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**Government of the District of Columbia**



**Office of the City Administrator**

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Testimony of  
**Rashad M. Young**  
City Administrator

**Public Hearing on the  
Fiscal Year 2018  
Comprehensive Annual Financial Report**

Before the Committee of the Whole  
The Honorable Phil Mendelson, Chairman

February 4, 2019

Council Chamber/Room 500  
John A. Wilson Building  
1350 Pennsylvania Avenue, NW  
Washington, DC 20004  
1:30 P.M.

Good afternoon, Chairman Mendelson and members of the Council. My name is Rashad Young, City Administrator of the District of Columbia. I am pleased to provide testimony today on the Fiscal Year 2018 Comprehensive Annual Financial Report (CAFR).

With the close of Fiscal Year 2018, the District of Columbia balanced its budget and received an unqualified opinion for the 22<sup>nd</sup> consecutive fiscal year. I am proud to say that for the fourth year in a row, the District closed this fiscal year with no material weaknesses or significant deficiencies. This is a significant repeated achievement, and one that would not have been possible without the continued focus and diligence of District employees.

The CAFR also presents good news related to the District's finances. As a result of our commitment to fiscal responsibility, our bond ratings have been upgraded by all three rating agencies, including a Aaa rating by Moody's. Our financial position has improved over the last year, our pension funds are robust, and our capital assets are worth more now than at any other time in District history. This is due in no small part to the Mayor's commitment to inclusive prosperity through investing in capital infrastructure in all 8 wards. These investments have positioned the District well for future growth and serve as a positive signal that we are investing in our residents' futures.

We continue to see healthy growth in our real property, sales, and income taxes. In FY 2018, the District saw an increase of \$319 million of revenues from these sources over initial projections. I am also pleased to report that employment, both new and resident employment, has increased within the District. The growth

continues to be driven by an increase in private sector jobs.

The District's General Fund balance at the end of Fiscal Year 2018 was \$2.8 billion, an increase of \$100 million from the Fiscal Year 2017 year-end balance of \$2.7 billion. This has enabled a gain in 4 days of working capital, taking us up to a total of 58 days. This strong General Fund balance improves the District's financial position. As I have stated in prior testimony, I also understand that residents and the Council may question the need for such a large fund balance when the District still has many facility and service needs.

In addressing that question, it is important to note two things: 1) just over half of the \$2.77 billion in general fund balance is unavailable for expenditures, meaning it is unavailable for general use, and 2) that there are significant benefits to growing our locally mandated reserves.

The portion that is restricted includes items like legally mandated debt service payments, dedicated tax funds, special purpose revenue and monies used to balance the budget and financial plan. None of these components of the General Fund balance can be used for other purposes without a change in law. What appears to be a rather large fund balance is in fact the legally restricted accounting of existing obligations and needs within various agencies and programs throughout the District.

There are also significant benefits to growing our locally mandated reserves. The main benefit to the size of the District's Cash Flow Reserve account is the reduction in our need for borrowing resources to manage our daily operations. In fact, in FY

2018, the District once again did not have to issue any short-term debt to finance seasonal cash flow needs. These funds also allow the District to respond to unexpected situations, such as the recent federal shutdown, without interruption to important programs and services. These reserve levels contribute to our strong bond ratings, which reduce the cost of borrowing and amount to millions of dollars - funding that can be spent on schools, police stations, playgrounds, recreation centers, and other facilities and services for District residents.

As we move forward, we must continue to work to advance our shared goals of more affordable housing, safe and vibrant communities, a high-quality public education system, robust infrastructure, a strong social service system, and job opportunities for District residents. As Mayor Bowser has said, this Administration is committed to building on our successes by implementing sound fiscal policies that will create more pathways to the middle class while attracting new residents and businesses to the District.

In closing, I would like to thank the Office of the Chief Financial Officer, the Office of the Inspector General, and the program, financial, and operations staff of each agency for their hard work in delivering another clean audit for the District. It took a tremendous amount of hard work to get us to where we are today, and everyone should be commended for their success. Thank you for the opportunity to testify today. I am available for any questions you may have.