

**PUBLIC BRIEFING ON  
FISCAL YEAR 2016 PROPOSED  
BUDGET AND FINANCIAL PLAN**

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

**The Honorable Phil Mendelson, Chairman**

**April 13, 2015, 10:00 a.m.  
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 2016 Proposed Budget and Financial Plan. The Fiscal Year 2016 Proposed Budget includes \$7 billion from Local funds and \$12.9 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 2016 Budget and Financial Plan, as proposed, are balanced.

### **CERTIFICATION PROCESS**

The certification letter outlines the changes in revenues and expenses from the current FY 2015 approved budget so I will not go into that detail in my testimony. I do want to emphasize the process utilized with the Mayor's Office for certification of the budget and the expectations for certification for any changes that may be proposed by the Council.

As you are aware, under current legislation, any increases in revenue over the current CFO revenue forecast will trigger a series of tax reductions. For example, if next year's February revenue forecast exceeds the current forecast by \$50 million then the first \$50 million in triggered tax cuts would go into effect the following January. Simply put, extra revenue growth beyond that forecasted will not be available until all triggered tax cuts are implemented. This makes a structurally balanced five-year financial plan, meaning projected recurring revenues are sufficient to fund projected expenditures, even more important.

In order to ensure a structurally balanced financial plan, staff from the OCFO and the Administration worked closely to balance not only FY 2016 but each year through FY 2019. Debt service costs on the existing capital plan were structured as efficiently as possible to minimize the financial impact on the financial plan and later adjusted as capital programs were modified. With the District issuing more than \$4 billion in bonds and the associated debt service increasing by nearly 43 percent through the financial plan, it is important to balance the impact of both capital and operations on the District's financial forecast.

The resulting FY 2016 budget and financial plan reflects the more efficient debt structuring, the use of "O" type and fixed cost commodity reserves, carryover of

funds from reductions in the current year, tax increases on local sales and use taxes and parking taxes, and most significantly, program reductions to fund the Administration's priorities.

The Mayor's budget and financial plan do not make use of any federally or locally mandated reserves which are important for our high credit rating and currently result in our 45 days of cash reserves. The credit rating is important to ensure the capital program can be financed at the lowest possible cost.

In summary, in my opinion as the CFO of the District, the Mayor's proposed budget is structurally balanced throughout the financial plan and, if implemented as planned, would maintain the high credit ratings of the District.

As you are aware, in the event the Council chooses to make modifications to the Mayor's proposed budget, the same standards expressed to the Administration for structural balance and the integration of the capital plan and operations would be required for the certification of any changes. If the Council were to choose to implement additional recurring programs, equivalent reductions or new recurring revenues would be required to maintain structural balance and if revenue reductions were approved, equivalent expenditure reductions would be required.

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 look forward to working with the Council during the upcoming budget deliberations.