

PUBLIC OVERSIGHT HEARING
ON
THE FY 2015 AND FY 2016 SPENDING AND PERFORMANCE
OF THE
OFFICE OF BUDGET AND PLANNING (OBP)

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

The Honorable Phil Mendelson, Chairman

March 8, 2016, 11:00 a.m.
Room 412, John A. Wilson Building



Testimony of
Gordon McDonald
Deputy Chief Financial Officer
Office of Budget and Planning

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 Gordon McDonald, Deputy Chief Financial Officer for the Office of Budget and Planning (OBP). I am here today to testify on the FY 2015 performance and FY 2016 plans of the Office of Budget and Planning. I am honored to appear today and present testimony on the accomplishments of my office and our plans for improving OBP's performance and the services we offer to residents and District agencies. With me today is James Spaulding, Associate Deputy Chief Financial Officer for OBP.

I will cover the following areas in my remarks:

- Fiscal Years 2015 and 2016 operating expenditures;
- FY 2015 performance; and
- FY 2016 operational goals.

Fiscal Years 2015 and 2016 Operating Expenditures

OBP is one of the key programs within the Office of the Chief Financial Officer (OCFO). In FY 2015, OBP operated within its Local funds revised budget of \$5.36 million, spending \$5.36 million, or 99.9 percent of our available Local funds. Our FY 2015 revised budget for OBP is \$6.19 million, all in Local funds. Through February 29, we have expended and obligated \$2.63 million, or 42.5 percent of our budget. We expect to end the year within our current budget.

FY 2015 Performance

Our major accomplishments for FY 2015 were in three areas.

1. Development of FY 2015 Budget Revisions and the FY 2016 Budget.

During FY 2015, we made numerous changes to the budget including three Supplemental Budget Requests that ultimately reduced a net \$28.0 million from the budget. The District ended FY 2015 with a balanced budget.

The budget balancing process is always a year-round exercise. Mayor Bowser proposed her FY 2016 budget on April 2, 2015. My office worked closely with the Mayor's budget staff to create this budget, incorporating the Mayor's policy priorities. During April and May, we worked closely with Council staff to review the budget, and the Council passed the District's budget on May 27, 2015. After incorporating revised estimates and subsequent changes to the FY 2016 proposal, we published the budget on July 17, 2015 for transmission to the President and the Congress. I am very proud of the efforts of my staff, who worked long hours to produce the FY 2016 budget on time while executing and maintaining balance in the FY 2015 budget.

2. Budget Execution. I will now discuss our key budget execution tools.

Financial Review Process - The major tool that is used to monitor agency spending is the Financial Review Process (FRP) report, prepared by agency fiscal officers and submitted through agency directors to OBP for review and analysis. We use the FRP to analyze agencies' projected year-end expenditures and revenue collections and compare them to agency budgets. If agencies report spending pressures, we will work with the Mayor's budget office as they propose changes to resolve the pressures.

Reprogrammings – In FY 2015, we worked closely with agency fiscal officers and the Executive Office of the Mayor to process a total of 455 Operating and Capital reprogramming requests, of which 171 required Council approval.

Grants Management – OBP is the District’s central unit responsible for managing each agency’s grant budget authorizations. In FY 2015, OBP processed over 1,000 grant budget modifications.

Reporting – During FY 2015, we continued to improve the timeliness of our published reports. OBP produces monthly Financial Status Reports on operating budget spending and quarterly reports on capital budget spending, in addition to a variety of reports on such topics as reprogrammings, the Emergency and Contingency Reserve Funds, capital project reconciliations and transfers, and capital-funded FTEs. In FY 2015, we produced 47 reports, of which we published 43 and sent 4 to the Mayor to transmit to Congress. As we have discussed in prior testimonies, the OCFO website also includes CFOInfo, a web-based application allowing the public to see, among other data, current-year operating Financial Status Report data with about a one-month lag. Capital project data are also available to the public through CFOInfo. In addition, CFOInfo allows the public to view the approval status of Federal grants allocated to the District as well and grant budget and expenditure information at a granular level.

Tracking – We implemented the Property Use Tracking System (PUTS), which uses the Department of General Services’ (DGS) Archibus database to ensure that we can track, report, and take appropriate action as District-owned and controlled real property assets change use, and to track lease and tenant base agreements. The property data is then combined with financing data to create a complete tracking report.

3. Budget Process Improvements. We continued to improve budget processes and management.

- Over the past year, OBP has made notable strides in improving the grants management process, both functionally and technically. Many of the changes that were implemented were derived from the recommendations of the Grants Task Force that was created by OBP to streamline the process of requesting and approving grant budget modifications, improve transparency, reduce processing time, and enhance audit-readiness. As a part of this initiative, the Grants Application SharePoint site has been optimized to further enhance the review and approval workflow process between the requesting agencies and OBP. Additionally, real-time status updates are also available to the various District stakeholders via the Grants Budget Authority Report on the CFOInfo website.

- OBP has also implemented a paperless review process for budget chapters, which we are using as we prepare the FY 2017 budget books. For the first time, each agency's budget chapter links directly to the budget database, so that last-minute budget changes for an agency will require only a one-step refresh of the chapter rather than manual re-creation of all the tables in the chapter.
- With the Council's support, our capital branch continued coordination of the DDOT Capital Project Review and Reconciliation Act of 2011. During Fiscal Year 2015, we formally closed 15 federal Highway Trust Fund (HTF) projects, moving a total budget of more than \$4.3 million back to the HTF master projects. In addition, the capital branch closed 30 projects and made budget of \$1.3 million available as a result of the Capital Project Support Fund, a method for capturing small, unused budgets from older, inactive capital projects.
- Finally, we continue to support the Capital Asset Booking Support System, which pulls prior-day data from PASS and SOAR and provides a mechanism for agencies to continually track and classify capital project expenditures throughout the year to specific capital assets. The system has helped improve the accuracy of the year-end reporting needed for the CAFR.

FY 2016 Key Program Goals and Initiatives

Our central goal for FY 2016 is to continue to build on our successes. OBP's key operational goals are as follows:

- Work with the Mayor and Council to develop a balanced budget and financial plan for FY 2017;
- Continue to collaborate with DCPS senior staff to publish their FY 2017 budget in the Education volume of the District's FY 2017 budget book. Working with DCPS, OBP's objective is that the FY 2017 DCPS budget will be transparent to stakeholders;
- Continue to monitor agency current-year spending through FRP analysis and, when necessary, work with agencies to develop gap-closing plans as appropriate;
- Further streamline internal processes by, for example, expanding the use of SharePoint with agencies to process reprogrammings just as we have done with grant budget modifications, and implementing further Grants Task Force recommendations to reduce grant processing time;
- Continue to improve capital budget management and oversight by ensuring the FY 2017 – FY 2022 Capital Improvements Plan remains within the 12 percent debt cap; and
- Continue to improve budget transparency by further improving CFOInfo by seeking to improve user-friendliness and helping to roll out a mobile version of the application.

Conclusion

Currently, OBP staff is working with the City Administrator's Office of Budget and Finance to develop the Mayor's FY 2017 Budget and Financial Plan for transmittal to the Council on March 24. I would like to take this opportunity to thank the entire OBP team for their hard work and professionalism over the past year. We look forward to working with the Council and other policy makers during the consensus process to develop a transparent and balanced budget for FY 2017. Mr. Chairman, this concludes my remarks. I would be pleased to answer any questions that you may have.