

PUBLIC OVERSIGHT HEARING
ON
THE FY 2014 AND FY 2015 SPENDING AND PERFORMANCE OF
THE OFFICE OF BUDGET AND PLANNING (OBP)

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

The Honorable Phil Mendelson, Chairman

March 10, 2015, 1:00 p.m.
Room 412, John A. Wilson Building



Testimony of
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Good afternoon, 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). I am here today to testify on the FY 2014 performance and FY 2015 plans of the Office of Budget and Planning. I am honored to appear today and present testimony on the accomplishments of my office and our plans for improving OBP's performance and the services we offer to citizens and District agencies. With me today is Mr. James Spaulding, Associate Deputy Chief Financial Officer for OBP.

I will cover the following areas in my remarks:

- Fiscal Years 2014 and 2015 operating expenditures;
- FY 2014 performance; and
- FY 2015 operational goals.

Fiscal Years 2014 and 2015 Operating Expenditures

OBP is one of the key programs within the Office of the Chief Financial Officer (OCFO), but we make up only 4 percent of the OCFO's total FY 2014 revised operating budget. In FY 2014, OBP operated within its Local funds revised budget of \$5.05 million, spending \$5.05 million, or 99.9 percent of our available Local funds. Our FY 2015 revised budget for OBP is \$5.79 million, all in Local funds. Through March 9, we have expended and obligated \$2.18 million, or 37.6 percent of our budget. We expect to end the year within our current budget.

FY 2014 Performance

Our major accomplishments for FY 2014 were in three areas.

1. Development of FY 2014 Budget Revisions and the FY 2015 Budget.

During FY 2014, we made numerous changes to the budget including a Supplemental Budget Request that ultimately added a net \$87.4 million to the budget. The District ended FY 2014 with a balanced budget.

The budget balancing process is always a year-round exercise. Mayor Gray proposed his FY 2015 budget on April 3, 2014. My office worked closely with the Mayor's budget staff to create this budget, incorporating the Mayor's policy priorities. During April and May, we worked closely with Council staff to review the budget, and the Council passed the District's budget on June 26, 2014. After incorporating revised estimates and subsequent changes to the FY 2015 proposal, we published the budget on August 7, 2014 for transmission to the President and the Congress. I am very proud of the efforts of my staff, who worked many late nights and weekends to produce the FY 2015 budget while executing and maintaining balance in the FY 2014 budget.

2. Budget Execution. Keeping agency budgets balanced in the face of reduced revenues required greater emphasis on budget execution. While revenues have staged a recent rebound, multiple consecutive quarters of declining revenues in prior years underscored the need for increased monitoring of agency spending and revenue collections. I will now discuss our key budget execution tools.

Financial Review Process - The major tool that is used to monitor agency spending is the Financial Review Process (FRP) report, prepared by agency fiscal officers and submitted through agency directors to OBP for review and analysis. We use the FRP to analyze agencies' projected year-end expenditures and revenue collections and compare them to agency budgets. If agencies report spending pressures, we will work with the Mayor's budget office as they propose changes to resolve the pressures.

Reprogrammings - In FY 2014, we worked closely with agency fiscal officers and the Executive Office of the Mayor to process a total of 428 Operating and Capital reprogramming requests, of which 129 required Council approval. We will continue to work with the Mayor and Council to reform and streamline the reprogramming and intra-District transfer process.

Grants Management - OBP is the District's central unit responsible for managing each agency's grant budget authorizations. In FY 2014, OBP processed over 880 grant budget modifications and conducted numerous grants-related training classes.

Reporting - During FY 2014, we improved the timeliness of our published reports. OBP produces monthly Financial Status Reports on operating budget spending and quarterly reports on capital budget spending, in addition to a variety of reports on such topics as reprogrammings, the Emergency and Contingency Reserve Funds, capital project reconciliations and transfers, and capital-funded

FTEs. In FY 2014, we produced 48 reports, of which we published 44 and sent 4 to the Mayor to transmit to Congress. As we have discussed in prior testimonies, the OCFO site also includes CFOInfo, a web-based application allowing the public to see, among other data, current-year operating Financial Status Report data with about a one-month lag. Capital project data are also available to the public through CFOInfo. In addition, CFOInfo allows the public to view the approval status of Federal grants allocated to the District as well and grant budget and expenditure information at a granular level.

3. Budget Process Improvements. We continued to improve budget processes and management. As one example, OBP continued to improve grants management by developing a Grants Application SharePoint site, providing a valuable resource for tracking the status of agency budget establishment and modification requests throughout stages of the review and approval workflow process within OBP. The site provides status information to District stakeholders along with detailed information regarding each grant request submitted to OBP for processing in real time. In an effort to improve transparency and reduce the time it takes to process grant budget modification requests, OBP formed a Grants Task Force that resulted in standardized and well-documented practices and processes for requesting and approving grant budget modifications. With the Council's support, our capital branch continued coordination of the DDOT Capital Project Review and Reconciliation Act of 2011. During Fiscal Year 2014, we formally closed 47 HTF projects, moving a total budget of more than \$16 million back to the

HTF master projects. In addition, the capital branch closed 53 projects and made budget of \$1.2 million available as a result of the Capital Project Support Fund, a method for capturing small, unused budgets from older, inactive capital projects. Finally, working with the OCFO's Office of Financial Operations and Systems and the Office of the Chief Information Officer, OBP developed a new model to assist agencies with the booking of capital assets. This process, the Capital Asset Booking Support System, pulls prior day data from PASS and SOAR, and provides a mechanism for agencies to continually track and classify capital project expenditures throughout the year to specific capital assets. The system greatly improves the accuracy of the year-end reporting needed for the CAFR and for tracking the District's assets and their value.

FY 2015 Key Program Goals and Initiatives

Our central goal for FY 2015 is to continue to build on our successes. OBP's key operational goals are as follows:

- Work with the Mayor and Council to develop a balanced budget and financial plan for FY 2016;
- Continue to collaborate with DCPS senior staff to publish their FY 2016 budget - the Education volume. Working with DCPS, OBP hopes that the FY 2016 DCPS budget will continue to be transparent to stakeholders;
- Continue to monitor agency current-year spending through FRP analysis and, when necessary, work with agencies to develop gap-closing plans as appropriate;
- Further streamline internal processes by, for example, implementing a paperless workflow process for approving and transmitting budget chapters and budget

tables for review, expanding the use of SharePoint with agencies to process reprogrammings just as we have done with grant budget modifications, and implementing Grants Task Force recommendations to reduce grant processing time;

- Continue to improve capital budget management and oversight by ensuring the FY 2016 – FY 2021 Capital Improvements Plan remains within the 12 percent debt cap; and
- Continue to improve budget transparency by further improving CFOInfo by seeking to improve user-friendliness and helping to roll out a mobile version of the application.

Conclusion

Currently, OBP staff is working with the Mayor's Office of Budget and Finance and the Office of the City Administrator to develop the Mayor's FY 2016 Budget and Financial Plan for transmittal to the Council on April 2nd. I would like to take this opportunity to thank the entire OBP team for their hard work and professionalism over the past year. We look forward to working with the Council and other policy makers during the consensus process to develop a transparent and balanced budget for FY 2016. Mr. Chairman, this concludes my remarks. I would be pleased to answer any questions that you may have.