

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
OFFICE OF THE CHIEF FINANCIAL OFFICER



**Jeffrey S. DeWitt**  
Chief Financial Officer

February 21, 2019

The Honorable Jack Evans  
Chairman  
Committee on Finance & Revenue  
Council of the District of Columbia  
The John A. Wilson Building  
1350 Pennsylvania Avenue, NW, Suite 106  
Washington, DC 20004

Dear Chairman Evans:

This is in response to your letter, dated January 30, 2019, regarding questions for the upcoming public oversight hearing on the FY 2018 and FY2019 performance of the Office of the Chief Financial Officer scheduled for Monday, February 25. Responses to the questions posed in your letter are attached for your review.

If you require additional information, please feel free to contact me.

Sincerely,

A handwritten signature in black ink that reads "Jeffrey S. DeWitt".

Jeffrey S. DeWitt

Attachments

# **FY 2018 & FY 2019 Oversight Questions**

## **Office of the Chief Financial Officer**

1. Please provide a complete, up-to-date organizational chart and current Schedule A. For each division within the agency include, either attached or separately, an explanation of the roles and responsibilities for each division and subdivision.
  - Please include a list of the employees (name and title) for each subdivision and indicate any vacant positions.
  - Please provide a narrative explanation of any organizational changes made during the previous year.
  - Please provide a complete, up-to-date position listing for your agency, which includes the following information:
    - Title of position;
    - Name of employee or statement that the position is vacant, frozen, unfunded, or proposed;
    - Date employee began in position;
    - Salary and fringe benefits, including the specific grade, series, and step of position; and
    - Job status (continuing/term/temporary/contract)

*Please list this information by program and activity. Please provide an excel spreadsheet of the Schedule A.*

### **RESPONSE**

Please see **Attachment 1A**, comprised of organizational charts covering all of the OCFO agency administrations. Additional detail on each of the agency positions may be found on **Attachment 1B** - Schedule A. The fringe benefits rate will vary for each employee and may change throughout the course of the year depending upon individual circumstances.

2. For the new positions added in FY 2018 and FY 2019 (including new FTEs) please provide position numbers, titles, department, dates each position was posted/advertised and dates these positions were filled (or status if not currently filled).

### **RESPONSE**

**Attachment 2A** details the recruitment status for each of 23 new FTEs included in the FY 2018 Operating Budget. A total of 17 of the 23 are filled. The six vacant positions are all funded by nonlocal sources and are in the Office of Finance and Treasury (OFT). Four of the positions are for the Central Collection Unit which will expand their operations upon the award of a new collections contract which is currently pending before the Contract Appeals

Board. Two are in the OFT Asset Management Unit which awaits the receipt of funding from the new OPEB agency.

**Attachment 2B** details the recruitment status for each of 13 new FTEs included in the FY 2019 Operating Budget. Nine of the OTR positions are shown as filled effective 10/29/18. These represent staff that were hired for the MITS project and charged to the MITS capital project budget. After MITS rollout IV was completed last October, we needed to move them out of the capital project budget. We decided to retain these nine staff to capitalize on the knowledge base they have gained with our systems and processes, and avoid the learning curve and uncertainty that can accompany new hires. These nine staff have continued to perform needed tasks in Compliance, Customer Service, Returns Processing and elsewhere in OTR. They have contributed to the tax administration effort which has freed Compliance and other staff to begin work on the lien enhancement and data warehouse match programs, which have already started to bring in additional revenue. These added resources will also assure that we are fully ready to implement the individual health mandate provision and Schedule H change as required.

3. For all new hires in FY 2017, FY 2018 or FY 2019 to date, how many were District residents at the time of hiring? Please also indicate for all new positions (*reference the position/list from budget*) created for FY 2018, how many of these positions have been filled, and of those positions filled, how many were by district residents?

### **RESPONSE**

While we encourage employees to reside in the District, in FY 2017, FY 2018 and FY 2019 to date, 50 employees were District residents at the time of hire. Please see the response provided to question 2 regarding the status of hiring efforts.

4. Please provide a summary update of OCFO University, and classes offered.

### **RESPONSE**

Please see **Attachment 4**.

5. Please provide an update on the *Appraiser Education and Certification Program* for real property tax appraisal staff.

### **RESPONSE**

Since January 2018 to present, the Appraiser Education Certification Program (AECPP) has provided the following training to enhance the daily activities of the assessment staff to provide continuous improvement:

Appraiser Education Certification Program training modules:

- Uniform Standards of Professional Appraisal Practice (USPAP) – 7 hours and 15 hours
- Income Capitalization Approach

Upcoming in-house training modules:

- GIS/CAMA - GIS technologies, high definition imagery, modeling, and valuation and implementation within the CAMA system
- Heir Right Lots -Valuation Training
- Possessory Interest Valuation

Currently, there are 25 members of the assessment staff who have active designations in the AECP.

The various appraiser designations were achieved by the corresponding education requirements for each level. The breakdown is as follows:

- 19 Certified District Assessor (CDA)
- 3 District Assessment Specialist II (DAS II)
- 3 District Assessment Specialist I (DAS I)

In addition, one assessor has achieved the Certified Assessment Evaluator (CAE) from the International Association of Assessing Officers (IAAO).

6. What is the status of the RFP for the Appeals Tracking system that would integrate with the CAMA system? What is the status of the project (to include the expected completion date). *(You had previously mentioned an RFP would be posted the 2<sup>nd</sup> quarter of FY 2018 with deployment anticipated for FY 2019, and implementation for 1<sup>st</sup> level Administrative Appeals for TY 2020 assessments).*

**RESPONSE**

The Appeals and Tracking system procurement effort was cancelled because it was included in the Modernization of the Real Property Tax System (MRPTS) project, which is currently in its final stages of procurement. More information on the specifications of the appeals and tracking system can be found in our response to question #32.

7. Please list each contract, procurement, lease, and grant (“contract”) awarded, entered into, extended and option years exercised, by your agency during FY 2017 and FY 2018, to date. For each contract, please provide the following information, where applicable:
- The name of the contracting party;
  - The nature of the contract, including the end product or service;
  - The dollar amount of the contract, including budgeted and actual amounts spent;

- The term of the contract;
- Whether the contract was competitively bid;
- The name of the agency’s contract monitor and the results of any monitoring activity; and
- Funding source.

**RESPONSE**

Please see **Attachment 7**, which provides the information requested for the contracts that are issued by the OCFO and paid for from the agency’s budget. All of the listed contracts were competitively bid unless otherwise indicated. The listing shows all agency contracts issued in FY 2018 and FY 2019 to date as well as contracts issued previously but still active. The “Current Value” indicates the current year value or most recent option period value, including the value of any contract modifications. In some cases this is a “Not to Exceed” amount. The “Amount Spent” column reflects spending on the contract in FY 2018 and FY 2019; in some cases this may exceed the current year value due to spending last year on a prior option year of the contract.

8. Please provide the status of any and all contracts related to the Central Collections Unit, including contracts issued, pending, or awaiting approval.

**RESPONSE**

The District currently has four (4) active contracts that provide central collections to the District. They include Industrial Bank which provides collections for the Department of Motor Vehicles (DMV), Nationwide Recovery Services which provides collections for United Medical Center (UMC), Williams and Fudge which provides collections for the University of the District of Columbia (UDC), and ConServe which provides collections for the University of the District of Columbia (UDC). A contract for centralized collection services for UMC, UDC, and DMV was proposed for award to Harris and Harris in FY 2018 and is currently under protest with the Contract Appeals Board.

9. Please provide a narrative description of the status of implementation of all your IT systems, including systems you are partnering with other agencies (please designate which agency is the lead), as well as SOAR and MITS. Include in your response, the telephone call center upgrade (including status of Phase II and date of completion), and the CCU accounts receivable system. Additionally, please include in your response an update on MITS Phase III, and what remains outstanding.

**RESPONSE**

Please see **Attachment 9**.

10. Please provide an update on the Replacement Schedule for Capital Assets and the CARSS model.

**RESPONSE**

The OCFO, along with various agencies and the EOM, conducts a rigorous analysis every year to determine the amount of deferred maintenance and unfunded capital needs of the District. This included building a comprehensive asset inventory of all District assets, which now includes 100% of all District-owned assets, which is referred to as the Capital Asset Replacement Scheduling System, or CARSS. CARSS is widely recognized as the most comprehensive and detailed asset inventory of any state or local government in the nation. In addition, to the asset inventory, asset condition assessments have either been completed, or are scheduled to be completed, over the next 12-18 months. Using this information, CARSS is able to prioritize all capital projects based on various scoring factors, thus allowing a more data-driven approach to building the CIP budget.

The most recent capital budget built using CARSS identified a capital funding gap of \$3.3 billion that could not be funded during the current six-year CIP. Funding this gap has been addressed and is reflected in the October 2018 Long-Range Capital Financial Plan report. The Mayor and Council acted to legislate an increase in the amount of paygo provided to support the capital improvements program needs as part of the FY 2018 Budget Support Act. The legislation escalates paygo on an annual basis, beginning in FY 2020, to a point that reaches the prior year’s depreciation (a rough rule-of-thumb for how much reinvestment is needed in existing capital assets). The combination of this additional paygo funding, along with borrowing up to the statutory debt limits, will allow the District to fund the identified capital funding gap by FY 2028.

11. I would like to commend you on many of the Strategic Initiatives implemented from your 2014 and 2017-2021 Strategic Plan. Please provide a written summary update using the chart below on actions taken in FY 2018 and FY 2019, to date, to continue to implement and further evaluate elements of the OCFO Strategic Plan. Please include major change management and customer service initiatives in your response. Please complete the following chart to assist in providing this information:

Strategic Initiative	Actions Taken in FY 2018	Actions Planned/Scheduled for FY 2019

**RESPONSE**

Please see **Attachment 11**.

12. Please identify all electronic databases maintained by your agency (group by OCFO or Lottery), including the following:
- A detailed description of the information tracked within each system;
  - The age of the system and any discussion of substantial upgrades that have been made or are planned to the system; and
  - Whether the public can be granted access to all or part of each system.

**RESPONSE**

Please see **Attachment 12**.

13. Please provide a chart showing your agency's approved budget and actual spending, by division, for FY 2018 and FY 2019, to date. In addition, please describe any variance between fiscal year appropriations and actual expenditures.

**RESPONSE**

Please see **Attachment 13A and 13B**.

14. Please list any reprogramming requests, in or out of the agency, which occurred in FY 2018 or FY 2019, to date. For each reprogramming, please list the total amount of the reprogramming request, the original purposes for which the funds were dedicated, and the new use of funds.

**RESPONSE**

Please see **Attachment 14**.

15. Please provide a complete accounting for all intra-District transfers received by or transferred from the agency during FY 2018 or FY 2019 to date.

**RESPONSE**

Please see **Attachment 15A and 15B**.

16. Please identify any special purpose revenue accounts maintained by, used by, or available for use by your agency during FY 2018 or FY 2019, to date. For each account, please list the following:

- The revenue source name and code;
- The source of funding;
- A description of the program that generates the funds;
- The amount of funds generated by each source or program in FY 2018 and FY 2019, to date; and
- Expenditures of funds, including the purpose of each expenditure, for FY 2018 and FY 2019, to date.

## **RESPONSE**

Please see **Attachment 16**.

17. Please provide a list of all projects for which your agency currently has capital funds available. Please include the following:
- A description of each project;
  - The amount of capital funds available for each project;
  - A status report on each project, including a timeframe for completion; and
  - Planned remaining spending on the project.

## **RESPONSE**

Please see **Attachment 17**.

18. Please provide a complete accounting of all federal grants received for FY 2018 and FY 2019, to date.

## **RESPONSE**

The OCFO does not have any grants awarded directly to the agency. However, the administrative costs of food stamps distribution through debit cards is covered by the Supplemental Nutrition Assistance Program (SNAP) awarded to the Department of Human Services (DHS). Expenses are recorded for this activity in fund 8200 within the OCFO's Office of Finance and Treasury. An annual MOU is signed between the OCFO and DHS. For these grant funded activities, a total of \$345,932.47 was expensed in FY 2018 and a budgeted amount of \$450,000 is projected for FY 2019.

19. Please identify any legislative requirements that the agency lacks sufficient resources to properly implement. Please identify any statutory or regulatory impediments to your agency's operations.

## **RESPONSE**

The OCFO is able to manage legislative, statutory, and regulatory requirements within agency resources. If the OCFO needs to seek a change to a statute, we will reach out to the staff of the Finance and Revenue Committee.



20. Please list all regulations for which the agency is responsible for oversight or implementation. Please list by chapter and subject heading, including the date of the most recent revision.

### **RESPONSE**

- Title 1, Chapter 4, Freedom of Information, January 7, 2005
- Title 1, Chapter 8, District of Columbia Employees Travel and Related Expenses, November 21, 1986
- Title 1, Chapter 9, Audit Standards for Governmental Organizations, Programs, Activities, and Functions, July 18, 1980
- Title 1, Chapter 11, Guidelines of the Board of Review for Anti-Deficiency Violations, May 11, 2007
- Title 1, Chapter 17, District of Columbia – Payment to Vendors (This also includes the Quick Payment Act regulations), November 18, 1988
- Title 1, Chapter 48, Investment of Public Funds: Repurchase Agreements, September 6, 1985
- Title 1, Chapter 56, Review and Approval of Information Technology Procurements, December 17, 2004
- Title 6, Chapter B26, Defined Contribution Pension Plan, Revised April 21, 2006
- Title 9, Chapter 1, Income and Franchise Taxes, August 10, 2018
- Title 9, Chapter 2, Inheritance and Estate Taxes, April 18, 1997
- Title 9, Chapter 3, Real Property Taxes, March 23, 2018
- Title 9, Chapter 4, Sales and Use Taxes, November 3, 2017
- Title 9, Chapter 5, Tax on Recordation of Deeds, March 30, 2018
- Title 9, Chapter 6, Real Property Transfer Tax, February 9, 2018
- Title 9, Chapter 7, Personal Property Tax, December 21, 2018
- Title 9, Chapter 8, Motor Vehicle Fuel Tax, April 18, 1997
- Title 9, Chapter 9, Taxation of Motor Fuel Consumed by Interstate Buses, April 18, 1997
- Title 9, Chapter 10, Cigarette Taxes, April 18, 1997
- Title 9, Chapter 11, Qualified High Technology Company, January 4, 2019
- Title 9, Chapter 20, Real Property Tax Appeals Commission, July 5, 2013
- Title 9, Chapter 30, Disposition of Unclaimed Property, April 18, 1997
- Title 9, Chapter 31, Foreclosure Sale of Real Property, November 1, 1968
- Title 9, Chapter 35, Gross Receipts Tax, September 25, 1987
- Title 9, Chapter 37, Estate Tax, April 18, 1997
- Title 9, Chapter 38, Central Collection Unit, March 1, 2013
- Title 9, Chapter 40, Tax Amnesty Program, April 18, 1997
- Title 9, Chapter 41, Toll Telecommunication Service Tax, April 7, 1989
- Title 9, Chapter 42, General Administration, March 23, 2012
- Title 9, Chapter 44, Bulk Sales, May 26, 2017
- Title 9, Chapter 99, Definitions, August 3, 1990
- Title 19, Chapter 8, Public Library, September 21, 2007

- Title 30, Chapters 1-10, 12-17, 20-25, 99, Lottery, May 20, 2016
- Title 31, Chapter 11, Public Vehicles for Hire Consumer Service Fund, January 8, 2016

21. Please provide an update on the following initiatives: Homestead Deduction Match, Tax Liability Bank Attachment, Lien enhancement, Data Warehouse Match, FAGE match, CP 2000 match, Revenue Agents Report. For each initiative please provide:

- A description of the initiative;
- Current status of implementation;
- The funding required to implement the initiative; and
- Any documented results of the initiative, including additional revenue realized.

## **RESPONSE**

### **Homestead Deduction Match:**

The objective of the Homestead Deduction Match initiative is to enhance compliance within the real property tax relief programs. OTR has partnered with Tax Management Associates, Inc. (TMA) to jointly carry out audits on the Homestead Deduction Program, Senior Citizen and Disabled Tax Reliefs. TMA will conduct compliance audits using proprietary systems under the direct oversight of OTR. Findings and recommendations by TMA will be forwarded to OTR for verification and potential tax benefit(s) adjustment or removal. We anticipate April 2019 as the start month for the audits.

The Homestead Deduction Match initiative did not require any upfront funding.

In FY2018, the Homestead Deduction Audit Program yielded \$6.9 million.

### **Tax Liability Bank Attachment:**

The Financial Institution Data Match (FIDM), also known as the Streamlined Bank Attachment Project, was first introduced as a Compliance Initiative in FY2012.

FIDM bank accounts identified in FY2019 have led to the issuance of 632 bank levies. Collections associated with the levy process so far in FY2019 are \$1,436,866.23. In FY2018, collections were \$802,750.22.

### **Lien Enhancement (Electronic filing):**

The Recorder of Deeds and Compliance Administration partnered to develop a method to transmit and record tax liens electronically. An additional process was developed to manage the lien submissions and update the necessary records including the automated release of liens when appropriate.

Additionally, the collection process flow was updated to include the automatic issuance of a Notice of Pre-lien and 30 days later, the automatic issuance of the lien on deficient accounts that meet certain criteria.

The new processes were implemented in October 2018.

The total funding for implementation was \$135,000.

It was projected that OTR would generate \$1 million in FY 2019. Collections from October 2018 to February 2019 total \$1,270,103.05.

**Data Warehouse Match Initiative:**

The data warehouse provides the opportunity for enhanced compliance through the use various data sources to identify inconsistencies in information. The following programs will utilize data from the warehouse: Federal IMF/IRTF Non-filer, District Ballpark Fee Evaluation and Personal Property Tax Audit Selection.

Each program will review IRS data that we annually receive to match against DC franchise tax returns to determine who may owe for Ballpark fees, Personal Property taxes, and/or non-filers of those returns.

The non-filer program was implemented in October 2018. The Ballpark Fee Evaluation and PPT audit selection projects started in the second quarter of FY2019.

The total amount of local funds required is \$275,000.

This program has generated \$278,700.64 in the first quarter of FY2019. The other programs have identified over 100 candidates for audits.

**Federal Adjusted Gross Income Match (FAGIM):**

Direct federal to District data matching can be used to identify taxpayers whose reported income on their federal return is greater than the income reported on their DC return. The proposed enhancement is to identify taxpayers who have under reported their income on the return filed with the District. Development will include the creation of a case management system, associated notices and a progressive case flow leading to the assessment of additional taxes.

No additional local funds were required for implementation. Anticipated date of implementation is by mid-April 2019.

**CP 2000 Federal Match:**

An IRS process to identify unreported income on the federal income tax return is shared with the various states to assist with identifying the underreporting of income on the local level.

The District's enhanced process identifies and systemically adjusts filed DC returns. The process also identifies and appropriately assesses non-filers.

No additional local funds were required to develop the processes.

FY 2019 CP2000 collections are \$852,895.40.

**Revenue Agents Report (RAR):**

Upon completion of a federal income tax audit, a detailed report of the revenue agents' findings is shared with the various states to inform those jurisdictions of changes made to the taxpayers' federal return. The District's enhanced process identifies and systemically adjusts the taxpayers' DC return. The process also identifies and assesses non-filers.

The process is presently in development with implementation scheduled for early April 2019.

No additional local funds are required to develop this process.

22. Please explain the impact on your agency and the District of Columbia of any legislation passed at the federal level during the past year, to date, that significantly affect agency operations or revenue collections. Please also comment on effects of the Federal Tax Cuts and Jobs Act and what effect, if any, does the elimination of certain tax expenditures—such as the Long-term care insurance deduction and the district and federal government pension exclusions, as well as the personal exemption have on District taxpayers in each of the tax brackets for TY 2017, TY 2018 and TY 2019?

**RESPONSE**

The Tax Cuts and Jobs Act (TCJA), and legislation passed by the Council in response to the TCJA, have impacted the operations of OTR. Specifically, the elimination of personal exemptions, the increased standard deduction and the limitation of the state and local tax deduction have required many changes to the District Individual Income Tax Return booklet (Form D-40) and to its systems for TY 2018. Further, the enactment of the District shared responsibility payment, in response to the TCJA, has required OTR to implement a new District tax for TY 2019.

With regard to the impact of the TCJA on revenue collections, please see [Summary of the Effects of Major Provisions of the "Tax Cuts and Jobs Act" on District Residences and Businesses](#). OTR will have more up-to-date information once the TY 2018 filing seasons have ended.

23. Please provide a list of all MOUs in place for your agency during FY 2018.

**RESPONSE**

Please see **Attachment 23**.

24. Please list and describe any ongoing investigations, audits, or reports on your agency or any employee of your agency; or any investigations, studies, audits, or reports on your agency or any employee of your agency that were completed during FY 2018 or FY 2019, to date. Please reference where any audits or reports are located on the OCFO website, where applicable.

**RESPONSE**

Please see **Attachment 24**.

25. Please list all task forces and/or commissions that the Chief Financial Officer or senior management are members of, and please list the designee (if applicable).

**RESPONSE**

- Events DC (formerly the Convention Center and Sports Authority)—Jeffrey DeWitt and Wharton Berger
  - Destination DC—Wharton Berger
  - D.C. Retirement Board—Bruno Fernandes
  - Not For Profit Hospital Board—Angell Jacobs
  - Board of Review of Anti-Deficiency Violations—Angell Jacobs (Chair) and Timothy Barry
  - Emergency Preparedness Council—Brenda Proctor, Timothy Barry, James Glymph
  - Single Audit Oversight Committee—Timothy Barry (Chair)
  - Open Government Advisory Group—David Tseng
26. Please provide a list of all studies, research papers, and analyses (“studies”) the agency requested, prepared, or contracted for during FY 2018. Please state the status and purpose of each study. Please also identify/reference the tax preference analysis performed in 2018 and what is under review for 2019, as well as provide a copy of your most recent Office of Tax and Revenue Ratio Report.

**RESPONSE**

See **Attachment 26**.

- ~~27. Please provide a list of all studies, research papers, and analyses (“studies”) the agency requested, prepared, or contracted for during FY 2017. Please state the status and purpose of each study. Please also identify/reference the Tax preference analysis performed in 2017 and what is under review for 2018, as well as provide a copy of your most recent Office of Tax and Revenue Ratio Report.~~

28. How often is your website updated? How often is content on department pages reviewed and updated? Please also comment on any plans or website updates, upgrades or improvements.

**RESPONSE**

The OCFO website is updated on an ongoing basis by the individual offices with specific pages on the website. The Home Page and the other OCFO-wide material are updated by the OCFO Office of Communications as new information becomes available. These pages are also edited to replace outdated material and to reorder presentations when that is required. The most recent updates included adding the FY2018 CAFR and the testimony of the Sports Wagering legislation.

29. Please provide an overview of your customer outreach over the past year, to include senior citizens, businesses, and residents. Please also discuss your working relationship with the Real Property Ombudsman in the Office of Aging.

**RESPONSE**

The Office of the Chief Financial Officer has a robust community outreach effort, The Lottery, which is under the OCFO has an extensive outreach program, which is described in the answers to its specific questions. Below is a summary of those activities for FY2018.

**CHIEF FINANCIAL OFFICER attended and addressed:**

Office of Revenue Analysis (ORA) Business Advisory Group  
ORA Real Estate Advisory Group  
ORA Revenue Estimation Advisory Group  
Bipartisan Policy Center  
Hotel Association of Washington  
Federal City Council Board  
Board of Trade CFO, COO, General Counsel Roundtable  
Downtown DC Business Improvement District State of Downtown Forum  
2 Board of Trade Business Leaders Luncheons  
Several meetings with ANC Commissioners  
Several DISB Public Banking Workshops

**OFFICE OF BUDGET & PLANNING**

The public can access budget info in multiple ways. The budget books are produced twice a year – once when the Mayor submits her budget to Council, and again after Council makes their changes and the budget is sent to Congress. The books are posted to the OCFO website (<https://cfo.dc.gov/node/289642>) the day they are released – both as whole volumes and as individual files by agency to allow quicker retrieval if the user is interested in a particular agency. The books are PDF documents, but we also make budget data directly available through CFOInfo (<http://cfoinfo.dc.gov/>). Here, users can create their own reports after

filtering by agency or funding source, for example, and then download the report to an Excel file. CFOInfo also includes past years' data for actual expenditures for comparison. Finally, we publish a variety of reports during the course of the year (<https://cfo.dc.gov/node/430262>) to provide updates on current-year spending versus the budget.

## **OFFICE OF TAX & REVENUE**

Over the past year, OTR communicated with District residents and businesses through face-to-face workshops/seminars, webinars and social media engagement.

The face-to-face events were held in partnership with local civic organizations and government entities, such as the DC Chamber of Commerce, DC Bar, Washington, DC Economic Partnership, and the Office of Aging. At these events staff from various administrations within OTR educated residents and businesses about tax law changes and requirements, and tax relief programs that are available, such as the Homestead deduction. In October 2018, OTR held a special series of workshops at various senior wellness centers across the city. With these targeted workshops, OTR educated close to 500 senior residents.

OTR also held its annual Tax Practitioner Institute with tax preparers from around the region. The workshop focused on what's new for the upcoming filing season, OTR's tax portal that allows individual and business taxpayers to be more self-sufficient online, and updates on a number of tax law and form changes.

To educate District residents about the Earned Income Tax Credit (EITC), OTR partnered with the Capital Area Asset Builders (CAAB). Due to the partnership, ads are running at 5 Metro stations and on 220 Metro buses with routes inside DC from January 2019 through February 2019.

Additionally, a number of webinars were held to educate businesses on tax policy and processing changes.

### **REAL PROPERTY OMBUDSMAN:**

RPTA has a very cooperative and professional working relationship with the Real Property Tax Ombudsman, that is focused on addressing taxpayer concerns in the most efficient manner.

We work with Ombudsman Sakina Thompson, Senior Legal and Policy Advisor in the Executive Office of the Mayor (EOM) on a regular basis. Most recently, the Assessment Services Division collaborated with Ms. Thompson to resolve a tax sale and homestead credit issue.

## **OFFICE OF REVENUE ANALYSIS**

Each year, the Office of Revenue Analysis, as part of its research for the February Revenue Estimate, meets with a cross section of economic experts and business leaders. The three meetings provide an unfiltered view of the local economy from divergent points-of-view.



The attendees offer statistical, economic and personal views that are important insights into where the local economy is and where it is going. The three meetings are:

- The Business Advisory Group (Business leaders from the major District industries and business associations)
- The Real Estate Advisory Group (Developers, real estate brokers, real estate economists, etc.)
- The Revenue Estimating Advisory Group (ORA counterparts from surrounding jurisdictions and public finance experts from the federal government and think tanks)

### **OFFICE OF COMMUNICATIONS**

- Reaches out on a continuing basis to the news media, including blogs.
- Receives a steady flow of inquiries from ANC Commissioners, community organizations and individuals about financial and economic issues. In most cases these calls and emails are referred to the OCFO office which can answer the question or provide the requested information. The Communications Office follows up with those offices and the inquirer to ensure that response is timely and responsive.

**30.** Please provide a list of our Financial Advisors as of February of 2019.

### **RESPONSE**

#### Financial Advisors 2019

Acacia Financial Group, Inc.  
CSG Advisors, Inc.  
Estrada Hinojosa & Co., Inc.  
Hilltop Securities, Inc.  
PFM Financial Advisors, LLC  
Public Resources Advisory Group

**31.** Please provide an update on the Real Property Tax Administration electronic (online) Income & Expense (I&E) Report system, to include number of users as compared to number of filers, updates to the TY 2018 season, and any updates to changes made to the apartment model to better reflect the impact of subsidized and rent controlled apartments, as well as improvements to the website. Please provide an update on information and data exchange efforts with the Department of Housing and Community Development (DHCD), any and all stakeholder meetings and changes made as a result of those discussions.

### **RESPONSE**

- Electronic I&E filing summary is in the table below:



Form Type	2019	2018
Apartment	785	683
Commercial	1859	1714
Hotel-Motel	90	88
<b>Total</b>	<b>2734</b>	<b>2485</b>

- In calendar year 2018, RPTA requested Income and Expense reports from roughly 7,700 commercial property owners; 2,734 I&E reports were filed online. This represents a 10% increase for online filing over tax year 2018. Approximately 1,600 parcels did not file I&E, therefore these parcels will receive a 10% penalty on the next billing cycle.

A stakeholder meeting was held with AOBA in November 2018, where improvements to the I&E online filing system were demonstrated to secure business community buy-in for the upcoming mandatory online I&E filing season.

A notice of final rule making dated January 25, 2019 established mandatory online I&E filing for commercial properties owners. Beginning tax year 2020 filing season, I&E forms are only acceptable via electronic filing. Data for this filing season will be available for reporting by the end of April 2019.

- RPTA is now using industry standard language, Class A, B, and C for our apartment classification, as opposed to prior years using High Rise (HR) and Low Rise (LR). We are using affordable housing reported income and expenses data for valuation purposes of these properties.
- On newly constructed affordable housing projects, we now utilize the income approach analysis on these types of projects, instead of the cost approach.
- RPTA and DHCD have held several meetings to discuss data sharing efforts that would facilitate the identification of affordable housing apartments.
- RPTA has held two stakeholder’s meetings in the last 12 months with affordable housing developers, legal representatives and others from the business community.

**32.** Please provide an update on implementation of the following initiatives previously referenced for the Real Property Assessment Division designed to improve business/assessment processes:

- Implementation of an employee-led CAMA improvement team, and the status of a CAMA software upgrade to a more user-friendly version
- New technology for field work and RPTAC hearings, including the status of the FY18 program enhancement in order to move forward with this effort
- Replacement of the real property billing system (including status of RFP release/award)

- Status of enterprise resource planning of appeals and litigation process -including any updates on the framework for a robust enterprise solution and acquisition request?

## **RESPONSE**

- Implementation of an employee-led CAMA improvement team, and the status of a CAMA software upgrade to a more user-friendly version.

RPTA developed an employee-led team which provided guidance and support during the CAMA software upgrade. CAMA was upgraded to latest V8, which was implemented in October 2018.

The Assessment Division will continue to work with the CAMA software vendor (VGSI) to implement future software releases to take advantage of bug fixes and future software enhancements. The Assessment Division continues to have interest in procuring database hosting services and CAMA software-compatible mobile computing capabilities.

- New technology for field work and RPTAC hearings, including the status of the FY18 program enhancement in order to move forward with this effort.

RPTA is in the process of inviting vendors to provide demonstrations of their mobile technology product. This technology will be utilized by appraisers doing appraisal field work, as well as during RPTAC hearings. We are in the process of scheduling the first demonstration in March 2019.

- Replacement of the real property billing system (including status of RFP release/award).

The Modernization of the Real Property Tax System (MRPTS) project is in its final stages of the procurement process. The project's Source Selection Evaluation Board (SSEB) has made a recommendation of the preferred vendor to the Office of Contracts, who is now handling the award and negotiation portion of the procurement process.

- Status of enterprise resource planning of appeals and litigation process -including any updates on the framework for a robust enterprise solution and acquisition request.

As part of the MRPTS, specific technical and functional requirements were included to provide taxpayers with the capability to appeal their assessment notice. The system would provide RPTA with the capability to manage appeals through hearings, and to manage dispositions through Level 1, Level 2 (RPTAC), and Level 3 (Superior Court) appeals.

33. Regarding Real Property third level of appeal, please list and provide a description of all initiatives/improvements to work on the backlog of cases with the Office of the Attorney General at DC Superior Court. Are there any legislative changes necessary? - If so, please describe each and provide necessary language to change the D.C. Official Code.

**RESPONSE**

The Real Property Tax Administration and Office of the Attorney General (OAG) have worked very closely to address this issue. Working with the Office of the Attorney General (OAG) we have made tremendous strides in reducing the backlog of cases before DC Superior Court. For FY 2018, we disposed 1,079 cases from the court docket. However, there are only 42 cases, three years or older, pending before the Court as of December 2018. Additionally, working with OAG, we have restructured our protocols with a goal of removing cases from the court docket within 45 days of resolution. These changes should ensure that there are no more backlogs going forward.

34. Please provide a status update of any internal reviews of private alleys going to tax sale. You had previously mentioned looking at use codes (93 – false vacant, and 94 – vacant within zoning limits) and pulling those square/lots from the tax sale, as well as partnering with DDOT on ways to identify these parcels. What else can we do?

**RESPONSE**

In an effort to identify and remove all private alleys, prior to the 2018 annual tax sale OTR conducted a multi-administration review of the inventory of use codes 93 and 94. There were a total of 427 properties with the total delinquency amount of \$6.8 million. The inventory list was also shared with DDOT for their vetting process. The results yielded a high level of confidence that private alleys were omitted from the final tax sale list.

This review process will be used for all future tax sales.

***Use code descriptions:***

93 (class 1), 193 (class 2): Lot on which DC Zoning regulations prohibit an owner to build as matter of right. Unbuildable Lot.

94 (class 1), 194 (class 2): Lot assigned no real estate improvement value but having part of structure whose value is assigned to another lot. False Vacant Lot – encumbered by an improvement assessed to another lot.

35. In the past, we have discussed the timeframe for responding and rendering a decision on applications received for an administrative real property tax exemption. We continue to see decisions made over one year or close to two years after application was received. What updates are provided to the application during that review time, and why are decisions taking such a long amount of time? Are there any resources or legislation needed that may help this process result in decisions made within 60 days, or 90 days of receipt of a complete application received? Or, comment on why that is not feasible.

## **RESPONSE**

Categorical exemptions typically require both qualifying ownership and qualifying use to be exempt. Generally, OTR must therefore determine the nature of the non-profit ownership and the use for the stated exempt purpose.

OTR is committed to processing exemption applications expeditiously. In cases where an application is complete, it can be processed relatively quickly. For example, complete applications have been processed and approved within 60 days of receipt. Such applications typically involve properties that are currently operating, have the necessary certificates of occupancy, include all of the required documentation with the application and are able to arrange a prompt inspection.

However, many applications that OTR receives are incomplete in one or more material respects, and this results in processing delays. Although the application form lists the documents required to be included in the application, applicants often omit one or more items. In some cases, the documents, such as a certificate of occupancy, are not available when the application is filed, and it is OTR's practice to allow an applicant every reasonable opportunity to supply the missing documentation, which oftentimes cannot be obtained until requisite rehabilitation work has been completed. Also, the law incentivizes early filing because a filed application is needed to secure a recordation tax exemption for the deed and because the property cannot be exempt for periods before the application is filed. Accordingly, virtually all applicants file applications at the time the property is first acquired, and in many instances before it can be used for its intended purpose (rehabilitation or new construction is required) or before obtaining all required documents.

OTR works tirelessly with applicants who have incomplete applications. Otherwise, if decisions were made solely on incomplete, filed applications and current non-use of the real property, exemptions would be more frequently denied causing real property taxes to accrue and recordation taxes to be owed. The oftentimes unreadiness of the property for exempt use when the application is filed may be exacerbated by the non-profit owner's funding challenges to hire architects, engineers, and construction contractors, obtain the necessary permits from DCRA, do the actual work on the building and secure a certificate of occupancy before a property is ready for use. OTR gives applicants a reasonable opportunity to undertake and complete this work before making a final decision on an application. Moreover, since the property must be inspected before it can be exempted, an inspection to determine its actual use is not practical until the property is in operation. This is especially the case where the property is put to differing uses or has more than one tenant organization. The process of developing and putting a property to actual use can take years, and is a frequent reason that decisions on applications are deferred.

As for additional resources, OTR seeks to take maximum advantage of existing resources to process applications in a timely manner and to apply these resources in the most efficient and productive manner. For instance, OTR has rolled out an online filing option for the exempt property use reports due in 2019, and early indications are that the program is off to a good start. Additionally, repeal of the requirement for furnishing copies of these reports to Congress has also freed up staff resources for other exemption work. We are hopeful that

increased efficiencies in program operations will permit additional focus on application processing.

We believe that a 60 to 90-day timeframe for processing a completed application is reasonable and is generally consistent with actual processing times. OTR strives to issue a decision expeditiously upon completion of the application. However, it is possible that a case may present special circumstances that warrant extended review, to otherwise avoid potentially harsh, immediate decisions.

**36.** In reviewing the Real Property Tax Appeals Commission (RPTAC) performance oversight responses from FY 2017 & FY 2018 (Question 10) please comment on the three issues RPTAC summarized as main arguments brought before them with regards to commercial real property tax appeals, and any changes or adjustments you have made in these or other areas with regards to assessments:

- Operating expenses
- Market rent
- Vacancy

### **RESPONSE**

We calculate operating expenses based on the actual performance of commercial properties using the income and expense reports provided by the property owners or representatives. In an effort to validate our calculated operating expenses, RPTA analyzes data published by industry experts.

Historically, RPTA relied on analysis of face rent to establish market rents for office properties. Since tax year 2019, we have developed a more detailed analytics process that uses effective rent as opposed to face rent. The market rent that we are utilizing incorporates the following: analysis of not only the face rent in year one, but the annual rent increases; any concessions paid by the property owner; and lease-up costs paid by the property owner. This provides a more accurate representation of the rent the property owner is actually receiving and considers the additional factors of lease-up costs, concessions, etc. in a more specific and detailed manner. By doing so, we have developed a market rent that is a more complete representation of what the property owners can expect to achieve, in terms of rent, for a specific property.

Vacancy rates are calculated by using income and expense reported data, as we do for calculating operating expenses. However, adjustments are made for excessive vacancy rates on a case-by-case basis, when clear evidence is present.

37. For FY 2019 real property tax assessments, please provide a neighborhood assessment breakdown for all four property classes. Which classes saw a decline, and what is the comparison to assessments from last year for each class?

**RESPONSE**

The preliminary results for TY2020 assessments are in the table below. Final neighborhood statistics will be available after February 19<sup>th</sup>.

	Count	2019 Total	2020 Total	Avg % Change	Wtd % Change	Median Change
Residential	105,323	78,807,385,430	82,134,640,860	5.16%	4.22%	4.72%
Condominium	53,637	25,006,276,852	25,661,654,111	3.16%	2.62%	2.41%
Investment Condo	6,326	3,554,662,630	3,667,597,950	6.28%	3.18%	6.63%
Retail	4,508	9,392,476,462	9,989,917,142	9.20%	6.36%	9.19%
Apartments	2,918	23,179,145,754	23,874,809,840	7.18%	3.00%	8.19%
Offices (All)	1,597	70,657,616,675	71,533,261,990	3.35%	1.24%	1.40%
UC 052 Only	699	66,351,555,005	67,122,114,855	1.92%	1.16%	0.00%
Cooperatives	316	2,551,614,960	2,636,150,400	2.75%	3.31%	0.00%
Hospitality	271	9,385,080,145	9,642,924,480	5.19%	2.75%	3.34%

\*Includes Taxable SSL Only

\*Does Not Include Vacant Land, Special Purpose or Industrial Use Codes

38. What amount was collected for Combined Reporting FY 2018(TY 2017) returns, and how does it compare to the FY 2017(TY 2016) returns?

**RESPONSE**

**2016 Corporate and Unincorporated Franchise Tax Data (dollars)**

	Number of Returns	% of Returns	Tax Liability	% of Liability
Combined	2,661	5%	148,690,465	32%
Other	49,728	95%	319,464,088	68%
All	52,389		468,154,553	

Source: ORA 2016 Tax Filer Database

39. Regarding Exempt Property Use filings, for the April 1, 2017 and April 1, 2018 deadline, how many properties were required to file under D.C. Official Code § 47-4702? How many were required to file under D.C. Official Code § 47-1007? How many properties eligible for an exemption did not file by the deadline? How many properties requested an extension? Are

there any properties still outstanding (i.e. that did not file by the deadline or request an exemption) If so, please provide name, address, square and lots and ward? How many properties had their status revoked (include name, address, square and lot numbers and ward)? Also, please provide an update on offering an e-filing solution to this filing?

**RESPONSE**

	Regarding FP-161 filing for Calendar Year 2016 that was due April 1, 2017	Regarding FP-161 filing for Calendar Year 2017 that was due April 1, 2018
How many properties were required to file under D.C. Official Code § 47-4702?	<b>188</b>	<b>188</b>
How many properties were required to file under D.C. Official Code § 47-1007?	<b>2,598</b>	<b>2,789</b>
How many properties eligible for an exemption did not file by the deadline?	<b>367</b>	<b>569</b>
How many properties requested an extension?	<b>23</b>	<b>3</b>
Are there any properties still outstanding? (i.e. that did not file by the deadline or request an exemption) If so, please provide name, address, square and lots, and ward for each property that is still outstanding.	<b>Pending</b>	<b>Pending</b>
How many properties had their status revoked? Provide name, address, square and lot numbers, and ward for each property that had exempt status revoked.	<b>0</b>	<b>0</b>



40. Please provide a breakdown of sales tax collections by type for FY 2018 or TY 2018 where applicable (and indicate which) with a comparison of collections for FY 2017 or TY 2017. Please include a breakout for all items collected under “retail”.

**RESPONSE**

	<b>FY 2017</b>	<b>FY 2018</b>	<b>Difference</b>	<b>% Difference</b>
Retail	544.4	619.5	75.1	13.8%
Medical Marijuana **	0.8	0.9	0.1	8.1%
Restaurants	422.6	413.4	(9.2)	-2.2%
Liquor	64.8	69.2	4.4	6.8%
Hotels	312.4	311.9	(0.5)	-0.2%
Parking	74.2	78.5	4.3	5.8%
<b>Total</b>	<b>1,419.2</b>	<b>1,493.4</b>	<b>74.2</b>	<b>5.2%</b>

\*\* Tax on Medical Marijuana reported with other taxes rather than sales taxes in CAFRs.

41. With respect to Schedule H, how many stand-alone Schedule H returns were submitted in TY 2016? How many Schedule H returns were denied in TY 2016? Please provide the number of returns with a Schedule H, and amount claimed in TY 2016, District-wide, for filers claiming the property tax credit for renting and owning property. How many of the Schedule H returns for TY 2016 have a federal adjusted gross income of the tax filing unit (line 1 of the Schedule H form) that is different from the federal adjusted gross income on the taxpayer’s federal tax return? Please also provide the average amount of difference for Schedule H returns that have a difference between the two amounts.

**RESPONSE**

\*Data as of 2/6/2019

**Schedule H**

	<b>Year</b>	<b>Count</b>	<b>Total Property Tax Credit Claimed</b>
<b>Standalone Schedule H</b>	2016	840	
<b>Denied Standalone Schedule H</b>	2016	9	
<b>D-40 Returns With a Sch H</b>	2016	31,663	\$25,157,437.09



Part A (Rent)	2016	25,748	\$20,717,299.00
Part B (Own)	2016	5,915	\$ 4,440,138.09
<b>Sch H where Federal AGI (D-40 line 3) not equal to Sch H Tax Filing Unit</b>			
	Count	Average Difference*	
Part A (line 1)	786	\$ 4,466.61	
Part B (line 8)	518	\$13,129.41	

\*For both Part A and Part B, the average difference represents that the Federal Adjusted Gross Income of the Tax Filing Unit is greater than Federal Adjusted Gross Income on D-40, Line 3.

**42.** Please provide the number of returns with a Schedule H in TY 2016 and TY 2017, by zip code and the AGI brackets provided below. Please show the filing status, AGI, tax, amount of property tax credit, and refund or amount due.

- \$10,000 and lower;
- \$10,001 -- \$20,000;
- \$20,001 -- \$50,000;
- \$50,001 -- \$75,000;
- \$75,001 -- \$100,00; and
- \$100,000 and higher

Additionally, please provide the number of returns with a Schedule H, and amount claimed, in TY 2015 and TY 2016, District-wide, by the following age-breakdowns:

- 21 and younger;
- 22-39;
- 40-49;
- 50-69; and
- 70 and older.

**RESPONSE**

Please see **Attachment 42**.

**43.** Please provide the Committee with an updated Debt Statement chart. This should contain our GO obligations, income tax bonds, COPs, TIF and PILOT debt, other tax-supported debt, as well as other debt.

Please see **Attachment 43**.

44. Please provide a status update on the use of commercial paper issuances in FY 2018 or FY2019 to date.

**RESPONSE**

In Fiscal Year 2018, OFT established a Bond Anticipation Note (BAN) program to provide interim financing for capital project expenditures. District statute stipulates that BANs be paid or refinanced with long-term debt within three years of issuance.

The Fiscal 2018 BAN program authorizes borrowing up to \$500 million in the form of a revolving credit facility and commercial paper notes (CP). During Fiscal Year 2018, the District drew down \$200 million from the revolving credit facility and sold \$75 million in CP. Thus far in Fiscal Year 2019, the District has sold an additional \$220 million in CP. The total amount of BANs outstanding as of February 1, 2019 was \$495 million.

With the sale of the 2019A General Obligation bonds, closing February 21, 2019, the District will refinance \$290 million of outstanding BANs with long-term debt and the available capacity of the Fiscal 2018 BAN program will be \$295 million.

The Fiscal 2019 Bond Act authorizes borrowing up to \$600 million in BANs. OFT plans to establish another CP facility, increasing the District's cash flow borrowing capacity.

45. The District has steadily increased the amount of debt used to fund school modernization. What is the impact of this debt on the District's finances? Are there any adjustments or modifications to the manner in which this money is borrowed that should be considered (and have not been to date)?

**RESPONSE**

The previously issued General Obligation (GO) bonds that were issued specifically for school modernization have been refinanced with more recent GO bonds, and are now simply part of the larger overall CIP of the District, which is managed to remain within all statutory debt limits. The District's overall CIP has steadily increased over the last several years, as well as the accompanying debt service on the resulting borrowings, however debt service is still at manageable levels. OCFO/OFT constantly monitor the credit markets for the most cost-effective credit instruments to borrow funds at the lowest possible cost, thereby increasing proceeds able to be used for the capital improvement program. OCFO/OFT also actively monitors the existing debt portfolio to look for all possible opportunities to refinance existing debt to lower overall debt service for the District, which also should free up additional borrowing capacity for the capital program.

46. Please list all settlements entered into by the agency or by the District on behalf of the agency in FY18 or FY19, to date, and provide the parties' names, the amount of the settlement, and if related to litigation, the case name and a brief description of the case. If unrelated to litigation, please describe the underlying issue or reason for the settlement (e.g. administrative complaint, etc).

## **RESPONSE**

Please see **Attachment 46** for a list of tax related settlements. Specifics regarding tax related settlements are confidential. OCFO staff are available to brief the committee on personnel matters, upon request.

47. Please describe the agency's procedures for investigating allegations of sexual harassment or misconduct committed by or against its employees. List and describe any allegations received by the agency in FY18 and FY19, to date, whether or not those allegations were resolved.

## **RESPONSE**

Allegations of sexual harassment or misconduct are quickly and thoroughly investigated. If the investigation finds credible evidence that substantiates the allegation, appropriate disciplinary action is taken against the offender.

48. Please list the administrative complaints or grievances that the agency received in FY18 and FY19, to date, broken down by source. Please describe the process utilized to respond to any complaints and grievances received and any changes to agency policies or procedures that have resulted from complaints or grievances received. For any complaints or grievances that were resolved in FY18 or FY19, to date, describe the resolution.

## **RESPONSE**

The OCFO resolves grievances as outlined in the Collective Bargaining Agreement between the District of Columbia Government and the labor organizations representing Compensation Units 1 and 2. There have been no OCFO policy changes and/or updates resulting from any filed grievances. In FY 2018 and FY 2019, to date, we had one grievance filed related to the severity of an administered disciplinary action. The grievance is pending an official hearing.