS Reductions		-7	
Transfer out to DCRA	-6		
Compliance Auditor*	1		
(*funded by tobacco settlement)	-5	-7	**(12)**
FY 2008 Budgeted FTEs			**1,048**
FY 09 Increases/Decreases			
OTR Revenue officers	25		
OTR Compliance auditor bone marrow	1		
OFOS PASS/Peoplesoft Training		2	
OBP Grants management		2	
	26	4	**30**
FY 2009 Budgeted FTEs			**1,078**

FY 2004 - FY 2009 Summary	
FY 2004 Budgeted FTEs	**930**
Mandated Increases/Decreases	159
Other FTE changes	(11)
FY 2009 Budgeted FTEs	**1,078**