

**“CHIEF FINANCIAL OFFICER OF THE  
DISTRICT OF COLUMBIA  
FITZROY LEE CONFIRMATION RESOLUTION OF  
2021,” PROPOSED RESOLUTION 24-389**

**Before the  
Committee on Business and Economic Development**

**The Honorable Kenyan McDuffie, Chairman**

**Tuesday, January 25, 2022, at 12:00pm  
Remote Hearing via Virtual Platform  
Streamed live at <https://www.kenyanmcduffieward5.com/live>**



**Testimony of  
Fitzroy Lee  
Acting Chief Financial Officer  
Government of the District of Columbia**

Good afternoon, Chairman McDuffie and members of the Committee on Business and Economic Development. I am Fitzroy Lee, Acting Chief Financial Officer for the District of Columbia. I am honored that Mayor Bowser has nominated me for appointment as the Chief Financial Officer of the District of Columbia, to fill the remainder of an unexpired term ending June 30, 2022. I am pleased to appear before you today to discuss my qualifications, experience, and vision for this position.

## **BRIEF WORK HISTORY AND EDUCATION**

As you know, I was appointed Interim Chief Financial Officer (CFO) by Mayor Bowser in March 2021 when the previous CFO, Jeffrey DeWitt, left the District to start a new job. Before the appointment, I served in the Office of the Chief Financial Officer (OCFO) for 20 years, starting in 2001 as the Director of Revenue Estimation in the Office of Revenue Analysis (ORA). I was promoted to Deputy Chief Financial Officer and Chief Economist for ORA in October 2009. Prior to joining the OCFO, I was an Assistant Professor of Economics at Tulane University in New Orleans, and before that, an economist with the U.S. Department of Agriculture. I hold a Bachelor of Science degree in Applied Physics and Computer Science from the University of the West Indies (Jamaica) and earned my Ph.D. in Economics at the Andrew Young School of Policy Studies at Georgia State University, specializing in the fields of public finance and econometrics.

## **OCFO EXPERIENCE AND ACCOMPLISHMENTS**

My tenure of 20 years with the OCFO has certainly prepared me to be Chief Financial Officer of the District. As Director of Revenue Estimation in ORA from July 2001 to October 2009, I was fortunate to lead an excellent group of economists and policy analysts, who develop the baseline revenue estimate that is the basis for the District's budget. During my time leading the team, we improved the revenue forecasting and tax policy analysis functions in several ways:

- We developed and implemented statistical models to improve the forecasting accuracy of the major tax sources
- Created a database of monthly collections of the major taxes, which facilitated quarterly update of the revenue estimates
- Developed procedures to improve data quality prior to revenue estimating
- Developed procedures and techniques for estimating the fiscal impact of tax policy legislation
- Created a comprehensive data warehouse of the major taxes
- Developed and implemented a microsimulation model for estimating the impact on revenue and distribution of income of individual income tax policy changes

Leadership is demonstrated, and tested, in difficult situations and times of crisis.

In this regard, I led the OCFO revenue estimating team through two major economic shocks to the District after the end of Control period. The first came after the events of September 11<sup>th</sup> and the bursting of the dot-com bubble. In the summer of 2002, a forecast by the revenue estimating team alerted the Mayor and Council to a \$323 million revenue shortfall in the Fiscal Year 2003 budget just before the start of the fiscal year. The early warning minimized disruptions to the District's budget as policymakers were able to rebalance the budget before its submission to Congress. But more importantly, District policymakers' timely adjustment to the budget avoided a budget deficit at the end of the fiscal year—one of the events that can trigger a return to a Control Board.

The second economic shock was the consequence of the bursting of the housing market bubble. Starting in September 2008, right after the collapse of Lehman Brothers and just before the start of Fiscal Year 2009, the revenue estimating team revised the Fiscal Year 2009 revenue estimate downward four times, reducing the estimate by a total of almost \$600 million. As the recession, now termed the Great Recession because it was one of the longest and deepest recessions since the 1930s, entered a second year and as the recovery turned sluggish, the revenue estimating team revised the revenue estimate downward several more times.

Policymakers responded to each downward revision of the revenue estimate with budget actions that maintained budget balance, and the District emerged from this period of severe fiscal stress without a single year of budget deficit.

As Deputy CFO and Chief Economist for ORA, I had the privilege of leading an exceptional and highly motivated team of economists and fiscal analysts. In addition to performing their routine functions of revenue estimation, fiscal impact analyses, and publication of special reports, the ORA team has frequently employed their analytical expertise to produce research and studies to facilitate the policymaking process. Some major accomplishments include:

- Research and analysis to support the 2012/2013 DC Tax Revision Commission
- Fiscal and economic analysis of the federal Tax Cuts and Jobs Act
- Research and analysis to support the work of the Metropolitan Washington Council of Governments' efforts to secure regional financing for capital maintenance program for Metro
- Tax expenditure evaluation reports that the Pew Charitable Trust deemed "high-quality evaluations"
- Recession scenario analysis and contingency planning, which facilitated a rapid response to the recession triggered by the COVID pandemic

My leadership of ORA gave me a unique vantage point to learn the breadth of both OCFO operations and the District government. Forecasting tax revenue requires a very detailed understanding of the tax system and the flow of tax receipts throughout the year. Accordingly, ORA works very closely with the Office of Tax and Revenue as it prepares the revenue forecast. The revenue estimate starts the budget process, and the fiscal impact statement certifies the final version of the budget. This requires close coordination with the Office of Budget and Planning during the budget development cycle. Fiscal impact statements issued throughout the year also require close coordination with OBP, Associate CFOs, and Agency Fiscal Officers, as well as agency program and Council staff. ORA also works closely with the Office of Financial Operation and Systems to produce the annual financial report and with the Office of Finance and Treasury for bond issuances and discussions with the ratings agencies.

It has almost been a year since I assumed the role of the CFO. Since that time, I have gained a much greater appreciation of my colleagues on the OCFO executive team, many of whom I have known and worked with for many years. They are consummate problem solvers -- detail-oriented, but with a full appreciation of the big picture. Their dedication, commitment, competence, and professionalism are what make the OCFO a high-performance organization. It is why we are able, year

after year, to certify and maintain a balanced budget and five-year financial plan, and why, unlike many other jurisdictions, the District is not facing a looming fiscal cliff when the unprecedented amount of federal dollars now pouring into the District coffers disappear in the next two years. A high functioning executive team is also why we will have an annual report which will almost certainly show that we ended another fiscal year financially strong, with a clean audit and balanced budget.

## **LOOKING AHEAD**

My predecessors built a solid financial foundation and an institutional framework that includes:

- An annual balanced budget and financial plan
- Twenty-five years of clean audits and budget surpluses
- High level of reserves
- Strong bond ratings
- sustainable debt levels, and
- Fully funded pensions and other post-employment benefits (OPEB)

The District's financial resilience in the face of the pandemic is a testament to this solid financial foundation.

Like the “first do no harm” Hippocratic oath of medical practitioners, my first priority as the District’s CFO is to ensure that we maintain the District’s hard-won financial strength. A very close second is strengthening the resilience of both the city finances and the OCFO against future shocks. The pandemic has shown how such shocks can upend our businesses, daily lives, and communities virtually overnight. So, as we navigate an uncertain post-pandemic world, we must prepare for other disruptive events such as future pandemics, cyberattacks, extreme weather events, and financial crises. This will require efforts on two fronts. First, ensuring that the District’s finances can withstand and/or recover quickly from a disruptive event. The surest way to financial resilience is having: 1) an adequate level of reserves; 2) sustainable debt levels; and 3) routine ongoing recession/contingency planning.

The second front is strengthening the OCFO’s organizational resilience. We must continue to innovate and implement policies, procedures, and systems that ensure that the organization will be able to operate during a crisis and then rebound quickly to full strength after the crisis is over. Initiatives to strengthen the OCFO’s resilience include:

- Continued modernization of our critical financial systems and cyber security infrastructure



- Full implementation of an enterprise risk management program
- Continued development of OCFO staff from recruitment and training to succession planning
- Continued investments to improve taxpayer's customer service experience
- Continued promotion of the SMARTER values and culture of continuous improvement

## **CONCLUSION**

I want to take this opportunity to thank Mayor Bowser, again, for her confidence in me and the opportunity to serve the District of Columbia. I also want to thank the staff of the OCFO for all their accomplishments over the years, and especially for their commitment to serving the residents of the District of Columbia in the face of a global pandemic which has so disrupted our lives and our communities, and even taken the lives of loved ones. Their level of dedication and professionalism is extraordinary. They are the heart of the District's financial resilience. Finally, thank you Mr. Chairman, the Committee, and other members of the Council of the District of Columbia for your consideration of my nomination. I consider it an honor and a privilege to serve the District of Columbia.

This concludes my remarks. I would be pleased to answer any questions you may have.