

**AGENCY PERFORMANCE OVERSIGHT HEARING
FY 2002/2003 BUDGETS
OFFICE OF BUDGET AND PLANNING**

**Before the
Committee of the Whole
Council of the District of Columbia
The Honorable Linda W. Cropp, Chairman**

**February 12, 2003
10:00 a.m.
Council Chambers, John A. Wilson Building**



**Testimony of
Bert Molina
Deputy Chief Financial Officer
Office of Budget and Planning**

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

Good morning, Madam Chair and members of the committee. My name is Bert Molina, and I am the deputy chief financial officer for the Office of Budget and Planning. I am pleased to appear before you today to present testimony on the Fiscal Year 2002 and Fiscal Year 2003 expenditures and performance for the Office of Budget and Planning (OBP).

I have asked Gordon McDonald, associate deputy CFO, and Dallas Allen, director of Budget Formulation, to accompany me so that we can fully address any questions that you have. Lasana Mack, associate treasurer, will address questions related to cash and debt management.

Allow me to begin by saying that FY 2002 was, and 2003 will be, challenging years for the District financially. We have gone, in drumfire order, from developing the FY 2003 budget to cutting the FY 2002 budget to cutting the FY 2003 budget by \$323 million to developing the FY 2004 budget to closing out the FY 2002 budget and back to FY 2004 budget formulation. I am proud of my staff for its continued dedication and hard work to ensuring that, regardless of the fiscal year, the District continues to maintain a balanced budget.

In my remarks I will cover the following three areas:

- Fiscal Years 2002 and 2003 Operating Expenditure Performance,
- Fiscal Year 2003 Operational Goals, and
- Fiscal Years 2002 and 2003 Capital Improvements Program.

Fiscal Years 2002 and 2003 Operating Expenditure Performance

In Fiscal Year 2002, the Office of Budget and Planning spent \$5.98 million, which was \$1,349, or 0.02 percent, below our budget of \$5.98 million. This budget consists of the Council approved amounts plus an additional \$1.37 million in intra-District funds from performance-based budgeting (PBB) Phase II agencies to cover the costs of contractor facilitation.

The Fiscal Year 2003 budget for OBP is \$4.6 million. Operating expenditures through January 2003 total \$1.5 million, or 34 percent, of the approved budget. We will end the fiscal year within our approved budget.

FY 2003 Operational Goals

My vision for the Office of Budget and Planning is to have the highest caliber budget and financial staff delivering quality budgetary information to the District's elected leadership, aiding your ability to effectively manage the city's funds while achieving program goals.

The major operational goals of the Office of Budget and Planning are to:

1. Develop a balanced budget for Fiscal Year 2004;
2. Execute the Fiscal Year 2003 budget and end the year at budget balance;
3. Produce timely, accurate, and complete financial reports;
4. Improve grants management processes, and policies and procedures through the use of technology and automation; and
5. Implement PBB for 33 agencies.

1. Develop a Balanced Budget for Fiscal Year 2004

With the current state of the economy and its impact on revenues, as well as continued pressures on expenditures, this goal will be tough to meet this year. However, I am confident in OBP's abilities to succeed. We will build on last year's successes and continually improve the quality of the budget documents and supporting information that OBP provides to the stakeholders for the decision making process. Currently, we are on track to submit the mayor's budget to the Council on March 17.

2. Execute the Fiscal Year 2003 Budget

As budget director, it is my responsibility to take appropriate actions to ensure that agencies do not overspend their Fiscal Year 2003 approved budget. As part of this responsibility, we facilitated the reduction in agency spending by \$323 million last September. With spending pressures again this year, we are actively addressing them with the associate CFOs and agency financial and program staff.

3. Produce Timely, Accurate, and Complete Financial Reports

One of my goals this past year has been to strengthen OBP's abilities in financial reporting. I am proud to state that we are well on our way to meeting this goal. This past year, we have improved the detail and quality of our financial reports as well as leveraged technology to deliver critical financial information on demand. In terms of financial reporting, we have begun to produce monthly reports so that executives can get the financial information they need to make informed management decisions. For example, the monthly Financial Status Report will include details on revised budgets, expenditures, and obligations, by agency and fund type, with detail at the object class level for local funds. It also will include

payroll information, including FTEs and the cost of salaries and fringe benefits. In addition, each quarter we will produce a more detailed report that includes expenditure projections based on annualized payroll costs, the current status of grant collections, and the status of agency gap-closing actions.

We also have developed CFO\$ource, an executive information system that provides up-to-date, online and user friendly financial reports and analytical tools on agency activity. This is a robust management tool for not only financial staffs, but also for program managers, agency directors, and policymakers. The CFO\$ource enables managers to keep abreast of financial information affecting their responsibility areas. CFO\$ource provides standardized reports that contain information at various levels of spending such as agency, program and activity. It also provides users with analytical tools to drill down into financial information. Currently being added to CFO\$ource is a Spending Plan module. This will let agencies submit online their agency spending plans so that reports can be generated that reflect planned versus actual activity on a month-by-month basis. In the future, we will be adding online FRP analysis to CFO\$ource along with reports that show revenue collections and grant activity. It is our goal to have CFO\$ource be the single source of financial information for District stakeholders. We are in the process of developing training materials so that we can educate DC employees on how to use this powerful tool to help them perform their jobs.

4. Improve grants management processes, and policies and procedures through the use of technology and automation

As you know, in December 2002, OBP was given responsibility for District-wide grants management functions. The ACFOs are taking on responsibility for their

respective clusters. Our goal is to leverage the same technologies that we are using in budget formulation and execution to automate manually intensive processes. What used to take days, now can be done with a touch of a few keys on our database.

In addition, we have begun the process of clarifying agency, ACFO, and OBP roles and responsibilities in grants management. Shortly, we will send out the first policy and procedure bulletin to agencies so that they understand the division of responsibility and how we are working to more effectively manage grant funds.

5. Implement Performance-Based Budgeting for 33 Agencies

One of the most exciting and critical goals for OBP is the transition of the District government to performance-based budgeting. We know this is a high priority for the Council, and we have made significant strides toward this goal in the past year. As you know, moving a government as diverse and varied as ours from a control center and responsibility center budget to a program and activity budget is a monumental task. As required in the FY 2003 Budget Support Act, OBP worked this past year to move 12 agencies to PBB. Beyond that, we worked to include all agencies within the mayor's cabinet, for a total of 33 agencies or roughly 85 percent of the District's gross funds budget, that we plan on presenting in program and activity format for the FY 2004 budget book. Over the next year, we hope to work closely with the Council to continue the transition to PBB for the remaining District agencies.

Our approach has been to integrate this process with the mayor's planning processes and District's performance management activities. Our office works closely with the Office of the City Administrator, the Neighborhood Action Office,

and the Office of Personnel to carefully integrate performance measurement at all levels of District government. While this transition is not yet complete, we believe we continue to move in the right direction in this important endeavor.

Milestones accomplished include the development of seven business plans that were integrated with the citywide strategic plan and published in the FY 2003 budget. Twenty-six additional business plans are being finalized over the next several weeks. We hope to submit them to Council at the same time as the FY 2004 budget. Additionally, accounting structures within SOAR have been developed for all PBB agencies to provide financial data to program and activity managers during FY 2004 and beyond.

The final stages of the PBB implementation for these 33 agencies will be the revision of the business plans to reflect the consensus budget results in late May 2003 and the development of performance data collection and reporting processes within each agency.

Looking to the future, we plan to complete the transition to performance-based budgeting for the remaining District agencies during the next one to two-and-a-half years. In addition, we plan to benchmark the PBB agencies against comparable jurisdictions around the nation for specific programs starting with the FY 2004 budget. After each agency has transitioned to PBB, we hope to institutionalize the business plan for each agency by training activity managers to use their plans as management tools. This is to be done through both the Center for Excellence in Municipal Management (CEMM) program as well as the MSS training offered by the Center for Workforce Development.

FY 2002 and FY 2003 Capital Improvements Program

Like the operating budget, OBP has several goals for the Capital Improvement Program. We continue to focus on developing efficiencies, improving accountability, and reducing the backlog of capital projects. In addition, we are constantly reviewing capital projects to see what can be closed out or deferred in order to free up funds for higher priorities.

In FY 2003, one of our most important initiatives is to initiate an assessment of all capital projects. This assessment involves a completely independent review, analysis and evaluation of the District's capital program. Specifically, the assessment will benchmark the District's capital program to other state and local government programs and offer recommendations for management improvements. This project started last year, but because of unanticipated growth in the cost of the assessment, we are looking for alternative means of carrying out this initiative. Ultimately, a comprehensive program will be outlined that will let the District better manage its capital projects and financial resources.

Conclusion

I look forward to working with the Council and other policy makers to develop a consensus budget for Fiscal Year 2004.

Madam Chair, I thank you and the members of the committee for the opportunity to testify today. I am available to answer any questions you might have.