PUBLIC HEARING
ON
THE FISCAL YEAR 2023 BUDGET
OF THE OFFICE OF
THE CHIEF FINANCIAL OFFICER

Before the
Committee on Business & Economic Development
Council of the District of Columbia

The Honorable Kenyan R. McDuffie, Chairman

April 6, 2022, 9:15 a.m.
Virtual Meeting Platform

Testimony of
Fitzroy Lee
Acting Chief Financial Officer
Government of the District of Columbia
Good morning, Chairman McDuffie and members of the Committee on Business and Economic Development. I am Fitzroy Lee, Acting Chief Financial Officer of the District of Columbia. I am pleased to appear before you today to discuss the FY 2023 budget request for the Office of the Chief Financial Officer (OCFO).

The OCFO’s FY 2023 budget request supports the agency’s strategic plan and ongoing initiatives. I will now discuss the budget in greater detail.
Office of the Chief Financial Officer

Fiscal Year 2023 Budget

Fitzroy Lee
Acting Chief Financial Officer
April 6, 2022

“To ensure that the District of Columbia, the capital city of the United States, remains financially strong and sustainable to the benefit of all who live, work, visit, and do business here.”
The Independent Office of the Chief Financial Officer:

- Certifies budgets are balanced and financial statements are fairly represented
- Provides independent revenue estimates
- Monitors revenues and spending
- Evaluates fiscal impacts of all legislation
- Reviews all economic development projects
- Issues all debt, manages all investments, and oversees credit ratings
- Oversees tax collections and lottery
- Manages financial personnel (budget, accounting, and payroll functions) in all agencies
### OCFO Annual Agency Outputs

- **Tax Returns Processed**: 1,092,583
- **Tax Refunds Processed**: 314,846
- **Taxpayer Calls Answered**: 439,442
- **Written Correspondence Answered**: 82,274
- **Deeds Recorded**: 18,486
- **Properties Assessed**
  - (Commercial and Residential): 205,502
- **Property Assessment Appeals-1st Level**: 13,666
- **Delinquent Tax Payments Collected**: $238,031,982
- Wires and ACH Processed: 6,274,011
- Gross CCU Debt Collected (FY 2021): $34,796,942
- Total Debt Managed (FY 2021): $11,384,623
- Fiduciary Programs Managed (FY 2021): $5,834,562,199
  - OPEB Fund: $2,025,061,908
  - 401(a): 1,484,609,014
  - 457(b): $1,245,772,804
  - 529 College Savings: $1,018,821,198
  - UDC Endowment: $58,321,770
  - DC Library Trust: $1,975,505
- Payroll Payments Issued (FY 2021): 961,501***
  (Regular Employees Only)
- Bank Reconciliations: 5,300
- W-2s Issued (CY 2021): 43,607**
- 1099s Issued (CY 2021)
  - 1099 MISCs, 1099 NECs, and 1099Rs** only: 8,083
- Approximately 150 fiscal impact studies issued per year in addition to numerous other studies, reports, and analyses

* Unaudited
**Reference – TAX915
*** This number represents the total of checks/ACHs received from the District for the calendar year. The number is extracted from the support for the Form 941 which is populated using the U.S. Summary Report generated by PeopleSoft after each payroll processing is completed. Does not include checks generated during the year-end off-cycle payroll runs.
FY 2023 Proposed Operating Budget

Gross Fund, PS vs NPS

Local FTEs: 960 (including 5 ARPA FTEs)
Nonlocal FTEs: 106
Total FTEs: 1,066

Total = $231.3 Million

$100.4 Million
Nonpersonal Services 43%

$130.9 Million
Personal Services 57%

Total FTEs: 1,066
Local FTEs: 960 (including 5 ARPA FTEs)
Nonlocal FTEs: 106

Personal Services
Nonpersonal Services

$100.4 Million
$130.9 Million
Total = $231.3 Million
The OCFO request represents the minimum resources needed to successfully accomplish our mission and attain our stated goals.

- The OCFO FY 2023 Gross Fund budget is $231.3M, comprised of the following major categories:
  
  - Local Funds of $178.9M
  - Federal Grant Funds of $675K (EBT Management)
  - Special Purpose Revenue (O-Type) Funds of $51.7M (to administer Central Collections Fund, Tax Collection Fees, Bank Fees, Unclaimed Property, etc.)
Highlights of FY 2023 Budget Request (Cont.)

Local Fund Increases

- Operating Impact of Capital $20.2M
  - $17.1M DIFS Support Center
    - Includes licenses, contractor support, and staff
  - $3.1M MITS Maintenance
- Merchant Fees $5M
- Child Wealth Building Act $3.4M
- Earned Income Tax Credit Unit $746K (7 FTEs)
- OBP Operating Budget Manager $214K (1 FTE)
- OTR Customer Service $505K (7 FTEs)
- OTR Special Collections Unit $380K (3 FTEs)

Nonlocal Fund Changes

- Special Purpose Revenue:
  - Reallocated $6M from Intra District Fund 712 to SPR fund 0601 to support OPRS operations
    - Net Decrease of 4 FTEs (no longer needed)
Major New Initiative in FY 2022 and FY 2023

- District Integrated Financial System (DIFS)
  - Project to modernize/replace the current financial (SOAR) and budget systems (BFA), including a new treasury management system
    - Dedicated project team
    - Contracts with Deloitte Consulting for System Implementation and Organizational Change Management
    - Contract for IV&V services with Gartner Group
    - Phase one of the Treasury Management System complete
    - The financial and budget systems will roll-out in phases
    - The full budget need of $205 million ($26M was removed from the project as part of FY 2021 approved budget). $11 million of this amount was replaced in the Mayor’s proposed FY 2023 budget. The remaining $15M is still needed to ensure that we can go-live with the planned new budget formulation tool.
    - DIFS Phase I Go-Live: October 2022
Benefits of a Financial System Replacement
(SOAR Replacement Project)

The District has an aging legacy system with declining support resources (mainframe technicians and COBOL programmers) that is at risk of inadequate support services and cannot be upgraded to take advantage of the benefits of a modern system. DIFS will provide:

1. Improved data reliability
2. Improved controls for compliance
3. Better informed decision making
4. Less duplication of effort
5. Improved customer service/satisfaction
6. Improved productivity/efficiency
7. Reduced operating and labor costs
8. Increased integration with other systems
9. Elimination of numerous shadow databases and spreadsheets throughout the organization
Questions?