

**PUBLIC HEARING ON
THE FY 2023 BUDGET REQUEST FOR THE OFFICE OF
BUDGET AND PLANNING**

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

The Honorable Phil Mendelson, Chairman

Tuesday, March 29, 2022



**Testimony of
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Good afternoon, Chairman Mendelson and members of the Committee of the Whole. I am Eric Cannady, Deputy Chief Financial Officer for the Office of Budget and Planning (OBP) in the Office of the Chief Financial Officer (OCFO). I am here today to testify in support of OBP's FY 2023 budget request. With me today is James Spaulding, Associate Deputy Chief Financial Officer. I will cover the following areas in my remarks:

- OBP's Fiscal Year 2023 Budget Request;
- Fiscal Year 2022 Accomplishments to Date; and
- Fiscal Year 2023 Key Program Initiatives.

OBP's Fiscal Year 2023 Budget Request

The FY 2023 operating budget request for OBP is \$6.657 million and 42 FTEs, which represents a net increase of about \$59,000 and a decrease of three (3) FTEs, from the FY 2022 approved budget of \$6.598 million and 45 FTEs. In addition, from the OCFO's budget for the District Recovery Program (DRP), OBP will receive four (4) FTEs and \$254,000 to continue our work on monitoring and reporting ARPA dollars. These positions are currently in OBP but are budgeted in DRP in FY 2023 to be consistent with how the Mayor budgeted all ARPA dollars in agencies in the FY 2023 budget. In total, this means OBP will operate with \$6.911 million and 46 FTEs, an increase of \$313,000 and one (1) FTE compared to FY 2022.

I will now discuss some of our recent accomplishments and our plans for the remainder of FY 2022 and for FY 2023.

FY 2023 Budget Formulation and Transparency

During the FY 2023 budget formulation process, OBP collaborated with the Mayor's Office of Budget and Performance Management (OBPM), agency program staff, and OCFO financial staff to produce several key budget products, which I will briefly review:

Current Services Funding Level (CSFL) – As part of the FY 2023 budget development, we created the CSFL and published it on December 21, 2021. This document provides an analysis of the cost of operating District agencies in FY 2023, for Local funds only, before consideration of any new policy decisions beyond the FY 2022 budget.

Mayor's FY 2023 Proposed Budget Request – OBP worked with Mayoral, City Administrator, and agency program and financial staffs on the Mayor's proposed FY 2023 budget preparation through March 16th, a balanced FY 2023 Proposed Budget and Financial Plan was submitted to the Council and posted on the internet. We look forward to collaborating with Council and its staff on the consensus budget.

Interagency Budgets – As the OCFO begins the transition to the new financial system, the District Integrated Financial System (DIFS), we managed the transition from Intra-District budgets to the new interagency budget process in the FY 2023 budget. Instead of the duplicated budget in the agencies providing services (seller agencies), known as Intra-District budget, the new interagency process enables the seller agencies to finance the services by directly charging interagency projects funded by the agencies receiving the services (buyer agencies). OBP has significantly improved the transparency of the interagency process by introducing two new reports in the proposed FY 2023 Budget. The "Table 7" report is included in the budget chapter of each agency that is a buyer and/or

seller in an interagency project, and whose budget reflects the impact of funding Full-Time Equivalents (FTE) that are employed by other agencies. Specifically, this report details the number of budgeted interagency FTEs included in a buyer agency’s budget that are employed by other agencies and the number of interagency FTEs that are employed by the agency as a seller but are budgeted in other buyer agency(ies)’ budgets. The “Appendix J” report provides detailed information regarding the proposed funding and FTEs budgeted for FY 2023 interagency projects, by buyer and seller agency. These reports are positive, tangible outcomes of the new system that have provided new insights into the interagency process.

Automated Financial Plan – We continue to use the Automated Financial Plan with the support of our Office of the Chief Information Officer throughout the Mayor’s budget formulation process. This enabled us to keep the financial plan current with each new budget policy proposal, so we could see the out-year impacts of the proposals. We were able to provide assistance to the Mayor’s staff on financial plan issues earlier in the budget process, and we look forward to providing the same assistance to your staff as Council proceeds with its consideration of the budget.

Operating Budget Execution

OBP continues to closely monitor agency spending through the Financial Review Process (FRP). We have revamped the FRP process to ensure that all FRP submissions are in compliance with current law, and that they accurately reflect budget versus expenditures. Detailed FRP reports are due to my office on a quarterly basis, and agencies are required to provide monthly FRP reports at a summary level, or at a detail level in the event of a

substantial change from the previous FRP. This ensures that agencies identify, on a regular basis, spending pressures and other important financial matters. OBP continues to manage the Spending Pressure Task Force by working closely with OCFO cluster and OBPM teams to vet and quickly identify potential gap closing solutions for potential spending pressures. In addition, we continue to make current-year and comparative historical data available to the public through CFOInfo, the web-based tool that allows public users to explore budget data, as well as posting more than 50 reports we issue each year on the CFO's website. Finally, we continue to use Jira software to track reprogrammings from the initial agency submission, through the Mayor's Office of Policy and Legislative Affairs and OBPM, to OBP approval and submission to Council when required. We have also expanded our use of Jira to include ARPA funds allocations, as well as O-type and Intra-District budget modification requests, to allow agency financial staff the ability to track the real-time status of their requests at the various stages in the OBP approval process. This functionality has provided better visibility into our processes and enabled us to produce our quarterly reprogramming reports in a more efficient manner.

Capital Improvements Program

As with the operating budget, OBP collaborated with the Mayor's budget staff, agency program staff, and OCFO financial staff to develop the Mayor's FY 2023 - FY 2028 capital budget request. We also worked closely with the Office of Finance and Treasury on multiple debt model scenarios to ensure that the District stays within the 12 percent debt cap throughout the six-year capital improvements plan, incorporating revenue certifications that have been revised because of the pandemic.

During the FY 2023 – FY 2028 CIP formulation, my office collaborated with the Mayor’s OBPM on the following:

Investment Review Boards (IRBs) – During this budget formulation cycle, OBPM continued its use of Investment Review Boards, relying on the three boards to review all agencies capital budget requests:

- the Facilities Projects Investment Review Board is composed of individuals with strong facility construction and planning backgrounds and experience;
- the Information Technology Investment Review Board consists of members with IT background and experience; and
- the Fleet and Infrastructure Review Boards is composed of individuals with strong transportation, fleet and planning backgrounds and experience.

OBP participated in all three of the IRB meetings during the formulation period, providing support and knowledge of the OCFO’s policies on capital budgeting

Capital Asset Replacement Scheduling System (CARSS) - The Capital Asset Replacement Scheduling System (CARSS) was utilized during this capital budget formulation for the Mayor’s proposed budget for the evaluation of facilities and for the replacement schedules for fleet vehicles across the District, as well as scoring of capital project. CARSS currently contains 100 percent of District-owned assets, totaling more than 316,000 individual assets. Furthering its expanded role, CARSS is being utilized to assess the viability of including medium and heavy-duty alternative energy vehicles in the District’s overall fleet portfolio, as well as embarking on a long-term project to evaluate the cost of long-term capital needs, including restoration and repair, of 35 separate housing

complexes owned by DCHA, which include over 6,400 individual family units. The results of the physical needs assessments of all 35 complexes have been uploaded into CARSS.

The Capital Improvements Program continues to provide detailed information to the Council Budget Office staff during budget formulation as well as during execution. OBP has already begun working with the Council's Budget Office on the FY 2023 – FY 2028 CIP formulation. We report on capital project spending issues that are inconsistent with spending plans to the Board of Review for Anti-Deficiency Violations. We also produce various reports which are posted on the CFO's website, including capital budget reprogramming activity, quarterly capital budget spending, and on the District Department of Transportation's reconciliation and reallocation efforts. We work with the Office of Financial Operations and Systems (OFOS) on fiscal year-end closing and transfers that occur between the operating and the capital budgets. Also, we continue to make capital project data available to the public by agency and by ward on the CFOInfo website as well as via the Tableau reporting platform.

FY 2023 Key Program Initiatives

Our central goal is to continue to improve OBP's performance. OBP's major operational goals for FY 2023 are as follows:

- Incorporate lessons learned from the FY 2023 budget development process into the FY 2024 budget development process;
- Continue to improve the FRP process and to manage the Spending Pressure Task Force to foster cooperation and collaboration between the OCFO and OBPM, in order to

identify potential spending pressures early and develop gap-closing plans that tap all the resources available to the District;

- Expand our use of Jira software to review and approve Contingency Reserve allocations, furthering the coordination of our work with OBPM and with the OCFO cluster staff;
- Continue to make improvements in the Capital Improvements Program, with further analysis of the operating budget effects from completed capital projects and monitoring of the capital fund balance;
- Continue to provide leadership and subject matter expertise for the OCFO's implementation of the District's new accounting and budgeting system, the District Integrated Financial System (DIFS) which is scheduled to begin with budget execution for FY 2023;
- Continue to lead the support and use of the Capital Asset Replacement Scheduling System (CARSS), which is a part of the OCFO's 5-year strategic plan and enables the OCFO to meet legislative requirements regarding the creation of the long-range capital financial plan; and
- Provide quality support to the Board of Review for Anti-Deficiency Act Violations by continuing to report potential violations in both operating and capital funds.

Conclusion

We look forward to working collaboratively with the Council during the development of the District's FY 2023 Consensus Budget. Mr. Chairman, this concludes my remarks. I would be pleased to answer any questions that you may have.