

**PUBLIC BRIEFING
ON THE
FISCAL YEAR 2022
ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR)**

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

The Honorable Phil Mendelson, Chairman

**February 2, 2023, 11:00 a.m.
Virtual Platform**



**Testimony of
Glen Lee
Chief Financial Officer
Government of the District of Columbia**

Introduction

Good morning, Chairman Mendelson and Members of the Committee of the Whole.

I am Glen Lee, Chief Financial Officer of the District of Columbia. I appear before you today to report and discuss the Fiscal Year 2022 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 2022 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 the agency program and financial staff, who contributed to the successful management and accounting of the District's financial resources during Fiscal Year 2022.

I also want to thank the City Administrator and the Inspector General for working with my office to produce this report. We will continue to collaborate with the City Administrator and agency program staff to ensure that management letter findings are effectively remediated.

My presentation this afternoon will cover the highlights of the District's FY 2022 results, after which I would be happy to respond to any questions that you may have.



FY 2022 District of Columbia Annual Comprehensive Financial Report

ACFR Highlights

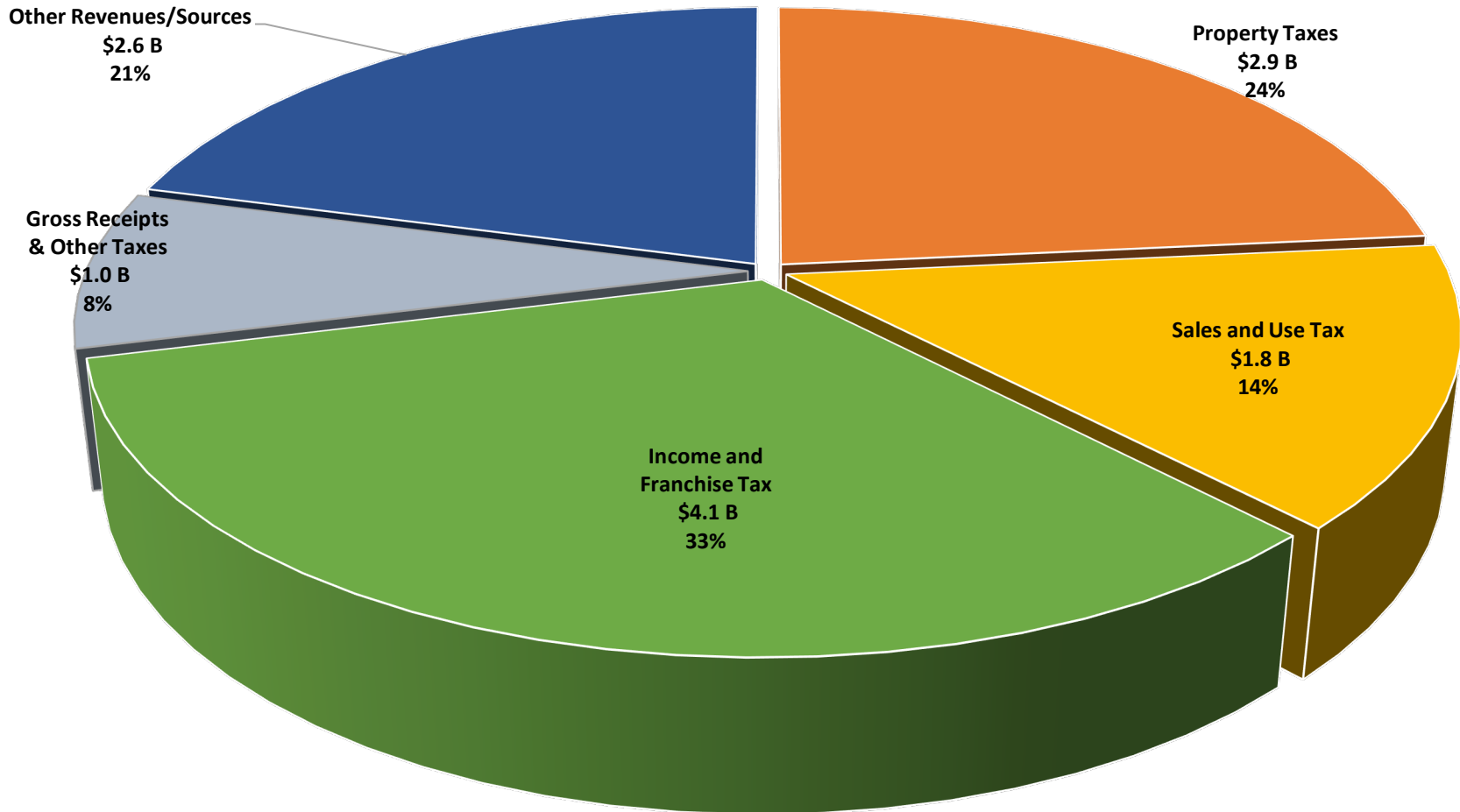


- **Clean Audit Opinion (26th Consecutive)**
- **Federally and locally mandated reserves (working capital/liquidity) full**
- **Ratings for General Obligation Bonds and Income Tax Bonds remained strong**

Where the Money Came From – Sources of the General Fund Revenue for FY 2022 (Excluding Intra-District Funds)



(Dollars in Billions)



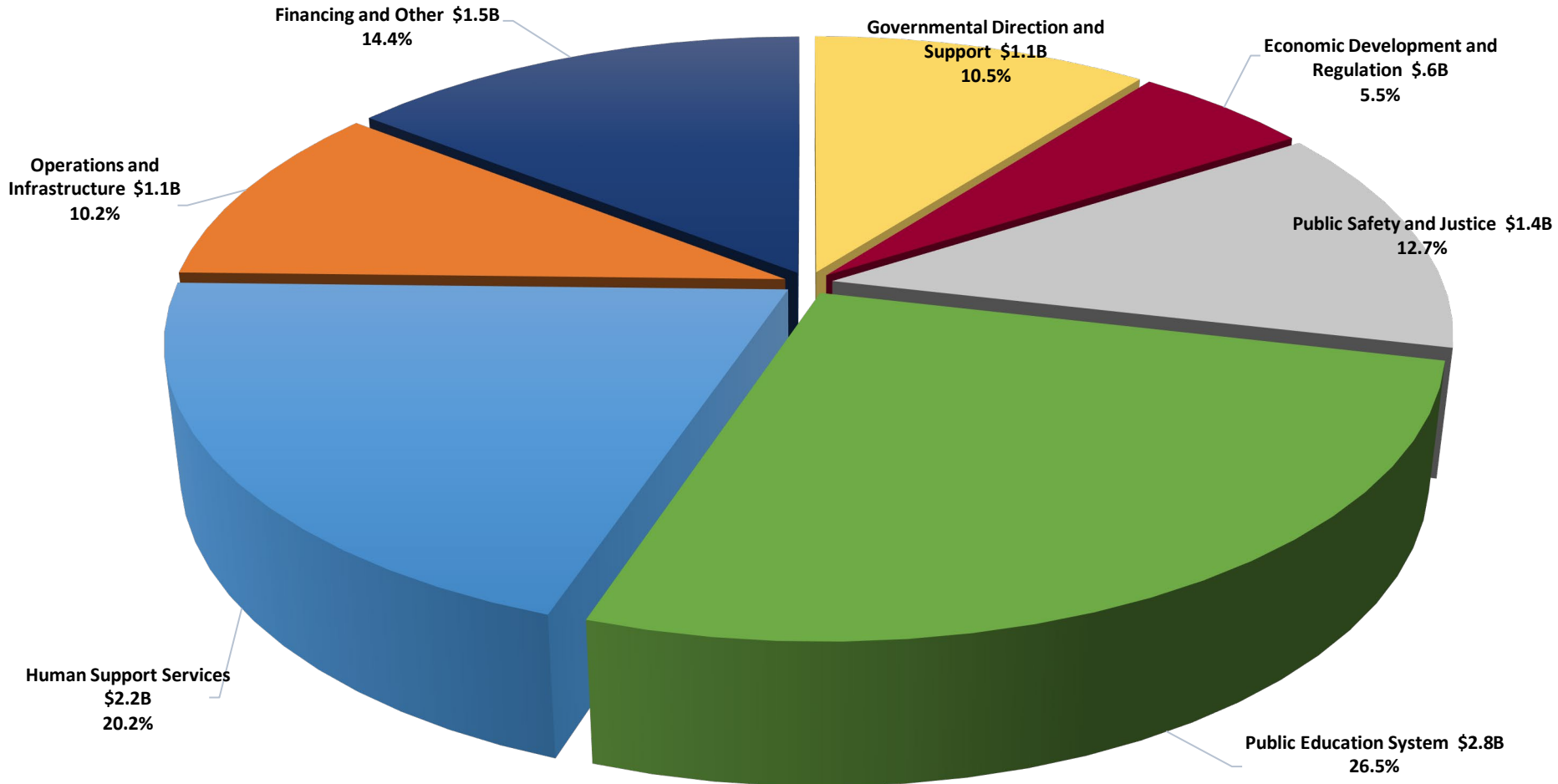
FY 2022 Actual GF Revenues = \$12.3 Billion

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



Where the Money Went – General Fund Expenditures, by Appropriation Title for FY 2022 (Excluding Intra-District Funds and Enterprise and Other Funds)

(Dollars in Billions)



FY 2022 Actual GF Expenditures = \$10.7 Billion

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



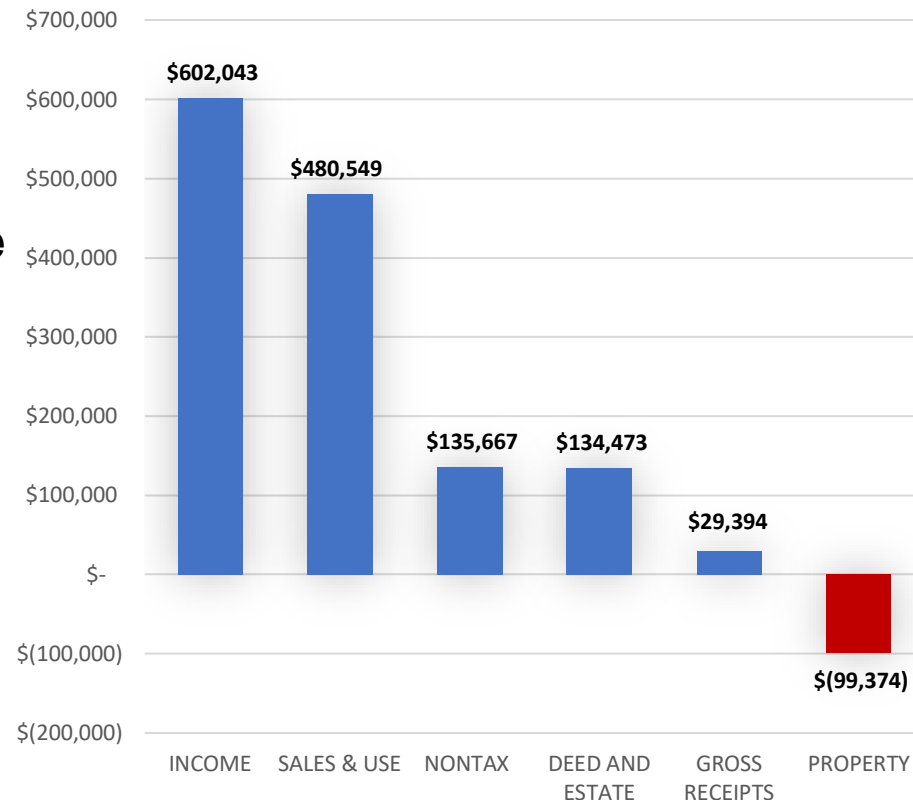
FY 2022 Revenues

Strong Local Revenue Growth in FY 2022



- ✓ **Income taxes grew 17%, benefiting from strong asset price appreciation**
- ✓ **Sales taxes grew 39%, benefiting from high inflation rate, strong job market driving spending**
- ✓ **Deed taxes grew 27% driven by revenue from high-valued commercial property sales and a strong residential market**
- ✓ **Non-tax revenue grew strongly as higher interest rates boosted investment income and unclaimed property collections rose sharply**
- ✓ **Real property tax revenue fell in FY 2022 reflecting pandemic related decline in commercial property values**

Components of \$1.3B (14%) Revenue Growth
(\$ thousands)



FY 2022 Revenue Forecast Revisions



FY 2022 Local Fund Revenue (\$m)	Budgeted Revisions	
Estimate included in FY 2022 budget	9,086.7	
June Estimate		490.6
September Estimate		172.0
December Estimate		172.1
Amount revenue exceeded budgeted revenue		834.7

Components		
Income (Business & Individual)	362.5	43%
Non-tax	168.6	20%
Sales & Excise	147.7	18%
Deeds	98.5	12%
Real property	45.9	6%
All other	11.5	1%
Total	834.7	100%

Major Factors Contributing to FY 2022 Forecast Revisions



- ✓ **Asset price appreciation from historic low interest rates and unprecedented fiscal and monetary stimulus resulted in record levels of revenue in FY2022 for DC and other states**
- ✓ **Surge in commercial building sales and loan refinancing contributed to the FY 2022 revenue windfall as property owners rushed to close deals before the rise in interest rates leading to higher Deed tax collection**
- ✓ **Higher nominal wages and low unemployment level contributed to higher income and sales tax collections throughout the fiscal year**
- ✓ **General sales taxes benefited from a surge in hotel and restaurant activity throughout the fiscal year. Higher inflation also contributed to increased sales tax collections across all categories**
- ✓ **Inflation induced increases in property insurance premiums generated higher than expected insurance premium taxes collections, the source of most of the excess gross receipt taxes collections**



FY 2022 Underspending

Details of FY 2022 Spending Below General Fund Budget



(Dollars in Millions)

Appropriation Title	Revised Budget	Underspending	% of Revised Budget
Local Source <i>(Local Funds & Dedicated Taxes)</i>			
Governmental Direction and Support	\$ 1,092.8	\$ 25.9	2.4%
Economic Development and Regulation	545.8	19.0	3.5%
Public Safety and Justice	1,314.8	8.7	0.7%
Public Education System	2,824.6	57.1	2.0%
Human Support Services	2,256.3	126.5	5.6%
Operations and Infrastructure	871.9	10.4	1.2%
Finance and Other Uses	1,529.7	153.6	10.0%
TOTAL LOCAL SOURCE	\$ 10,435.7	\$ 401.2	3.8%

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



Composition of FY 2022 Local Funds Surplus

Composition of FY 2022 Budgetary Surplus



(Dollars in millions)

Budgetary Surplus (Local)	1,534.3
Amount Already Budgeted in FY 2023 Financial Plan	337.3
Surplus Above Previously Budgeted Amount	1,197.0
Where did this Surplus Come From:	
Additional Local revenues (June, September & December)	834.7
Underspending	401.2
Other changes, net	(38.8)



Reserve Requirements

Comparison of Ending General Fund Balances

(Dollars in Thousands)



	FY 2022	FY 2021	Difference
Federally Mandated Reserves	\$495,389	\$475,641	\$19,748
Locally Mandated Reserves	\$1,182,653	1,054,090	128,563
Debt Service Reserves	469,451	412,841	56,610
Reserved for Future Budget	1,457,318	956,045	501,273
Reserved for Other Purposes	847,930	515,939	331,991
Reserved for Housing Production Trust Fund	219,782	92,075	127,707
Reserved for Pay-Go Capital Projects	219,782	92,075	127,707
TOTAL	\$4,892,305	\$3,598,706	\$1,293,599

- FY 2021 figures here have been adjusted from FY 2021 ACFR figures to reflect the funds reserved for future budget use for FY2021.
- Reflects balances as of September 30, 2022, not current balances.
- Amounts reserved for Housing Production Trust Fund and Pay-Go Capital Projects are scheduled to be transferred in FY2023.

Federally and Locally Mandated Reserves (Working Capital, Liquidity)



Reserves	% of Expenditure/ Budget	Amount (\$ in Millions)	Status
Emergency	2.00%	\$ 165.1	Full
Contingency	4.00%	330.2	Full
Fiscal Stabilization	2.34%	250.4	Full
Cash Flow	8.33%	932.2	Full
Total	16.67%	\$1,677.9	60 Days

Reflects balances as of September 30, 2022, not current balances.

Pensions and Other Post-Employment Benefits



(Dollars in Thousands)

DCRB Trust Fund	FY 2022 Net Position	FY 2021 Net Position	Percentage Variance	Net Pension (Asset) Liability	Percentage Funded
Police, Firefighter, and Teachers Pensions	\$9,473,370	\$10,935,702	(13.4%)	37,324	99.6%
OPEB Trust Fund	FY 2022 Net Position	FY 2021 Net Position	Percentage Variance	Net OPEB (Asset) Liability	Percentage Funded
Other Post- Employment Benefits	\$1,650,287	\$2,025,062	(18.5%)	\$173,193	90.5%



District Enhances Strong Financial Position

- **District received Clean/Unmodified Audit Opinion**
- **Federally and Locally Mandated Reserves maintained at 60 days of operating expenses**
- **Surplus provides \$220 million in funding for PAYGO capital for infrastructure, and \$220 million for the Housing Production Trust Fund, as required by law**



QUESTIONS?