

PUBLIC OVERSIGHT HEARING
ON
THE FY 2018 AND FY 2019 SPENDING AND PERFORMANCE
OF THE
OFFICE OF BUDGET AND PLANNING (OBP)

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

The Honorable Phil Mendelson, Chairman

February 25, 2019, 10:30 a.m.
Room 123, John A. Wilson Building



Testimony of
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Good morning, 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). I am here today to testify on the FY 2018 performance and FY 2019 plans of OBP. I am honored to appear today and present testimony on the accomplishments of my office and our plans for improving OBP's performance and the services we offer to residents and District agencies. With me today is James Spaulding, Associate Deputy Chief Financial Officer for OBP.

I will cover the following areas in my remarks:

- Fiscal Years 2018 and 2019 operating expenditures;
- FY 2018 performance; and
- FY 2019 operational goals.

Fiscal Years 2018 and 2019 Operating Expenditures

OBP is one of the key programs within the Office of the Chief Financial Officer (OCFO). In FY 2018, OBP operated within its Local funds revised budget of \$6.030 million, spending \$6.026 million, or 99.9 percent of our available Local funds. Our FY 2019 approved budget for OBP is \$6.317 million, all in Local funds. Through February 15, we have expended and obligated \$2.114 million, or 33.5 percent of our budget. We expect to end the year within our current budget.

FY 2018 Performance

Our major accomplishments for FY 2018 were in three areas.

1. Development of FY 2018 Budget Revisions and the FY 2019 Budget.

During FY 2018, the District made many changes to its budget, and OBP processed

these changes and tracked and reported on the budget throughout the year. The FY 2018 Supplemental Budget proposed by the Mayor and adopted, with changes, by the Council increased the Local funds budget by a net \$16.3 million. The District ended FY 2018 with a balanced budget.

The budget balancing process is always a year-round exercise. Mayor Bowser proposed her FY 2019 budget on March 21, 2018. My office worked closely with the Mayor's budget staff to create this budget, incorporating the Mayor's policy priorities. During April and May, we worked closely with Council staff to review the budget, and the Council passed the District's budget on May 29, 2018. We published the budget on July 12, 2018 for transmission to the President and the Congress under the new budget autonomy process. I am very proud of the efforts of my staff, who worked long hours to produce the FY 2019 budget on time while executing and maintaining balance in the FY 2018 budget.

2. Budget Execution. I will now discuss our key budget execution tools.

Financial Review Process – The major tool that is used to monitor agency spending is the Financial Review Process (FRP) report, prepared by agency fiscal officers and submitted through agency directors to OBP for review and analysis. We use the FRP to analyze agencies' projected year-end expenditures and revenue collections and compare them to agency budgets. If agencies report spending pressures, we work with the Mayor's budget office as they propose changes to resolve the pressures.

Reprogrammings – In FY 2018, we worked closely with agency fiscal officers and

the Executive Office of the Mayor to process a total of 322 Operating and Capital reprogramming requests, of which 56 required Council approval.

Grants Management – OBP is the District’s central unit responsible for managing agencies’ grant budget responsible for reviewing and approving all requests from agencies to establish and/or modify grant budget authority. In FY 2018, OBP processed 1,070 grant budget modifications, of which 243 required passive approval by the Council.

Reporting – During FY 2018, we continued to improve the timeliness of our published reports. OBP produces monthly Financial Status Reports on operating budget spending and quarterly reports on capital budget spending, in addition to a variety of reports on such topics as reprogrammings, the Emergency and Contingency Reserve Funds, capital project reconciliations and transfers, and capital-funded FTEs. In FY 2018, we produced 55 reports, of which we published 51 and sent 4 to the Mayor to transmit to Congress. As we have discussed in prior testimonies, the OCFO website also includes CFOInfo, a web-based application allowing the public to see, among other data, current-year operating Financial Status Report data with about a one-month lag. Capital project data are also available to the public through CFOInfo. In addition, CFOInfo allows the public to view the approval status of Federal grants allocated to the District as well as grant budget and expenditure information at a granular level.

3. Budget Process Improvements. We continue to improve budget processes and management.

- OBP implemented a paperless review process, the Automated Budget Chapter System (ABC), for budget chapters, which we are using as we prepare the FY 2020 budget books. As we anticipated last year, we have now expanded the ABC system to include a Financial Plan module and an automated process of uploading Performance Plans from the Office of Budget and Performance Management's QuickBase system. By automating this process, the time it takes to produce budget chapters, including the Performance Plans, has been dramatically improved.
- With the Council's support, our capital division continued coordination of the DDOT Capital Project Review and Reconciliation Act of 2011. During Fiscal Year 2018, we formally closed 26 federal Highway Trust Fund (HTF) projects, moving a total budget of more than \$6.1 million back to the HTF master projects. In addition, the capital branch closed 26 projects and made budget of \$ 2.9 million available as a result of the Capital Project Support Fund, a method for capturing small, unused budgets from older, inactive capital projects.
- OBP was also instrumental in the development and use of the Capital Asset Replacement Scheduling System (CARSS), which is a part of the OCFO's 5-year strategic plan requiring the creation of a long-range capital financial plan. We released an updated long-range plan this past fall. In addition to the financial planning aspect of the project, the tool was used in the development of the Mayor's FY 2019 - FY 2024 CIP and is being used in formulating the Mayor's upcoming CIP.

FY 2019 Key Program Goals and Initiatives

Our goal for FY 2019 is to continue to build on our successes, in meeting the Chief Financial Officer's strategic objective of creating a climate of continuous improvement.

OBP's key operational goals are as follows:

- Work with the Mayor and Council to develop a balanced budget and financial plan for FY 2020;
- Build upon automation of the District's five-year financial plan, so that it can be used as a management tool throughout the fiscal year, as opposed to just during budget season;
- Continue to collaborate with DCPS senior staff to publish their FY 2020 budget in the Education volume of the District's FY 2020 budget book. Working with DCPS, OBP's objective is that the FY 2020 DCPS budget will be transparent to stakeholders;
- Expand the intranet approval process we use for grant budget modifications to create a similar process for intra-District and reprogramming approvals;
- Continue to improve capital budget management and oversight by ensuring the FY 2020 – FY 2025 Capital Improvements Plan remains within the 12 percent debt cap, monitoring the District's long-range capital position on an ongoing basis, and analyzing options related to the long-term health of the Washington Metropolitan Area Transit Authority; and
- Continue to provide budget transparency through the CFOInfo application.

Conclusion

Currently, OBP staff is working with the City Administrator's Office of Budget and Performance Management to develop the Mayor's FY 2020 Budget and Financial Plan for transmittal to the Council on March 20. I would like to take this opportunity to thank the entire OBP team for their hard work and professionalism over the past year. We look forward to working with the Council and other policy makers during the consensus process to develop a transparent and balanced budget for FY 2020. Mr. Chairman, this concludes my remarks. I would be pleased to answer any questions that you may have.