
Government of the District of Columbia



Office of the City Administrator

Testimony of
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City Administrator

**Public Hearing on the
Fiscal Year 2015 Comprehensive Annual
Financial Report**

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

February 3, 2016

Council Chamber/Room 500
John A. Wilson Building
1350 Pennsylvania Avenue, NW
Washington, DC 20004
9:30 A.M.

Good morning, Chairman Mendelson and members of the Council. For the record, my name is Rashad Young, and I serve as the City Administrator of the District of Columbia. I am pleased to provide testimony today on the Fiscal Year 2015 Comprehensive Annual Financial Report (CAFR).

With the close of Fiscal Year 2015, the District of Columbia balanced its budget and received an unqualified opinion for the 19th consecutive fiscal year. Perhaps more importantly, this CAFR represents the first time during that same period when the District has closed a fiscal year with no Yellow Book findings. This is a significant achievement, and one that would not have been possible without the hard work of many of our District employees.

As you may recall, during last year's CAFR hearing there was a great deal of discussion about the repeat nature of many of the Yellow Book findings, specifically those in the procurement and information technology areas. Mayor Bowser therefore tasked the Office of the City Administrator with coordinating an effort to correct these recurring issues and to ensure that no new findings arose.

To achieve this goal, we assembled a "CAFR team" of OCA staff, affected agency directors and program staff, and staff in the Office of the Inspector General. The CAFR team worked together to identify the reasons behind the repeat nature of the findings and to establish an action plan to address them. As soon as the District's new auditor was brought on board, we made sure that the relevant agencies had close working relationships with the necessary audit team members and that the agencies provided information and responses as promptly as

possible. Over the course of the next 9 months the CAFR team was able to make remarkable progress and finally eliminate the Yellow Book findings. I am proud of the work we have done—and in particular, I am proud of the dedicated work of the program staff within each of the affected agencies. We would not have been able to achieve this success without them.

In addition to the good news related to the Yellow Book report, the CAFR also presents good news related to the District's finances. The District's General Fund balance at the end of Fiscal Year 2015 was \$2.17 billion, an increase of \$293 million from the Fiscal Year 2014 year-end balance of \$1.87 billion. This also represents an increase in the number of days of cash on hand from 45 to 49. While a strong General Fund balance improves the District's financial position, 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 that: (1) much of the General Fund balance is unavailable for expenditure, and (2) there are significant benefits to growing our locally mandated reserves.

Regarding the first point, I would like to take a minute to walk through what makes up the District's General Fund balance:

- \$366.2 million is within the federally mandated reserve accounts, including:
 - \$122 million in the Emergency Cash Reserve; and
 - \$244.2 million in the Contingency Cash Reserves.
- \$618.6 million is within the locally mandated reserve accounts, including:

- \$443.7 million in the Cash Flow Reserve; and
 - \$174.9 million in the Fiscal Stabilization Reserve.
- \$421.3 million is set aside for legally required debt service payments on District borrowing for capital projects
- \$351.3 million is comprised of special purpose revenue and dedicated tax funds that are reserved by law for specified purposes
- \$268.2 million is obligated future spending, which are funds previously set aside by the Mayor and the Council to balance the budget and financial plan. The obligated future spending includes:
 - \$218.9 million for subsequent years expenditures;
 - \$28.3 million assigned from the Fiscal Year 2015 and 2016 supplemental budgets; and
 - \$10.2 million assigned through the Budget Support Act as local non-lapsing funds
- \$60.8 million of the General Fund balance is set aside for legal settlements, including:
 - \$47 million set aside for the Fire and Emergency Medical Services Department settlement; and
 - \$13.8 million set aside from the Chartwells food service settlement
- \$57.7 million of the General Fund balance is set aside for a legislatively required transfer of the Expedia settlement funds to the WMATA operations support fund
- \$23.1 million of the General Fund balance is comprised of funds previously set aside for the soccer stadium

None of these elements of the General Fund balance can be used for other purposes without a change in law. The main point I want to make is that the \$2.2 billion in the General Fund balance is not “free” money that can be spent on other programs and services. What appears to be a rather large fund balance is in fact nothing more than the legally restricted accounting of existing obligations and needs within various agencies and programs throughout the District.

The second point I would like to make regarding the size of the General Fund balance is that there are significant benefits to growing our locally mandated reserves. The main benefit is that increasing the size of the District’s Cash Flow Reserve account will increase the number of days of cash on hand—which reduces our need for borrowing resources for capital projects and thus our debt service costs. The debt service savings we realize through the Cash Flow Reserve account amounts 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 a high-quality public education system, affordable housing, safe and vibrant communities, robust infrastructure, a strong social service system, and job opportunities for District residents. We must ensure that we continue to make the investments that will provide all residents of the District of Columbia with the opportunity to succeed. 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 look forward to continuing to work together to strengthen the finances and operations of the District government, and I am available for any questions you may have.