

PUBLIC HEARING
ON
THE FISCAL YEAR 2019 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 18, 2018, 10:00 a.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 2019 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 March 29th, but is here today to answer questions. In addition, Beth Bresnahan, Executive Director of the Office of Lottery and Charitable Games earlier today.

The OCFO's FY 2019 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 2019 Budget

Jeffrey S. DeWitt
Chief Financial Officer
April 18, 2018



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



OCFO Annual Agency Outputs

District of Columbia

▪ Tax Returns Processed	910,713
▪ Tax Refunds Processed	329,112
▪ Taxpayer Calls Answered	164,441
▪ Written Correspondence Answered	34,075
▪ Deeds Recorded	17,618
▪ Properties Assessed (Commercial and Residential)	212,597
▪ Property Assessment Appeals-1st Level	10,830
▪ Delinquent Payments Collected	\$132,094,935
▪ Reprogrammings Processed (Operating and Capital)	368
▪ Grant Budget Modifications Processed	1,229



OCFO Annual Agency Outputs (Cont.)

District of Columbia

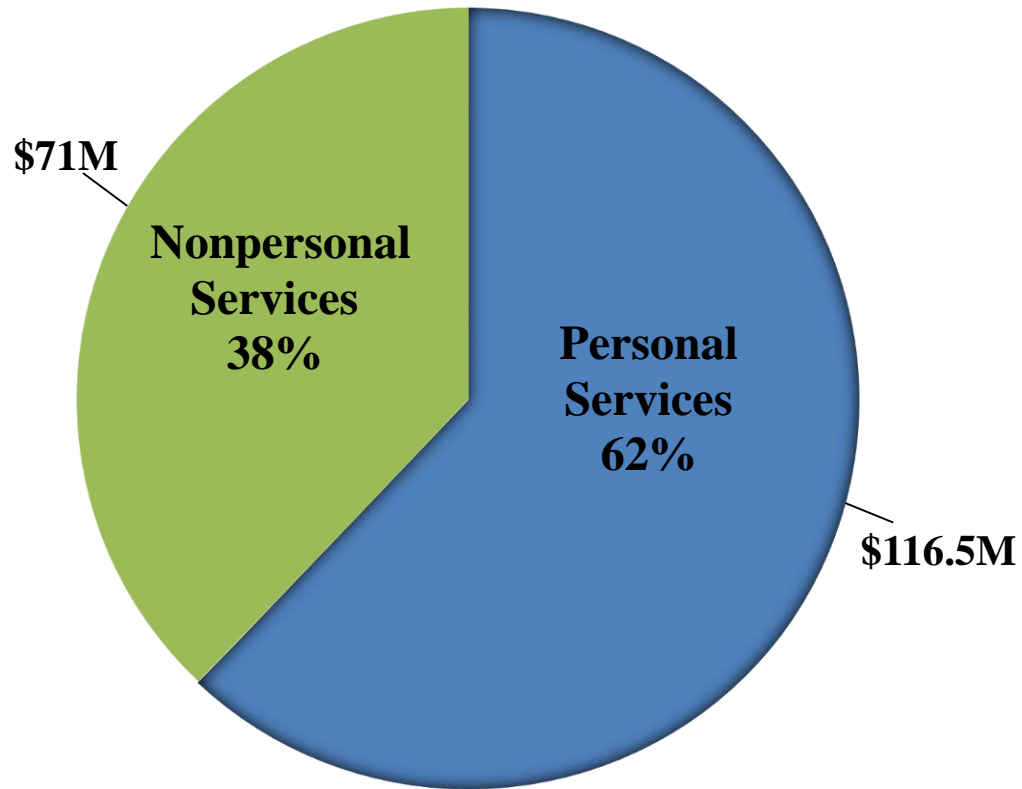
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|--|-----------------|
| ▪ Wires and ACH Processed | 3,645,180 |
| ▪ Gross CCU Debt Collected (FY 2017) | \$35,696,018 |
| ▪ Total Debt Managed (FY 2017) | \$9,528,241,000 |
| ▪ Fiduciary Programs Managed (FY 2017) | \$3,631,114,054 |
| ○ OPEB Fund=\$1,366,282,061 | |
| ○ 401(a)=\$920,742,189 | |
| ○ 457(b)=\$756,389,410 | |
| ○ 529 College Savings=\$534,645,454 | |
| ○ UDC Endowment=\$51,361,559 | |
| ○ DC Library Trust=\$1,693,381 | |
| ▪ Payroll Payments Issued
(Regular Employees and Retirees) | 957,298 |
| ▪ Bank Reconciliations | 5,100 |
| ▪ W-2s Issued | 43,462 |
| ▪ 1099s Issued (1099 MISCs and 1099R only) | 9,502 |
| ▪ Approximately 400 fiscal impact studies issued per year in addition to numerous other studies, reports, and analyses | |



District of Columbia

FY 2019 Proposed Operating Budget

Gross Fund, PS vs NPS



Total = \$187.5 Million



District of Columbia

Highlights of FY 2019 Budget Request

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

- The OCFO FY 2019 Gross Fund budget is \$187.5M, comprised of the following major categories:
 - Local Funds of \$133.8M
 - Federal Grant Funds of \$450K (EBT Management)
 - Intra-District Funds of \$8.7M (Health Benefits Fees-Payroll Support, Single Audit, and Cashier Services)
 - Special Purpose Revenue (O-Type) Funds of \$44.6M (to administer Central Collections Fund, Tax Collection Fees, Bank Fees, and Unclaimed Property)



Highlights of FY 2019 Budget Request (Cont.)

District of Columbia

- Local Funds Enhancements:

- Implementation of individual health insurance mandate for the District and tax credits for parents of young children; requires an increase of 5 FTEs and \$1.1M (inclusive of NPS program costs)
- Enhanced revenue collection initiatives require an increase of 5 FTEs and \$414K in the tax administration program
 - Data Warehouse Match - Requires 3 FTEs with associated costs of \$279K annually; expected additional revenue of \$2.2M in FY 2019 and \$1M annually in the future
 - Lien Enhancement - Requires 2 FTEs at a cost of \$135.5K annually; expected additional revenue of \$1M in FY 2019 and \$1M recurring in the future
 - Federal AGI Match - No additional request; expected to generate \$1.5M in FY 2019 and \$1.5M annually in the future



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Highlights of FY 2019 Budget Request (Cont.)

Local Funds Enhancements (cont.)

- CP2000 Federal Match - No additional request; expected to generate \$3.2M in FY 2019 and \$3.2M annually in the future
- IRS Audits/Revenue Agent's Report - No additional request; expected to generate \$4.6M in FY 2019 and \$4.6M annually in the future



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Highlights of FY 2019 Budget Request (Cont.)

■ **Realignments/Technical Adjustments:**

○ Local Funds:

— Adjustments totaling \$1.5M to the Current Services Funding Level (CSFL), comprised of \$1M for the annual operating cost of CARSS and a portion of MITS maintenance as well as \$503K for PS and NPS adjustments for inflation and fringe benefits

— Increase of 9 FTEs in CRO, HR, OMA, ORA, and OTR from reallocation of agency positions (**no net budget impact**)

— Increase of \$4M COLA

○ Special Purpose Revenue:

— Increase of 2 FTEs and \$281K for the OFT Unclaimed Property Unit to introduce new and expand existing strategies to enhance holder compliance efforts and owner outreach initiatives



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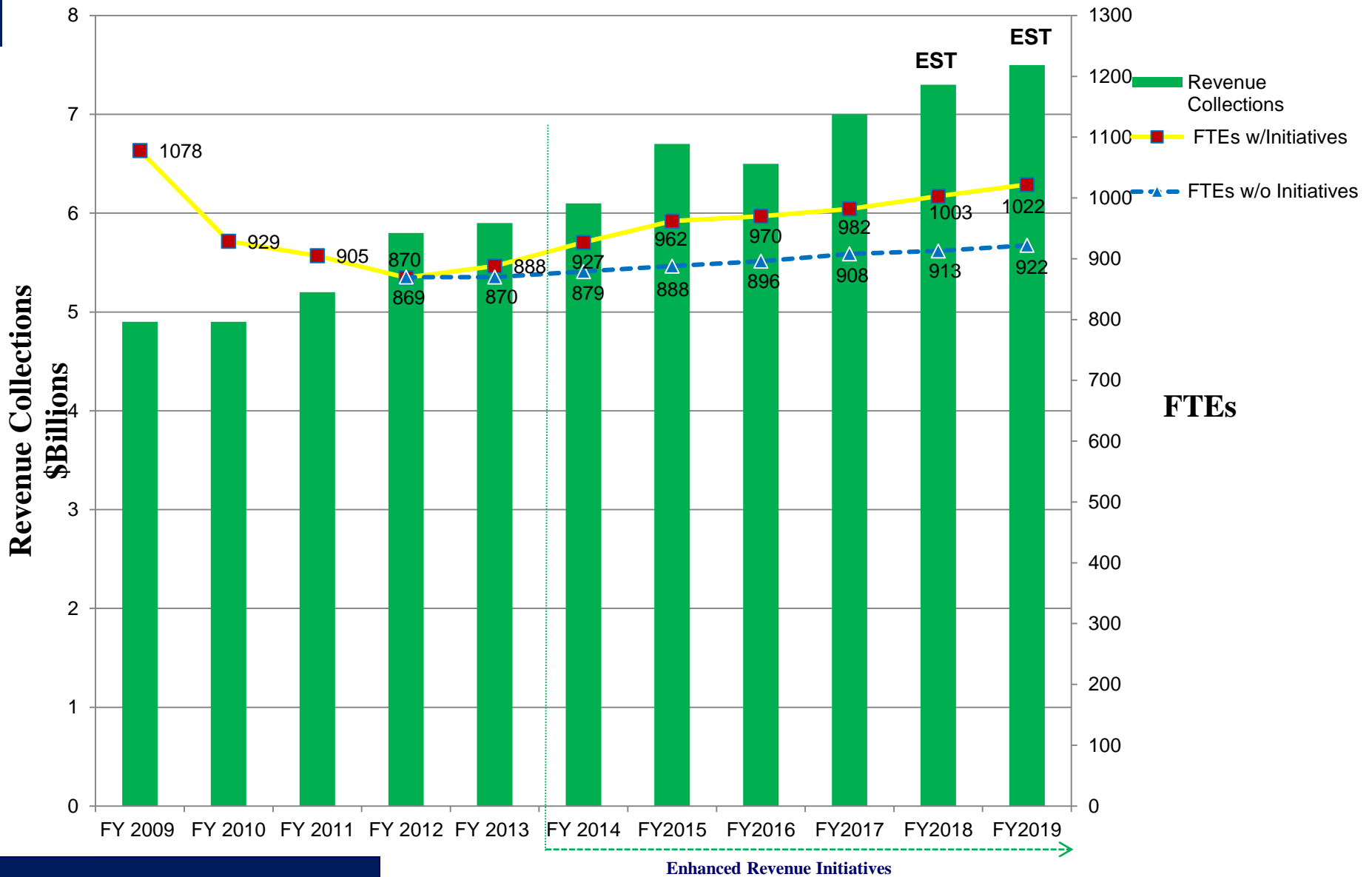
Highlights of FY 2019 Budget Request (Cont.)

- Intra-District:
 - Net Increase of \$218K to adjust for FY 2019 cost projections



OCFO Full-Time Equivalent Employees (FTEs) - Tax Revenue Collections FY 2009-FY 2019

District of Columbia



Enhanced Revenue Initiatives

Office of the Chief Financial Officer Strategic Plan

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 *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 (CRM) System 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,)*

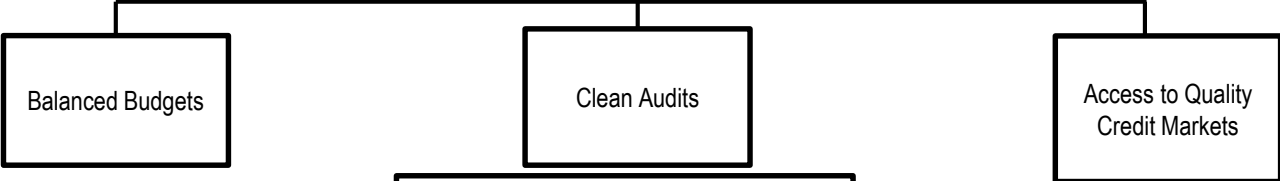
14 *Enhance existing employee development opportunities to ensure that our human capital has the critical skills to succeed in the OCFO's SMARTER culture (2,6)*

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

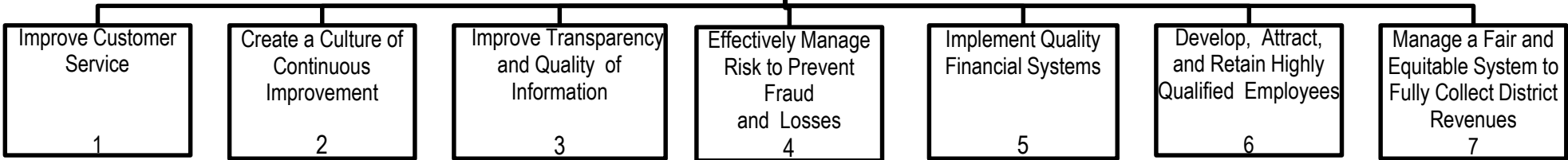
Office of the Chief Financial Officer Strategic Plan

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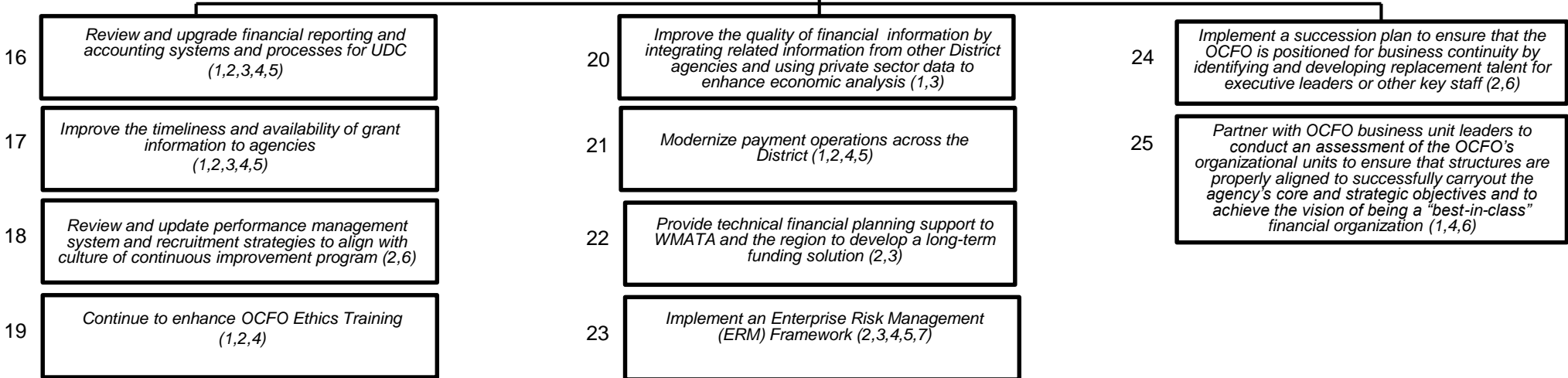
CORE OBJECTIVES



STRATEGIC OBJECTIVES



STRATEGIC INITIATIVES
(see attached work plans)





District of Columbia

Strategic Plan Highlights

■ **Modernized Integrated Tax System (MITS)**

- Phases I through III (income, business, and sales tax modules) successfully implemented
 - Benefits
 1. Comprehensive integration of customer records
 2. Improved notices/information to customers
 3. Enhanced fraud detection

- Phase IV to be implemented October 2018
 - Remaining taxes and fees such as:
 - Personal Property Taxes
 - Motor Fuel Taxes
 - Excise Taxes
 - Ball Park fees
 - Health Care Fees



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Strategic Plan Highlights (Cont.)

- Phase V - Real Property Billing System
 - Site visits completed
 - Technical requirements developed
 - Procurement - Summer 2018

- Phase VI - Post Implementation Integration of Change Management and Center of Excellence



Strategic Plan Highlights (Cont.)

District of Columbia

- Major Change Management effort within OTR
 - Phase I - Compliance Administration
 - Largest OTR division
 - Evaluation of business units
 - Review of business processes to maximize new technology and tools
 - Review and update of policies and procedures
 - Skills assessment and enhanced training for staff

Completion Timeframe: 18 months

- Phase II - All Other Administrations
 - Customer Service
 - Real Property Tax
 - Returns Processing
 - Revenue Accounting
- Phase III - Center of Excellence
 - Ensure that the system remains best-in-class
 - Ensure appropriate investment in staff training and learning
 - Forecasts the required level, mix, and timing of knowledge and skills to meet MITS Center of Excellence objectives



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Strategic Plan Highlights (Cont.)

- **Enterprise Risk Management (ERM) Initiative**
 - Proactively identifies and addresses organizational risks through:
 1. Organizational risk assessment
 2. Action plans developed and resources devoted to address identified risks
 3. Ongoing monitoring and emerging risk identification
 - Benefits
 1. Risks are prioritized and specific mitigation strategies are developed to address issues before they occur
 2. More efficient and effective use of resources



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Strategic Plan Highlights (Cont.)

■ **SOAR Replacement**

- Project to modernize/replace current budget and financial system
- One of the most complex technology projects the District will undertake
- Capital funding \$112M; requires approximately 50 FTEs devoted full-time to the project and cooperation from all District agencies for successful implementation
- Currently procuring consulting services for comprehensive requirements document
- Projected project timeline:
 - Release RFP for system implementation-August 2018
 - Phase Implementation:
 - Phase I: Central Financial Operations - August 2018 - October 2020
 - Phases II-VII: Agency Financial Operations - November 2020 - October 2023



District of Columbia

Questions?