

**PUBLIC BRIEFING
ON THE
COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)
FOR FISCAL YEAR 2016**

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

The Honorable Phil Mendelson, Chairman

**February 2, 2017, 9:30 a.m.
Council Chambers, Room 500**



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

Introduction

Good morning, Chairman Mendelson and Members of the Committee of the Whole. I am Jeffrey S. DeWitt, Chief Financial Officer of the District of Columbia. I am pleased to appear before you today to report and discuss the Fiscal Year 2016 Comprehensive Annual Financial Report (CAFR). Seated with me is Bill Slack, the District's Controller, who will assist in answering questions.

I am very pleased to report that the District's financial position is the strongest in the city's history. The positive results reflected in the FY 2016 CAFR are due to our continued financial discipline and sound financial management practices. Before I begin, I would like to recognize the hard work of agency program and financial staff who contributed to the successful management and accounting of the District's financial resources in the past year and the completion of this document. I particularly would like to recognize the employees of the Office of Financial Operations and Systems (OFOS) and the Associate Chief Financial Officers and their staffs for their outstanding performance during FY 2016.

I also want to thank the City Administrator and the Inspector General for working with the Office of the Chief Financial Officer to address potential audit findings. Through our continued collaboration and focus on agency accountability, we, for

the second year in a row, were able to produce and issue the CAFR with no material weaknesses or significant deficiencies (no Yellow Book).

The Mayor, District Council, agencies, and all segments of this government should be proud of the District's FY 2016 results, the details of which are highlighted in today's presentation.



FY 2016 District of Columbia Comprehensive Annual Financial Report



FY 2016 CAFR Highlights

- **Clean Audit Opinion (20th Consecutive)**
- **No Material Weaknesses or Significant Deficiencies (No YELLOW BOOK for the 2nd Consecutive Year)**
- **Ratings for General Obligation Bonds and Income Tax Secured Revenue Bonds remain strong**
- **Federally and locally mandated reserves (working capital/liquidity) increased by \$180.3 million to \$1.17 Billion (56 days of operating expenses)**



FY 2016 CAFR Highlights (Cont.)

Extraordinary revenues from business and sales taxes, capital gains, real property transactions, traffic fines, estate tax, and federal Medicaid reimbursements available to:

- **Refill the contingency reserve (without using budget)**
- **Fund \$105.1 million increase in required debt reserves**
- **Fund 2017 budget priorities and settlements**
- **Increase cash reserves to eliminate short-term borrowing and allow optimal timing for bond issuances**

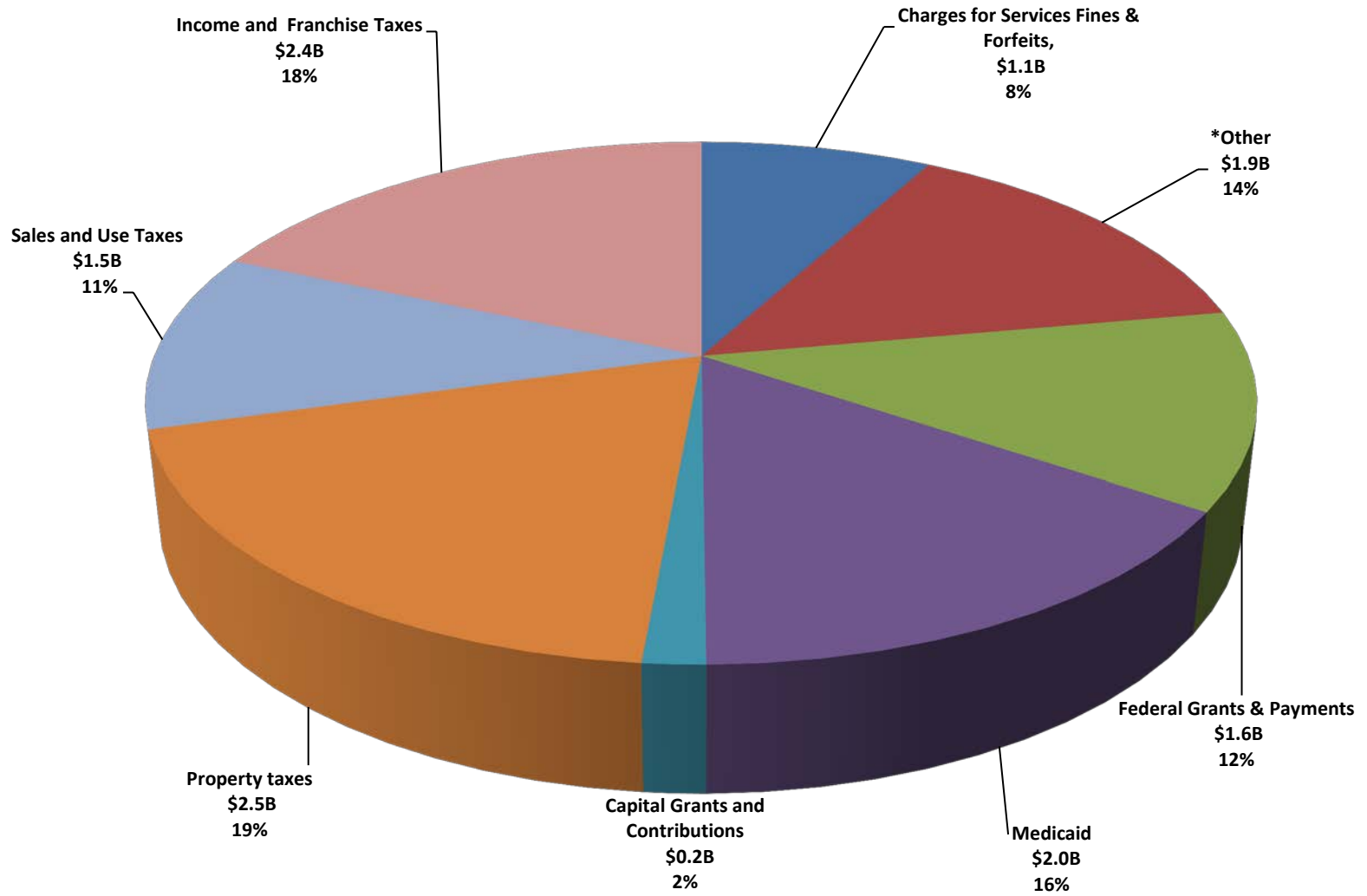


FY 2016 CAFR Highlights (Cont.)

- **Expenditures from Local Source funds were \$40.5 million (0.5%) below budget; O-type funds were \$65.2 million (12.4%) below budget**
- **Pension and Retiree Health Care Trust remain well-funded**



Where the Money Comes From- Primary Government & Component Units

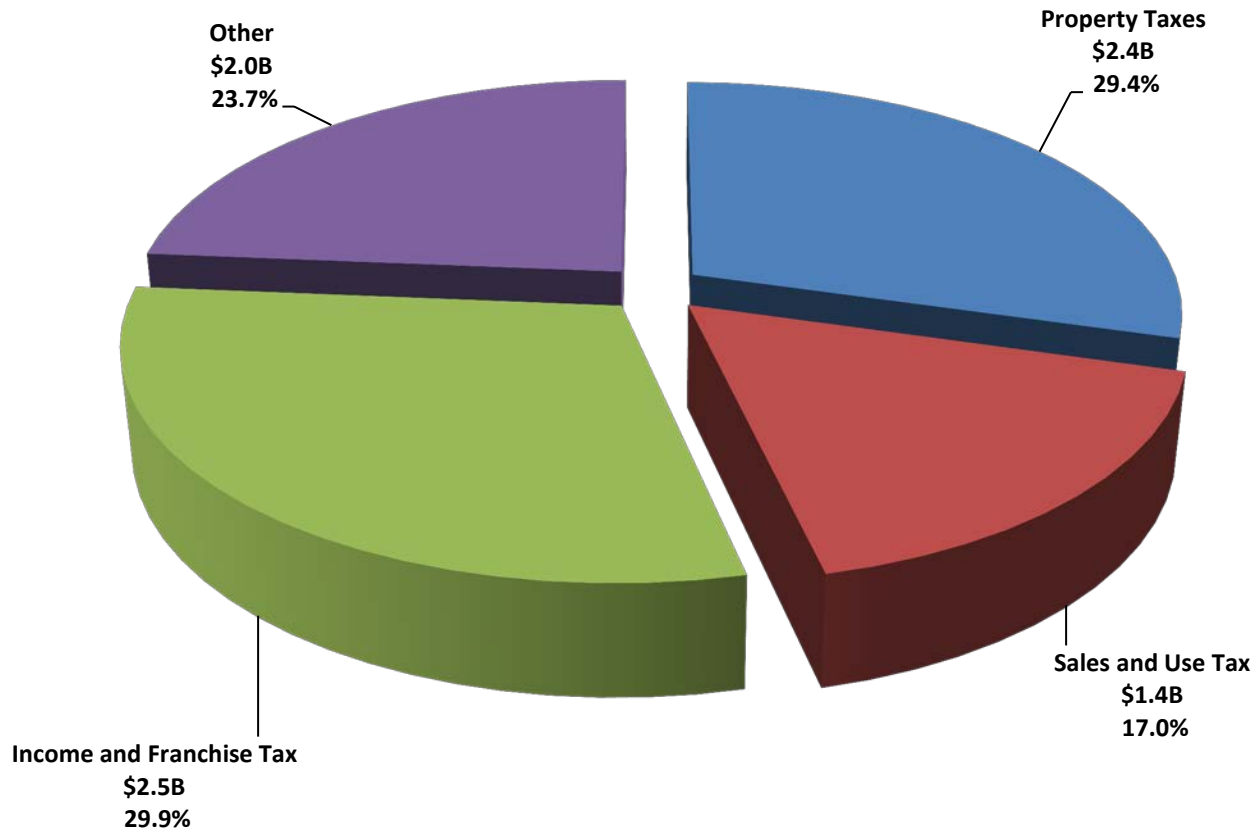


Total = \$13.1 Billion

***Note:** Other includes operating grants and contributions, gross receipts taxes, other taxes, miscellaneous income and subsidy from the primary government



Where the Money Comes From – Sources of General Fund Revenues for FY 2016 (Excluding Intra-District Funds)



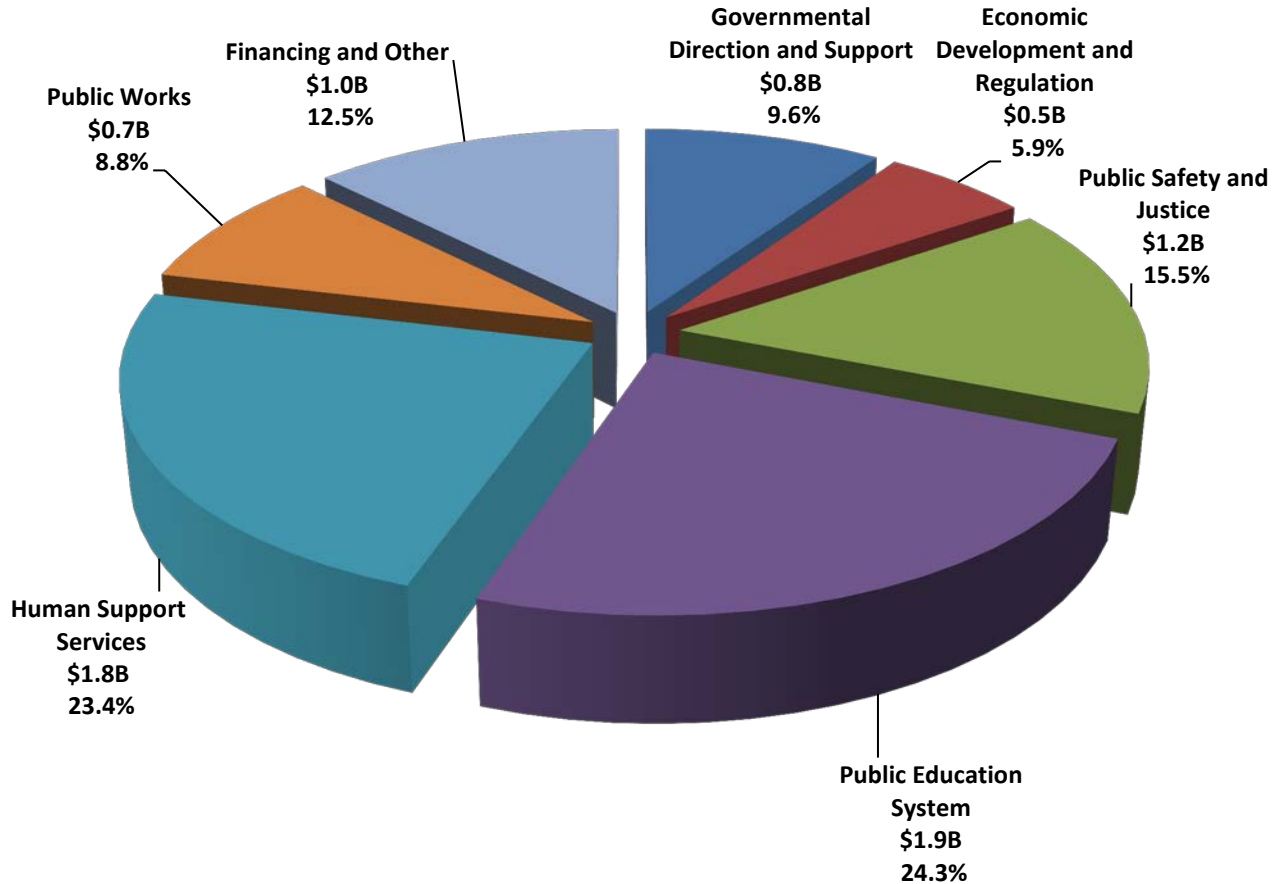
FY 2016 Actual GF Revenues = \$8.2 Billion

Does not include Federal, Private, Housing Production Trust, General Capital Improvements, Lottery, Unemployment Compensation, and Non-major Governmental Funds

***Numbers may not add due to rounding.**



Where the Money Goes – General Fund Expenditures, by Appropriation Title for FY 2016 (Excluding Intra-District Funds and Enterprise and Other Funds)



FY 2016 Actual GF Expenditures = \$7.9 Billion

Does not include Federal and Private Expenditures, Housing Production Trust, General Capital Improvements, Lottery, Unemployment Compensation, and Non-major Governmental Funds

FY 2016 Underspending



Details of FY 2016 Spending Below General Fund Budget

(Dollars in Millions)

Appropriation Title	General Fund Variance	% of Revised Budget
Local Source		
Governmental Direction and Support	7.6	1.0%
Economic Development and Regulation	3.7	1.2%
Public Safety and Justice	3.6	0.3%
Public Education System	5.3	0.3%
Human Support Services	15.1	0.8%
Public Works	1.1	0.2%
Finance and Other Uses	4.0	0.4%
SUBTOTAL	40.5	0.5%
O-Type		
Special Purpose Revenue	65.2	12.4%
TOTAL – General Fund Sources Underspending	\$105.8	1.3%

**Numbers may not add due to rounding.*



FY 2016 Revenues



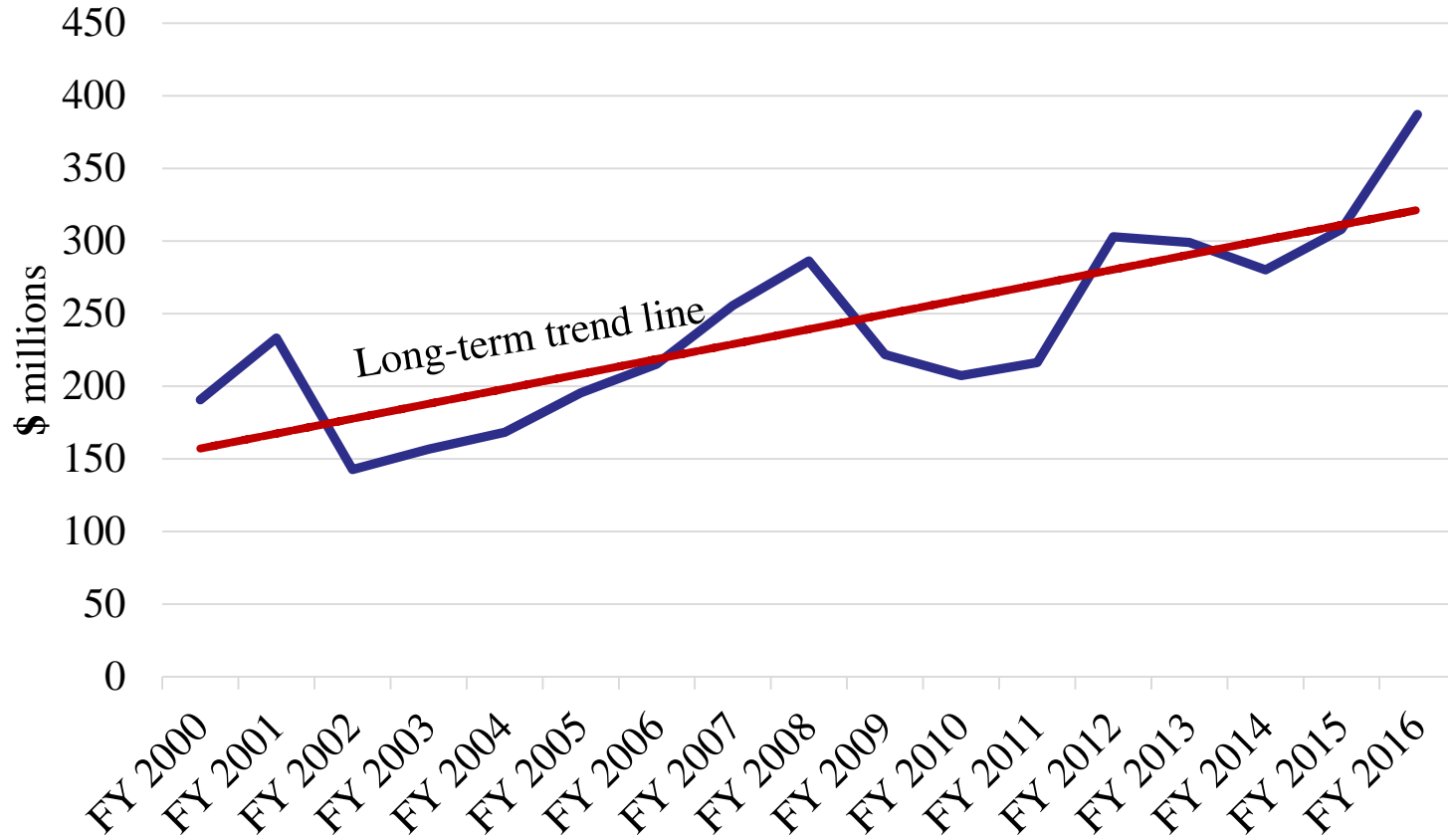
Extraordinary Revenues

- **Higher business income tax receipts from record levels of profits in 2015 (\$131 million)**
- **Continued high levels of receipts from deed and recordation taxes as real property market remains vibrant (\$79 million)**
- **Strong capital gain income tax receipts due to soaring stock market in 2015 (\$51 million)**
- **Boost in sales tax receipts as new e-commerce entities enter the sales tax base (\$47 million)**
- **Higher traffic fines as automated traffic equipment (ATE) reaches full implementation (\$46 million)**
- **Federal Medicaid reimbursements and estate tax (\$54 million)**



FY 2016 Corporate Tax Receipts at Record Level Above Long-Term Trend (\$ in Millions)

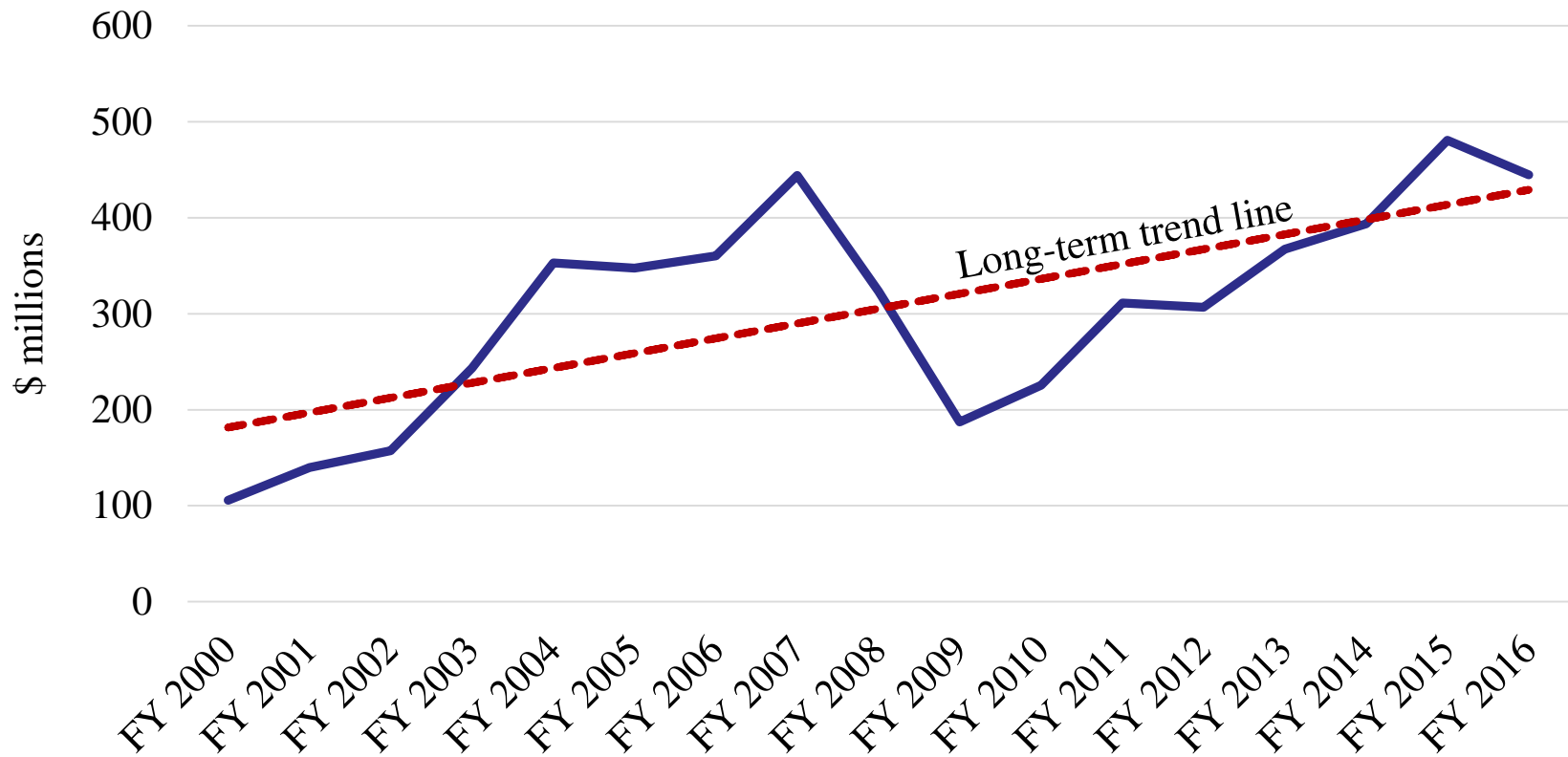
Corporation Franchise Tax FY 2000-2016





Deed Tax Receipts Down From a Year Ago but Above Long-Term Trend (\$ in Millions)

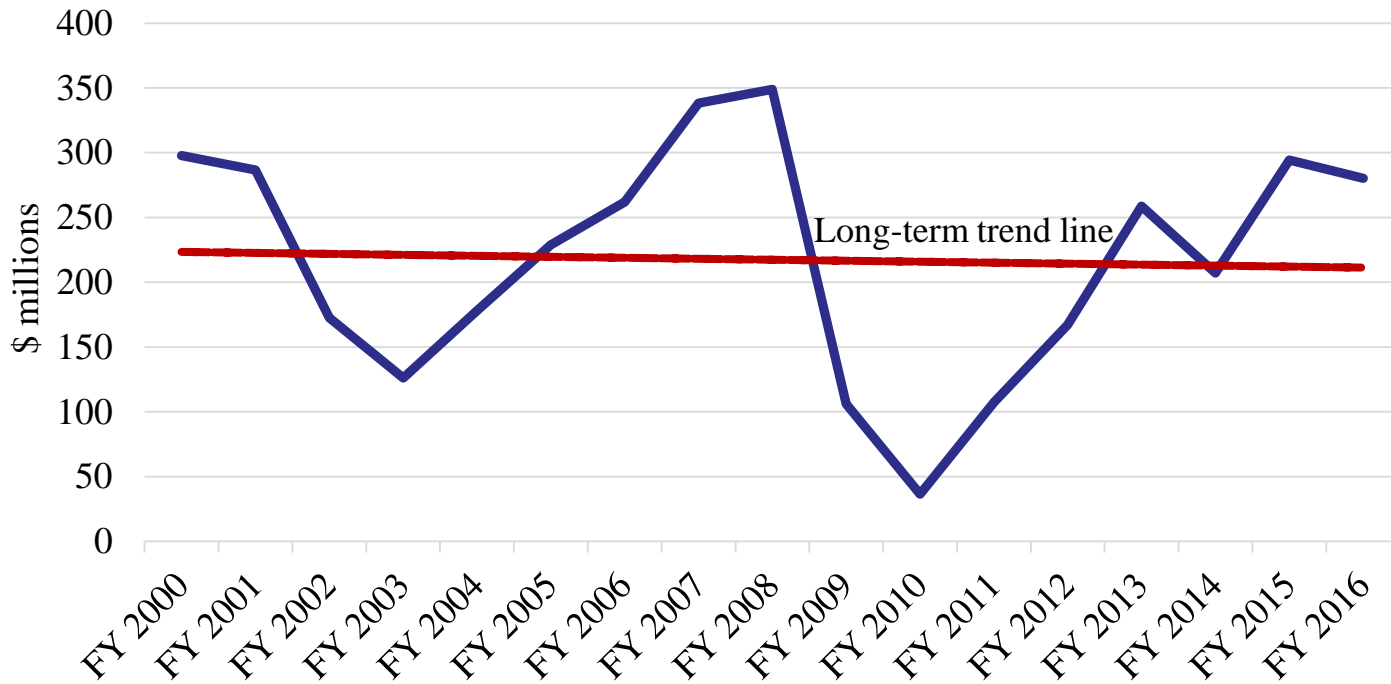
Deed Recordation and Transfer Tax Receipts: FY 2000-2016





FY 2016 Capital Gains Tax Receipts Above Long-Term Trend (\$ in Millions)

Non-withholding Revenue Trend: FY 2000-2016





Discussion of Reserve Requirements



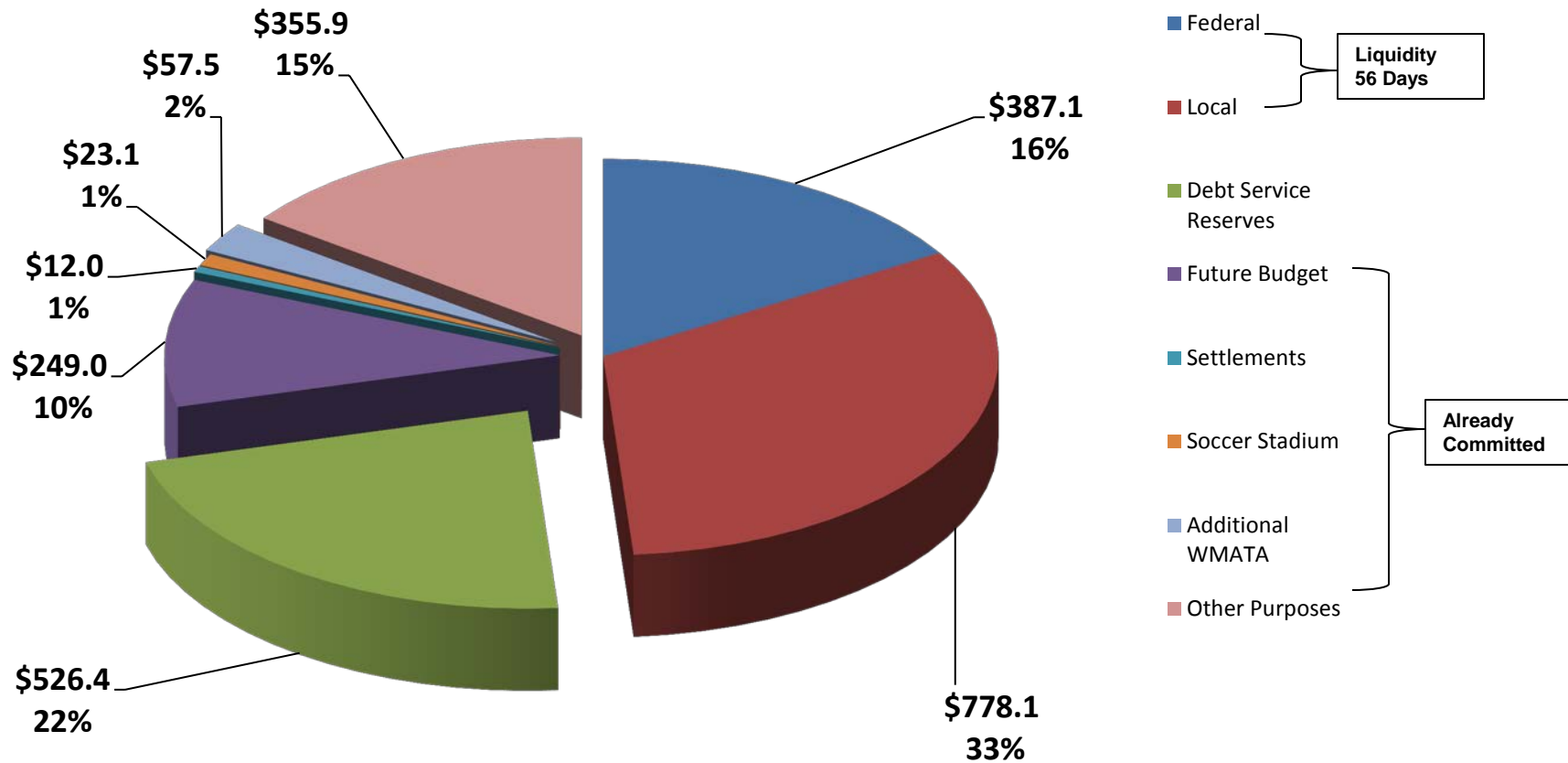
Comparison of Ending General Fund Balances

(Dollars in Thousands)

	FY 2016		FY 2015	Difference
Federally Mandated Reserves	\$387,065		\$366,249	\$20,816
Locally Mandated Reserves	778,109		618,619	159,490
Debt Service Reserves	526,392		421,304	105,088
Reserved for Future Budget	248,999		268,212	(19,213)
Reserved for Settlements	12,028		60,779	(48,751)
Reserved for Soccer Stadium	23,099		23,099	0
Set Aside for Additional WMATA	57,477		57,477	0
Reserved for Other Purposes	355,920		351,323	4,597
TOTAL	\$2,389,089		\$2,167,062	\$222,027



FY 2016 Composition of General Fund Balance (Dollars in Millions)





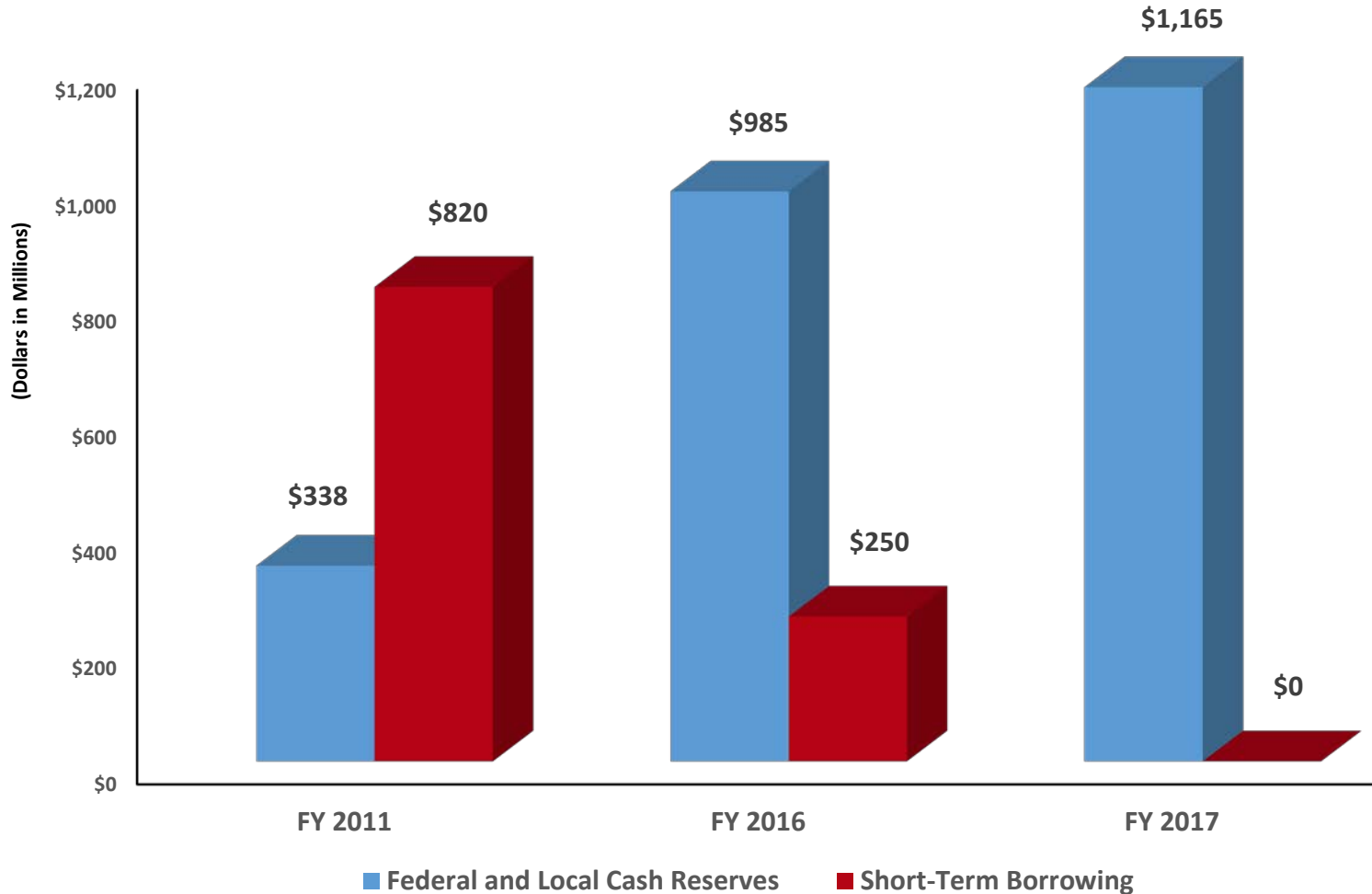
Federally and Locally Mandated Reserves (Working Capital/ Liquidity)

Reserves	% of Expenditure/ Budget	Amount (\$ in Millions)	Status
Emergency	2%	\$ 129.0	Full
Contingency	4%	258.1	Full
Fiscal Stabilization	2.34%	185.8	Full
Cash Flow	8.33%	592.3	88%
Total		\$1,165.2	56 days cash



Cash Reserve Levels vs. Short-Term Borrowing

High cash reserves (liquidity) result in no short-term borrowing for cash flow purposes





Well-Funded Pensions and Other Post Employment Benefits

(Dollars in Thousands)

DCRB Trust Fund	FY 2016 Net Position	FY 2015 Net Position	Percentage Variance	Net Pension Asset*
Police, Fire, and Teachers Pensions	\$6,776,580	\$6,132,636	10.5%	\$36,880

OPEB Trust Fund	FY 2016 Net Position	FY 2015 Net Position	Percentage Variance	Percentage Funded
Other Post-Employment Benefits	\$1,197,441	\$1,076,551	11.2%	120.1%

***GASB changes now require the reporting of Net Pension Assets/Liabilities; however, per the DCRB 10/1/2016 Actuarial Valuation Results the Market Value Funding Status is 103.8%. OPEB is required to follow this change in FY2017.**

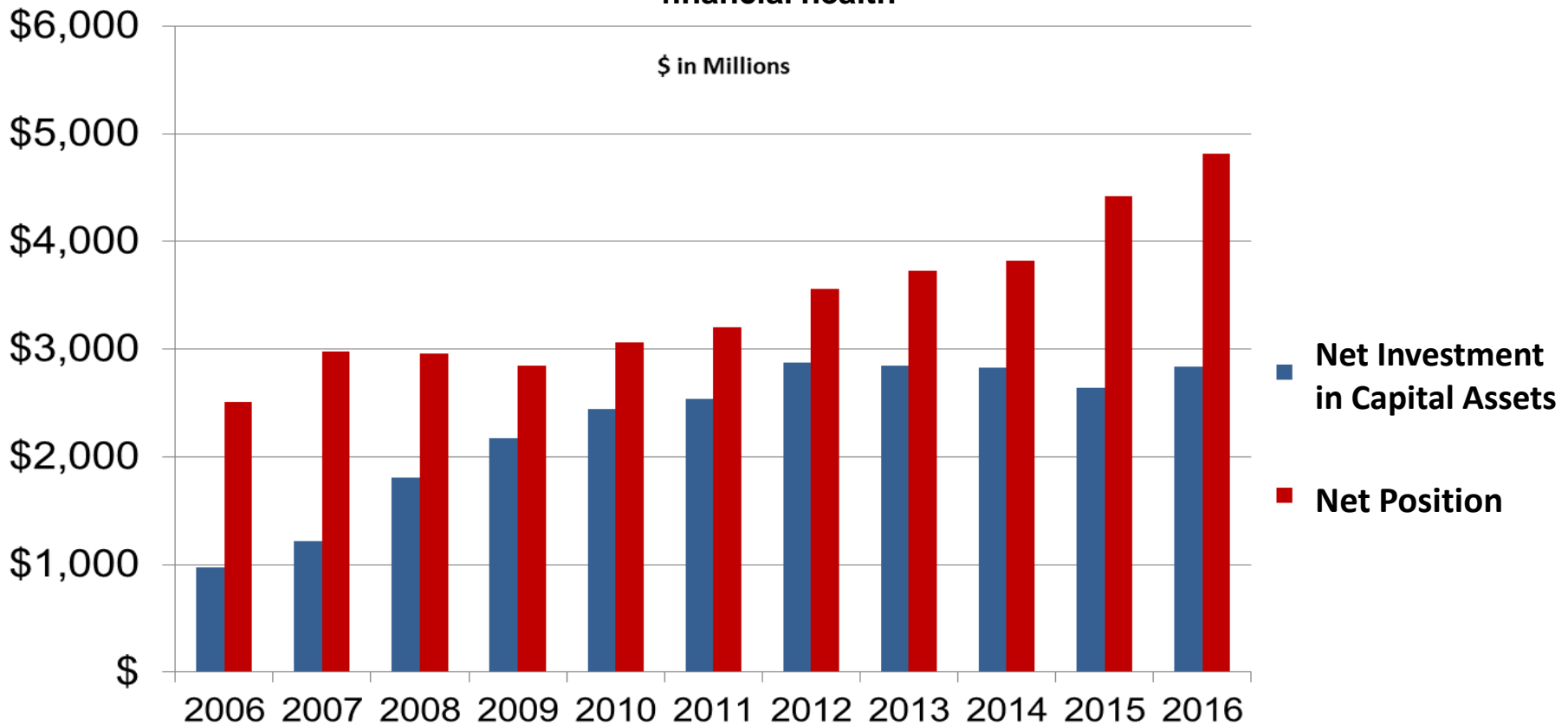


Summary of the District's Financial Position

Trend in Net Position and Capital Assets

2006-2016

Increase in Net Position and Net Investment in Capital Assets are measures of strong financial health





Summary FY 2016 CAFR

District Enhances Strong Financial Position

- **Clean/Unqualified Audit Opinion**
- **No YELLOW BOOK Findings. No Material Weaknesses or Significant Deficiencies**
- **General Obligation and Income Tax Bond Ratings remain strong**
- **Extraordinary revenues funded necessary settlements, future budget priorities, debt reserves and increased cash levels to eliminate short-term borrowing in FY2017**
- **Federally and Locally Mandated Reserves increased to \$1.17billion (56 days of operating expenses)**
- **Pension and Retiree Health Care Trusts Well-Funded**
- **Net Position (total assets less total liabilities) and Capital Assets (infrastructure less depreciation) increased**