

**PUBLIC HEARING ON**  
**THE FY 2014 BUDGET REQUEST FOR THE OFFICE OF**  
**BUDGET AND PLANNING (OBP)**

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

**The Honorable Phil Mendelson, Chairman**

**April 11, 2013, 11:00 a.m.**  
**Room 500, John A. Wilson Building**



**Testimony of**  
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**Natwar M. Gandhi**  
**Chief Financial Officer**  
**Government of the District of Columbia**

Good afternoon, Chairman Mendelson and members of the Committee of the Whole. I am Gordon McDonald, 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 2014 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 2014 Budget Request;
- Fiscal Year 2013 Accomplishments to Date; and
- Fiscal Year 2014 Key Program Initiatives.

### **OBP's Fiscal Year 2014 Budget Request**

Our operating budget request is \$5.87 million and 42.0 FTEs, a net increase of \$56,000 in budget authority from the FY 2013 approved budget of \$5.82 million, with no change in the number of FTEs. The increase is due primarily to an adjustment to personal services for step increases and fringe benefits. The FY 2014 Proposed Budget provides the minimum staffing required to fulfill our mission.

I will now discuss some of our recent accomplishments and our plans for FY 2013 and FY 2014.

### **FY 2014 Budget Formulation and Transparency**

During the FY 2014 budget formulation process, OBP collaborated with the Mayor's Office of Budget and Finance (MOBF), agency program staff, and OCFO

financial staff to produce a number of key budget products, which I will briefly review:

***Current Services Funding Level (CSFL)*** – As part of the FY 2014 budget development, we created the CSFL and published it on November 16, 2012. This document provides an analysis of the cost of operating District agencies in FY 2014, for Local funds only, before consideration of any new policy decisions beyond the FY 2013 budget. The FY 2014 CSFL adjustments to the FY 2013 Local funds budget are described in the table named *FY 2013 Approved Budget to FY 2014 Proposed Budget, by Revenue Type* (table 5) of nearly every District agency budget chapter. In addition to serving as a comparative tool for policy decisions made by the Mayor, the CSFL for each agency served as the agency's FY 2014 Local funds Maximum Allowable Request Ceiling (MARC) as they made their budget requests.

***The Mayor's FY 2014 Proposed Budget Request*** – OBP hosted the FY 2014 budget kickoff on October 11<sup>th</sup>, 2012. To prepare for the kickoff, we updated the budget formulation manuals and requisite information technology systems, and conducted both internal and external budget development training. After the kickoff, we partnered with Mayoral, agency program and agency financial staffs to prepare the balanced budget that was delivered to Council on March 28<sup>th</sup>. Because of the use of the CSFL as the starting point for agency operating budget

requests, we believe the changes in operating budgets from FY 2013 to FY 2014 are laid out more clearly than ever before, enhancing the ability of the Council and the public to see what changes are being proposed. I am proud to say we achieved the timely delivery of the FY 2014 Proposed Budget to the Council, which is balanced in FY 2014 and throughout the multiyear financial plan, through long hours and hard work of my staff and everyone else involved in the process. We look forward to collaborating with Council and its staff on the consensus budget.

***Budget Transparency*** – In order to maintain budget transparency, the Mayor's FY 2014 Proposed Budget was again posted on the Internet in the improved manner that was implemented several years ago. This format shows operating and capital budget information by agency and, as applicable, also contains a restructuring crosswalk. This allows the reader to see everything related to an agency in one place, without having to find pieces of it in the different budget volumes. Furthermore, like last year, the capital budget included the Highway Trust Fund budget, which in prior years had been published separately and on a different timeline from the Mayor's budget submission. We also include the anticipated operating budget impacts of new capital projects in the operating budget and financial plan, as well as the number of approved capital FTEs by agency and by project in the capital budget. Finally, we have changed the Table of Contents of the capital budget book, at the suggestion of Council budget staff,

to make locating information on any particular capital project much easier to find. We have instituted these improvements in order to increase transparency and make it easier for both the Council and the public to access budget information.

### **Operating Budget Execution**

Like last year, the current economic climate, while improving, continues to reinforce the need for effective OBP budget execution. Furthermore, the uncertainty of the effects of federal sequestration, including its impact on District revenues, underscores the need to closely monitor budget execution. We continue to closely monitor agency spending through the Financial Review Process (FRPs). Detailed FRPs 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 have a frequent reporting requirement for the identification of spending pressures, revenue shortfalls, excess funds, or other financial matters. FRPs are a primary source for identifying spending pressures. We will continue to work very closely with the agencies and the MOBF to identify any potential FY 2013 spending pressures and to maintain a balanced budget.

## **Capital Improvements Program**

As with the operating budget, OBP collaborated with MOBF staff, agency program staff, and OCFO financial staff to develop the Mayor's FY 2014-FY 2019 capital budget request. We also worked closely with the Office of Finance and Treasury to ensure the District stays within the debt cap, so that debt service is projected to be no more than 12 percent of operating budget expenditures, throughout the six-year capital plan. OBP continues to focus a great deal on management of the capital improvements program, including implementation of the DDOT Capital Project Review and Reconciliation Act of 2011 and the Capital Project Support Fund, a method for capturing small, unused budgets from older, inactive capital projects. We have closed over 650 projects in DDOT and over 120 projects in other agencies to consolidate capital budgets, allowing the Mayor and Council to focus scarce capital dollars where they can be used effectively. Finally, as we have previously told you, the Capital Improvements Program now reports on project spending issues that are inconsistent with spending plans to the Board of Review for Anti-Deficiency Violations, and we continue to make capital project data available to the public on the CFOInfo web site by agency and by ward.

## **New Financial and Budget Systems**

The OCFO is implementing a new budget system to replace the Budget Formulation Application, which was developed in-house several years ago to interface with

SOAR, which is also undergoing replacement. Implementation of the new budget system will depend on the timetable of implementation of the SOAR replacement system.

### **CFOInfo and Additional Budget Data**

We have made several recent improvements in the amount and type of budget and expenditure data available to the public.

***CFOInfo Expansion*** – With the release of the Mayor’s FY 2014 Proposed Budget and Financial Plan, OBP has added to the data available in CFOInfo, the web-based tool that allows public users to explore budget data. Working with the OCFO’s Chief Information Officer, we have expanded some of the reports to allow users to see activity-level data rather than data only at the program level. In addition, we now show 5 years of data: actual expenditures for FY 2010 through FY 2012, the FY 2013 Approved Budget, and the FY 2014 Proposed Budget. As before, users can obtain data by fund and by expenditure category (Comptroller Source Group) as well.

***Capital Project Map*** – We have developed an interactive map showing the location and dollar amount of certain capital projects in the FY 2014 – FY 2019 Capital Improvements Plan. Users can add layers for schools, libraries, parks and

recreation centers, and/or projects in other agencies to this map so they can see the range of projects in their neighborhood or ward.

***Reporting*** – We are putting all of our monthly and quarterly reports on the OCFO’s web site and have taken steps to enhance timeliness of more than 40 reports we issue each year.

### **FY 2014 Key Program Initiatives**

Bolstered by the successes of the past fiscal year, our central goal is to continue to improve OBP’s performance. OBP’s major operational goals for FY 2014 are as follows:

- Incorporate lessons learned from the FY 2014 budget development process into the FY 2015 budget development process;
- Continue to monitor agency spending through FRP analysis, identify potential spending pressures and resolve them quickly, and issue timely reports on current fiscal year financial operations;
- Add to recent improvements in the Capital Improvements Program with further analysis of the operating budget effects from completed capital projects, monitor the capital fund balance, improve budgeting and accounting for capital-funded FTE positions, and enhance our technological capabilities for reporting and analysis;



- Continue to improve the grant budget monitoring and reporting function within our office and coordinate with agencies to maximize use of their grant funds to reduce lapsed funds;
- Provide quality support to the Board of Review for Anti-Deficiency Act Violations by continuing to provide reports of potential violations in both operating and capital funds; and
- Explore further enhancements to CFOInfo to provide more budget and financial data to the public.

### **Conclusion**

We look forward to working collaboratively with the Council during the development of the FY 2014 Consensus Budget. Mr Chairman, this concludes my remarks. I will be pleased to answer any questions that you may have.