

BUDGET HEARING
FY 2004 BUDGET REQUEST OF 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

April 4, 2003, 9:00 a.m.
Council Chambers



Testimony of
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Natwar M. Gandhi
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Good morning, Chairman Evans and members of the committee. I am Anthony Calhoun, treasurer and deputy chief financial officer for the Office of Finance and Treasury (OFT), and I would like to offer the following testimony on OFT's proposed FY 2004 budget (see attached) for the record. I thank you for the opportunity to present testimony regarding the proposed budget and summarize the functions of the office, noting some of the accomplishments that the Office of Finance and Treasury has made in generating revenue, managing assets, and serving District residents.

OFT administers the assets and liabilities of the District government. As such, OFT manages the District's cash, processes all cash disbursements, conducts capital market borrowings, collects non-tax accounts receivable, and administers the District's 401(a) Defined Contribution Plan, the 457 Deferred Compensation Plan, and the College Savings Plan.

During FY 2002 and FY 2003, OFT has continued to improve the various financial processes of the District, with positive results. These include awarding the contract for a new provider of the District's 457 Deferred Compensation Plan; implementing the Treasury Workstation; introducing the College Savings Plan ("529 Plan"); bonding of all OFT employees; and increasing the number of claimants reunited with their unclaimed property by 8.3%.

FY 2004 Budget Request

The FY 2004 budget request for OFT totals 86 FTEs with a budget of \$14,371,000, which represents a reduction of 4 FTEs and a net decrease of \$1,076,000 from the

FY 2003 approved budget. This reduction results in part from 1 FTE being transferred to the Office of Management and Administration and a reduction of 3 FTEs due to budget constraints, along with a few other cost-cutting measures. The FY 2004 budget for the Office of Finance and Treasury was formulated in accordance with the Office's strategic objectives:

- To reduce costs associated with Treasury financial transactions;
- To increase revenue from Treasury revenue-producing units;
- To improve the service provided to District residents and other District agencies;
- To manage the District's assets and liabilities to improve financial performance; and
- To facilitate economic development through financial transactions.

OFT Organization and Programs

OFT is divided into five core functions: debt management, cash management and investments, disbursement activities, cash receipts and accounting, and asset management for special programs.

The debt management unit issues general obligation bonds in the financial marketplace to provide for the payment of costs incurred in the acquisition or development of capital projects and to refund outstanding indebtedness, and manages or advises other District financing transactions. In FY 2004, OFT will continue to efficiently finance the District's on-going capital improvement program and continually monitor the marketplace for opportunities to obtain additional debt service savings.

The cash management and investment unit encompasses the banking services and cash and investments units. With the full implementation of the Treasury Workstation — a new system to assist the unit with consolidating bank reports, tracking investments and debt spending, reconciling bank fees, making daily electronic payments, and cash forecasting — in conjunction with SOAR and debt management software, OFT's technological system will be state-of-the-art and will facilitate enhanced efficiency in our day-to-day operations.

The disbursement unit provides check writing and dissemination services for District agencies, so that they can fulfill their financial obligations to their stakeholders. OFT has implemented a new system for paying summer youth employees through the issuance of a debit card, similar to the EBT card that is used for TANF benefits. The EBT unit is preparing to issue an RFP for a vendor to issue benefits to a retailer account (EBT card) to pay for products received.

The cash receipts and accounting unit encompasses revenue accounting, cashiering services, and dishonored checks. This unit provides revenue collection, auditing, and recordation services for District agencies so that they can have accurate and timely revenue information. Most recently the dishonored check fee was increased from \$50 to \$65 per check. Also, OFT has implemented electronic re-presentment, which will allow OFT to collect funds (from dishonored checks) electronically from a customer's active checking account.

Asset management for special programs encompasses the pension management unit, the 529 College Savings Plan, and the unclaimed property unit. OFT plans to audit both the 401(a) Defined Contribution Plan and the 457 Deferred Compensation Plan to ensure accuracy, to protect District employee assets and to

reflect the activities in the plans, including contributions, withdrawals, and fund performance. The College Savings Plan has enrolled 1,748 participants to date, with total contributions of \$8 million, and in FY 2004 OFT will continue its aggressive marketing and community outreach to inform citizens about the benefits of the Plan.

OFT has continued to increase the amount of unclaimed property returned to its owners through expanded public awareness and community outreach activities. This amount increased from \$5.3 million in FY 2001 to \$6.6 million in FY 2002, and the goal for FY 2003 is \$7 million. In FY 2004, OFT will work diligently to meet and exceed its substantially increased goal of \$13 million (a 30% return).

In conclusion, the Office of Finance and Treasury has been successful in meeting its goals and objectives, resulting in quality asset and liability management and quality service to District agencies and District residents. Approval of OFT's FY 2004 budget request will provide the funding necessary to support a continuation of these positive results for the District. I thank you for this opportunity to present testimony.

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