

**PUBLIC BRIEFING  
ON THE  
FISCAL YEAR 2021  
ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR)**

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

**The Honorable Phil Mendelson, Chairman**

**February 3, 2022, 1:30 p.m.  
Virtual Platform**



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

## **Introduction**

Good afternoon, Chairman Mendelson and Members of the Committee of the Whole. I am Fitzroy Lee, Acting Chief Financial Officer of the District of Columbia. I appear before you today to report and discuss the Fiscal Year 2021 Annual Comprehensive Financial Report (ACFR). With me today is Kimberly Williams, Deputy CFO for the Office of Financial Operations and Systems, as well as other members of the OCFO executive team who will assist in answering questions.

I am pleased to report that the District's financial position remains strong. The positive results reflected in the FY 2021 ACFR could not have occurred without our continued collective financial discipline and sound financial management practices. 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 during yet another extraordinary year.. I would particularly 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 2021.

I also want to thank the City Administrator and the Inspector General for working with my office to produce this report. Although we are very proud that we were able

to produce and issue a financial report with no material weaknesses or significant deficiencies at the ACFR level for seventh year in a row, we will continue to collaborate with the CA and agency program staff to ensure that management letter findings are effectively remediated.

The Mayor, District Council, agencies, and all segments of this government should be proud of the District's FY 2021 results, the details of which are highlighted in today's presentation.



# ***FY 2021 District of Columbia Annual Comprehensive Financial Report***

# **The District Ended FY 2021 in Strong Financial Position**

## **ACFR Highlights**

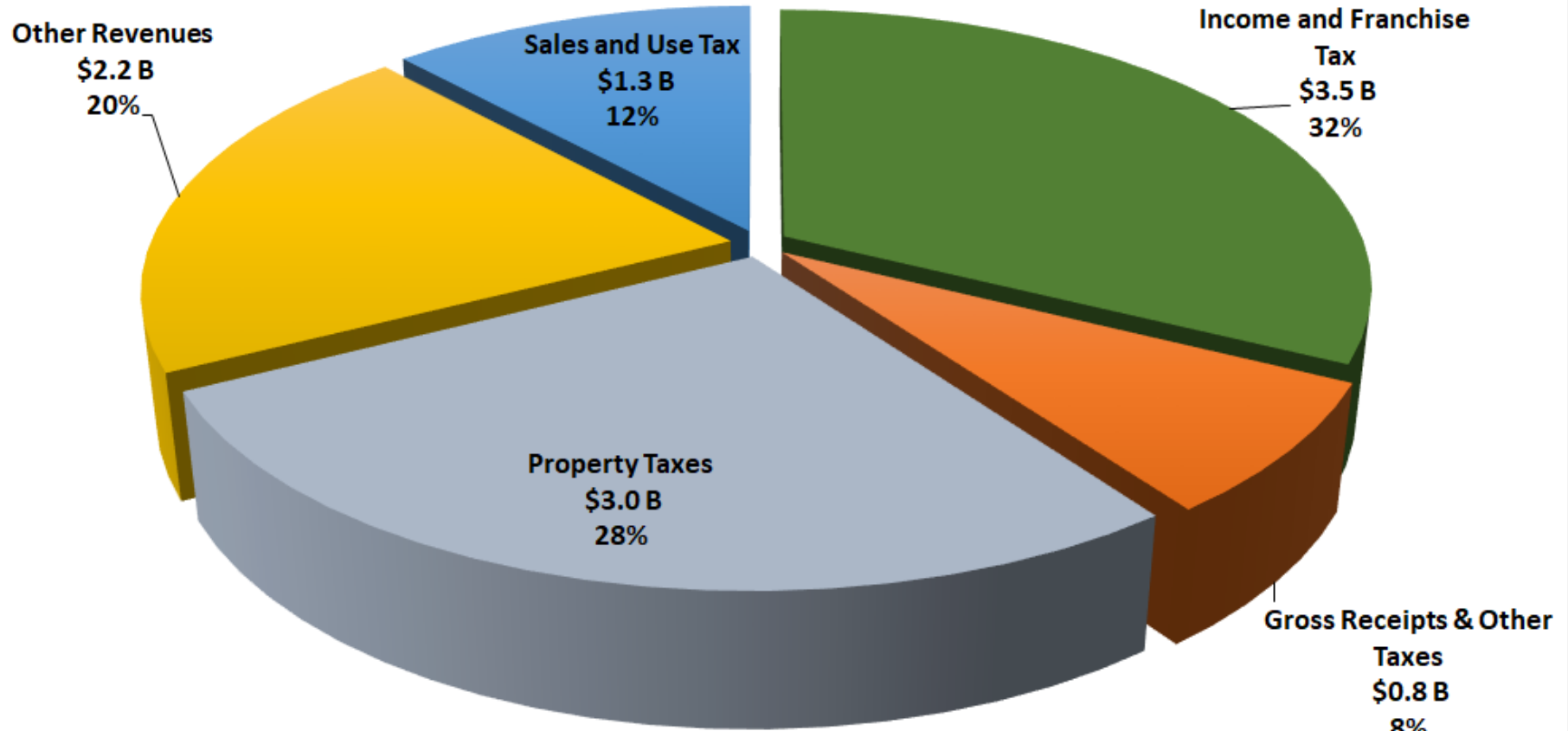


- **Clean Audit Opinion (25<sup>th</sup> Consecutive)**
- **No Material Weaknesses or Significant Deficiencies (No YELLOW BOOK REPORT for the 7<sup>th</sup> Consecutive Year)**
- **Pension and Retiree Health Care Trust remained fully-funded with increased net positions**
- **Federally and locally mandated reserves (working capital/liquidity) full**
- **Ratings for General Obligation Bonds and Income Tax Bonds remained strong**

# Where the Money Comes From – Sources of the General Fund Revenue for FY 2021 (Excluding Intra-District Funds)



(Dollars in Billions)



**FY 2021 Actual GF Revenues = \$10.9 Billion**

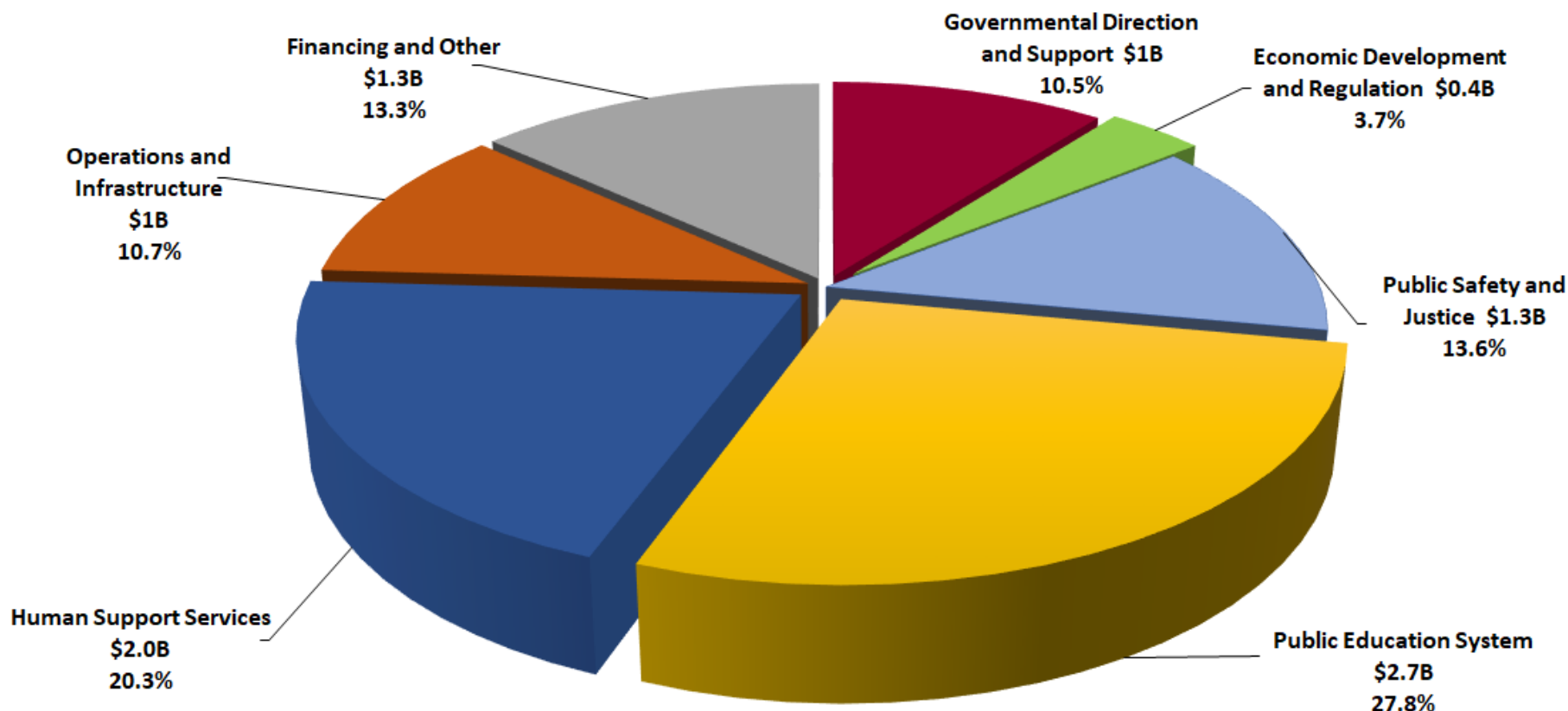
*Does not include Federal & Private, Housing Production Trust, General Capital Improvements, Lottery, Unemployment Compensation, and Non-major Governmental Funds*

# Where the Money Goes – General Fund Expenditures, by Appropriation Title for FY 2021

(Excluding Intra-District Funds and Enterprise and Other Funds)



(Dollars in Billions)



**FY 2021 Actual GF Expenditures = \$9.7 Billion**

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



# FY 2021 Revenues



# FY 2021 Revenue Revisions



Local Fund (\$m)	FY 2021	Difference
Budgeted	8,149.9	
September	8,461.2	311.3
December	8,725.8	264.6
<b>Amount revenue exceeded budgeted</b>		<b>\$576.0</b>

Components	% of Total Revision	
Income (Business & Individual)	260.5	45%
Sales	97.3	17%
Non-tax	94.8	16%
Deeds	51.1	9%
Real property	37.8	7%
All other	34.5	6%
<b>Total</b>	<b>\$576.0</b>	<b>100%</b>

# **FY 2021 budget was developed amidst a pandemic induced recession**



- **For the first six months of fiscal year 2020, very strong revenue growth continued the record trend from FY 2019**
- **On March 11, 2020, a public health emergency was declared due to the Covid-19 virus**
- **Hospitality and local retail revenues dropped dramatically**
  - ✓ **4<sup>th</sup> quarter hotel occupancy was 87% below the prior year**
  - ✓ **Restaurants were operating at 25% of the prior year revenues**
  - ✓ **There were 43% fewer hospitality jobs**
- **First few weeks after the Covid-19 pandemic hit, the equity markets crashed with S&P stock prices falling 34%**

# **FY 2021 budget was developed amidst a pandemic induced recession (continued)**



- **Municipal markets were not functioning properly and debt issuance and access to short-term borrowing were uncertain**
- **Liquidity (cash) was a concern due to rapid drops in sales tax revenues, uncertainty if property owners would pay property taxes, and unemployment rates anticipated as high as 18%**
- **It was initially unclear which rapidly rising Covid-19 related costs could be paid by Federal funding (Contingency Fund significantly used)**
- **In April 2020, revenue forecast for FY 2021 was reduced significantly, and budget was delayed to reflect the new fiscal situation**

# Events Impacting Revenue in Fiscal Year 2021



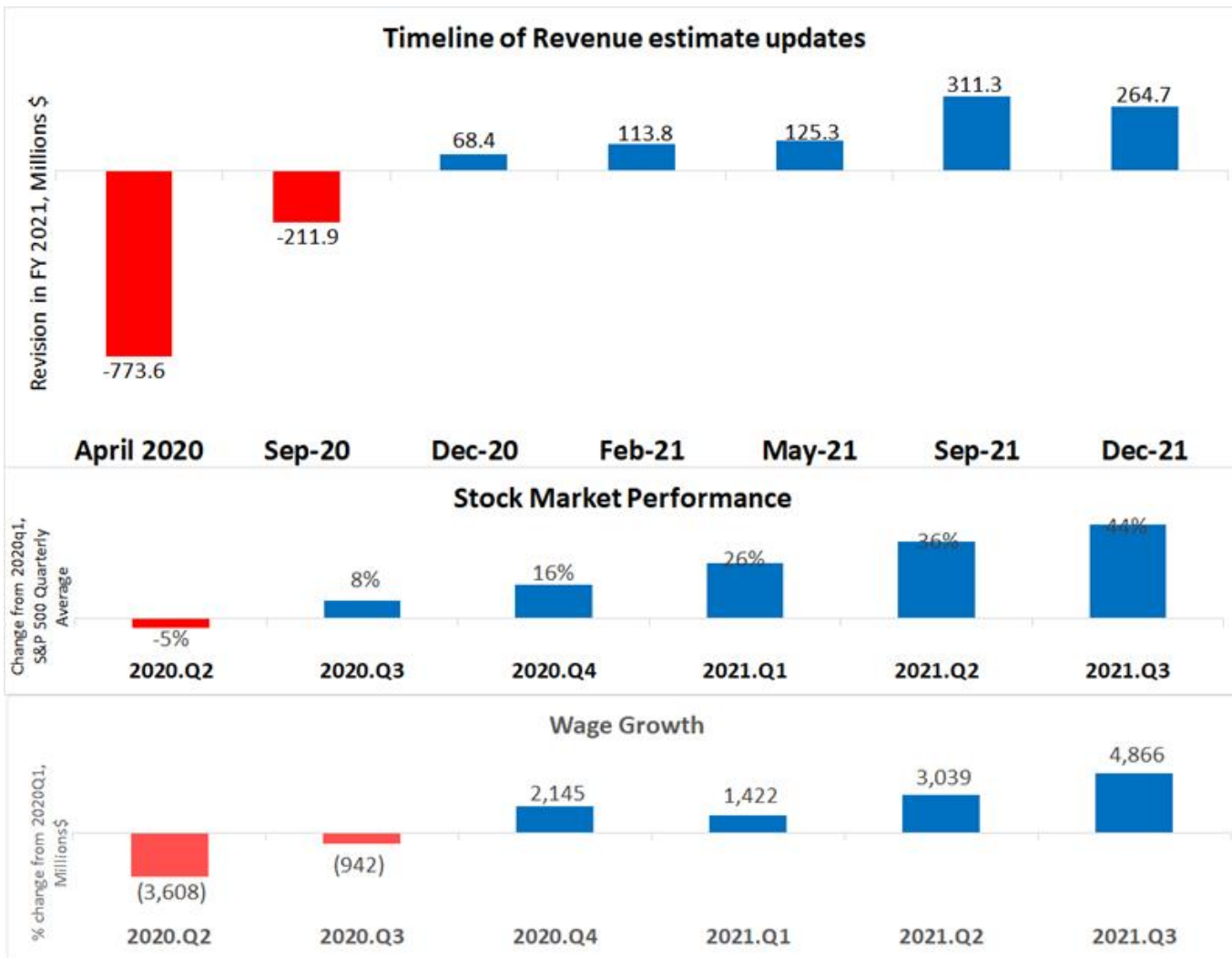
- **Massive federal relief to individuals and businesses adds \$3.2 billion to District economy in FY 2021 (excluding federal grants to District government)**
  - **\$1.6 billion additional unemployment benefits**
  - **\$1 billion child tax credit and economic impact payments direct to households**
  - **\$516 million to businesses for paycheck protection program**
- **Economy recovers but employment continues to lag**
- **Stock market and corporate profits up significantly**
- **Most offices work remotely the majority of FY 2021**

# Events Impacting Revenue in Fiscal Year 2021



- Summer 2021 was a period of re-opening as vaccination rates increased and restrictions were lifted
- Domestic tourism improved, but conferences as well as international and business travel still mostly on hold
  - 2 large conferences in FY 2021 compared to average of 20 prior to pandemic
  - Hotel occupancy rose from 23% in October 2020 to 43% in September 2021
    - *Occupancy in September 2019 (pre-pandemic) was 78%*
- Delta variant emerged at the end of July 2021

# Revenue Estimates Updated to Reflect Improving Economy and Fiscal Outlook





# FY 2021 Underspending

# Details of FY 2021 Spending Below General Fund Budget

(Dollars in Millions)



Appropriation Title	Revised Budget	Underspending	% of Revised Budget
<b>Local Source</b> (Local Funds & Dedicated Taxes)			
Governmental Direction and Support	\$ 972.7	\$ 20.1	2.1%
Economic Development and Regulation	312.4	11.1	3.6%
Public Safety and Justice	1,254.9	7.8	0.6%
Public Education System	2,661.3	37.4	1.4%
Human Support Services	1,938.0	10.6	0.5%
Operations and Infrastructure	808.3	2.6	0.3%
Finance and Other Uses	1,246.8	61.4	4.9%
<b>TOTAL LOCAL SOURCE</b>	<b>\$ 9,194.4</b>	<b>151.0</b>	<b>1.6%</b>

Numbers may not add due to rounding  
Source: Exhibit A-5





# Composition of FY 2021 Local Funds Surplus

# Composition of FY 2021 Budgetary Surplus



(Dollars in millions)

Budgetary Surplus	\$1,083.4
Amount Already Budgeted in FY22 Financial Plan	(\$386.7)
<b>Surplus Above Previously Budgeted Amount</b>	<b>\$696.7</b>
Where did this Surplus Come From:	
Additional Local revenues (September 30 & December 30)	\$576.0
Underspending	\$151.0
Other changes, net	(\$30.2)

Note: Details may not sum to total due to rounding



# Reserve Requirements

# Comparison of Ending General Fund Balances

(Dollars in Thousands)



	FY 2021	FY 2020	Difference
Federally Mandated Reserves	\$475,641	\$466,935	\$8,706
Locally Mandated Reserves	\$1,054,090	1,013,265	40,825
Reserved for Future Budget	694,121	435,115	259,006
Debt Service Reserves	412,842	427,283	(14,441)
Reserved for Housing Production Trust Fund	283,207	263,391	19,816
Reserved for Pay-Go Capital Projects	283,207	263,391	19,816
Reserved for Other Purposes	395,598	390,454	5,144
<b>TOTAL</b>	<b>\$3,598,706</b>	<b>\$3,259,834</b>	<b>\$338,872</b>

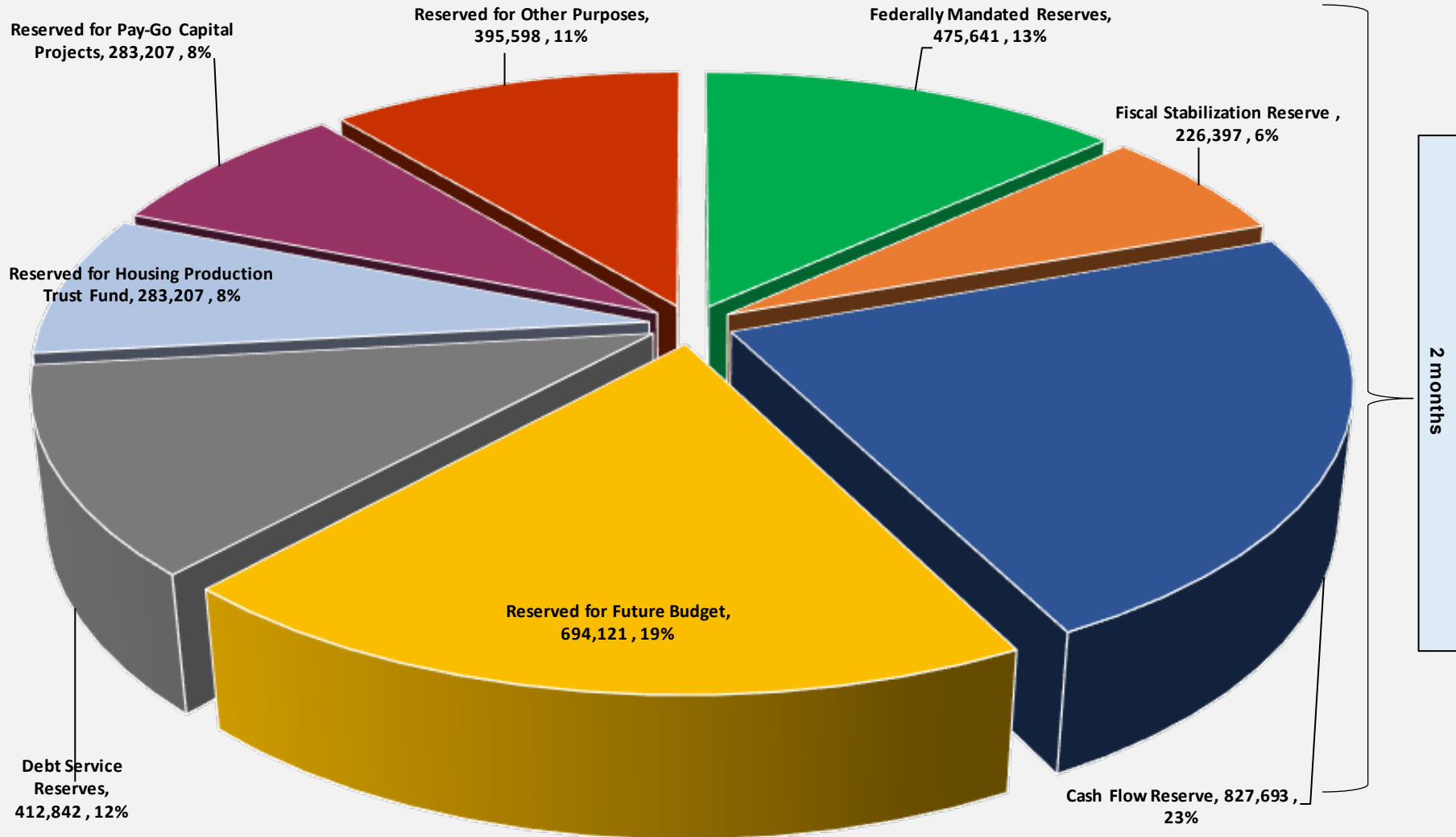
\* Amounts reserved for Housing Production Trust Fund and Pay-Go Capital Projects are transferred in FY2022.

Reflects balances as of September 30, 2021, not current balances.

# FY 2021

## Composition of General Fund Balance

(Dollars in Thousands)



**Total: \$3.6 Billion**

*Reflects balances as of September 30, 2021, not current balances.*

# Federally and Locally Mandated Reserves (Working Capital, Liquidity)



<b>Reserves</b>	<b>% of Expenditure/ Budget</b>	<b>Amount (\$ in Millions)</b>	<b>Status</b>
<b>Emergency</b>	2.00%	\$ 158.5	Full
<b>Contingency</b>	4.00%	317.1	Full
<b>Fiscal Stabilization</b>	2.34%	226.4	Full
<b>Cash Flow</b>	8.33%	827.7	Full
<b>Total</b>	16.67%	<b>\$1,529.7</b>	<b>60 Days</b>

*Reflects balances as of September 30, 2021, not current balances.*

# Fully-Funded Pensions and Other Post-Employment Benefits



(Dollars in Thousands)

<b>DCRB Trust Fund</b>	<b>FY 2021 Net Position</b>	<b>FY 2020 Net Position</b>	<b>Percentage Variance</b>	<b>Net Pension (Asset) Liability</b>	<b>Percentage Funded</b>
Police, Firefighter, and Teachers Pensions	\$10,936,878	\$9,031,580	21%	(\$2,056,646)	123%
<b>OPEB Trust Fund</b>	<b>FY 2021 Net Position</b>	<b>FY 2020 Net Position</b>	<b>Percentage Variance</b>	<b>Net OPEB (Asset) Liability</b>	<b>Percentage Funded</b>
Other Post-Employment Benefits	\$2,025,062	\$1,640,681	23.4%	(\$313,355)	118%



# Summary FY 2021 ACFR



## District Enhances Strong Financial Position

- **District received Clean/Unmodified Audit Opinion with no Material Weaknesses or Significant Deficiencies**
- **Covid-19 pandemic continues to impact employment and business activity, particularly the leisure and hospitality sector (restaurants, hotels)**
- **Local action, federal stimulus (CARES, ARPA) and Federal Reserve actions limited the pandemic's impact on the District's economy**
- **Federally and Locally Mandated Reserves maintained at 60 days of operating expenses**
- **Pension and Retiree Health Care Trusts fully funded**
- **Surplus provides \$283.2 million in funding for PAYGO capital for infrastructure, and \$283.2 million for the Housing Production Trust Fund, as required by law**





# QUESTIONS?