

**PUBLIC OVERSIGHT HEARING
ON THE
OCFO BUDGET FOR FY 2013**

**Before the
Committee on Finance and Revenue
Council of the District of Columbia**

The Honorable Jack Evans, Chairman

**April 19, 2012 @ 10 a.m.
John A. Wilson Building
Council Chambers**



**Testimony of
Lasana K. Mack
Deputy Chief Financial Officer and Treasurer
Office of Finance and Treasury**

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

Good morning, Chairman Evans and members of the Committee. I am Lasana Mack, Deputy Chief Financial Officer and Treasurer, and I am responsible for management of the Office of Finance and Treasury in the Office of the Chief Financial Officer. The information that I will present today addresses the proposed FY 2013 budget for the Office of Finance and Treasury (OFT).

OFT's mission is to efficiently and effectively manage the financial assets and liabilities of the District government. This includes receiving, investing, disbursing, recording and acquiring District financial resources. Included in this description are critical on-going functions such as payroll funding, check production, electronic payment processing and execution, management of the District's debt issuance and repayment operations, management of the District's cash, investments and reserves, and management of District's 529 college savings plan, 401(a) pension plan, 457 deferred compensation plan, electronic benefits program, and unclaimed property operation.

In a challenging financial environment over the past few years, OFT has effectively managed the District's funds and its borrowing. Low market interest rates have in recent years reduced our ability to earn interest income on our funds; however, we have benefitted from these low interest rates on our debt issuances. The combination of relatively high credit ratings and low market interest rates has allowed us to obtain very favorable rates on our borrowing, including a record-low rate of 0.27 percent on our FY 2012 issuance of Tax Revenue Anticipation Notes to finance the District's

seasonal cash flow needs and a rate of 3.70 percent on our FY 2012 issuance of income tax secured revenue bonds to finance FY 2012 capital projects.

Our income tax bonds are rated AAA, the highest possible rating, by Standard and Poor's, Aa1 by Moody's Investors Service, and AA+ by Fitch Ratings. The ratings on the District's General Obligation Bonds, which also represent a measurement of the overall financial health of the District, are also highly rated, at Aa2 by Moody's, AA- by Fitch and A+ by Standard and Poor's. Our short-term debt offerings consistently receive the highest possible short-term ratings from the rating agencies. These bond ratings could not have been achieved without a demonstrated trend of prudent financial management on the part of the District's elected and executive leadership team.

FY 2013 Budget Request

The FY 2013 budget request for OFT totals \$21.3 million and includes funding for a total of 80 FTEs (full-time equivalents). This budget request represents a net increase of approximately \$4.5 million as compared to the FY 2012 approved budget, and an increase of 9 FTEs. These increases are attributable to the infrastructure and staffing needs associated with the planned implementation of a new Central Collections Unit (CCU) that will consolidate and improve the collection of outstanding debts owed to the District, producing additional revenue. In fact, not including the budget impact of the new CCU, the FY 2013 budget request for OFT represents a decrease of approximately \$1 million compared to the FY 2012 approved budget. Consistent with the mandate that we all find ways to perform our

important functions more efficiently, utilizing fewer resources in these lean budgetary times, OFT is able to absorb this decrease without reducing our effectiveness in carrying out our core functions.

As indicated in the Fiscal Impact Statement for the FY 2013 Budget Support Act, the new CCU is projected to cover its additional costs and produce net revenue of \$4.4 million to the General Fund in FY 2013 and a total of \$27 million in net revenue over the course of the four-year financial plan period. OFT's management team stands ready to implement this new initiative once it has received legislative approval.

Along with personnel costs, OFT's budget contains funding for contractual services associated with the various functions that OFT performs for the District, including various banking services, transaction processing and interfacing, cash security services, and professional advisory services.

The FY 2012 budget request for OFT was formulated in accordance with the agency's objective of continually providing high-quality, effective and efficient financial management services and processes for District residents, agencies, and other stakeholders, and we intend to meet that objective in FY 2013.

Chairman Evans, members of the Committee, this concludes my testimony. I am prepared to answer any questions that the Committee may have.