

**PUBLIC BRIEFING
ON THE
COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)
FOR FISCAL YEAR 2014**

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

The Honorable Phil Mendelson, Chairman

**February 5, 2015, 10:00 a.m.
Council Chambers, Room 500**



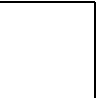
**Testimony of
Jeffrey S. DeWitt
Chief Financial Officer
Government of the District of Columbia**

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 sit before you today to report and discuss the Fiscal Year 2014 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 2014. 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 want to thank the staff of the Office of the Chief Financial Officer's Office of Financial Operations and Systems and the Office of Integrity and Oversight for their work during this audit.

The significant details of our FY 2014 results are outlined on the following pages.

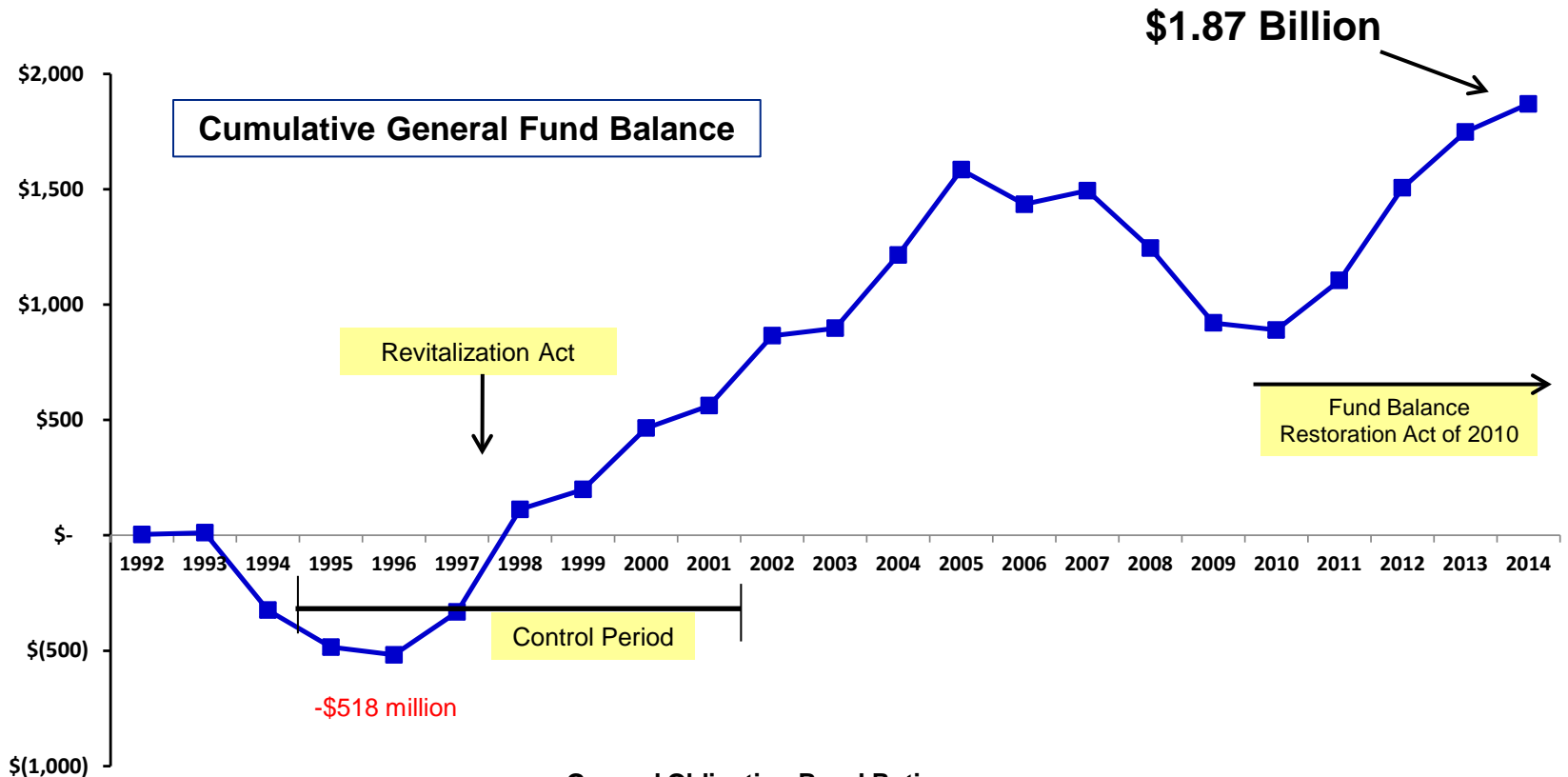


FY 2014 Comprehensive Annual Financial Report



District of Columbia

District of Columbia Fund Balance 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
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
Fitch:	A-	A-	BB	BB	BB	BB+	BBB	BBB	BBB+	BBB+	A-	A-	A	A	A+	A+	A+	AA-	AA-	AA-	AA-	AA	

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



FY 2014 CAFR Highlights

- **Clean Audit Opinion (18th Consecutive)**
- **General Obligation Bonds upgraded from AA- to AA by Standard & Poor's and Fitch Rating Services**
- **\$1.87 billion cumulative General Fund balance**
 - Increase \$125 million over FY 2013 fund balance (GAAP)*
- **Mandated Federal and local reserves (working capital) increased by \$72 million to \$863 million (45 days of operating expenses)**

* *Generally Accepted Accounting Principles*



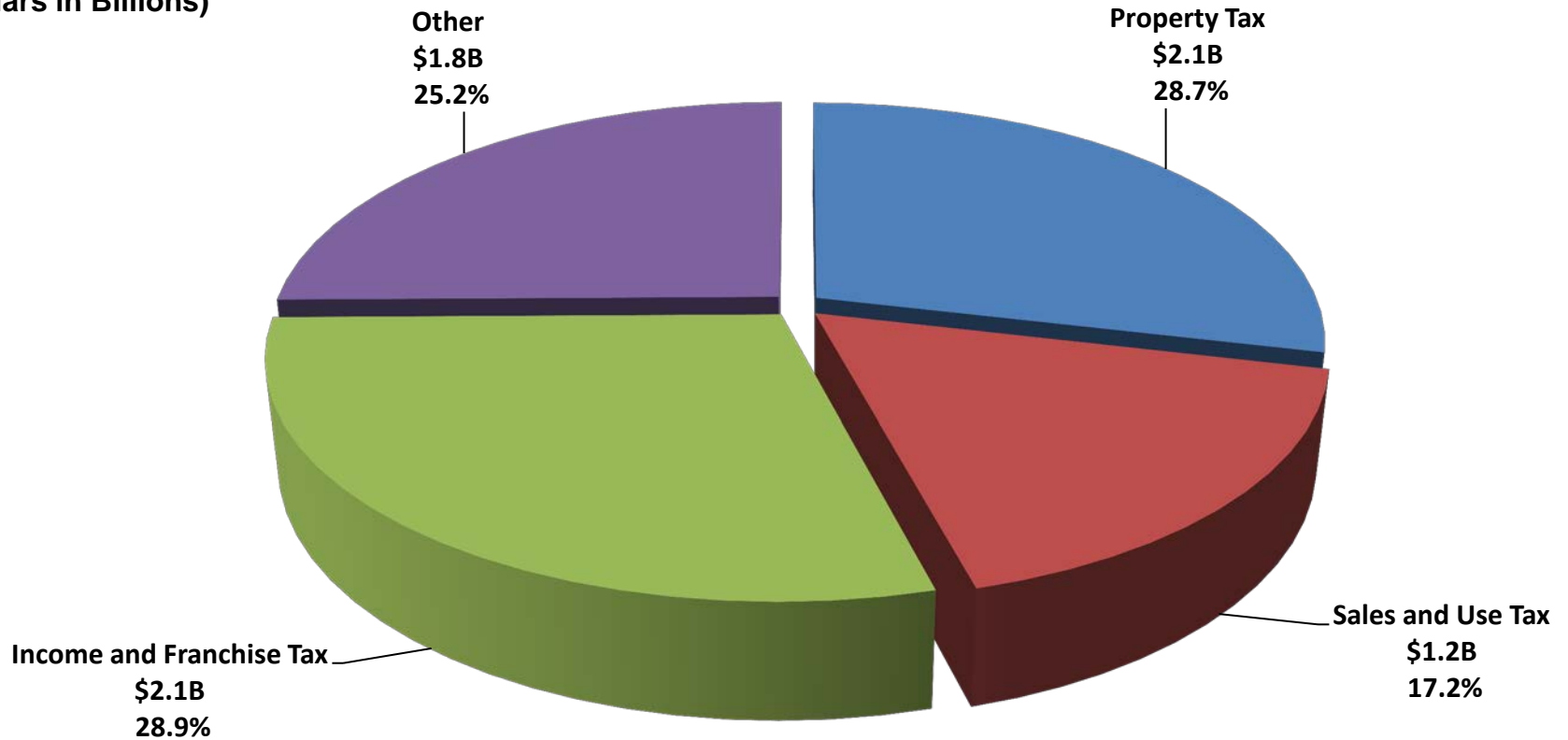
FY 2014 CAFR Highlights (Cont.)

- **Revenue slightly below the revised estimate due to decreases in capital gains income taxes; offset by strong wage-related income, property, and deed taxes**
- **Expenditures 3.4% or \$250 million below the revised estimate offset lower revenues and strengthen reserves**
- **Pension and Retiree Health Care Trust Well-Funded**



Where the Money Comes From – Sources of the General Fund Revenue for FY 2014 (Excluding Intra-District Funds)

(Dollars in Billions)



FY 2014 Actual GF Revenues = \$7.2 Billion

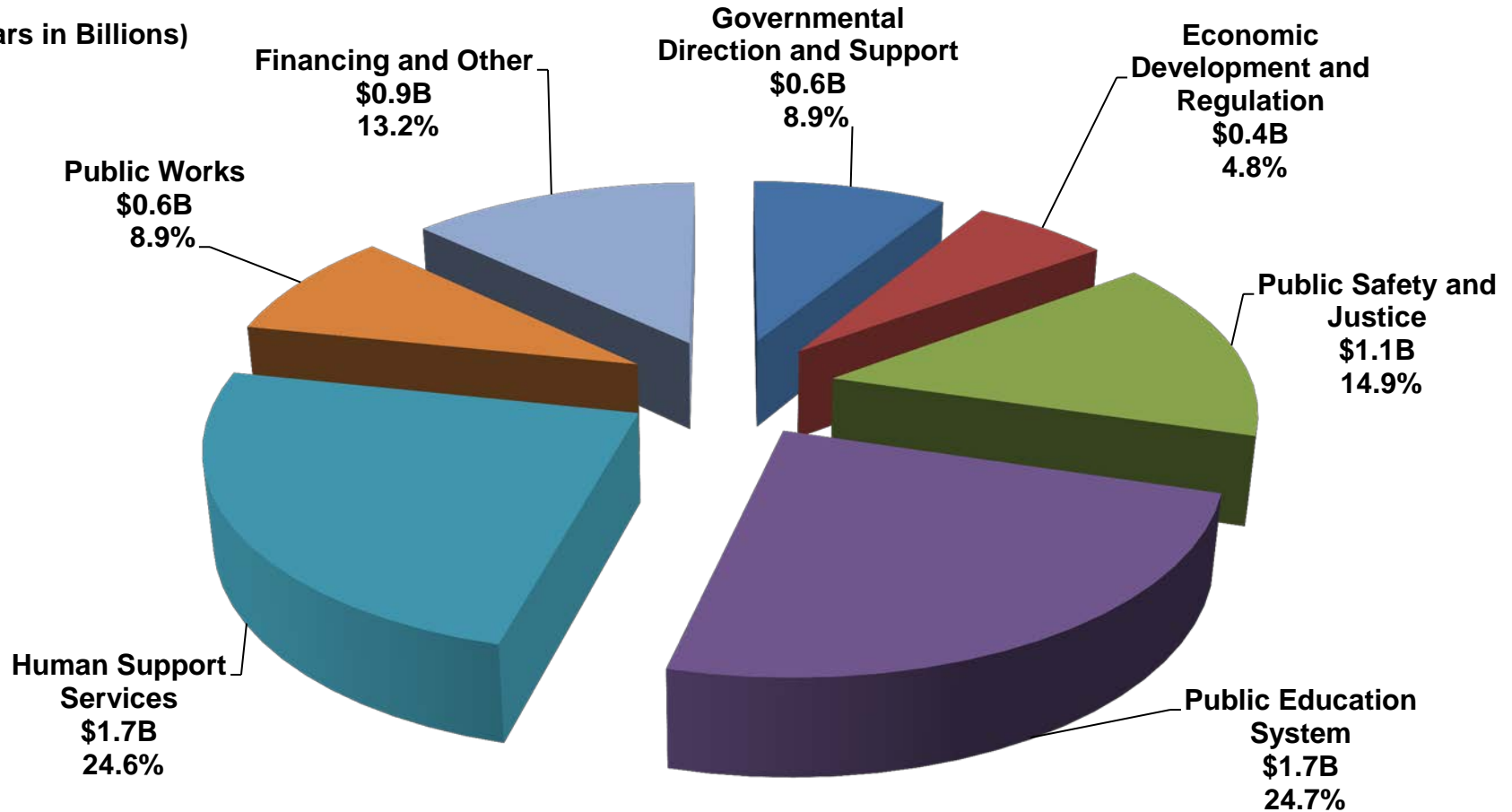
Does not include Federal, Private, Housing Production Trust, General Capital Improvements, Lottery, Unemployment Compensation, and Nonmajor Governmental Funds



Where the Money Goes – General Fund Expenditures, by Appropriation Title for FY 2014

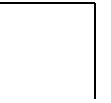
(Excluding Intra-District Funds and Enterprise and Other Funds)

(Dollars in Billions)



FY 2014 Actual GF Expenditures = \$7.0 Billion

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



FY 2014 Underspending



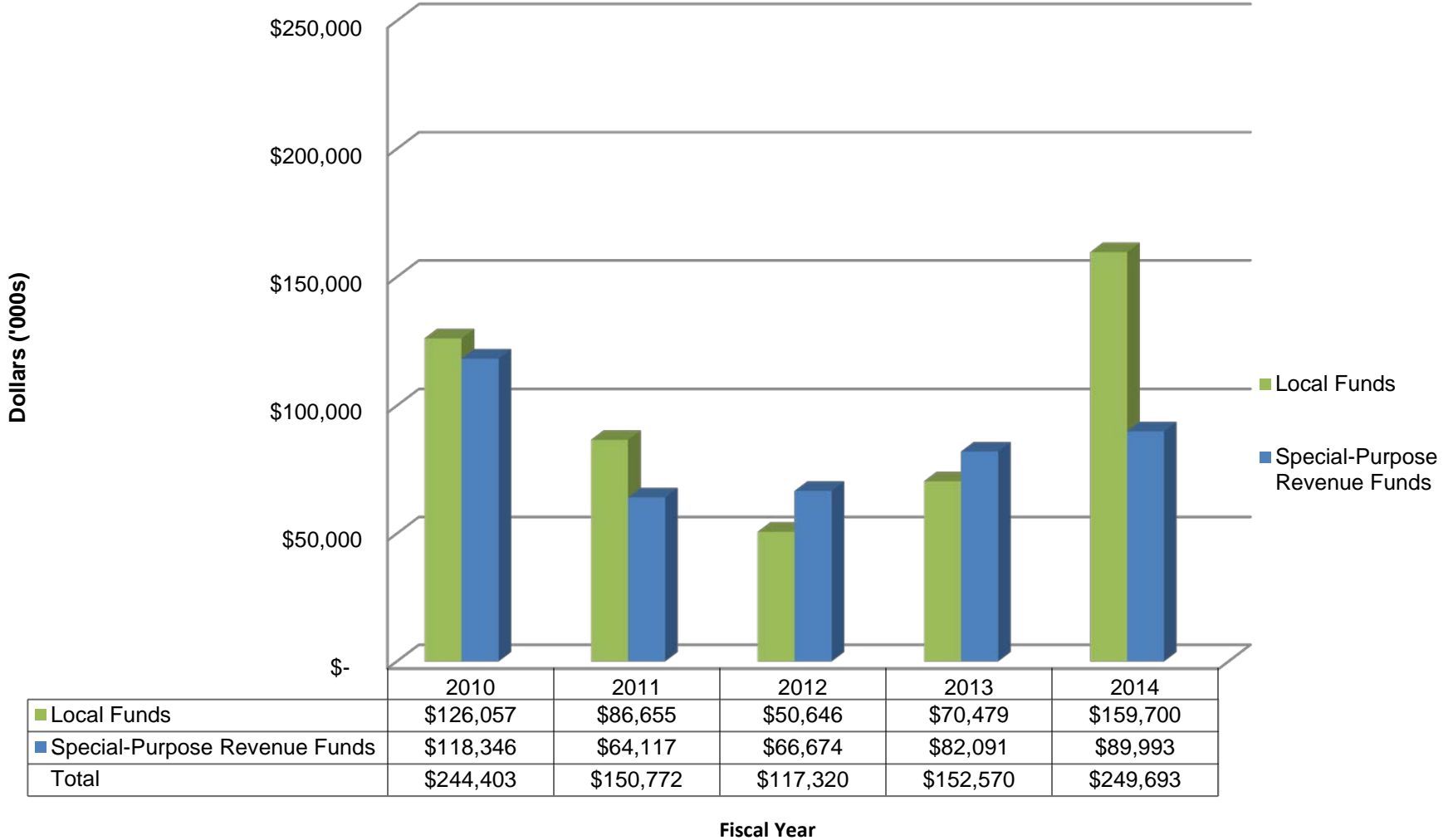
Details of FY 2014 Spending Below General Fund Budget

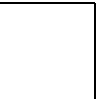
FY 2014 General Fund Sources (Includes Local Funds, Dedicated Taxes, and O-Type)

Appropriation Title	General Fund Variance	% of Revised Budget
Human Support Services	45.2	2.6%
Governmental Direction and Support	23.3	3.8%
Public Works	11.5	2.2%
Public Education System	7.6	0.4%
Economic Development and Regulation	14.4	6.5%
Public Safety and Justice	8.6	0.8%
Financing and Other	49.0	5.3%
Special Purpose Revenue (O-Type)	90.0	18.8%
TOTAL - General Fund Sources Underspending	\$249.7	3.4%



General Fund Underspending – Local (Including Dedicated Taxes) and Special Purpose Revenue Funds (Fiscal Years 2010 - 2014)





FY 2014 Revenues



General Fund

Schedule of Local Source Revenues

Budget and Actual (Budgetary Basis)

Year Ended September 30, 2014
(Dollars in Thousands)

Source	Budgeted	Actual	Variance	
			Amount	Percent
Taxes:				
Property:	\$2,061,889	\$2,074,037	\$12,148	0.6%
Sales and use:	1,251,317	1,244,440	(6,877)	-0.5%
Income and franchise:	2,196,070	2,094,754	(101,316)	-4.6%
Other taxes	<u>660,405</u>	<u>719,618</u>	<u>59,213</u>	9.0%
Total Taxes	\$6,169,681	\$6,132,848	(36,833)	-0.6%
Total Non-Tax Revenue	\$396,708	\$419,208	\$20,783	5.2%
TOTAL LOCAL REVENUE	\$6,566,389	\$6,552,056	(\$14,333)	-0.2%



Slow Income Tax Growth Year Over Year Impacts FY 2014 Revenues (Dollars in thousands)

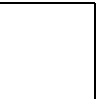
Source	2013 Actual	2014 Actual	Variance	Percentage
Withholding Income Tax	1,419,626	1,473,308	53,682	4%
Non-Withholding Income Tax	221,273	205,865	(15,408)	-7%
Corporate Franchise	298,983	280,186	(18,797)	-6%
Unincorporated Business	<u>154,297</u>	<u>135,395</u>	<u>(18,902)</u>	-12%
Income and Franchise Total	\$2,094,179	\$2,094,754	\$575	0%

- Changes in Federal tax laws related to capital gains in tax year 2013 had a negative effect on FY 2014 revenues
- Lower 2014 base impacts future revenue forecasts



Other Revenue Impacts on FY 2014

- Sales taxes began recovery after the fall of 2013 government shutdown and harsh winter
- Wage-related (withholding) taxes strong growth
- Property, deed, and recordation taxes strong growth
- Fines and forfeitures (Automated Traffic Enforcement) declined



Discussion of Reserve Requirements



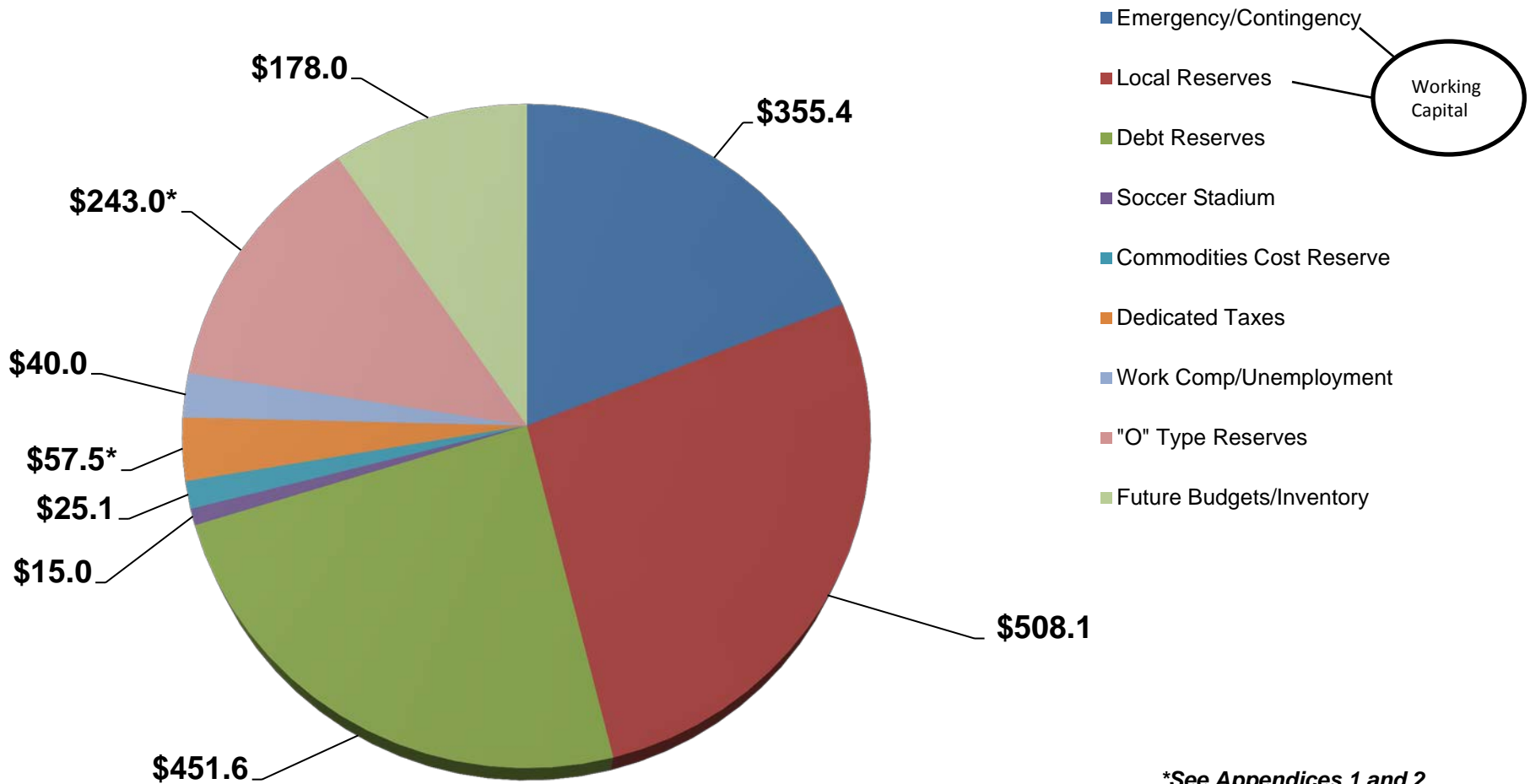
Locally and Congressionally Mandated Reserves (Working Capital)

Reserves	% of Expenditure/ Budget	Amount (\$ in Millions)	Status
Emergency	2%	\$ 116.0	Full
Contingency	4%	239.4	Full
Fiscal Stabilization	2.34%	164.6	Full
Cash Flow	8.33%	343.5	57%
Total		\$863.5	



Composition of General Fund Balance

(Dollars in Millions)



*See Appendices 1 and 2

Total \$1.87 Billion



Well-Funded Pensions and Other Post Employment Benefits

(Dollars in Thousands)

Trust Fund	Fiscal Year 2014	Fiscal Year 2013	Percentage Variance	Percentage Funded*
Police, Fire, and Teachers Pensions	\$6,334,090	\$5,790,832	9.3%	103.6%
Other Post-Employment Benefits	\$1,051,359	\$897,815	17.1%	85.7%
Total Net Position	\$7,385,449	\$6,688,647	10.4%	

***Based on most recent Actuarial Report**



Summary FY 2014 CAFR

District Maintains and Enhances Strong Financial Position

- Clean/Unqualified Audit Opinion
- No Material Weaknesses
- General Obligation Bond Rating Upgrades
- General Fund Balance Increased to \$1.87 Billion
- Federal and Local Reserves Increased to \$863.5 Million (45 days)
- Pension and Retiree Health Care Trusts Well-Funded



Other Indicators of the District's Financial Strength



Summary of the District's Financial Position

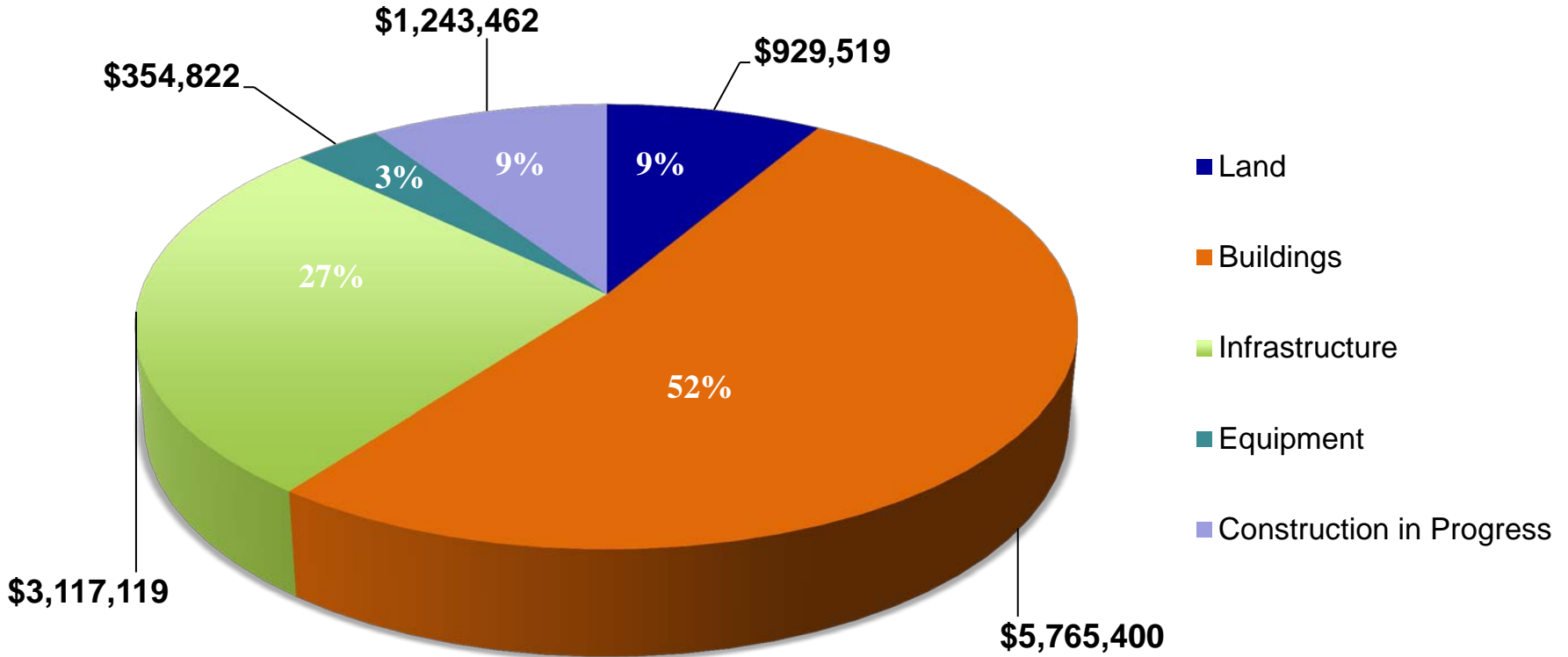
(Dollars in Thousands)

Total Assets and Deferred Outflows (cash, grants, capital assets, etc.)	\$16,100,627
Total Liabilities and Deferred Inflows (short and long-term)	(12,266,964)
Total Net Position	\$3,833,663

Capital Assets

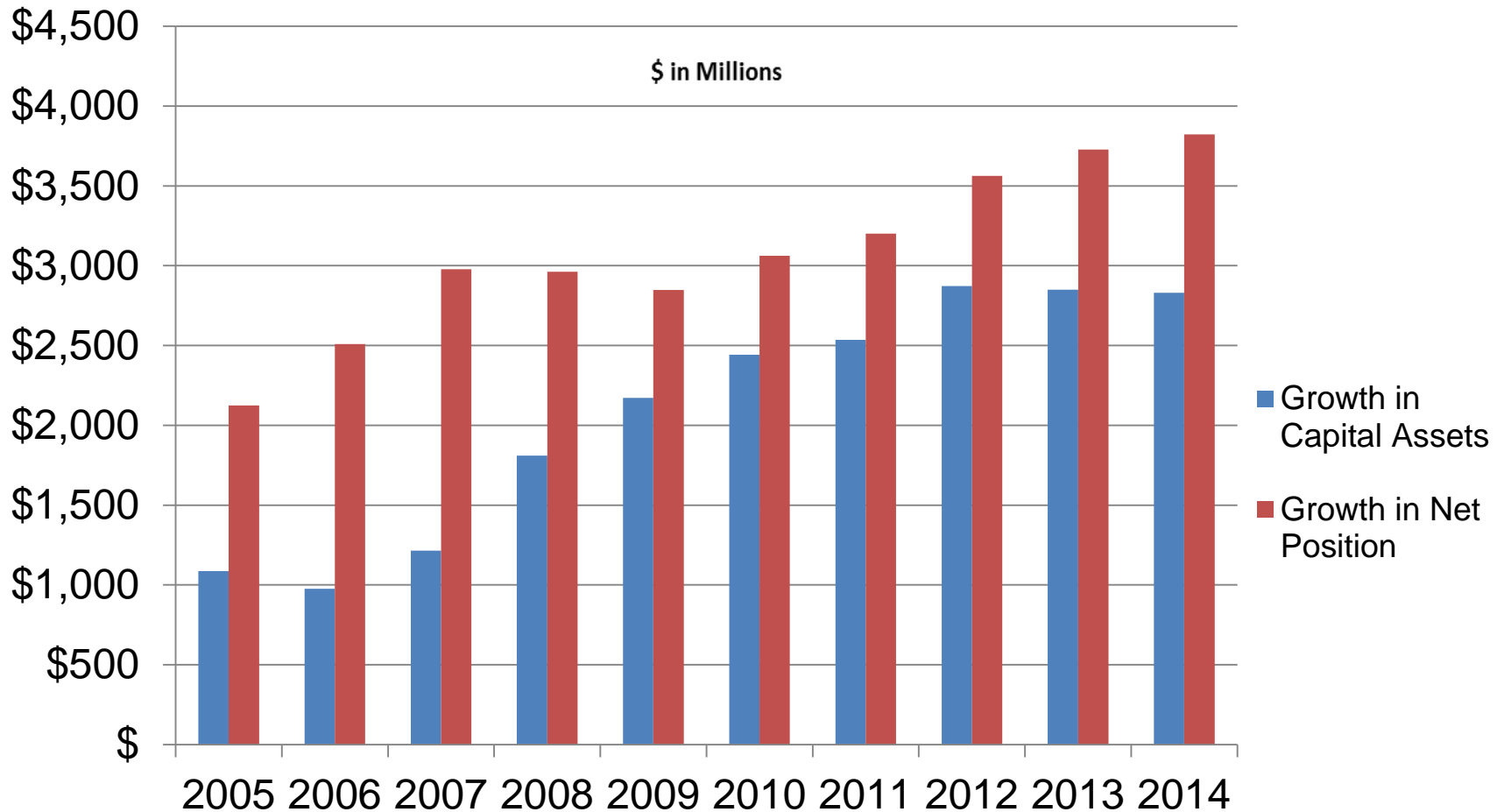
\$11,410,322

(Dollars in Thousands)





Summary of the District's Financial Position Trend in Net Position and Capital Assets 2005-2014

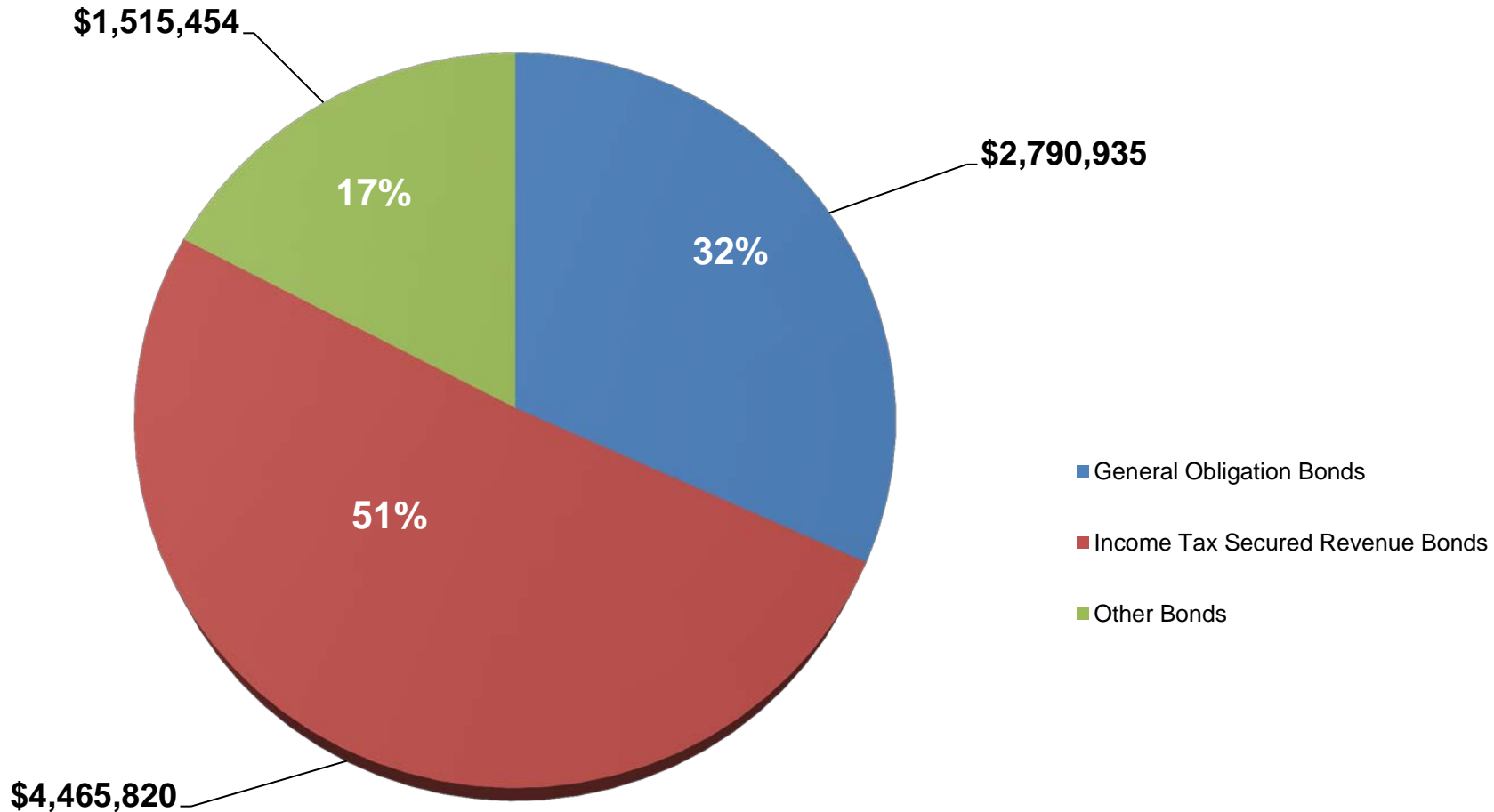


Note: Continued upward trend in both Net Position and Capital Assets indicates a strong financial position.



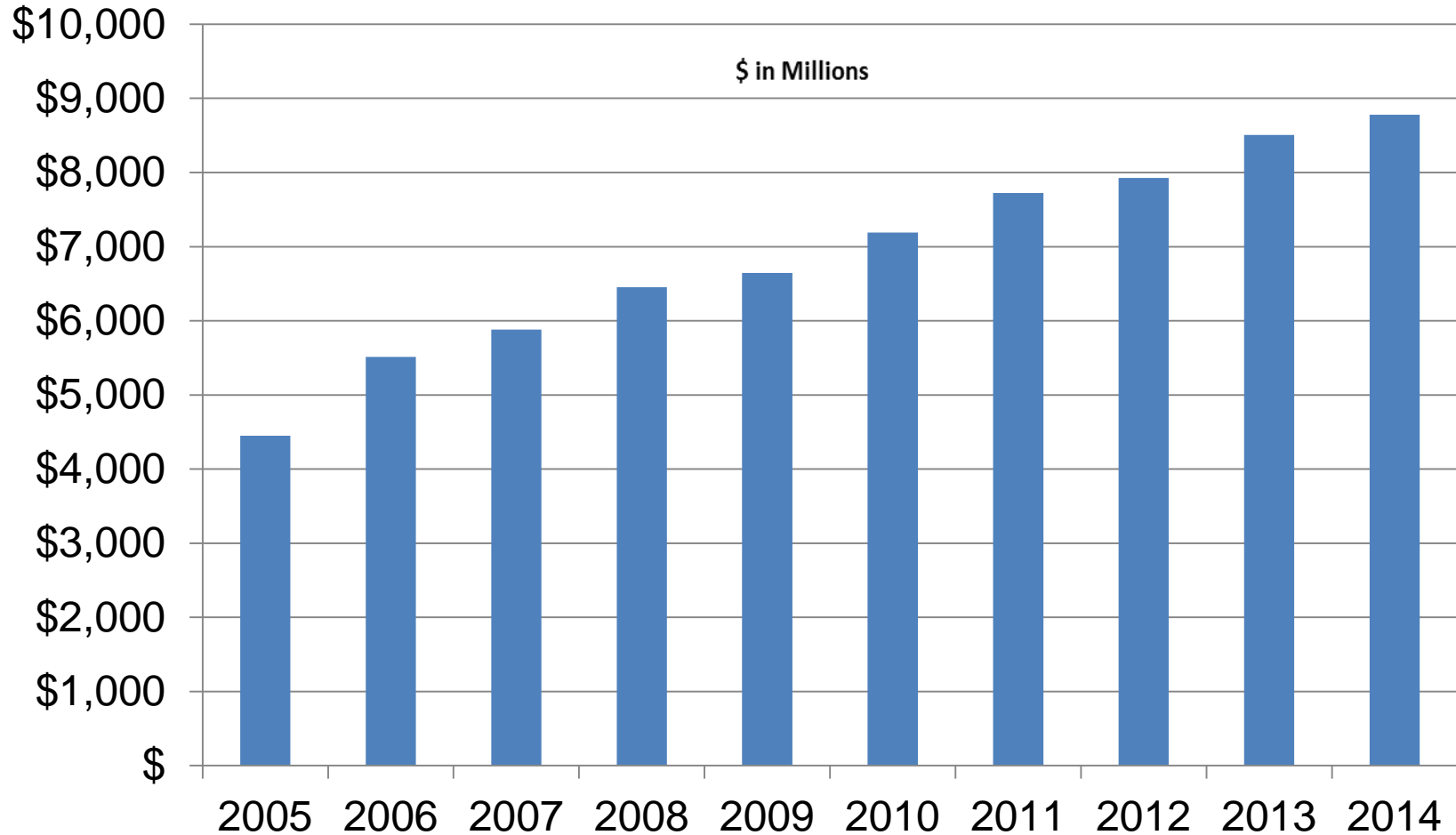
Outstanding Bond Debt

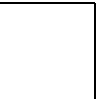
\$8,772,209
(Dollars in Thousands)





Total Debt Outstanding 2005-2014





Appendices



Top Special Purpose Revenue Funds

Fund Name
<p>Workers' Compensation Admin. Storm Water Permit Review AWC and NCRC Development Sustainable Energy Trust Fund 911 and 311 Assessments Basic Business License Fund Cable Franchise Fees Child Support – TANF/AFDC Collections Correction Trustee Reimbursement DC Net Service Support Brownfield Revitalization Recorder of Deeds Surcharge ABC - Import And Class License Fees</p>



Dedicated Tax Funds with Balances

Fund Name
Healthy Schools Fund
Nursing Homes Quality Care Fund
Healthy DC Fund
Stevie Sellows
Hospital Assessment Tax
DC Provider Fees
WMATA Operating Subsidy