

**Government of the District of Columbia
Office of the City Administrator**



Testimony of
Kevin Donahue
City Administrator

**Public Oversight Hearing
on the Fiscal Year 2020
Comprehensive Annual Financial Report**

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Kevin Donahue
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Before the
Committee of the Whole
Council of the District of Columbia
The Honorable Phil Mendelson, Chairperson

John A. Wilson Building
1350 Pennsylvania Avenue, NW
Washington, D.C. 20004
February 3, 2021
1:30 p.m.

Opening Remarks

Good afternoon Chairman Mendelson and members of the Council. My name is Kevin Donahue, City Administrator of the District of Columbia. I am pleased to provide testimony today on the Fiscal Year 2020 Comprehensive Annual Financial Report, or CAFR.

Before we begin the slide presentation, I wanted to provide some brief opening remarks.

Fiscal Year 2020 was a year unlike any other. First, a global pandemic has infected more than 37,000 District residents—and, sadly, led to the loss of life of 926 of our residents. The pandemic also left more than 100,000 unemployed, and scores of businesses shuttered and hurting. We mounted a monumental, citywide response that continues today.

On top of the pandemic, we experienced widespread protests for racial justice this summer. This was followed several months later, four weeks ago today, by armed insurrectionists leading a violent takeover of the U.S. Capitol—the security impacts of which are still visible today.

I have worked in DC Government for nearly 20 years, and I can say these challenges have little precedent. Thanks to years of prudent financial management and growth as a city, we have been able to maintain a strong financial position that has enabled us to respond to these challenges while also continuing to invest in our priorities.

I'll now turn to our presentation to walk you through what we've faced and how we've responded.

Presentation Remarks

The CFO has already touched on the key elements of our strong financial position, but I'd like to reiterate the significance of these findings.

In addition to this being our 24th clean audit, notably, this is the 6th year in a row under Mayor Bowser's leadership that our audit has produced no material weaknesses or significant deficiencies. This is an important achievement and one that would not have been possible without the continued focus and diligence of our District employees.

Our reserve levels, which reached 60 days of cash on hand for the first time in Fiscal Year 2019, was repeated in Fiscal Year 2020, despite the pandemic. Without these reserves, we would not have been in a position to respond to the pandemic in the manner we have.

Finally, as we look to continue making capital investments across all eight wards, our strong bond ratings have helped bring down the long-term costs of financing these critical investments.

As you may recall, just as Mayor Bowser was preparing to submit her Fiscal Year 2021 budget, the pandemic struck.

Within just a few months of the public health emergency declaration in March 2020, the CFO announced that we were expected to lose over \$1.5 billion in revenue across Fiscal Year 2020 and Fiscal Year 2021—a loss that unfortunately continues as the economy struggles to regain its footing with the pandemic-induced recession.

As we developed the budget submitted to you last spring, and as we have continued to monitor the ups and downs of the economy, we held firm to our five guiding principles when making decisions about scarce resources.

One major component of our strategy for weathering the revenue impacts of COVID-19 was tapping into our prior-year surpluses and other financial tools. These were options that were only available to us because of our strong financial position and reserves. They allowed us to avoid cuts to city services that would have been three or four times greater than those we ultimately had to make.

We have four reserve funds. Two are federally mandated—the emergency and contingency reserves. Two are locally mandated—the fiscal stabilization and cash flow reserves.

The end of Fiscal Year 2020 saw these reserves fully replenished, available to shore up our financial position and help us continue to respond to the COVID-19 public health crisis in Fiscal Year 2021.

While all our reserves were full at the end of Fiscal Year 2020, we immediately put three of the four to use in Fiscal Year 2021 to help pay our bills, avoid the need for deeper cuts to agencies and importantly cover our costs for the immediate response to COVID-19.

The contingency cash reserve has been one of the most important financial tools in the COVID-19 crisis as it let us immediately respond to needs in the pandemic, while we seek reimbursement from the federal government for those eligible expenses.

In fact, early in the pandemic we quickly deployed this fund to buy PPE and ventilators, provide grants to businesses and hospitals, stand up an alternate care hospital, set up isolation and quarantine sites for our residents experiencing homelessness, distribute meals to seniors and many other critical services.

It allowed us to provide a robust response that continues today, including providing local stimulus assistance when federal funds were running out and rental assistance for renters and landlords.

While we have been able to accomplish a lot with our own resources, it's clear that we couldn't have done it without federal assistance. In all, the District, including its residents and businesses, have received over \$6.7 billion in federal assistance.

The vast majority of these funds, approximately \$5.5 billion, have passed through as direct assistance to businesses, hospitals, and WMATA, as well as payments to residents through programs like Unemployment Insurance,

SNAP, and LIHEAP. As the CFO notes, these investments have helped shore up the District's economy.

This direct federal assistance represents over 80% of the federal funds that have flowed to the District. The remaining 18%, about \$1.2 billion, has come to District government through broad and flexible relief funds, like the Coronavirus Relief Fund (\$495 million) and Federal Emergency Management Agency (FEMA) Public Assistance grants.

While we have done much to respond to this crisis, costs continue to grow. I would be remiss if I did not mention the \$755 million we were shortchanged by the last Administration. These funds would have immediately helped us further strengthen our public health infrastructure and support the recovery needs of residents and businesses.

At the end of 2020, a new federal COVID-19 relief bill was signed into law, through which more than \$500 million is expected to flow to the District, and we are aware that additional relief efforts are being discussed by Congress and the White House.

In the presentation, we've provided a detailed breakdown of how we have been utilizing the various federal dollars that have come to District government.

I'm happy to report that much of our contingency cash use has been reimbursed through FEMA's public assistance program. In all, we used about \$345 million of Fiscal Year 2020 contingency cash for COVID-19 related expenses. Of that, we expect \$277 million of those costs to be eligible for reimbursement from FEMA and have already received about \$158 million.

Our need for the contingency cash fund hasn't stopped. We are currently spending about \$24 million per month to fund our core COVID-19 emergency response operations, including testing, vaccine, meals and other critical response items.

The Coronavirus Relief Fund has helped cover costs that were not eligible for

Public Assistance. This includes \$34 million we deployed to get our school buildings ready for students to return to the classroom this week and cleaning and disinfecting government buildings. It also allowed us to make investments in small businesses, improve our Unemployment Insurance program, provide stimulus payments to residents, and much more.

Finally, we have received numerous additional grants that have allowed us to provide aid and relief in areas such as childcare and rental assistance, support for remote learning, utility assistance, and much more.

But we know that there is more we must do as we recover.

Our strong financial position as told in the CAFR once again puts us in a strong position to tackle big challenges together as we recover and head into Fiscal Year 2022.

While we're focused on continuing to battle the virus and vaccinate as many residents as quickly as we can, we also know the pandemic will have a lasting impact on residents and communities. We're focused now on starting to tackle those challenges and inequities head on.

While our financial strength has allowed us to make critical investments, we can't do it without federal support, and we continue to call on Congress to quickly pass more federal relief and provide us with the \$755 million we didn't receive when every other state did.

Closing Remarks

I would like to thank my staff led, by Director of the Office of Budget and Performance Management Jennifer Reed, as well as 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.

As we work to develop the Mayor Bowser's Fiscal Year 2022 budget, we need your input. Starting next week, and in three subsequent sessions, the Mayor will be hosting her annual budget engagement forums to learn more about residents' priorities and budget needs.

All of the sessions will be virtual this year, using the telephone town hall model we've followed for numerous other engagements during the pandemic. But we will also have an online opportunity to provide feedback, as an additional opportunity for residents to provide their input.

All information will be available at budget.dc.gov soon.

Thank you for the opportunity to testify today. I am available for any questions you may have.