

**PUBLIC OVERSIGHT HEARING ON  
THE FISCAL YEAR 2012 AND 2013 SPENDING AND  
PERFORMANCE BY THE OFFICE OF THE CHIEF  
FINANCIAL OFFICER (OCFO)**

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

**The Honorable Jack Evans, Chairman**

**March 7, 2013  
John A. Wilson Building  
Council Chambers**



**Testimony of  
Jeffrey Barnette  
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. My name is Jeffrey Barnette, Deputy Chief Financial Officer and Treasurer. Thank you for the opportunity to present testimony regarding the operation and performance of my office for FY 2012 and FY 2013 year-to-date.

OFT's mission is to manage efficiently and effectively the financial assets and liabilities of the Government of the District of Columbia. This involves receiving, investing, disbursing and recording District financial resources, and also includes managing the District's issuance and repayment of bonds and notes in the financial marketplace.

**Debt Management.** On behalf of the District, OFT issues bonds and notes in the public financial markets to fund capital projects and to meet short-term cash flow needs. OFT also manages the District's Master Equipment Lease/Purchase Program, which provides financing for equipment acquisition.

Starting in FY 2009, the District has funded its Capital Improvements Program primarily through the issuance of Income Tax Secured Revenue Bonds, which are rated AAA, the highest possible rating, by Standard and Poor's, Aa1 by Moody's and AA+ by Fitch. Our General Obligation Bond ratings are A+, Aa2 and AA-,

respectively, by these three rating agencies. Collectively, these are the highest bond ratings in the District's history and are the result of prudent financial management. As you are aware, Mr. Chairman, the FY11 and FY12 surpluses bolstered the fund balance with deposits to the reserve accounts. These additional reserves improved the District's working capital position and the increases were well-received by the rating agencies in our recent visits last week.

In FY 2012 and FY 2013 to date, we successfully financed the District's on-going Capital Improvements Program and our intra-year cash flow needs with debt issuances in the financial marketplace. The District's bond and note issuances were very well received by investors, and in particular by District residents. Due to the low levels of market interest rates, as well as the District's high credit ratings and the strength and expertise of the District's financing teams, we were able to complete these issuances at very favorable interest rates and produce debt service savings for the District.

In October 2011 and October 2012, we issued \$820 million and \$675 million, respectively, of Tax Revenue Anticipation Notes (TRANs) to finance the District's seasonal cash flow needs. The FY 2012 TRANs issuance produced an interest rate of 0.27%, the lowest in the District's history to that point. We followed up in FY

2013 with yet another record-low interest rate of 0.19%. The District's seasonal cash flow needs have decreased over the last fiscal year due to the collection of higher than projected revenues. The FY 2012 financial results increased the District's fund balance and working capital position, and we expect to continue the trend of reducing short-term borrowing in the next fiscal year. We were active in the primary market in the first quarter of FY 2013 as well. OFT issued approximately \$42.9 million in Federal Highway Grant Anticipation Revenue Bonds (GARVEEs) for Phase II of the 11<sup>th</sup> Street Bridge Project, \$775.8 million in Income Tax Secured Revenue Bonds for FY 2013 capital project expenditures and to refinance the Capper Carrollsburg PILOT Notes, and \$39.6 million in Deed Tax Revenue Bonds for the New Communities Projects. Each transaction was issued at record-low interest rates for the respective credits. In October 2012, OFT negotiated the direct purchase of \$397.9 million of outstanding letter-of-credit backed variable rate General Obligation Bonds. We negotiated favorable pricing that will save over \$2.5 million a year in interest and fee expenses over the 3-year term of the contracts.

**Cash Management and Banking.** OFT manages the cash, investments and banking relationships of the District, ensuring that the District's payment obligations are met and that interest income is earned on the funds on hand.

Investment interest rates have been very low in recent times, producing lower levels of interest income than in the past. The District is conservative in its investments, reflecting the fact that the preservation of principal is the primary investment objective. We competitively procure banking services to meet the District's banking needs. One of our objectives is to have District funds on deposit with local financial institutions, and we have been proactive in doing this. Currently, approximately \$116 million of our funds are placed with local financial institutions.

**Grants.** In FY 2012, the District received approximately \$2.5 billion in federal grant funding (including Medicaid and ARRA funding). OFT manages the cash and accounting aspects of agencies' federal grant drawdowns. We have continued to enforce the principles of the federal Cash Management Improvement Act and meet its requirements in a timely manner, and are working with other agencies to enhance the process for monitoring agency grant-related payments and receipts and ensure the timely reimbursement of expended grant funds.

**Operations.** Two of OFT's primary operations are Revenue Collections and Payment Operations. These units perform and oversee the important daily functions of cashiering and payment production for District agencies. OFT has

continued to work to enhance the efficiency of these operations by reducing paper check handling and increasing the percentage of payments made electronically (via card and ACH). OFT has also implemented a state-of-the-art cashiering system that interfaces directly with the District's system of record, SOAR. This interface eliminates agency journal preparation and manual entry as well as accelerates cash flow determination.

OFT is also in the process of building the infrastructure for the Central Collection Unit (CCU). The CCU will become the primary unit to collect all delinquent non-tax debt owed to the District. At this point, the unit has assumed the collection contracts for Department of Motor Vehicles and United Medical Center. Next, we expect to expand collections to include the University of the District of Columbia. We currently have pending RFPs for Collection Contractors and a Software System. We also have seven CCU job openings that we are working to fill. To date, the unit has collected \$9.6 million of a targeted figure of \$15 million for FY13. We will continue to update the Council on our progress.

**Special Savings/Investment Programs.** OFT manages or assists in managing the administration of the DC College Savings Plan, the 401(a) Retirement Plan, the 457(b) Deferred Compensation Plan and the Other Post Employment Benefits

(OPEB) trust fund. The total value of the 4 plans is approximately \$1.9 billion. We monitor the District contracts with outside investment firms for these plans to ensure high-quality funds management and investment functions with the highest level of professionalism, to provide the best result for District employees and District residents. We have encouraged and facilitated increased investor education so that District government employees are better able to meet their savings and retirement goals.

**Unclaimed Property Program.** The District's Unclaimed Property program continued community outreach activities that included extensive advertisements that are done semi-annually with local newspapers as well as on-line operations. In FY 2012, OFT returned approximately \$9.4 million to 2,200 owners of unclaimed property.

Mr. Chairman, this concludes my testimony. I would be pleased to answer any questions that you or other Committee members might have.