

PUBLIC HEARING
ON
THE FISCAL YEAR 2017 BUDGET
OF THE OFFICE OF
THE CHIEF FINANCIAL OFFICER

Before the
Committee on Finance & Revenue
Council of the District of Columbia

The Honorable Jack Evans, Chairman

April 25, 2016, 10:00a.m.
John A. Wilson Building
Room 412



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

Good morning, Chairman Evans and members of the committee on Finance and Revenue. I am Jeff DeWitt, Chief Financial Officer of the District of Columbia. I am pleased to appear before you today to discuss the FY 2017 budget request for the Office of the Chief Financial Officer (OCFO).

I am joined by my colleagues who will assist in answering specific questions that the Committee may have. With me is Angell Jacobs, Deputy CFO and Chief of Staff. Also with me today are Jeff Barnette, Deputy CFO for the Office of Finance and Treasury; Steve Cordi, Deputy CFO for the Office of Tax and Revenue; Fitzroy Lee, Deputy CFO for the Office of Revenue Analysis; and Bill Slack, Deputy CFO for the Office of Financial Operations and Systems. Gordon McDonald, Deputy CFO for the Office of Budget and Planning, who appeared before the Committee of the Whole on April 14th, but is here today to answer questions. In addition, Tracey Cohen, Interim Executive Director of the DC Lottery, who testified earlier today, is here.

The OCFO's FY 2017 budget request supports the agency's strategic plan. I will now discuss the budget in greater detail.



District of Columbia

Fiscal Year 2017 Budget of the Office of the Chief Financial Officer

**Jeffrey S. DeWitt
Chief Financial Officer
April 25, 2016**



District of Columbia

OCFO Core Functions

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



District of Columbia

OCFO Annual Agency Outputs

• Tax Returns Processed	1,702,000
• Tax Refunds Processed	300,000
• Taxpayer Calls Answered	252,000
• Written Correspondence Answered	340,000
• Deeds Recorded	14,000
• Properties Assessed (Commercial and Residential)	202,000
• Property Assessment Appeals -1 st Level	9,000
• Delinquent Payments Collected	\$149,289,000
• Reprogrammings Processed	526
• Grant Budget Modifications Processed	940



OCFO Annual Agency Outputs (Cont.)

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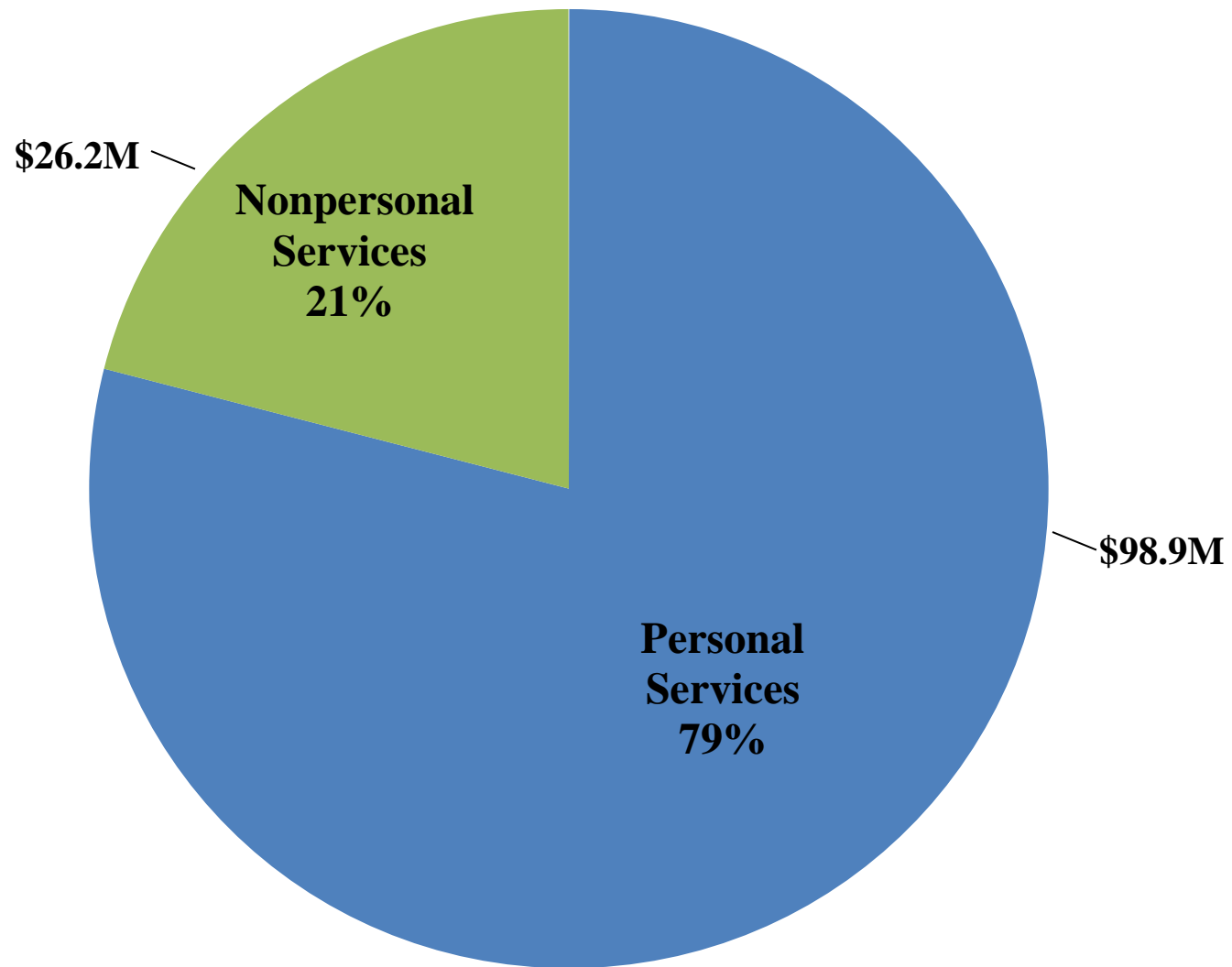
• Wires and ACH Processed	3,482,490
• Gross CCU Debt Collected (FY 2015)	\$31,260,919
• Retirement Programs Managed	\$2,779,178,214
• OPEB Fund=\$1,094,639,588	
• 401(a)=\$683,363,996	
• 457(b)=\$571,170,529	
• 529 College Savings=\$385,556,238	
• UDC Endowment=\$43,335,951	
• DC Library Trust=\$1,111,910 (9/30/2015)	
• Payroll Payments Issued (Regular Employees & Retirees)	905,611
• Bank Reconciliations	6,516
• W-2's Issued	41,000
• 1099's Issued	8,002
• Approximately 400 Fiscal Impact Studies issued per year in addition to numerous other studies, reports, and analyses	



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FY 2017 Proposed Operating Budget

Local Fund, PS vs NPS



Total = \$125.1 Million



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Highlights of FY2017 Budget Request

The OCFO request represents the minimum resources needed to successfully accomplish our mission and attain our stated goals.

- The OCFO FY 2017 Gross Fund budget is \$177.8M, comprised of the following major categories:
 - Local Fund of \$125.1M
 - Federal Grant Funds of \$525K (EBT Management)
 - Intra-District Funds of \$8.6M (Health Benefits Fees-Payroll Support, Single Audit, and Cashier Services)
 - Special Purpose Revenue (O-Type) Funds of \$43.5M (to administer Central Collections Fund, Tax Collection Fees, Bank Fees, and Unclaimed Property)



District of Columbia

Highlights of FY2017 Budget Request (Cont.)

- Local Fund increase of \$7.0M over FY 2016 includes:
 - Adjustments totaling \$3.5M to the Current Services Funding Level (CSFL), including \$3.2M for personal services costs as determined by the District-wide compensation agreement, cost of living adjustments and fringe benefit adjustments
 - Increase of \$2.8M for merchant fee costs incurred (across all agencies) when credit cards are used to pay amounts owed the District
 - Increase of 1 FTE and \$145K in the Office of Revenue Analysis to produce legislatively mandated tax expenditure reports
 - Increase of 6 FTEs and \$561K to improve quality of the assessment process in the Real Property Tax Administration as a result of an employee-driven continuous improvement program to increase efficiency



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Highlights of FY2017 Budget Request (Cont.)

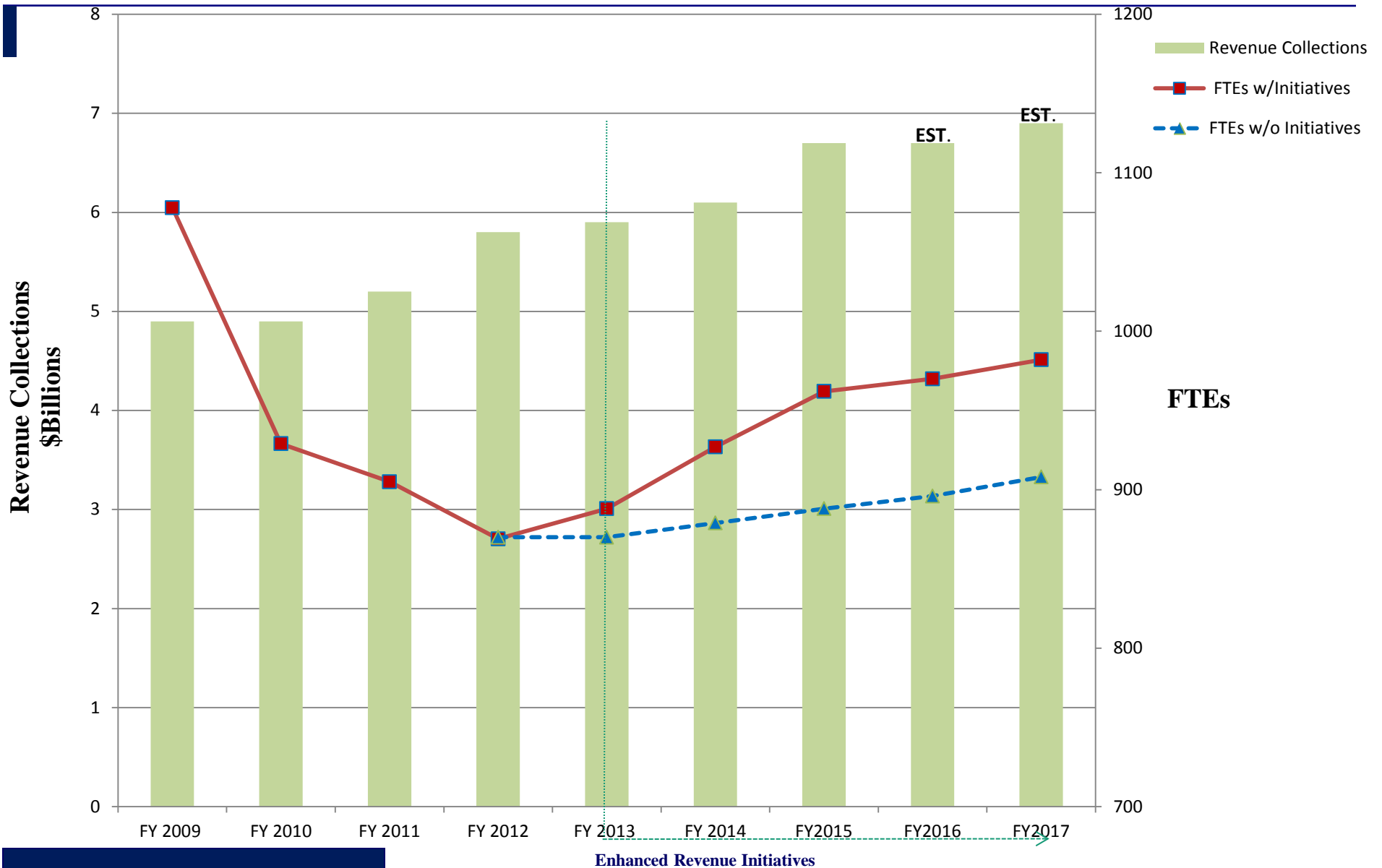
FTE Increase for Non-Local Purposes

- Net Increase of 5 Non-Local FTEs
 - Increase of 6 FTEs (Special Purpose Revenue-\$410K):
 - 4 FTEs in the Office of Finance and Treasury (OFT) to address increasing research requirements in Unclaimed Property
 - 2 FTEs to enhance staff support in the OFT Central Collection Unit
 - Decrease of 1 Intra-District Fund FTE for public space billing in the Office of Tax and Revenue



OCFO Full-Time Equivalent Employees (FTEs) - Tax Revenue Collections FY2009-FY2017

District of Columbia



Office of the Chief Financial Officer Strategic Plan

Chart 1 of 2

MISSION

To preserve and enhance the overall financial stability of the District by: 1. Protecting and enhancing the District's revenue stream; 2. Reliably estimating revenues; 3. Exercising budget oversight; 4. Preparing auditable financial statements; 5. Managing debt and bond ratings

CORE OBJECTIVES

Balanced Budgets

Clean Audits

Access to Quality
Credit Markets

STRATEGIC OBJECTIVES

Improve Customer
Service

1

Create a Culture of
Continuous
Improvement

2

Improve Transparency
and Quality of
Information

3

Effectively Manage
Risk to Prevent Fraud
and Losses

4

Implement
Quality Financial
Systems

5

Develop, Attract and
Retain Highly
Qualified Employees

6

Manage a Fair and
Equitable System to Fully
Collect District Revenues

7

STRATEGIC INITIATIVES

1

Implement a Modernized Integrated Tax System (MITS) to replace the current tax system (1,2,3,4,5,7)

2

Implement a new telephone system in the Office of Tax and Revenue to improve customer service (1,3)

3

Develop a comprehensive customer service training program for all OCFO staff (1,6)

4

Enhance current practices to strengthen internal controls and ensure compliance (2,3,4)

5

Improve District-wide vendor payment process to ensure more efficient and timely payments by all agencies(1,2,3,5)

6

Implement a long-range (15-20 year) capital financing plan for the District (2,3)

7

Implement a new enterprise-wide financial reporting, accounting and budgeting system and enhance availability of information to the public (1,2,3,4,5,7)

8

Create comprehensive community outreach program for regular feedback (1,2,3)

9

Implement a program for continuous improvement based on employee-driven process improvement teams (1,2,6)

10

Complete an external "best practices" review of all DC Lottery activities and expand base for retail products (1,2,7)

11

Implement improved process to notify seniors of property tax credit (1,3,7)

12

Review current debt and investment systems and strategies to minimize cost and maximize revenues within debt and investment policies (2,7)

Office of the Chief Financial Officer Strategic Plan

Chart 2 of 2

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STRATEGIC INITIATIVES

13 *Develop an educational program on commercial
real property assessments for taxpayers
(1,3,7)*

14 *Upgrade income tax policy analysis and
forecasting models
(2,3)*

15 *Improve usability and usefulness of information on
OCFO website (1,3)*

16 *Implement online process to receive clean-hands
compliance notices
(1,3,7)*

17 *Implement tools to protect taxpayer identity and
reduce fraud
(4,7)*

18 *Implement a formal municipal bond investor
outreach program (1,3)*

19 *Improve the timeliness and availability of grant
information to agencies
(1,3,4,7)*

20 *Expand external recruiting through partnerships with
local universities, career centers, and professional
associations
(1,6)*

21 *Modernize financial and accounting systems at
United Medical Center (UMC)
(1,3,4,5)*

22 *Modernize payment operations across the
District (1,2,3,4)*

23 *Continue and enhance OCFO Ethics Training
(1,2,4)*

24 *Improve the quality of financial information available
to the public by integrating related information from
other District agencies (DOES, DCRA, etc.) (1,3)*



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Status of Strategic Initiatives

Customer Service and Technology

- Modernized Integrated Tax System (MITS)
 - Income Tax Module (Phase I) successfully implemented on-time and within budget
 - Phase II rollout-October 2016
 - Enhanced taxpayer access portal (TAP) rollout-December 2016
- Enhanced protections for taxpayer identity and to reduce fraud
 - MITS Fraud Manager
 - Lexis/Nexis Service
- Developed a comprehensive customer service training program. Training sessions to commence in summer 2016
- Increased staffing (permanent and temporary) to address customer service needs in the OTR Customer Service Call Center



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Status of Strategic Initiatives (cont.)

Customer Service and Technology

- Telephone System Upgrade
 - Phase I scheduled for May 2016
- SOAR Replacement Project
 - Stabilizing hardware and procuring new servers for current system
 - Identifying consulting services to develop interfaces and specifications/requirements for new system
 - Purchasing additional needed financial modules



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Status of Strategic Initiatives (cont.)

Risk Management

- Comprehensive risk assessment and internal controls review underway
- Continue inter-agency approach to address external audit findings
- Completed the “best practices” review of DC Lottery operations
 - Ranked 7th in overall performance out of 45 states that have lotteries
 - Implementation of 3 recommendations from “best practices” review



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Status of Strategic Initiatives (cont.)

Efficiencies

- Hired Continuous Improvement Officer to lead employee-driven process improvement teams and drive culture of continuous improvement
- Initiated a preliminary version of CARSS (Capital Asset Replacement Scheduling System) for long-range capital financing plan
 - Preliminary model will be used in FY 2017 capital budget formulation
- Debt management efficiencies reflected in FY 2017 budget and financial plan through use of short-term financing, improved timing and sizing of bond sales
- Enhanced external recruiting through expanded partnerships with employment centers, universities, and professional associations



District of Columbia

Questions?