

**PUBLIC BRIEFING ON
FISCAL YEAR 2018 PROPOSED
BUDGET AND FINANCIAL PLAN**

**Before the
Committee of the Whole
Council of the District of Columbia**

The Honorable Phil Mendelson, Chairman

**April 6, 2017, 10:00 am
John A. Wilson Building
Council Chambers**



**Testimony of
Jeffrey S. DeWitt
Chief Financial Officer
Government of the District of Columbia**

Good morning, Chairman Mendelson and Members of the Committee of the Whole. I am Jeffrey DeWitt, Chief Financial Officer of the District of Columbia. I am pleased to appear before you today to testify on the Fiscal Year 2018 Proposed Budget and Financial Plan. The Fiscal Year 2018 Proposed Budget includes \$7.6 billion in Local funds and \$13.8 billion in Gross funds (excluding Intra-District funds).

The Office of the Chief Financial Officer (OCFO) worked closely with the Mayor's executive leadership team, Office of Budget and Finance staff, and agency program staff to produce a balanced budget and five-year financial plan that reflects the Mayor's priorities. As indicated in my certification letter contained in the budget books, I have certified that the FY 2018 Budget and Financial Plan, as proposed, is balanced.

REVENUE OUTLOOK

The revenue outlook is predicated on continuing moderate growth in the national economy and assumes similar growth in the District's economy, with added jobs and residents over the period of the financial plan.

Measures to constrain spending at the federal level are expected to be in effect during the period of the financial plan. The prospect of further federal budget cuts

is a source of economic uncertainty and risk for the District's economy and finances. To account for the risks and uncertainty around the federal budget, the financial plan assumes that federal employment in the District will decline by modest amounts each year starting in FY 2018.

FY 2018 BUDGET HIGHLIGHTS

The proposed FY 2018 gross funds budget grew 3.4 percent over the approved FY 2017 budget. Revenues and other resources equal expenditures, with a margin of at least \$500K in each of the fiscal years of the financial plan period. It reflects more efficient debt structuring, the use of Special Purpose Revenue (O-type) and fixed commodity reserves, carryover of funds from prior fiscal years, and policy initiatives that produce revenue throughout the financial plan period. One that I would like to take a moment to clarify is the reference in my certification letter to a new sales tax on digital product sales. There is no new tax. Rather, there is an initiative to clarify the existing administrative authority of the tax commissioner to tax these products.

The Mayor's budget and financial plan does not make use of any federally or locally mandated reserves, which are important to maintain our high credit rating, and federally and locally mandated reserves are approaching 60 days of cash

reserves. The credit rating is important to ensure the capital program can be financed at the lowest possible cost in order to fund our large infrastructure needs.

The Mayor's proposed budget makes significant investments in infrastructure improvements – a total of \$6.6 billion over the capital planning horizon. The majority of the budget, \$4.1 billion, will be financed through the issuance of municipal bonds or debt. As I indicated previously, my office worked to ensure that debt service costs in the capital plan are structured as efficiently as possible to lessen the impact on the financial plan, to the extent possible. Debt service within the Capital Improvement Plan (CIP) period remains below the 12 percent debt cap.

That being said, the large bond funding does have an impact on future available resources. Approximately one-third of all future revenue growth must go to support the associated debt service for the bonds. As a result, personnel, contract, and other operating costs must be constrained to well below 3 percent growth throughout the financial plan, assuming the capital plan is implemented as scheduled. This constraint would also apply to any changes that the Council might make to the proposed budget unless modifications are made to the capital program. To provide an example of what we all deal with at a personal level, if you buy a larger home with a bigger mortgage or lease a larger apartment that requires more

rent, without an increase in income, that limits funds for other expenses. Careful monitoring of these costs, as well as execution of the capital plan, is required to ensure the financial plan remains balanced in all future years. The Office of the Chief Financial Officer is available to assist you and your staff with any questions or analysis as you review and potentially consider changes to the proposed budget in the coming weeks.

CONCLUSION

In closing, I would like to thank Mayor Bowser, City Administrator Rashad Young and his team, the Office of Budget and Planning, the Associate Chief Financial Officers, and all others in the OCFO that have worked effectively together to produce a balanced budget. I now look forward to working with the Council during the upcoming budget deliberations.