

**PUBLIC BRIEFING
ON THE
COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)
FOR FISCAL YEAR 2015**

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

The Honorable Phil Mendelson, Chairman

**February 3, 2016, 9:30 a.m.
Council Chambers, Room 500**



**Testimony of
Jeffrey S. DeWitt
Chief Financial Officer
Government of the District of Columbia**

Introduction

Good morning, Chairman Mendelson and Members of the Committee of the Whole. I am Jeffrey S. DeWitt, Chief Financial Officer of the District of Columbia. I am pleased to appear before you today to report and discuss the Fiscal Year 2015 Comprehensive Annual Financial Report (CAFR). Seated with me is Bill Slack, the District's Controller, who will assist in answering questions.

I am very pleased to report that the District continued its strong financial performance during fiscal year 2015. The positive results reflected in the CAFR are due to the city's continued financial discipline and sound financial management practices. Before I begin, I would like to recognize the hard work of agency program and financial staff who contributed to the successful management and accounting of the District's financial resources in the past year and the completion of this document. I particularly would like to recognize the employees of the Office of Financial Operations and Systems (OFOS) and the Associate Chief Financial Officers and their staffs for their outstanding performance during FY 2015.

I also want to thank the City Administrator and the Inspector General for working with the Office of the Chief Financial Officer to address previous audit findings.

Through collaboration and a process of agency accountability, we were able to remediate the Yellow Book findings from Fiscal Year 2014. As a result of our combined efforts, the fiscal year 2015 CAFR was issued with no Yellow Book findings (material weaknesses or significant deficiencies).

At this time, I ask that you turn to the detailed presentation of the FY 2015 results.

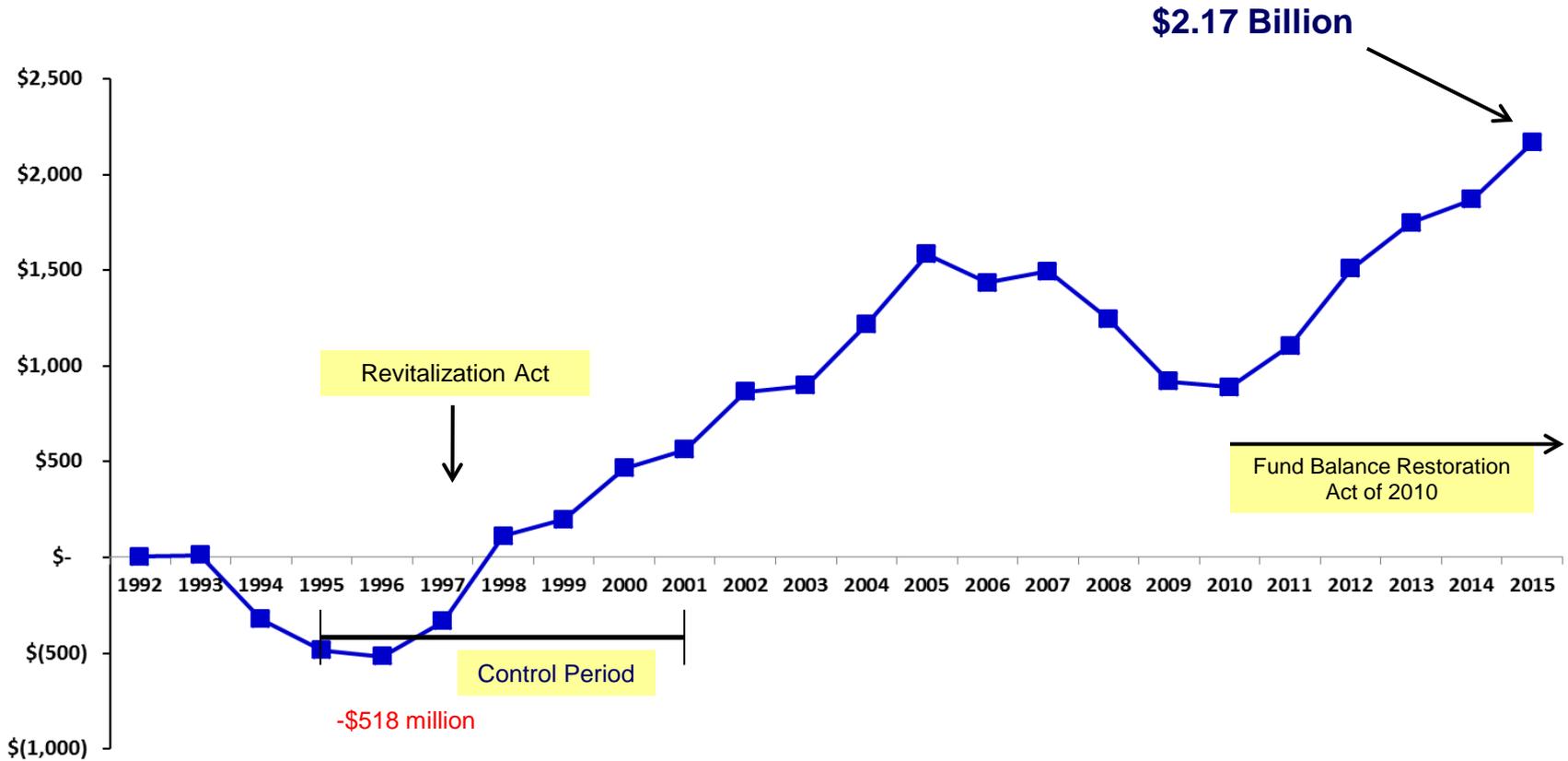


FY 2015 District of Columbia Comprehensive Annual Financial Report



District of Columbia

District of Columbia Surplus and Bond Rating History



General Obligation Bond Ratings

S&P:	A-	A-	A-	B	B	B	BB	BBB	BBB	BBB+	BBB+	A-	A-	A	A+	A+	A+	A+	A+	A+	A+	AA-	AA	AA
Moody's:	Baa	Baa	Baa	Ba	Ba	Ba2	Ba1	Baa3	Baa3	Baa1	Baa1	Baa1	A2	A2	A2	A1	A1	A1	Aa2	Aa2	Aa2	Aa2	Aa2	Aa1
Fitch:	A-	A-	BB	BB	BB	BB+	BBB	BBB	BBB+	BBB+	A-	A-	A	A	A+	A+	A+	AA-	AA-	AA-	AA-	AA	AA	

Income Tax Secured Revenue Bonds: S&P: AAA Moody's: Aa1 Fitch: AA+



FY 2015 CAFR Highlights

- **Clean Audit Opinion (19th Consecutive). No Material or Significant Deficiencies (No YELLOW BOOK)**
- **General Obligation Bonds upgraded from Aa2 to Aa1 by Moody's Rating Service**
- **\$2.17 billion cumulative General Fund balance**
 - Increase \$293 million over FY 2014 fund balance (GAAP)*
- **Federally and locally mandated reserves (working capital) increased by \$121 million to \$985 million (49 days of operating expenses)**

* *Generally Accepted Accounting Principles*



FY 2015 CAFR Highlights (Cont.)

Extraordinary revenues were available from capital gains, real property transactions, and legal settlements to:

- **Refill the contingency reserve (without using budget)**
- **Fund future WMATA needs**
- **Fund 2016 budget priorities and settlements**
- **Increase cash reserves to further reduce short-term borrowing needs**



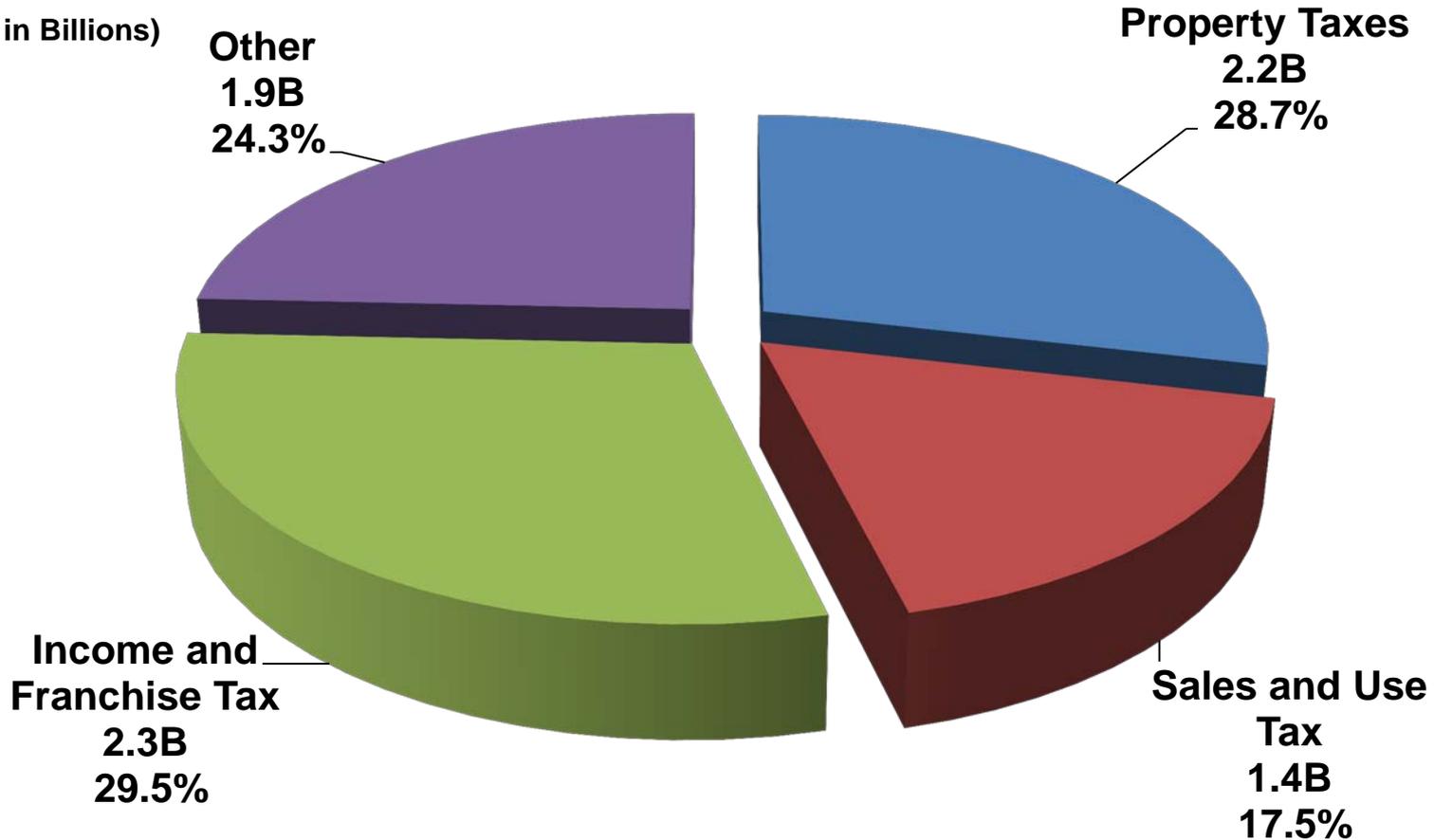
FY 2015 CAFR Highlights (Cont.)

- **Expenditures for Local funds were \$95.2 million (1.3%) below budget; O-type funds were \$77.4 million (14.3%) below budget, adding to reserves.**
- **Pension and Retiree Health Care Trust remain well-funded.**



Where the Money Comes From – Sources of the General Fund Revenue for FY 2015 (Excluding Intra-District Funds)

(Dollars in Billions)



FY 2015 Actual GF Revenues = \$7.8 Billion

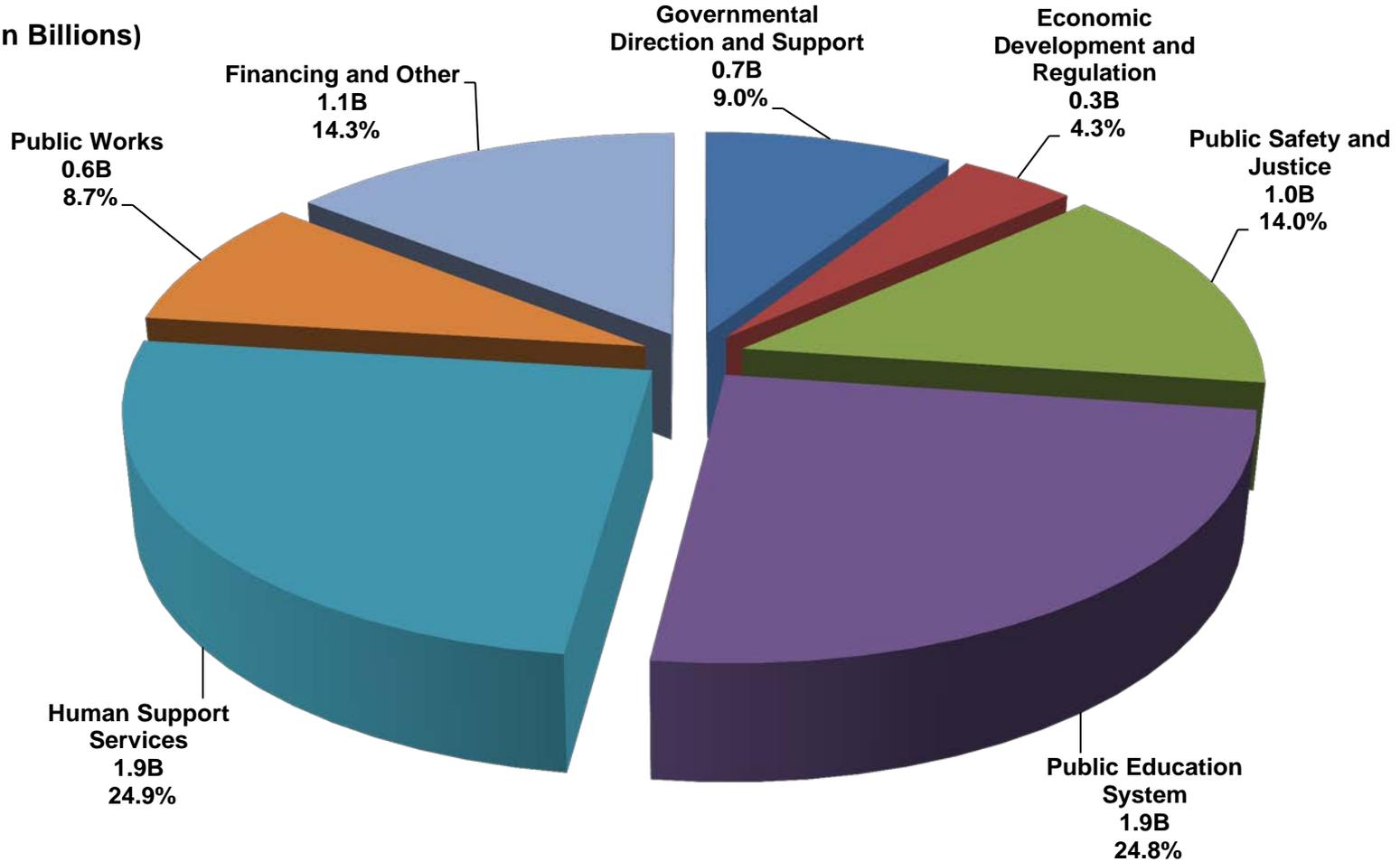
Does not include Federal, Private, Housing Production Trust, General Capital Improvements, Lottery, Unemployment Compensation, and Nonmajor Governmental Funds



Where the Money Goes – General Fund Expenditures, by Appropriation Title for FY 2015

(Excluding Intra-District Funds and Enterprise and Other Funds)

(Dollars in Billions)



FY 2015 Actual GF Expenditures = \$7.5 Billion

Does not include Federal and Private Expenditures, Housing Production Trust, General Capital Improvements, Lottery, Unemployment Compensation, and Nonmajor Governmental Funds



FY 2015 Underspending



Details of FY 2015 Spending Below General Fund Budget

(Dollars in Millions)

Appropriation Title	General Fund Variance	% of Revised Budget
Local Source		
Governmental Direction and Support	16.6	2.5%
Economic Development and Regulation	10.6	5.6%
Public Safety and Justice	14.4	1.4%
Public Education System	6.8	0.4%
Human Support Services	26.0	1.4%
Public Works	3.5	0.7%
Other	17.3	NA
SUBTOTAL	95.2	1.3%
Repayment of Emergency and Contingency	61.1	NA
O-Type		
Special Purpose Revenue	77.4	14.3%
TOTAL – General Fund Sources Underspensing	\$233.7	3.0%



FY 2015 Revenues



Extraordinary Revenues

- **Capital gain income taxes (positive April 2015 surprise) due to strong 2014 stock markets (\$79 million)**
- **Record levels of real property transactions providing deed and recordation taxes (\$115 million)**
- **Legal settlements with online travel companies, Chartwells and Standard & Poor's (\$111 million)**



Discussion of Reserve Requirements



Comparison of Ending General Fund Balances

(Dollars in Thousands)

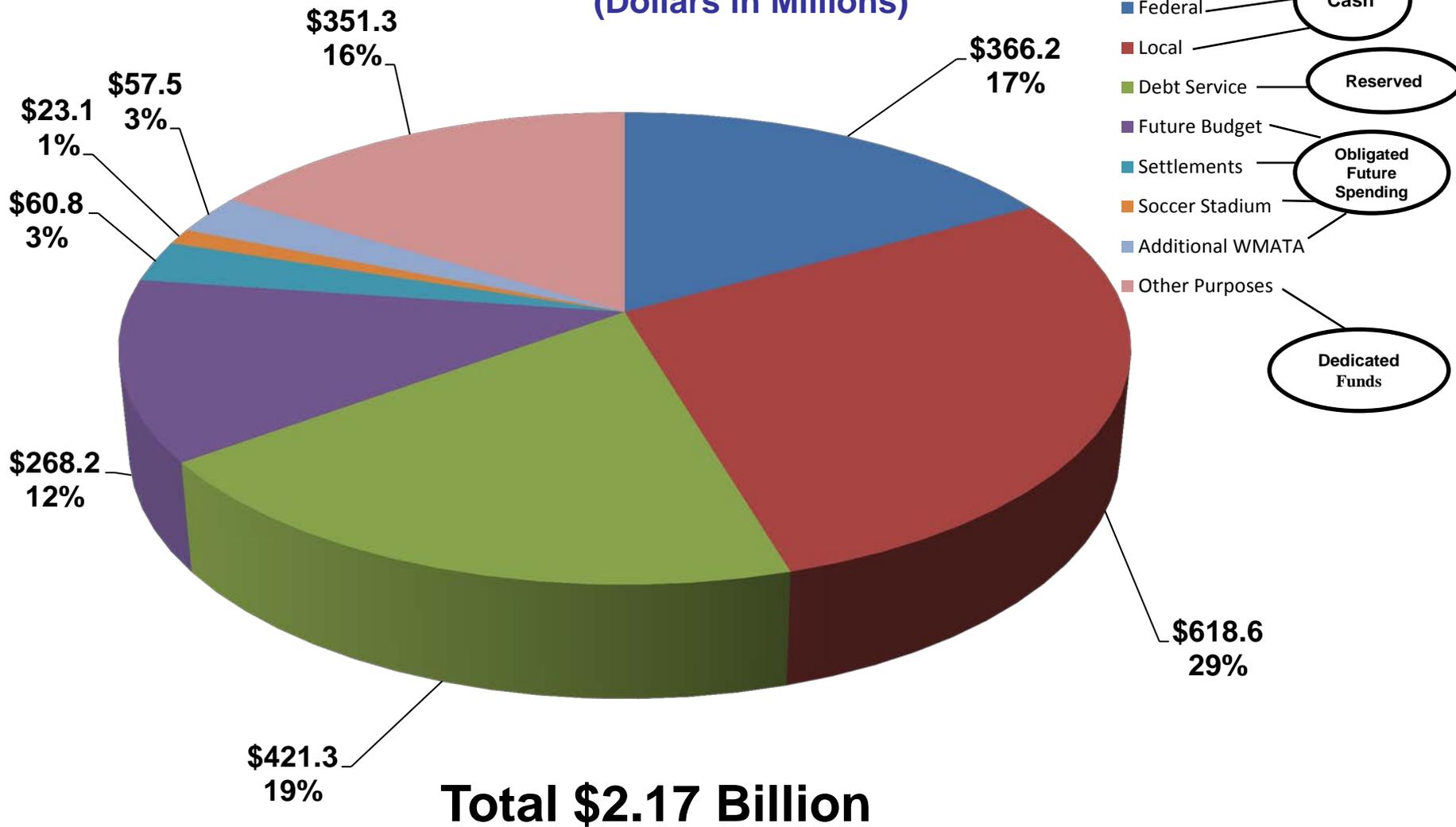
	FY 2015		FY 2014	Difference
Federally Mandated Reserves	\$366,249		\$355,417	\$10,832
Locally Mandated Reserves	618,619		508,079	110,540
Debt Service Reserves	421,304		451,626	(30,322)
Reserved for Future Budget	268,212		145,440	122,772
Reserved for Settlements	60,779			60,779
Reserved for Soccer Stadium	23,099		15,022	8,077
Set Aside for Additional WMATA	57,477			57,477
Reserved for Other Purposes	351,323		398,075	(46,752)
TOTAL	\$2,167,062		\$1,873,659	\$293,403



FY 2015

Composition of General Fund Balance

(Dollars in Millions)





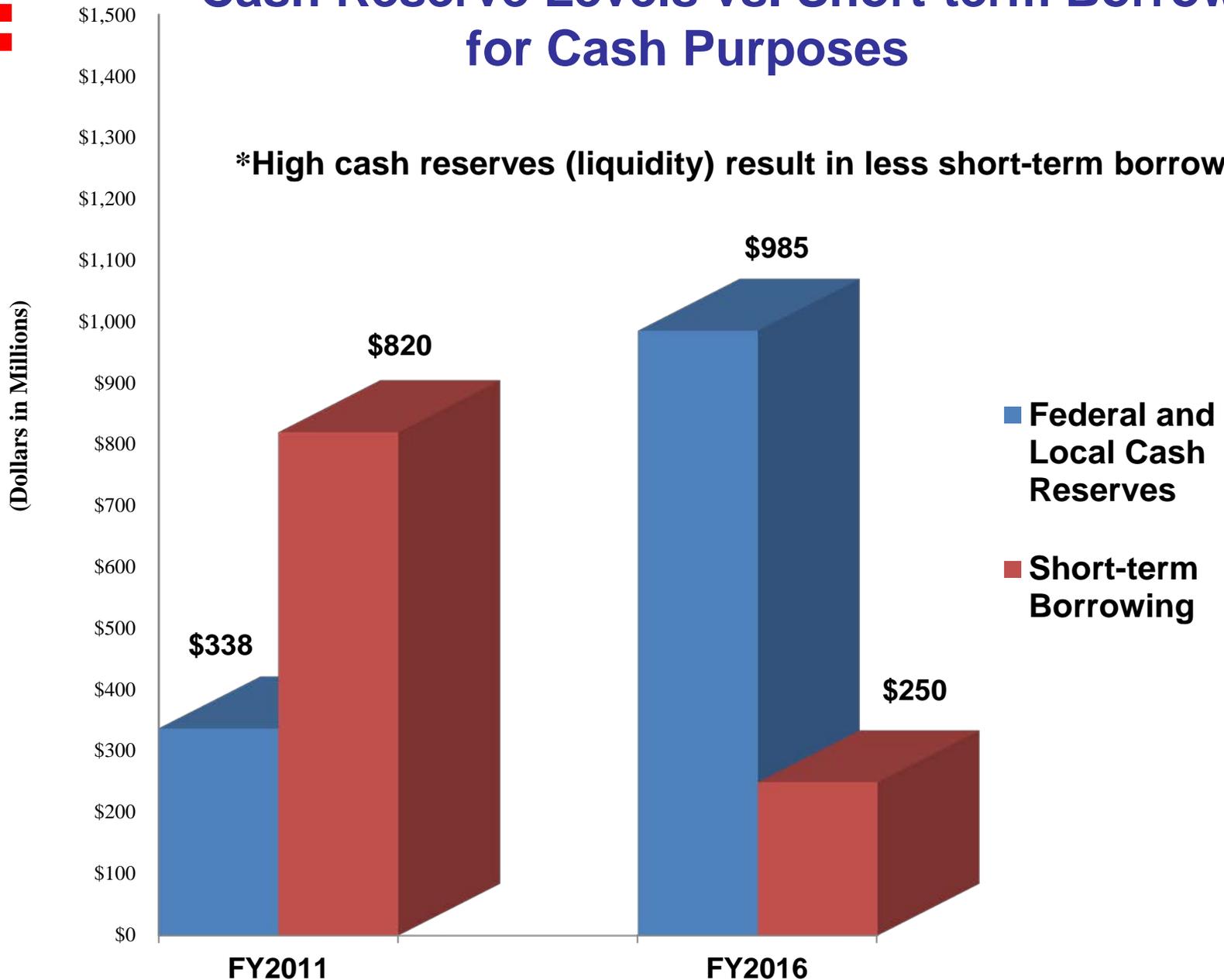
Federally and Locally Mandated Reserves (Working Capital)

Reserves	% of Expenditure/ Budget	Amount (\$ in Millions)	Status
Emergency	2%	\$ 122.0	Full
Contingency	4%	244.2	Full
Fiscal Stabilization	2.34%	174.9	Full
Cash Flow	8.33%	443.7	69%
Total		\$984.8	49 days cash



Cash Reserve Levels vs. Short-term Borrowing for Cash Purposes

***High cash reserves (liquidity) result in less short-term borrowing.**





Well-Funded Pensions and Other Post Employment Benefits

(Dollars in Thousands)

Trust Fund	FY 2015 Net Position	FY 2014 Net Position	Percentage Variance	Percentage Funded*
Police, Fire, and Teachers Pensions	\$6,132,636	\$6,334,090	(3.2%)	96.8%
Other Post-Employment Benefits	\$1,076,551	\$1,051,359	2.4%	87.2%

***Based on most recent Actuarial Report (adjusted for GASB 67).**



Summary FY 2015 CAFR

District Enhances Strong Financial Position

- **Clean/Unqualified Audit Opinion**
- **No YELLOW BOOK Findings. No Material Weaknesses or Significant Deficiencies**
- **General Obligation Bond Rating Upgraded by Moody's**
- **Extraordinary revenues funded necessary settlements, future budget priorities, and increased cash levels to reduce short-term borrowing.**
- **General Fund Balance increased to \$2.17 Billion**
- **Federally and Locally Mandated Reserves increased to \$985 Million (49 days of operating expenses)**
- **Pension and Retiree Health Care Trusts Well-Funded**