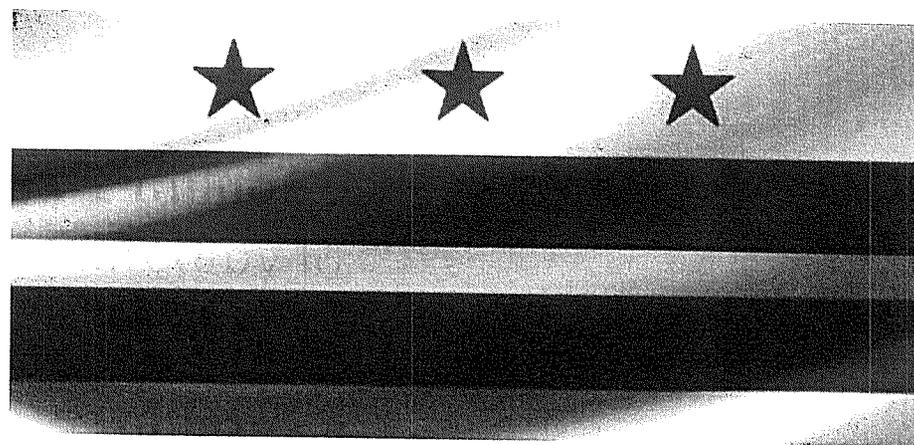


DISTRICT OF COLUMBIA BUDGET BRIEFING & INPUT SESSION

Government of the District of Columbia
Vincent C. Gray, Mayor

WHAT WE WILL COVER

- FY 2011 – CLOSING THE YEAR STRONG
- FY 2012 – THE CURRENT SITUATION
- FY 2013 – NEW CHALLENGES



FY 2011 – CLOSING THE YEAR STRONG

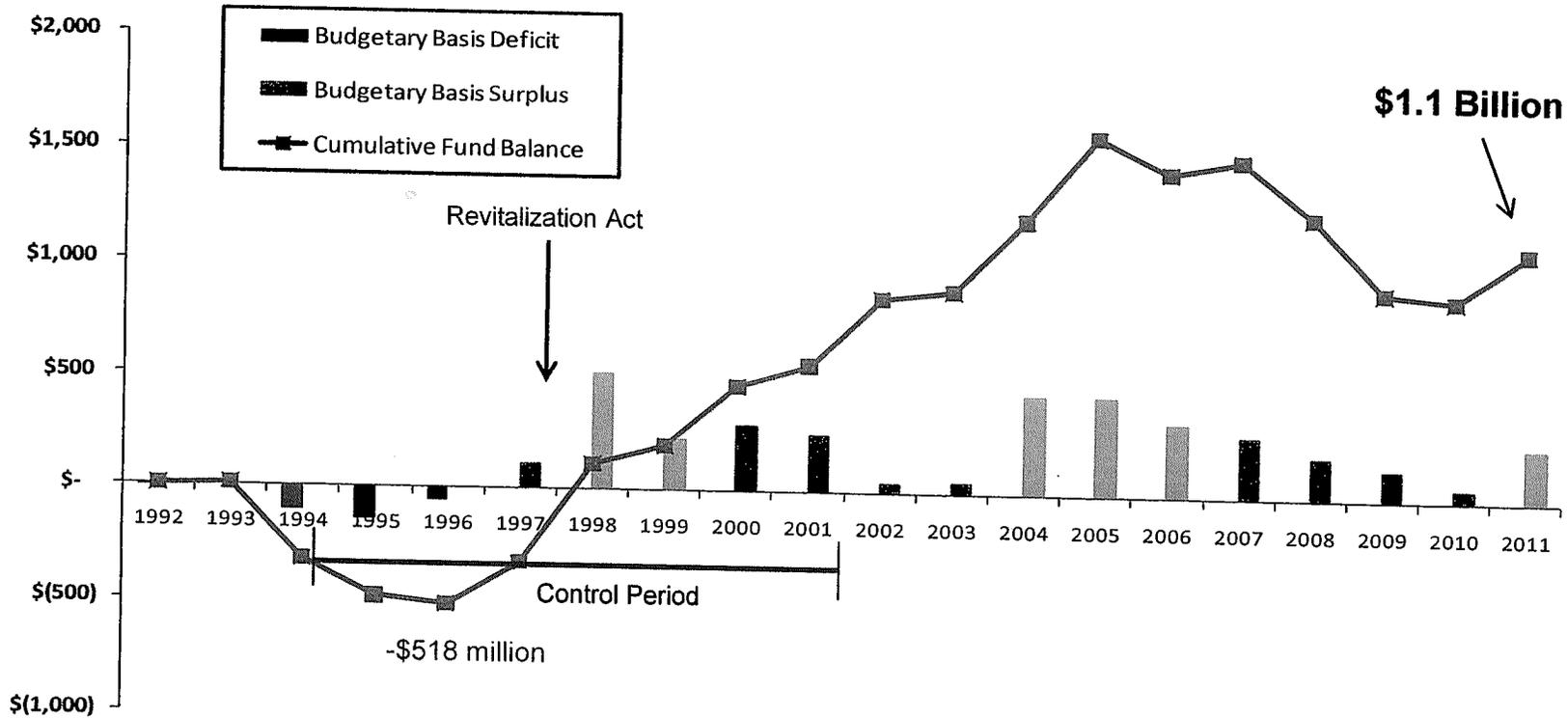
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FY 2011 SUCCESSES

CAFR shows a \$400 million increase over projected ending balance:

- Unanticipated increases in some revenue - \$186.7 million
 - Estate Taxes - \$34.0 million increase
 - Capital Gains Taxes - \$40.0 million increase
 - Income Withholding Taxes - \$57.1 million increase
- Agency Spending Controls - \$72.1 million in Local Funds
- Special Purpose Revenue Funds - \$141.8 million
(Dedicated fees and taxes including the Anacostia River Clean-up Fund, the Sustainable Energy Trust Fund, Housing Production Trust Fund)

DC SURPLUS AND BOND RATING HISTORY



General Obligation Bond Ratings

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

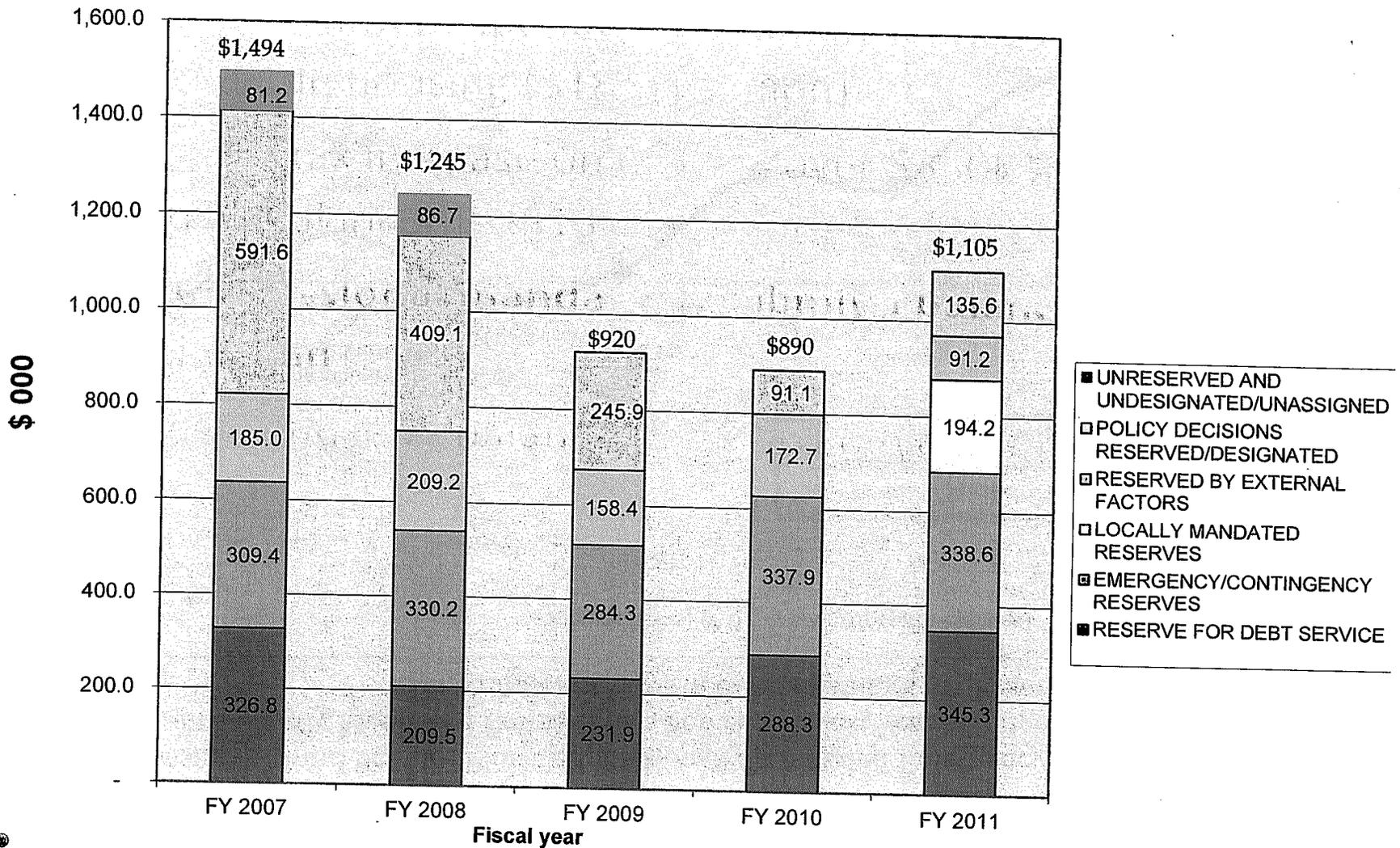
Income Tax Secured Revenue Bonds: S&P: AAA Moody's: Aa1 Fitch: AA+

FY 2011 SUCCESSES

\$239.7 million surplus:

- Surplus cannot be spent in future Fiscal Years
 - By law, surplus funds must be placed in
 - **\$194.2 million** - Dedicated Reserve Accounts – Mandated by local law
(Cash Flow Reserve and Fiscal Stabilization Reserve)
 - **\$45.5 million** - Special Purpose Accounts – Anacostia River Clean-up Fund, the Sustainable Energy Trust Fund, Housing Production Trust Fund
 - Funds are only one-time money and can't be used for recurring tax cuts or new spending

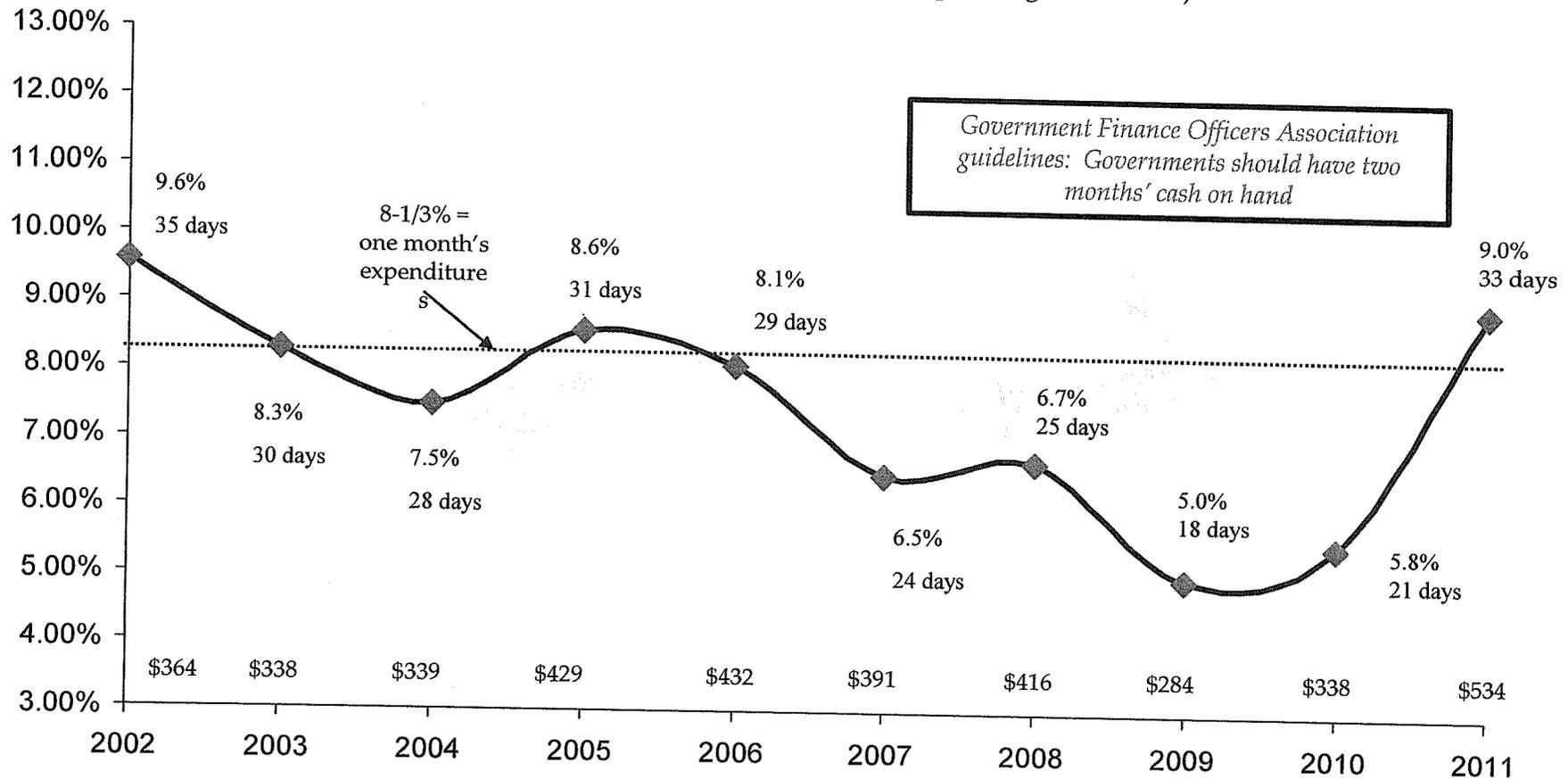
COMPOSITION OF GENERAL FUND BALANCE FY 2007 – FY 2011



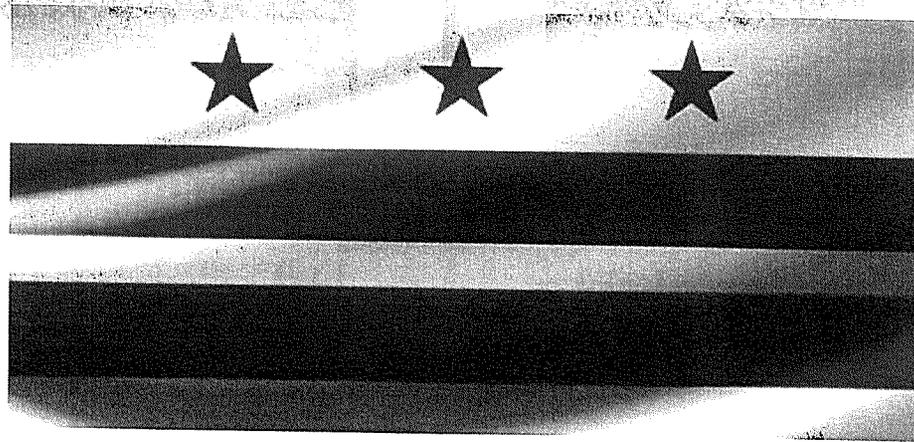
TOTAL WORKING CAPITAL

Unassigned Fund Balance Plus Congressionally Mandated Emergency/Contingency Reserves
and Locally Mandated Reserves as a Percent of Next Year's Budgetary Expenditures
And Number of Days of Funds Available in Reserve

(\$ in millions) (# days spending in reserves)



Government Finance Officers Association
guidelines: Governments should have two
months' cash on hand



FY 2012 – THE CURRENT SITUATION

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BUILDING A BETTER BUDGET FOR FY 2012

- **Commitment to a structurally balanced budget**
 - Spend only the revenue that comes in
 - Do not raid Fund Balance to balance the budget
 - Control overspending in agencies with strong management
- **Closed \$322.1 million funding gap**
 - Cut government spending in human services and affordable housing (\$187.0 million)
 - Modest tax increase on income over \$350K and identified additional income (\$135.1 million)
- **Met Congressional mandate to submit a balanced 5-year financial plan**
 - Budget must be balanced for current year and 4 years into the future

SPENDING PRESSURES FOR FY 2012

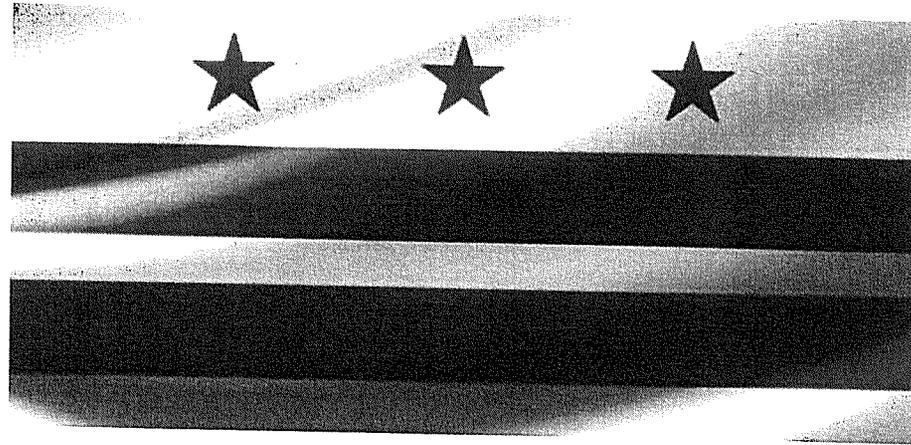
Budget Pressure and Policy Initiatives History
Local Funds, Including Dedicated Taxes
Fiscal Years 2001 - 2012
(\$ in millions)
As of January 23, 2012

Description	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012 (As of 01/23/2012)	Average, FY 2001 - FY 2011
Spending Pressures & Policy Initiatives (1)	\$ 383.0	\$ 306.0	\$ 175.0	\$ 206.1	\$ 167.6	\$ 177.5	\$ 184.5	\$ 217.6	\$ 222.0	\$ 209.7	\$ 147.4	\$ 44.7	\$ 203.4
Revenue Shortfalls	-	96.0	376.0	-	-	-	-	-	136.0	80.2	118.5	-	67.2
Total, Pressures	\$ 383.0	\$ 402.0	\$ 551.0	\$ 206.1	\$ 167.6	\$ 177.5	\$ 184.5	\$ 217.6	\$358.0	\$289.9	\$265.9	\$ 44.7	\$ 291.2
Approved Budget, Local Including Dedicated Taxes (2)	3,503.0	3,705.0	3,715.0	3,833.0	4,165.5	4,949.5	5,186.2	5,767.8	5,619.9	5,346.5	5,624.5	6,015.3	4,674.2
Spending Pressures & Policy Initiatives as % of total budget pressures	10.9%	8.3%	4.7%	5.4%	4.0%	3.6%	3.6%	3.8%	4.0%	3.9%	2.6%	0.7%	4.4%
Revenue Shortfalls as % of total budget pressures	0.0%	2.6%	10.1%	0.0%	0.0%	0.0%	0.0%	0.0%	2.4%	1.5%	2.1%	0.0%	1.4%
Pressures and Initiatives as % of Appropriations	10.9%	10.9%	14.8%	5.4%	4.0%	3.6%	3.6%	3.8%	6.4%	5.4%	4.7%	0.7%	6.2%

Notes:

(1). FY 2001 spending pressures include \$100 million in overspending by the DC Public Schools.

(2). Congressionally Approved Budgets, Local plus Dedicated Taxes appropriated funds, GAAP General Fund 100. Includes transfers out.



FY 2013 – NEW CHALLENGES



FY 2013 CHALLENGES

OCFO CURRENTLY PROJECTS:

- Current Services Funding Level for FY 2013 is \$207.9 million over FY 2012 budget
 - \$50.5 million – Medicaid
 - \$34.6 million – Debt Service
 - \$33.5 million – Fixed Cost
 - \$12.0 million – MPD (COPS grant and longevity pay)
- FY 2013 revenue estimate shows revenue growing by just \$57.3 million over FY 2012, about 1% increase
- September and December 2011 estimate was lower than previous quarterly estimates due to:
 - Growing concern for the impact of likely federal budget cuts due to Sequestration
 - Economic uncertainty caused by uneven US recovery and European insecurity
- Projected FY 2013 funding gap is \$150.6 million

MAYOR GRAY'S BUDGET PHILOSOPHY

- **The District must produce and maintain a structurally balanced budget**
- **District Will Maintain and Rebuild Its Fund Balance**
 - Will not use the District's fund balance to provide recurring programs and services
- **Fiscally Responsible on Spending**
 - Right-Size the Government and Seek Efficiencies
 - Make cuts where possible to right-size the government
 - Make every attempt to manage growth of budget by finding efficiencies within agencies before resorting to new taxes and/or fees