

PUBLIC HEARING
ON
THE FISCAL YEAR 2020 BUDGET
OF THE OFFICE OF
THE CHIEF FINANCIAL OFFICER

Before the
Committee on Finance & Revenue
Council of the District of Columbia

The Honorable Jack Evans, Chairman

April 5, 2019, 10:00 a.m.
John A. Wilson Building
Room 123



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

Good morning, Chairman Evans and members of the committee on Finance and Revenue. I am Jeffrey DeWitt, Chief Financial Officer of the District of Columbia. I am pleased to appear before you today to discuss the FY 2020 budget request for the Office of the Chief Financial Officer (OCFO).

I am joined by my colleagues who will assist in answering specific questions that the Committee may have. With me is Angell Jacobs, Deputy CFO and Chief of Staff. Also with me today are Bruno Fernandes, Deputy CFO for the Office of Finance and Treasury; Keith Richardson, Deputy CFO for the Office of Tax and Revenue; Fitzroy Lee, Deputy CFO for the Office of Revenue Analysis; and Bill Slack, Deputy CFO for the Office of Financial Operations and Systems. Gordon McDonald, Deputy CFO for the Office of Budget and Planning, appeared before the Committee of the Whole on March 25th, but is here today to answer questions. In addition, Beth Bresnahan, Executive Director of the Office of Lottery and Gaming testified earlier today.

The OCFO's FY 2020 budget request supports the agency's strategic plan. I will now discuss the budget in greater detail.



Office of the Chief Financial Officer

Fiscal Year 2020 Budget

Jeffrey S. DeWitt
Chief Financial Officer
April 5, 2019



District of Columbia

OCFO Core Functions

The Independent Office of the Chief Financial Officer:

- Certifies budgets are balanced and financial statements are fairly represented
- Provides independent revenue estimates
- Monitors revenues and spending
- Evaluates fiscal impacts of all legislation
- Reviews all economic development projects
- Issues all debt, manages all investments, and oversees credit ratings
- Oversees tax collections and lottery
- Manages financial personnel (budget, accounting, and payroll functions) in all agencies



OCFO Annual Agency Outputs

District of Columbia

▪ Tax Returns Processed	999,014
▪ Tax Refunds Processed	303,461
▪ Taxpayer Calls Answered	234,899
▪ Written Correspondence Answered	60,995
▪ Deeds Recorded	18,191
▪ Properties Assessed (Commercial and Residential)	212,882
▪ Property Assessment Appeals-1st Level	11,234
▪ Delinquent Payments Collected	\$204,797,784



OCFO Annual Agency Outputs (Cont.)

District of Columbia

▪ Wires and ACH Processed	2,974,635
▪ Gross CCU Debt Collected (FY 2018)	\$35,539,921
▪ Total Debt Managed (FY 2018)	\$10,820,134,000
▪ Fiduciary Programs Managed (FY 2018)	\$4,008,618,852
○ OPEB Fund= \$1,462,029,859	
○ 401(a)= \$1,026,437,473*	
○ 457(b)= \$853,333,867*	
○ 529 College Savings=\$619,702,905	
○ UDC Endowment= \$45,361,176	
○ DC Library Trust=\$1,753,572	
▪ Payroll Payments Issued (Regular Employees Only)	978,786***
▪ Bank Reconciliations	5,100 (425 per month)
▪ W-2s Issued	43,316**
▪ 1099s Issued (1099 MISCs and 1099Rs** only)	8,064
▪ Approximately 200 fiscal impact studies issued per year in addition to numerous other studies, reports, and analyses	

* Unaudited

**Reference – TAX915

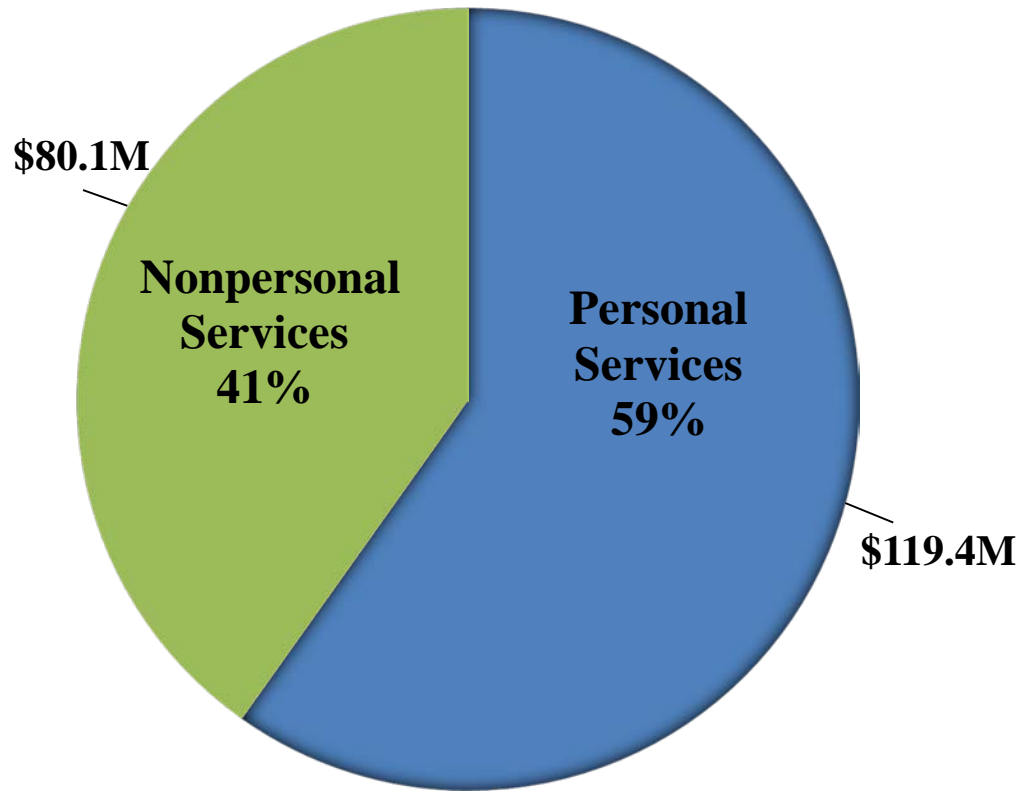
*** This number represents the total of checks/ACHs an employee has received from the District for the calendar year. The number is extracted from the support for the Form 941 which is populated using the U.S. Summary Report generated by PeopleSoft after each payroll processing has completed. Does not include 332 checks generated during the year-end off-cycle payroll runs.



District of Columbia

FY 2020 Proposed Operating Budget

Gross Fund, PS vs NPS



Total = \$199.5 Million



District of Columbia

Highlights of FY 2020 Budget Request

The OCFO request represents the minimum resources needed to successfully accomplish our mission and attain our stated goals.

- The OCFO FY 2020 Gross Fund budget is \$199.5M, comprised of the following major categories:
 - Local Funds of \$144.5M
 - Federal Grant Funds of \$450K (EBT Management)
 - Intra-District Funds of \$10.9M (Health Benefits Fees - Payroll Support, Single Audit, Cashier Services, and new OPEB Trust Administration)
 - Special Purpose Revenue (O-Type) Funds of \$43.8M (to administer Central Collections Fund, Tax Collection Fees, Bank Fees, and Unclaimed Property)



District of Columbia

Highlights of FY 2020 Budget Request (Cont.)

■ **Realignments/Technical Adjustments:**

○ Local Funds:

— Adjustments totaling \$10.6M to the Current Services Funding Level (CSFL), comprised of \$8.7M for the annual operating cost of capital projects including MITS and CARSS as well as \$2.2M for PS Union approved increases and NPS net decrease of \$277K (inflation increase offset by reduction of FY 19 one-time funding).

○ Special Purpose Revenue:

— Net Decrease of 3 FTEs and \$1.7M -- Primarily related to OPEB

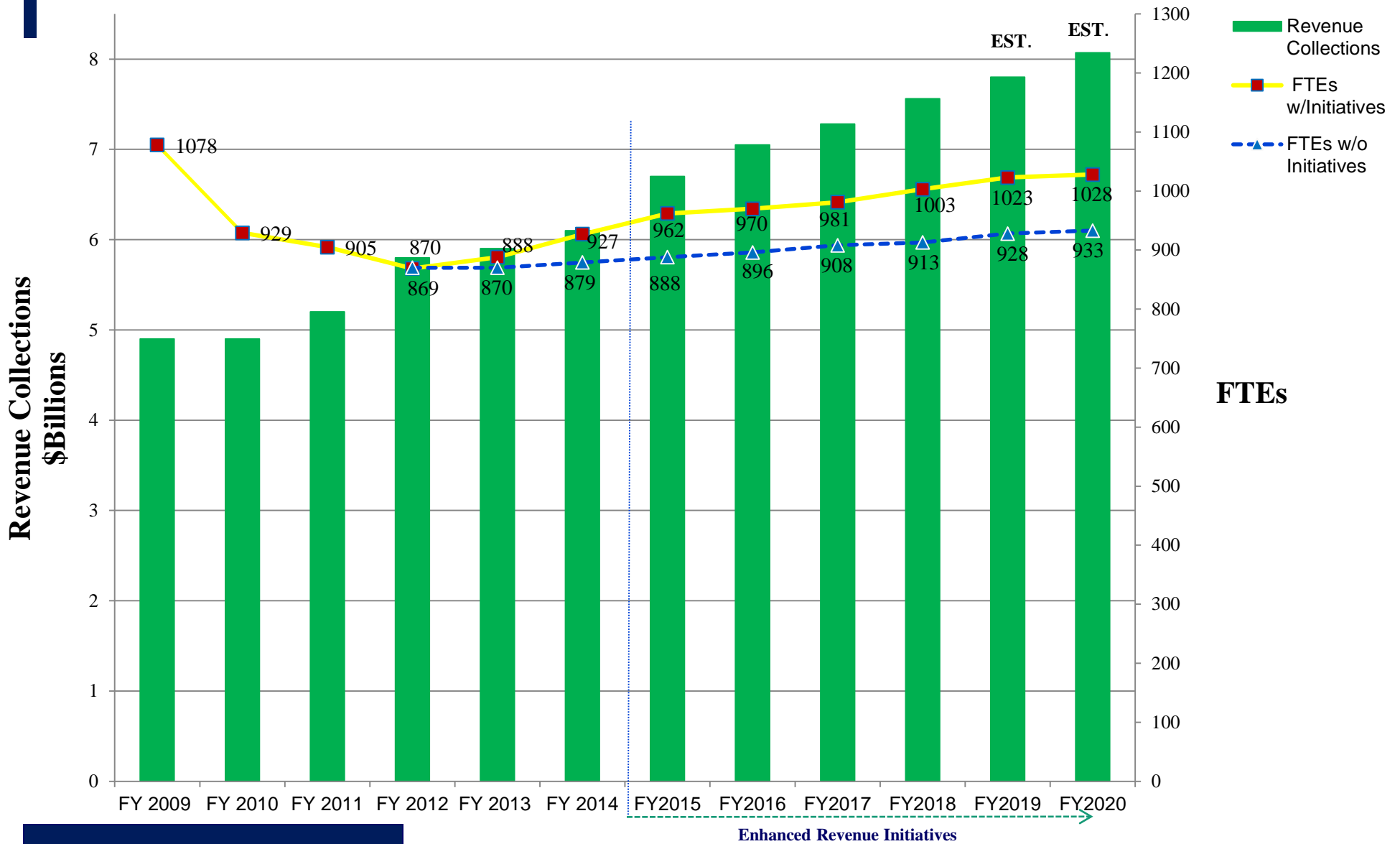
○ Intra-District:

— Net Increase of 8 FTEs and \$2.2M – Primarily related to OPEB



OCFO Full-Time Equivalent Employees (FTEs) - Tax Revenue Collections FY 2009-FY 2020

District of Columbia



Office of the Chief Financial Officer Strategic Plan

MISSION
To preserve and enhance the overall financial stability of the District by: 1. Protecting and enhancing the District's revenue stream; 2. Reliably estimating revenues; 3. Exercising budget oversight; 4. Preparing auditable financial statements; 5. Managing debt and bond ratings

CORE OBJECTIVES

Balanced Budgets

Clean Audits

Access to Quality
Credit Markets

STRATEGIC OBJECTIVES

Improve Customer Service
1

Create a Culture of Continuous Improvement
2

Improve Transparency and Quality of Information
3

Effectively Manage Risk to Prevent Fraud and Losses
4

Implement Quality Financial Systems
5

Develop, Attract, and Retain Highly Qualified Employees
6

Manage a Fair and Equitable System to Fully Collect District Revenues
7

STRATEGIC INITIATIVES

1 *Continue implementation of a Modernized Integrated Tax System (MITS) to replace the current tax system (1,2,3,4,5,7)*

2 *Implement Telephony System 2.0 and integrate Telephony System with a Customer Relations Management (CRM) System for all areas of the OCFO (1,3)*

3 *Implement an enterprise-focused debt and revenue collection solution for management and collection of taxes, fees, and debts owed to the District (1,2,3,7)*

4 *Enhance current practices to strengthen internal controls and ensure compliance with applicable accounting, auditing, and legal standards (2,3,4)*

5 *Improve District-wide payment process to ensure more efficient and timely payments by all agencies (1,2,3,5)*

6 *Continue to enhance the long-range (15-year) capital financial plan for the District and develop a long-range capital plan for WCSA (EventsDC) (2,3)*

7 *Implement a new enterprise-wide accounting and financial reporting system and enhance the availability of information to the public (1,2,3,4,5,7)*

8 *Implement a culture of continuous improvement based on employee-driven process improvement teams (1, 2, 3, 4, 5, 6, 7)*

9 *Continue to implement DC Lottery "best practices" findings from 2016 study, where applicable, and expand base for retail products (1,2,7)*

10 *Develop and execute a plan with hospital board and DHCF to financially stabilize UMC (1,3,4,5)*

11 *Review investment systems and strategies to maximize revenues within investment policy guidelines (2,7)*

12 *Review and implement policies, systems, and processes to ensure debt compliance with increased local and federal debt regulations (2,3,5)*

13 *Upgrade policy analysis and forecasting tools for Real Property and Sales Tax revenue stream (2,3,)*

14 *Enhance existing employee development opportunities to ensure that our human capital has the critical skills to succeed in the OCFO's SMARTER culture (2,6)*

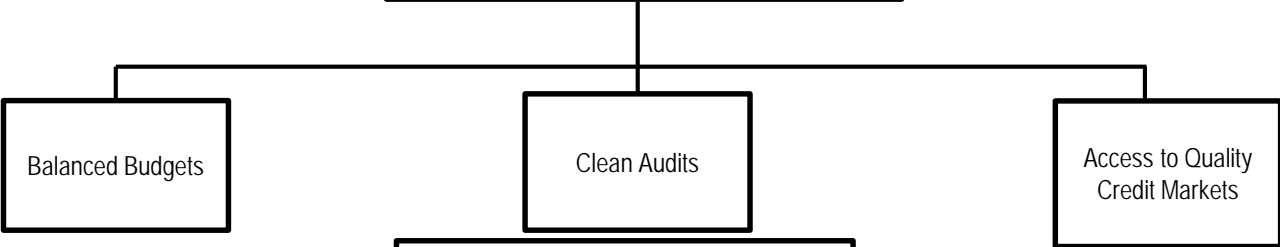
15 *Improve internal communications OCFO and District-wide by implementing dashboards, standardized reports, portals, and newsletters (1,3)*

Office of the Chief Financial Officer Strategic Plan

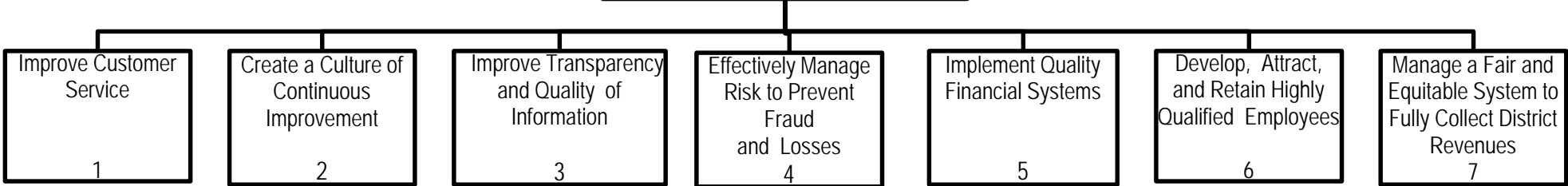
MISSION

To preserve and enhance the overall financial stability of the District by: 1. Protecting and enhancing the District's revenue stream; 2. Reliably estimating revenues; 3. Exercising budget oversight; 4. Preparing auditable financial statements; 5. Managing debt and bond ratings

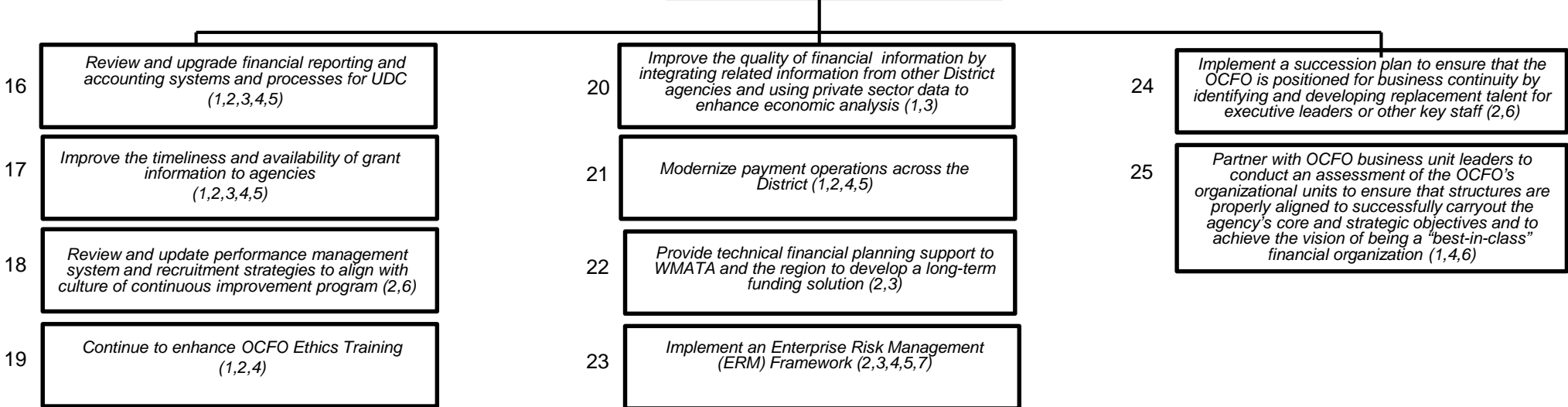
CORE OBJECTIVES



STRATEGIC OBJECTIVES



STRATEGIC INITIATIVES





District of Columbia

Strategic Plan Highlights/Agency Accomplishments

- **Modernized Integrated Tax System (MITS)**
 - Phase IV implemented October 2018
 - Remaining taxes and fees such as:
 - Personal Property Taxes
 - Motor Fuel Taxes
 - Excise Taxes
 - Ball Park fees
 - Health Care Fees
 - Phases I through III completed in prior years included income, business, and sales tax modules

This complex technology project that required 4 years to implement was on-time and below budget providing the opportunity to also replace the Real Property Tax System, which is scheduled to begin in the Spring of 2019



District of Columbia

Ongoing and New Initiatives in 2019

- **Major Change Management effort within OTR (ongoing)**
 - Review of business processes to maximize new technology and tools
 - Development of Best-in-Class Key Performance Indicators to drive continuous improvement
 - Review and update of policies and procedures
 - Development of staff training programs for compliance division
 - Ongoing risk management assessments and testing
- **Development of Center of Excellence**
 - Ensure that the system remains best-in-class
 - Ensure appropriate investment in staff training and learning
 - To be integrated with new Financial System implementation



District of Columbia

Strategic Plan Highlights/Agency Accomplishments (Cont.)

- **SOAR (Financial System) Modernization and Replacement**
 - Project to modernize/replace current budget and financial system and to implement a treasury management and grants management system
 - ✓ RFP for consulting services in progress (Implementer, IV&V, Change Management)
 - ✓ Project team being identified
 - ✓ Will roll-out in phases (I. Treasury; II. Budget; III. Financial cluster; IV. Grants)
 - ✓ Budget at \$205 million over 5 years



District of Columbia

Benefits of a Financial System Replacement (SOAR Replacement Project)

1. Improved data reliability
2. Improved controls for compliance
3. Better informed decision making
4. Less duplication of effort
5. Improved customer service/satisfaction
6. Improved productivity/efficiency
7. Reduced IT Maintenance costs
8. Reduced operating and labor costs
9. Increased integration with other systems
10. Elimination of over 300 shadow databases and spreadsheets throughout the organization

The District has an aging legacy system with declining support resources (mainframe technicians and COBOL programmers) that is at risk of inadequate support services and cannot be upgraded to take advantage of the benefits of a modern system.



District of Columbia

Strategic Plan Highlights/Agency Accomplishments (Cont.)

- **Enterprise Risk Management (ERM) Initiative**
Ongoing Focus to complete risk assessment began in FY 2017/18
 - Proactively identifies and addresses organizational risks through:
 1. Organizational risk assessment
 2. Action plans developed and resources devoted to address identified risks
 3. Ongoing monitoring and emerging risk identification
 - Benefits
 1. Risks are prioritized and specific mitigation strategies are developed to address issues before they occur
 2. More efficient and effective use of resources



District of Columbia

Questions?