

**PUBLIC OVERSIGHT HEARING ON
THE FISCAL YEAR 2013 AND 2014 SPENDING AND
PERFORMANCE BY THE OFFICE OF THE CHIEF
FINANCIAL OFFICER (OCFO)**

**Before the
Committee on Finance and Revenue
Council of the District of Columbia**

The Honorable Jack Evans, Chairman

**February 27, 2014
John A. Wilson Building
Council Chambers**



**Testimony of
Jeffrey Barnette
Deputy Chief Financial Officer and Treasurer
Office of Finance and Treasury**

**Jeffrey S. DeWitt
Chief Financial Officer
Government of the District of Columbia**

Good morning, Chairman Evans and members of the Committee. My name is Jeffrey Barnette, Deputy Chief Financial Officer and Treasurer. Thank you for the opportunity to present testimony regarding the operation and performance of my office for FY 2013 and FY 2014 year-to-date.

OFT's mission is to manage efficiently and effectively the financial assets and liabilities of the Government of the District of Columbia. This involves receiving, investing, disbursing and recording District financial resources, and also includes managing the District's issuance and repayment of bonds and notes in the financial marketplace.

Debt Management. On behalf of the District, OFT issues bonds and notes in the public financial markets to fund capital projects and to meet short-term cash flow needs. OFT also manages the District's Master Equipment Lease/Purchase Program, which provides financing for equipment acquisition.

Starting in FY 2009, the District has funded its Capital Improvements Program primarily through the issuance of Income Tax Secured Revenue bonds and General Obligation bonds.

In FY 2013 and FY 2014 to date, we successfully financed a portion of the District's on-going Capital Improvements Program and our intra-year cash flow needs with debt issuances in the financial marketplace. The District's bond and note issuances were very well received by investors. Due to the low levels of market interest rates, as well as the District's high credit ratings, we were able to complete these issuances at very favorable interest rates and produce lower debt service for the District.

In October 2012 and October 2013, we issued \$675 million and \$405 million, respectively, of Tax Revenue Anticipation Notes (TRANs) to finance the District's seasonal cash flow needs. The FY 2013 TRANs issuance received an interest rate of 0.25%. We followed up in FY 2014 with an interest rate of 0.26%. The District's seasonal cash flow borrowing needs have decreased over the last few fiscal years due to the efficient use of the federal and locally mandated reserve funds. The FY 2013 financial results increased the District's fund balance and working capital position, and we expect to continue the trend of reducing short-term borrowing in the next fiscal year. We were active in the primary market in the first quarter of FY 2014 as well. In November 2013, the district negotiated the refunding of \$97 million of outstanding variable rate Income Tax Secured Bonds. In December, the district sold \$495 million of General Obligation bonds for FY14

capital improvement programs. The total interest cost for that transaction was 3.57%. We still have approximately \$540 million in new money issuance that will need to be financed to complete the FY14 capital improvement plan. We will continue to review the use of variable and fixed rate funding to improve our asset liability management. Due to the favorable reception of the most recent General Obligation issuance it may be advantageous to continue that issuance. We will work with our underwriting partners and financial advisors to determine the best credit for the near and long-term.

Cash Management and Banking. OFT manages the cash, investments and banking relationships of the District, ensuring that the District's payment obligations are met and that interest income is earned on the funds on hand. Investment interest rates continue to be very low, producing lower levels of interest income than in the past. The District is conservative in its investments, reflecting the fact that the preservation of principal is the primary investment objective. We competitively procure banking services to meet the District's banking needs. One of our objectives is to have District funds on deposit with local financial institutions, and we have been proactive in doing this. Currently, approximately \$135 million of our funds are placed with local financial institutions.

Grants. In FY 2013, the District received approximately \$3.3 billion in federal grant funding (including Medicaid and ARRA funding). OFT manages the cash and accounting aspects of agencies' federal grant drawdowns. We have continued to enforce the principles of the federal Cash Management Improvement Act and meet its requirements in a timely manner. We continue working with agencies to enhance the process of monitoring grant-related payments and receipts to ensure the timely reimbursement of expended grant funds.

Operations. Two of OFT's primary operations are Revenue Collections and Payment Operations. These units perform and oversee the important daily functions of cashiering and payment production for District agencies. OFT continues to enhance the efficiency of these operations by reducing paper check handling and increasing the percentage of payments made electronically (via card and ACH). OFT continues to expand the use of the District's cashiering system to the agencies. This system eliminates agency journal preparation and manual entry as well as accelerates cash flow determination.

OFT continues to build the infrastructure for the Central Collection Unit (CCU). The CCU is the primary unit to collect all delinquent non-tax debt owed to the District. At this time, the unit collects debt mostly for Department of Motor

Vehicles, United Medical Center and the University of the District of Columbia. . Additional agencies will continue to be added with the implementation of the CCU software system and collections contractors. We currently have pending a RFP for Collection Contractors. The Software System contract was awarded earlier this year. The unit collected \$35 million in FY13 and the collection through December was \$7.4 million. We will continue to update the Council on our progress.

Special Savings/Investment Programs. OFT manages or assists in managing the administration of the DC College Savings Plan, the 401(a) Retirement Plan, the 457(b) Deferred Compensation Plan and the Other Post Employment Benefits (OPEB) trust fund. The total value of the 4 plans is approximately \$2.47 billion. We monitor the District contracts with outside investment firms for these plans to ensure high-quality funds management in order to provide the best results for participants. We have encouraged and facilitated increased investor education so that District government employees are better able to meet their savings and retirement goals.

Unclaimed Property Program. The District's Unclaimed Property program continued community outreach activities that included extensive advertisements that are done semi-annually with local newspapers as well as on-line

operations. In FY 2013, OFT returned \$12.8 million to 1,733 owners of unclaimed property.

Mr. Chairman, this concludes my testimony. I would be pleased to answer any questions that you or other Committee members might have.