

**PUBLIC BRIEFING
ON THE
FISCAL YEAR 2023
ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR)**

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

The Honorable Phil Mendelson, Chairman

February 1, 2024, 1:30 p.m.



**Testimony of
Glen Lee
Chief Financial Officer
Government of the District of Columbia**

Introduction

Good afternoon, Chairman Mendelson and Members of the Committee of the Whole. I am Glen Lee, Chief Financial Officer of the District of Columbia. I am with you today to report and discuss the Fiscal Year 2023 Annual Comprehensive Financial Report (ACFR). With me today is Kimberly Williams, Deputy CFO for the Office of Financial Operations and Systems, as well as other members of the OCFO executive team who will assist in answering questions.

Although FY 2023 presented fiscal challenges, the District's financial health remained strong due to our collective discipline and sound financial management practices. Continued adherence to these practices will be especially necessary going forward as the District confronts post pandemic economic realities throughout the financial plan period.

I would like to take this opportunity to recognize the hard work, collaboration, and cooperation of our many partners across the District who have contributed to the successful outcome of FY 2023, including the City Administrator and the Inspector General for working with my office to produce this report. We will continue to collaborate with the City Administrator and agency program staff to ensure that audit findings are effectively remediated.

I want to especially recognize and congratulate the staff of the OCFO. As you know, in FY 2023, my team led the implementation of a new enterprise-wide financial system, the District Integrated Financial System or DIFS. Implementation of such systems is an extremely complex and difficult endeavor at which many jurisdictions have failed. Although much work remains in our efforts to routinize new processes and fully perfect the system, I am extremely proud that we were able to close the government's books, complete the annual financial audit, and prepare and issue the FY 2023 ACFR without delay and received an unmodified (clean) audit opinion. In light of the changes that have occurred over the last year, these are remarkable accomplishments.

My presentation this afternoon will cover the highlights of the District's FY 2023 results, after which I would be happy to respond to any questions that you may have.



FY 2023 District of Columbia Annual Comprehensive Financial Report

ACFR Highlights

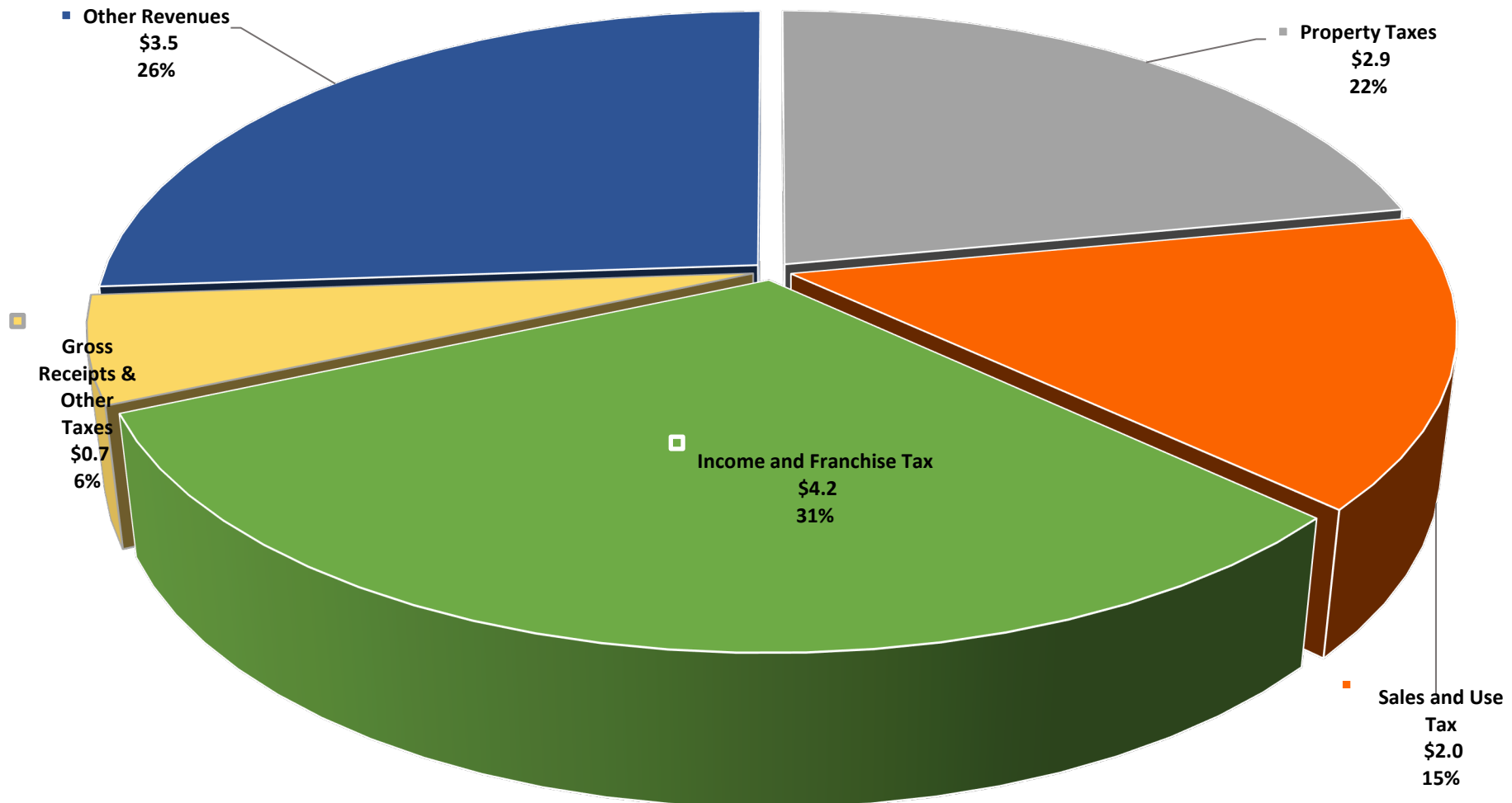


- **Clean Audit Opinion (27th Consecutive)**
- **Retirement and OPEB Trusts well funded**
- **Ratings for General Obligation Bonds and Income Tax Bonds remained strong**
- **Federally and locally mandated reserves equal 51 days of working capital to operate the government and respond to unplanned events**
- **Events DC FY22 and FY23 financial statements received an unmodified (clean) audit opinion**

Where the Money Came From – Sources of the General Fund Revenue for FY 2023



(Dollars in Billions)



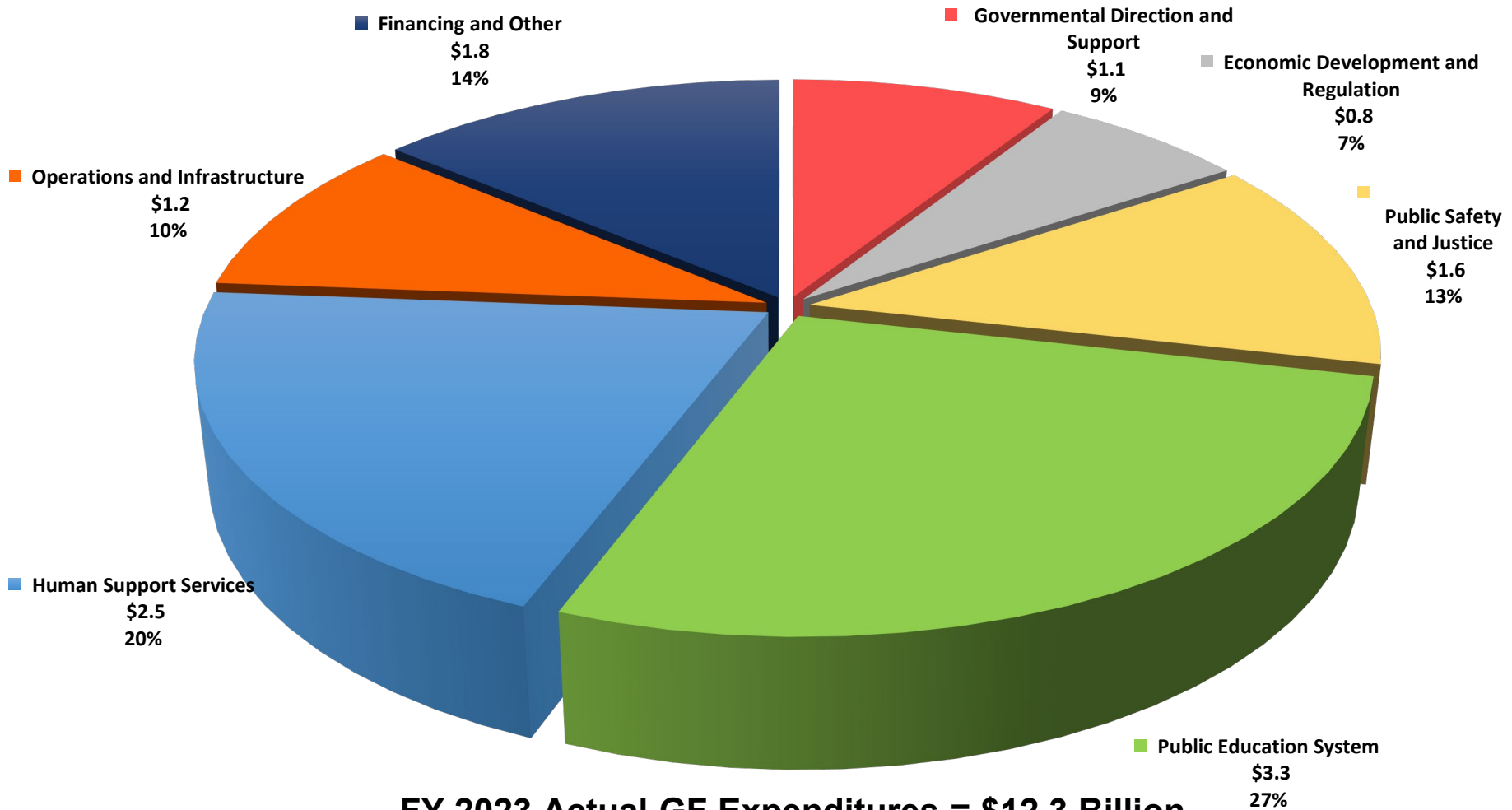
FY 2023 Actual GF Revenues = \$13.3 Billion

Does not include Federal & Private, Housing Production Trust, General Capital Improvements, Lottery, Unemployment Compensation, and Non-major Governmental Funds

Where the Money Went – General Fund Expenditures, by Appropriation Title for FY 2023 (Excluding Enterprise and Other Funds)



(Dollars in Billions)



FY 2023 Actual GF Expenditures = \$12.3 Billion

Does not include Federal & Private Expenditures, Housing Production Trust, General Capital Improvements, Lottery, Unemployment Compensation, and Non-major Governmental Funds

Source: Exhibit 2-d
Numbers may not add due to rounding



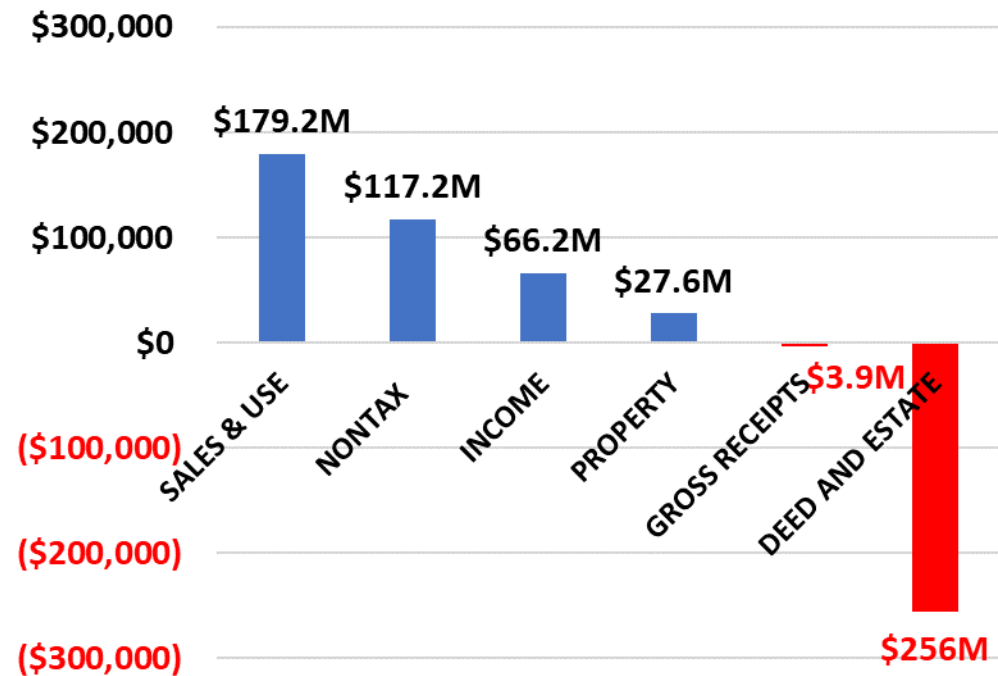
FY 2023 Revenues

Modest Local Revenue Growth in FY 2023



- ✓ **Non-tax revenue** grew 18% as higher interest rates continued to boost investment income
- ✓ **Sales taxes** grew 10%, benefiting from a rebound in tourism and convention activities that positively impacted hotel and restaurant taxes.
- ✓ **Income taxes** grew 2%, mainly due to strong withholding which benefited from a rebounding labor market
- ✓ **Real property tax** revenue grew just 1% as residential tax collections offset declining commercial sector collections.
- ✓ **Deed taxes** revenue declined 40% due to a reduction in real estate sales and financing in the District.

Components of \$130M (1.25%)
Year-over-Year Revenue Growth



FY 2023 Revenue Forecast Revisions



| FY 2023 Local Fund Revenue (\$m) | Budgeted | Revisions |
|---|----------|--------------|
| Estimate included in FY 2023 budget | 9,698.5 | |
| June Estimate | | - |
| September Estimate | | 178.8 |
| December Estimate | | 82.9 |
| Amount revenue exceeded budgeted revenue | | 261.7 |

| Components | | |
|--------------------------------|----------------|-------------|
| Income (Business & Individual) | 77,584 | 30% |
| Non-tax | 129,010 | 49% |
| Sales & Excise | 81,689 | 31% |
| Deeds & Estate | (46,948) | -18% |
| Real property | 45,305 | 17% |
| All other | (24,933) | -10% |
| Total | 261,707 | 100% |



FY 2023 Underspending

Details of FY 2023 Local and Dedicated Taxes Underspensing



(Dollars in Millions)

| Appropriation Title | Revised Budget | Underspensing | % of Revised Budget |
|--|--------------------|----------------|---------------------|
| Local Source <i>(Local Funds & Dedicated Taxes)</i> | | | |
| Governmental Direction and Support | \$ 1,049.8 | \$ 28.8 | 2.7% |
| Economic Development and Regulation | 750.3 | 4.2 | 0.6% |
| Public Safety and Justice | 1,537.2 | 18.7 | 1.2% |
| Public Education System | 3,298.8 | 14.1 | 0.4% |
| Human Support Services | 2,459.8 | 18.4 | 0.7% |
| Operations and Infrastructure | 953.8 | 6.5 | 0.7% |
| Finance and Other Uses | 1,660.8 | 5.3 | 0.3% |
| TOTAL LOCAL SOURCE | \$ 11,710.5 | \$ 96.0 | 0.8% |



Composition of FY 2023 Local Funds Surplus

Composition of FY 2023 Budgetary Surplus



(Dollars in millions)

| | |
|--|--------------|
| Budgetary Surplus (Local) | 816.6 |
| Amount Already Budgeted in FY 2023 Financial Plan | (397.1) |
| Surplus Above Previously Budgeted Amount | 419.5 |
| | |
| Where did this Surplus Come From: | |
| Additional Local Revenues (June, September & December) | 261.7 |
| Underspending | 96.0 |
| Other changes, net | 61.8 |



Reserve Requirements

Comparison of Ending General Fund Balances

(Dollars in Thousands)

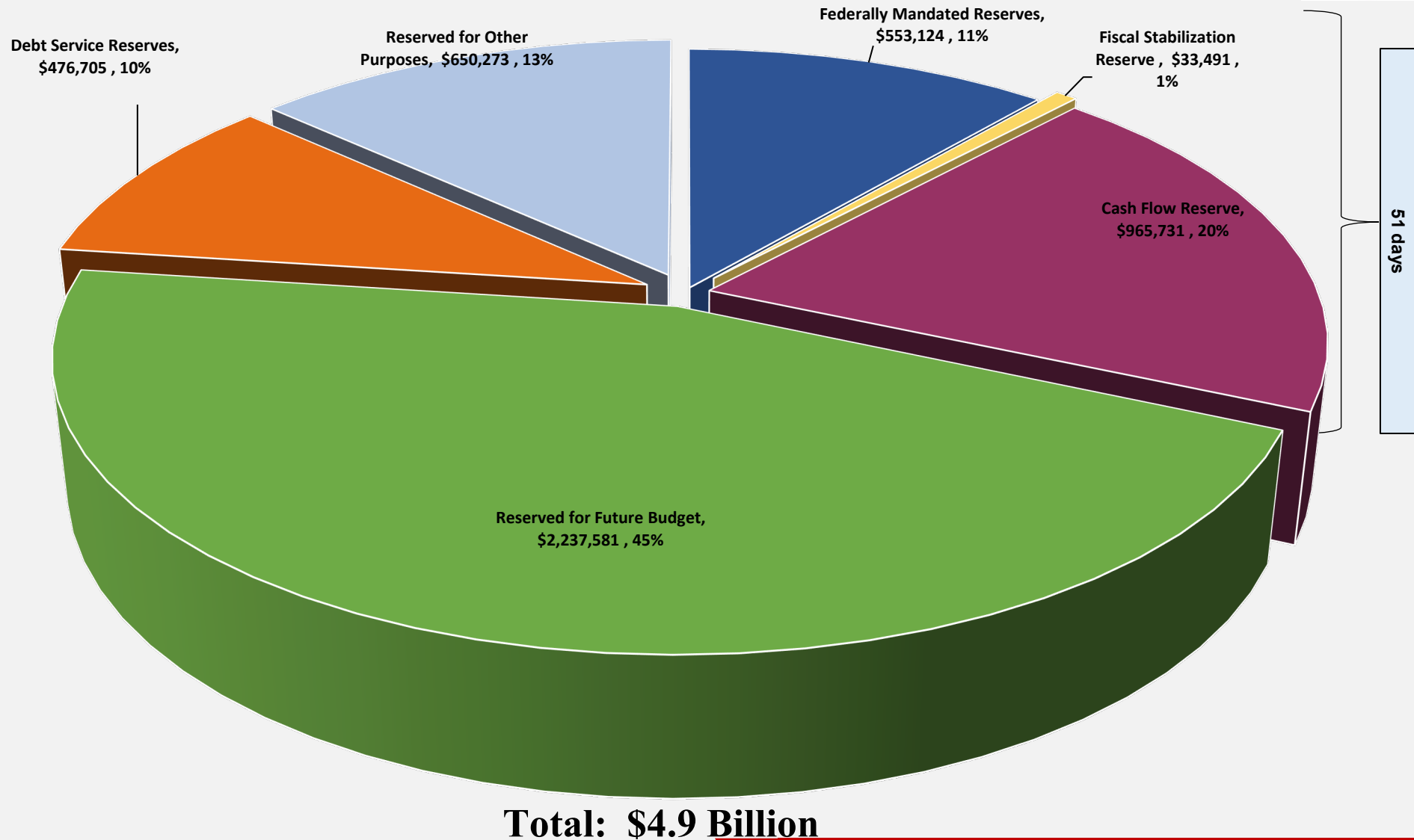


| Fund Balance | FY 2023 | FY 2022 | Difference |
|--|--------------------|--------------------|-----------------|
| Federally Mandated Reserves | \$553,124 | \$495,389 | \$57,735 |
| Locally Mandated Reserves | 999,222 | 1,182,653 | (183,431) |
| Debt Service Reserves | 476,705 | 469,451 | 7,254 |
| Reserved for Future Budget | 2,237,581 | 1,457,318 | 780,263 |
| Reserved for Other Purposes | 650,273 | 847,930 | (197,657) |
| Reserved for Housing Production Trust Fund | - | 219,782 | (219,782) |
| Reserved for Pay-Go Capital Projects | - | 219,782 | (219,782) |
| TOTAL | \$4,916,905 | \$4,892,305 | \$24,600 |

- Reflects balances as of September 30, 2023, not current balances.
- Note 10 of ACFR

Composition of General Fund Balance

(Dollars in Thousands)



Reflects balances as of September 30, 2023, not current balances.
Numbers may not add due to rounding

Federally and Locally Mandated Reserves (Working Capital, Liquidity)



| Reserves | % of Expenditure/ Budget | Amount (\$ in Millions) | Status | Amount Needed for Full Funding (\$ in Millions) |
|---------------------------------|-------------------------------------|--|----------------|--|
| Emergency | 2.00% | \$ 184.4 | 100% | \$ 0 |
| Contingency | 4.00% | 368.7 | 100% | 0 |
| Fiscal Stabilization | 2.34% | 33.5 | 12% | 253.6 |
| Cash Flow | 8.33% | 965.7 | 93% | 68.9 |
| Total | 16.67% | \$ 1,552.3 | 51 Days | \$ 322.5 |

*Reflects balances as of September 30, 2023, not current balances.
Numbers may not add due to rounding*

Pensions and Other Post-Employment Benefits



(Dollars in Thousands)

| DCRB Trust Fund | FY 2023 Net Position | FY 2022 Net Position | Percentage Variance | Net Pension (Asset) Liability | Percentage Funded |
|---|---------------------------------|---------------------------------|--------------------------------|--|------------------------------|
| Police, Firefighter, and Teachers Pensions | \$10,538,080 | \$9,473,370 | 11.2% | 50,543 | 99.5% |
| OPEB Trust Fund | FY 2023 Net Position | FY 2022 Net Position | Percentage Variance | Net OPEB (Asset) Liability | Percentage Funded |
| Other Post- Employment Benefits | \$1,843,482 | \$1,650,287 | 11.7% | \$172,875 | 91.4% |



Summary FY 2023 ACFR



District Financial Position Remains Strong

- **District received Clean/Unmodified Audit Opinion**
- **Retirement and OPEB Trusts well funded**
- **Ratings for General Obligation Bonds and Income Tax Bonds remained strong**
- **Federally and locally mandated reserves equal 51 days of working capital. The recommended level is 60 days.**
- **Events DC FY22 and FY23 financial statements received an unmodified (clean) audit opinion**



QUESTIONS?