

PUBLIC HEARING ON
THE FY 2018 BUDGET REQUEST FOR THE OFFICE OF
BUDGET AND PLANNING

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

The Honorable Phil Mendelson, Chairman

April 13, 2017, 10:00 a.m.
Room 500, John A. Wilson Building



Testimony of
Gordon McDonald
Deputy Chief Financial Officer
Office of Budget and Planning
Office of the Chief Financial Officer

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

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) in the Office of the Chief Financial Officer (OCFO). I am here today to testify in support of OBP's FY 2018 budget request. With me today is James Spaulding, Associate Deputy Chief Financial Officer. I will cover the following areas in my remarks:

- OBP's Fiscal Year 2018 Budget Request;
- Fiscal Year 2017 Accomplishments to Date; and
- Fiscal Year 2018 Key Program Initiatives.

OBP's Fiscal Year 2018 Budget Request

Our operating budget request is \$6.215 million and 42 FTEs, a net decrease of \$150,000, or 2.4 percent, in budget authority from the FY 2017 approved budget of \$6.365 million, with no change in the number of FTEs. The FY 2018 proposed budget provides the minimum staffing required to fulfill our mission.

I will now discuss some of our recent accomplishments and our plans for the remainder of FY 2017 and for FY 2018.

FY 2018 Budget Formulation and Transparency

During the FY 2018 budget formulation process, OBP collaborated with the Mayor's Office of Budget and Finance, agency program staff, and OCFO financial staff to produce a number of key budget products, which I will briefly review:

Current Services Funding Level (CSFL) – As part of the FY 2018 budget development, we created the CSFL and published it on October 5, 2016. This document provides an analysis of the cost of operating District agencies in FY 2018, for Local funds only, before consideration of any new policy decisions beyond the FY 2017 budget. The FY 2018 CSFL adjustments to the FY 2017 Local funds budget are described in the table named *FY 2017 Approved Budget to FY 2018 Proposed Budget, by Revenue Type* (table 5) of nearly every District agency budget chapter.

Mayor's FY 2018 Proposed Budget Request – OBP hosted the FY 2018 budget kickoff meeting on October 14, 2016. To prepare for the kickoff, we updated the budget formulation manuals and requisite information technology systems, and we conducted both internal and external budget development training. After the kickoff, we partnered with Mayoral, agency program and agency financial staffs to prepare the balanced budget that was delivered to Council on April 4th.

As we did last year, we ensured that readers could trace changes to each agency's budget – from CSFL to agency request to the final proposed budget – thereby

enhancing the ability of the Council and the public to see the changes that are being proposed. We worked closely with the City Administrator and the Mayor's staff to produce a balanced FY 2018 Proposed Budget and Financial Plan, which was again posted on the Internet in a customer-friendly format to allow the reader to see everything related to an agency in one place, without having to find different pieces of it in the various budget volumes.

We look forward to collaborating with Council and its staff on the consensus budget.

Vacancy Savings Policy – We developed a standardized policy on vacancy savings during FY 2018 budget formulation. This policy provides a reasonable estimated target for agency vacancies during budget formulation and execution and provides transparency for District stakeholders and the public. The standard vacancy rates ranged from 1 percent, for agencies with 31 to 100 employees, to 5 percent, for agencies with 1,001 or more FTEs. Agencies with 30 or fewer employees were not required to absorb vacancy savings.

Automated Budget Chapter (ABC) System – The ABC System is a tool developed by OBP and the OCFO's Office of the Chief Information Officer to allow users to develop budget book chapters electronically, from their desktops or remotely. The System provides users with the ability to create, review, edit, and transmit budget chapters for publication in the District's annual budget

document. Number changes made in the Budget Formulation Application (BFA) database are immediately reflected in the budget chapter, without the need to copy and paste updated tables. For the FY 2018 budget, we were able to incorporate agency performance plans into the ABC System. The use of the ABC System to develop agency budget chapters has improved the quality of the budget chapters and is an important step in creating a culture of continuous improvement, one of the key objectives of the CFO's Strategic Plan.

Automated Financial Plan – Working with our OCIO, for the first time we incorporated the multi-year financial plan into the BFA database. This enabled us to keep the financial plan current with each new budget policy proposal, so we could see the out-year impacts of the proposals. We were able to provide assistance to the Mayor's staff on financial plan issues earlier in the budget process, and we look forward to providing the same assistance to your staff as Council proceeds with its consideration of the budget.

Operating Budget Execution

We continue to closely monitor agency spending through the Financial Review Process (FRP). Detailed FRP reports are due to my office on a quarterly basis, and agencies are required to provide monthly FRP reports at a summary level, or at a detail level in the event of a substantial change from the previous FRP. This ensures

that agencies identify, on a regular basis, spending pressures, revenue shortfalls, excess funds and other important financial matters.

In addition, our SharePoint application for grant budget modification continues to perform well. The automated process captures all requests to establish or change grant budget authority and provides stakeholders with the real-time status of their grant modification requests. The application also allows OBP staff to generate real-time automated status reports.

Capital Improvements Program

As with the operating budget, OBP collaborated with the Mayor's budget staff, agency program staff, and OCFO financial staff to develop the Mayor's FY 2018 - FY 2023 capital budget request. We also worked closely with the Office of Finance and Treasury to ensure that the District stays within the debt cap, so that debt service is projected to be no more than 12 percent of operating budget expenditures throughout the six-year capital plan. The Capital Improvements Program continues to report on project spending issues that are inconsistent with spending plans to the Board of Review for Anti-Deficiency Violations, and we continue to make capital project data available to the public on the CFOInfo website by agency and by ward.

CFOInfo and Additional Budget Data

We have made several recent improvements in the amount and type of budget and expenditure data available to the public.

CFOInfo Expansion – With the release of the Mayor’s FY 2018 Proposed Budget and Financial Plan, OBP has added to the data available in CFOInfo, the web-based tool that allows public users to explore budget data. We now show 6 years of data: actual expenditures for FY 2013 through FY 2016, the FY 2017 Approved Budget, and the FY 2018 Proposed Budget. As before, users can obtain activity-level data by fund and by expenditure category as well.

Reporting – We are putting all of our monthly and quarterly reports on the OCFO’s website and have taken steps to enhance timeliness of the more than 50 reports we issue each year.

FY 2018 Key Program Initiatives

Our central goal is to continue to improve OBP’s performance. OBP’s major operational goals for FY 2018 are as follows:

- Incorporate lessons learned from the FY 2018 budget development process into the FY 2019 budget development process;
- Continue to monitor agency spending through FRP report analysis and identify potential spending pressures in order to resolve them quickly;
- Continue improvements in the Capital Improvements Program with further analysis of the operating budget effects from completed capital projects and monitor the capital fund balance.

- Complete implementation of a new Property Use Tracking System, which enables us to track the acquisition, use and disposition of all District-owned property assets, and helps ensure we are not in violation of any financing-related issues where we have used tax-exempt bonds for construction;
- Continue to be 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 and enables the OCFO to meet legislative requirements regarding the creation of a long-range capital financial plan;
- Continue to improve the grant budget monitoring and reporting function within our office; and
- Provide quality support to the Board of Review for Anti-Deficiency Act Violations by continuing to report potential violations in both operating and capital funds.

Conclusion

We look forward to working collaboratively with the Council during the development of the District's FY 2018 Consensus Budget. Mr. Chairman, this concludes my remarks. I will be pleased to answer any questions that you may have.