

**PUBLIC HEARING
ON
THE FISCAL YEAR 2018 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

**May 4, 2017, 10:00 a.m.
John A. Wilson Building
Room 123**



**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 2018 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; Keith Richardson, 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 12th, but is here today to answer questions. In addition, Tracey Cohen, Interim Executive Director of the DC Lottery, testified yesterday.

The OCFO's FY 2018 budget request supports the agency's strategic plan. I will now discuss the budget in greater detail.



Office of the Chief Financial Officer Fiscal Year 2018 Budget

Jeffrey S. DeWitt
Chief Financial Officer
May 4, 2017



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 | 1,049,000 |
| ▪ Tax Refunds Processed | 298,300 |
| ▪ Taxpayer Calls Answered | 281,000 |
| ▪ Written Correspondence Answered | 39,000 |
| ▪ Deeds Recorded | 14,000 |
| ▪ Properties Assessed | 202,000 |
| ▪ (Commercial and Residential) | |
| ▪ Property Assessment Appeals-1st Level | 10,500 |
| ▪ Delinquent Payments Collected | \$132,716,000 |
| ▪ Reprogrammings Processed | 368 |
| ▪ (Operating & Capital) | |
| ▪ Grant Budget Modifications Processed | 1,300 |



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OCFO Annual Agency Outputs (Cont.)

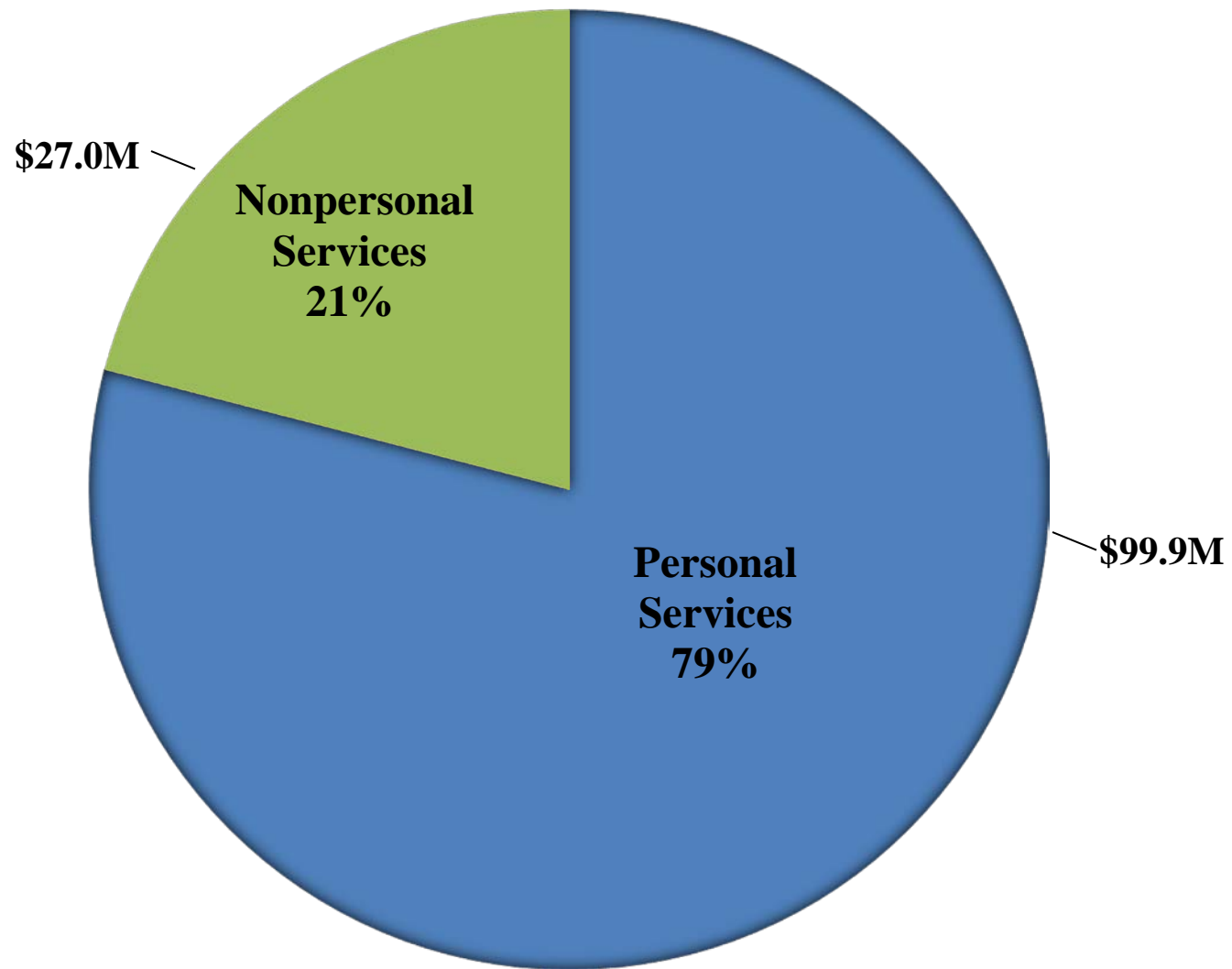
- Wires and ACH Processed 3,499,745
- Gross CCU Debt Collected (FY 2016) \$34,006,108
- Fiduciary Programs Managed (FY 2016) \$2,779,178,214
 - OPEB Fund=\$1,197,441,214
 - 401(a)=\$792,360,329
 - 457(b)=\$662,970,450
 - 529 College Savings=\$459,265,150
 - UDC Endowment=\$46,578,528
 - DC Library Trust=\$1,570,897
- Payroll Payments Issued 920,450
(Regular Employees & Retirees)
- Bank Reconciliations 5,100
- W-2s Issued 41,161
- 1099s Issued 9,919
- Approximately 400 fiscal impact studies issued per year in addition to numerous other studies, reports, and analyses



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FY 2018 Proposed Operating Budget

Local Fund, PS vs NPS



Total = \$126.9 Million



District of Columbia

Highlights of FY 2018 Budget Request

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

- The OCFO FY 2018 Gross Fund budget is \$179.8M, comprised of the following major categories:
 - Local Fund of \$126.9M
 - Federal Grant Funds of \$450K (EBT Management)
 - Intra-District Funds of \$8.5M (Health Benefits Fees-Payroll Support, Single Audit, and Cashier Services)
 - Special Purpose Revenue (O-Type) Funds of \$44M (to administer Central Collections Fund, Tax Collection Fees, Bank Fees, and Unclaimed Property)



District of Columbia

Highlights of FY 2018 Budget Request (Cont.)

■ Revenue Generating Enhancements

○ Local Funds:

— Increase of 7 FTEs and \$551K in OTR to implement two revenue enhancements: Homestead Deduction Match (\$10M) and Tax Liability Bank Attachments (\$5.7M)

○ Special Purpose Revenue:

— Increase of 9 FTEs and \$895K for the OFT Central Collection Unit to support the expanded scope of collection actions (\$4M increase in delinquent collection)



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Highlights of FY 2018 Budget Request (Cont.)

■ Realignments/Technical Adjustments:

○ Local Funds:

- Adjustments totaling \$1.1M to the Current Services Funding Level (CSFL), comprised of \$600K for the annual operating cost of CFO Solve and \$455K for PS and NPS adjustments for inflation and fringe benefits
- Increase of 2.5 FTEs and \$311K in OTR and OFT for conversion of FTEs previously funded from nonlocal sources (**no net budget impact**)
- Increase of 2 FTEs in OFT without added cost through reallocation of existing local funding (**no net budget impact**)

○ Special Purpose Revenue:

- Net Increase of 2.5 FTEs for other nonlocal FTE adjustments (**no net budget impact**)



OCFO Full-Time Equivalent Employees (FTEs) - Tax Revenue Collections FY 2009-FY 2018

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

(see attached work plans)

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

2 Implement Telephony System 2.0 and integrate Telephony System with a Customer Relations Management System (CRM) for all areas of the OCFO (1,3)

3 Implement an enterprise-focused debt and revenue collection solution for management and collection of taxes, fees, and debts owed to the District (1,2,3,7)

4 Enhance current practices to strengthen internal controls and ensure compliance with applicable accounting, auditing, and legal standards (2,3,4)

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

6 Continue to enhance the long-range (15-year) capital financial plan for the District and develop a long-range capital plan for WCSA (EventsDC) (2,3)

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

8 Implement a culture of continuous improvement based on employee-driven process improvement teams (1, 2, 3, 4, 5, 6, 7)

9 Continue to implement DC Lottery "best practices" findings from 2016 study, where applicable, and expand base for retail products (1,2,7)

10 Develop and execute a plan with hospital board and DHCF to financially stabilize UMC (1,3,4,5)

11 Review investment systems and strategies to maximize revenues within investment policy guidelines (2,7)

12 Review and implement policies, systems, and processes to ensure debt compliance with increased local and federal debt regulations (2,3,5)

13 Upgrade policy analysis and forecasting tools for Real Property and Sales Tax revenue stream (2,3,)

14 Enhance existing employee development opportunities to ensure that our human capital has the critical skills to succeed in the OCFO's SMARTER culture (2,6)

15 Improve internal communications OCFO and District-wide by implementing dashboards, standardized reports, portals and newsletters (1,3)

Office of the Chief Financial Officer Strategic Plan

Chart 2 of 2

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STRATEGIC INITIATIVES

(see attached work plans)

16 Review and upgrade financial reporting and
accounting systems and processes for UDC
(1,2,3,4,5)

20 Improve the quality of financial information by
integrating related information from other District
agencies and using private sector data to
enhance economic analysis (1,3)

24 Implement a succession plan to ensure that the
OCFO is positioned for business continuity by
identifying and developing replacement talent for
executive leaders or other key staff (2,6)

17 Improve the timeliness and availability of grant
information to agencies
(1,2,3,4,5)

21 Modernize payment operations across the
District (1,2,4,5)

25 Partner with OCFO business unit leaders to
conduct an assessment of the OCFO's
organizational units to ensure that structures are
properly aligned to successfully carryout the
agency's core and strategic objectives and to
achieve the vision of being a "best-in-class"
financial organization (1,4,6)

18 Review and update performance management
system and recruitment strategies to align with
culture of continuous improvement program (2,6)

22 Provide technical financial planning support to
WMATA and the region to develop a long-term
funding solution (2,3)

19 Continue to enhance OCFO Ethics Training
(1,2,4)

23 Implement an Enterprise Risk Management
(ERM) Framework (2,3,4,5,7)



District of Columbia

Status of Strategic Initiatives

Customer Service and Technology

- Modernized Integrated Tax System (MITS)
 - Income tax and business tax modules (Phases I & II) successfully implemented on-time and within budget
 - Phase III rollout-October 2017(sales taxes)
- Continue to refine automated protections for taxpayer identity and to reduce fraud
 - MITS Fraud Manager
 - Lexis/Nexis Service
- Telephone System Upgrade
 - Phase I completed
 - Phase II includes implementation of a full customer relationship management (CRM) system that integrates all customer communications



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Status of Strategic Initiatives (cont.)

Customer Service and Technology

- SOAR Replacement Project
 - Current System
 - Beyond its useful life/obsolete programming language (COBOL)
 - High cost of maintenance/limited support available
 - Non-integrated platform makes process changes difficult and expensive



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Status of Strategic Initiatives (cont.)

Risk Management

- Started Enterprise Risk Management (ERM) implementation
 - Comprehensive risk assessment and internal controls review for central OCFO units
- Continue to enhance OCFO ethics training
- Continue inter-agency approach to address external audit findings



District of Columbia

Status of Strategic Initiatives (cont.)

Efficiencies

- Continue to drive culture of continuous improvement
 - Vision and value statements
 - Updated strategic plan
- Continue to refine long-range capital financing plan
 - Model is now the standard in capital budget formulation
- Debt management efficiencies reflected in FY 2018 budget and financial plan through use of short-term financing, improved timing, and sizing of bond sales
- Collaborating with OCTO in the implementation of e-invoicing, which will allow better tracking and reporting of vendor payments and greater compliance with the Quick Payment Act (QPA)



District of Columbia

Questions?