

PUBLIC HEARING ON
THE FISCAL YEAR 2024 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

Thursday, April 6, 2023



Testimony of
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Good afternoon, Chairman Mendelson and members of the Committee of the Whole. I am Eric M. Cannady, 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 Fiscal Year 2024 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 2024 Budget Request;
- Fiscal Year 2023 Accomplishments to Date; and
- Fiscal Year 2024 Key Program Initiatives.

OBP's Fiscal Year 2024 Budget Request

The Fiscal Year 2024 operating budget request for OBP is \$6.636 million and 46 Full-Time Equivalents (FTEs), which represents a net decrease of about \$275,000 and no change in FTEs, from the Fiscal Year 2023 approved budget of \$6.911 million and 46 FTEs. I will now discuss some of our recent accomplishments and our plans for the remainder of Fiscal Year 2023 and for Fiscal Year 2024.

Fiscal Year 2024 Budget Formulation and Transparency

During the Fiscal Year 2024 budget formulation process, OBP collaborated with the Mayor's Office of Budget and Performance Management (OBPM), agency program staff, and OCFO financial staff to produce several key budget products, which I will briefly review:

Current Services Funding Level (CSFL) – As part of the Fiscal Year 2024 budget development, we created the CSFL and published it on December 19, 2022. This document provides an analysis of the cost of operating District agencies in FY 2024, for

Local funds only, before consideration of any new policy decisions beyond the FY 2023 budget.

Mayor’s Fiscal Year 2024 Proposed Budget Request – OBP worked with Mayoral and agency program and financial staff on the Mayor’s proposed Fiscal Year 2024 budget preparation through March 22nd. A balanced Fiscal Year 2024 Proposed Budget and Financial Plan was submitted to the Council and posted on the internet. We look forward to collaborating with Council and its staff on the consensus budget.

Interagency Budgets – OCFO transitioned to the new financial system, the District Integrated Financial System (DIFS), and managed the transition from Intra-District budgets to the new interagency budget process, in the Fiscal Year 2023 budget. Instead of the duplicated budget in the agencies providing services (seller agencies), known as Intra-District budget, the new interagency process enables the seller agencies to finance the services by directly charging interagency projects funded by the agencies receiving the services (buyer agencies). OBP significantly improved the transparency of the interagency process by introducing two new reports in the Fiscal Year 2023 budget, which are continued in the Fiscal Year 2024 budget. The “Table 7” report is included in the budget chapter of each agency that is a buyer and/or seller in an interagency project, and whose budget reflects the impact of funding FTEs that are employed by other agencies. Specifically, this report details the number of budgeted interagency FTEs included in a buyer agency’s budget that are employed by other agencies and the number of interagency FTEs that are employed by the agency as a seller but are budgeted in other buyer agencies’ budgets. The “Appendix J” report provides detailed information regarding the proposed

funding and FTEs budgeted for Fiscal Year 2023 interagency projects, by buyer and seller agency. These reports are positive, tangible outcomes of the new system that have provided new insights into the interagency process.

Automated Financial Plan – We continue to use the Automated Financial Plan, with the support of our Office of the Chief Information Officer, throughout the Mayor’s budget formulation process. 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

OBP continues to closely monitor agency spending through the Financial Review Process (FRP). We have revamped the FRP procedures to ensure that all FRP submissions are in compliance with current law and that they accurately reflect budget versus expenditures. 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 and other important financial matters. OBP continues to manage the Spending Pressure Task Force by working closely with OCFO cluster and OBPM teams to vet and quickly identify potential gap closing solutions for potential spending pressures. In addition, we will continue to make current-year and comparative historical data available to the public through CFOInfo, the web-based tool that allows public users to explore budget

data, as well as posting more than 50 reports we issue each year on the CFO's website. Finally, we continue to use Jira software to track reprogrammings from the initial agency submission, through the Mayor's Office of Policy and Legislative Affairs and OBPM, to OBP approval and submission to Council when required. We have also expanded our use of Jira to include ARPA funds and Contingency Reserve allocations, as well as O-type and Intra-District budget modification requests, to allow agency financial staff the ability to track the real-time status of their requests at the various stages in the OBP approval process. This functionality has provided better visibility into our processes and enabled us to produce our quarterly reprogramming reports in a more efficient manner.

Capital Improvements Program

As in past formulation cycles, OBP collaborated with the Mayor's budget staff, agency program staff, and OCFO financial staff to develop the Mayor's Fiscal Year 2024 through Fiscal Year 2029 capital budget request. We also worked closely with the Office of Finance and Treasury on multiple borrowing plan scenarios that were applied in the debt model to ensure that the District stays within the 12 percent debt cap throughout the six-year capital improvements plan. My office also worked with the Office of Revenue Analysis to ensure balanced funding in the Capital Improvements Program (CIP) projects that are funded with local, Special Purpose Revenue, and federal funds, such as gas tax receipts and rights-of-way fees.

During the Fiscal Year 2024 through Fiscal Year 2029 CIP formulation, my office collaborated with the Mayor's OBPM on the following:

Investment Review Boards – During this budget formulation cycle, OBPM continued its use of Investment Review Boards (IRBs), relying on the three boards to review all agencies capital budget requests:

- the Facilities Projects Investment Review Board is composed of individuals with strong facility construction and planning backgrounds and experience;
- the Information Technology Investment Review Board consists of members with IT background and experience; and
- the Fleet and Infrastructure Review Boards is composed of individuals with strong transportation, fleet, and planning backgrounds and experience.

OBP participated in all three of the IRB meetings during the formulation period, providing support and knowledge of the OCFO's policies on capital budgeting and eligibility.

Capital Asset Replacement Scheduling System - The Capital Asset Replacement Scheduling System (CARSS) was utilized during this capital budget formulation for the Mayor's proposed budget for the evaluation of facilities and for the replacement schedules for fleet vehicles across the District, as well as scoring of capital projects. CARSS currently contains 100 percent of District-owned assets, totaling more than 316,000 individual assets. CARSS was utilized to assess the viability of including medium and heavy-duty alternative energy vehicles in the District's overall fleet portfolio, as well as providing feedback on the District's support towards the the cost of long-term capital needs, including restoration and repair of 35 separate housing complexes owned by the District of Columbia Housing Authority, which includes over 6,400 individual family

units. The results of the physical needs assessments of all 35 complexes have been uploaded and maintained in CARSS.

The CIP continues to provide detailed information to the Council Budget Office staff during budget formulation, as well as during execution. OBP has already begun working with the Council's Budget Office on the Fiscal Year 2024 through Fiscal Year 2029 CIP formulation. We report on capital project spending issues that are inconsistent with spending plans to the Board of Review for Anti-Deficiency Violations. We also produce various reports that are posted on the CFO's website, including capital budget reprogramming activity, quarterly capital budget spending, and the District Department of Transportation's reconciliation and reallocation efforts. We work with the Office of Finance and Treasury on the formulation and management of the budget for the various debt service agencies. We work with the Office of Financial Operations and Systems on fiscal year-end closing and transfers that occur between the operating and the capital budgets. Also, we will continue to make capital project data available to the public by agency and by ward on the CFOInfo website as well as responding to internal and external requests for information regarding the District's CIP.

Fiscal Year 2024 Key Program Initiatives

Our central goal is to continue to improve OBP's performance. OBP's major operational goals for Fiscal Year 2024 are as follows:

- Incorporate lessons learned from the Fiscal Year 2024 budget development process into the Fiscal Year 2025 budget development process;
- Continue to improve the FRP procedures and to manage the Spending Pressure Task Force to foster cooperation and collaboration between the OCFO and OBPM, in order

to identify potential spending pressures early and develop gap-closing plans that tap all the resources available to the District;

- Expand our use of Jira software to review and approve Additional Full-Time Equivalent authorization requests, furthering the coordination of our work with OBPM and with the OCFO cluster staff;
- Continue to make enhancements to the CIP, with further analysis of the operating budget effects from completed capital projects and monitoring of the capital fund balance;
- Continue to provide leadership and subject matter expertise for the OCFO's implementation of the District's new accounting and budgeting system, the District Integrated Financial System; and
- Continue to lead the support and use of the Capital Asset Replacement Scheduling System, which is a part of the OCFO's 5-year strategic plan and enables the OCFO to meet legislative requirements regarding the creation of the long-range capital financial plan.

Conclusion

We look forward to working collaboratively with the Council during the development of the District's Fiscal Year 2024 consensus budget. Mr. Chairman, this concludes my remarks. I would be pleased to answer any questions that you may have.