

October 30, 2001

Council of the District of Columbia

PUBLIC OVERSIGHT HEARING ON THE DISTRICT OF COLUMBIA'S CAPITAL IMPROVEMENTS PROGRAM

Testimony of Dallas Allen, Director of the Capital Improvements Program, Office of Budget and Planning, before the Committee of the Whole

Good Morning, Chairman Cropp and members of the Committee. I am Dallas Allen, Director of the Capital Improvements Program in the Office of Budget and Planning (OBP). I am pleased to appear before you today to present testimony on the status of the District of Columbia's Capital Improvements Program.

In my testimony, I will address three areas:

- The current financial status of the Capital Improvements Plan (CIP);
- FY 2002 programmatic initiatives; and
- FY 2003 budget development.

Current Financial Status of the CIP

As I had mentioned in the Oct. 1, 2001, hearing, District agencies have made substantial improvements in the implementation of their capital projects. In FY 2001 District agencies spent approximately \$460 million, representing a significant increase compared to the FY 2000 and FY 1999 expenditures that totaled approximately \$245 million and \$225 million respectively. This corresponds to an increase of 87% over FY 2000 and 104% over FY 1999. In addition, District agencies have encumbered \$475 million.

This expenditure and encumbrance activity has reduced the unexpended budget by 18% and the available authority by 25% for the end of FY 2001. This indicates that agencies are focused on the implementation of their capital projects and are working toward achieving the desired outcomes within the time frames specified in the Capital Improvements Plan. This improvement is also an indication of the increased priority and commitment that has been placed on the Capital Improvements Program by the legislative and executive branches, as well as by agency directors and chief financial officers. However, in order for the District to achieve all of the intended outcomes of the CIP, it will require the continued commitment of all responsible parties and the need to continuously identify new business practices to improve capital service delivery.

FY 2002 Programmatic Initiatives

As I also indicated at a previous hearing, my office has issued a Request for Proposal (RFP) for a contract to do a complete assessment of the capital program. The evaluation committee is currently evaluating the proposals and anticipates making a final selection within the next three weeks. The scope of this contract will include:

- A complete financial and programmatic assessment of all active capital projects;
- A review of procurement policies and, if necessary, the development of a policy regarding procurement practices and the effect on productivity within agencies;
- A benchmarking of the District's Capital Improvements Program against best practices for state, county and local capital improvements programs across the nation, and the establishment of performance measures for the execution of the District's CIP; and
- The development of policies and procedures for the development of the CIP.

The purpose of this assessment is to help District agencies assemble a strong Capital Improvements Program and to manage it proficiently. In addition, my office will continue to work closely with the City Administrator's office to develop new strategies to improve the budget development and execution of the CIP.

I would also like to take this opportunity to discuss the Capital Improvements Program's Capital Budget Development and Tracking System that is currently being developed in my office. This system will allow my office to provide agency directors, CFOs and stakeholders useful data and analysis on the current financial and programmatic status of their agency's capital projects. The database will be populated with the data gathered through the capital program assessment and will be updated on a monthly basis. This reporting tool will be used to develop a monthly capital Financial Review Process (FRP) that will be utilized in the evaluation of all on-going projects and the development of new capital projects in the District's budget development process.

These two initiatives will provide the District with a level of analysis that will better serve the management of the District's Capital Improvements Program.

FY 2003 Budget Formulation

The development of the FY 2003 budget will be an extremely challenging process given the impact of the September 11th events on the District's revenues. This impact not only affects the local operating budget but the capital budget as well. Due to limited fiscal resources, limitations will have to be placed on the amount of new budget authority that can be added to the existing Capital Improvements Plan. Additionally, the District must be mindful of its current debt ratios in determining the amount of the CIP. These ratios play a significant role in the determination of the District's bond rating.

Based on discussions with the Office of Finance and Treasury and the District's financial advisors, the following criteria have been developed to determine the amount of new authority that the District can add to the FY 2003 CIP:

- Cannot issue an amount of debt in any fiscal year that would amount to more than 15% of the total amount of debt outstanding as of the end of the previous fiscal year;
- Cannot issue debt in an amount that would cause the District's per capita debt to exceed \$6,000; and
- Cannot issue debt in an amount that would cause the debt limit ratio (maximum annual debt service to total local revenues) to exceed 12%.

Based on these criteria, it has been determined that the District will be able to increase the FY 2003 CIP budget by \$30 million, and by \$150 million over a six year period. Due to these limitations, emphasis should be placed on maximizing the resources of the current CIP and achieving the outcomes as defined by the policymakers.

In order to do this, OBP has instructed agencies to revise their capital spending plans to reflect realistic spending on a quarterly basis for FY 2002 and FY 2003, as well as on an annual basis for the next six years. Additionally, OBP has requested that agencies provide monthly updates on current project status and milestone data outlining the scheduled and actual completion dates of all implementation stages for all capital projects. This information will be used on an on-going basis to identify when projects are off schedule in order for agency directors to determine the reasons for delays and develop a course of action to remedy them.

As we begin the development of the FY 2003 budget, the information requested above will serve as the baseline for the FY 2003 Capital Improvements Plan. In order to maintain focus on those projects that have already been identified as key priorities of the District, agencies are required to demonstrate their ability to implement their existing capital projects prior to any consideration of new projects to be included in the proposed FY 2003 Capital Budget.

As I have stated before, my office remains committed to working with stakeholders and agencies to improve the development and implementation of the Capital Improvements Program.

Madam Chairman, I thank you and the other members of the Committee for the opportunity to testify before you today. I will be happy to respond to any questions that you may have.