

Public Hearing on the  
**Fiscal Year 2023  
Annual Comprehensive  
Financial Report**

Testimony of  
**Kevin Donahue**  
CITY ADMINISTRATOR

Committee of the Whole  
Phil Mendelson, Chairman

**February 1, 2024**



- 27<sup>th</sup> consecutive **clean audit**
- 9<sup>th</sup> consecutive year with **no material weaknesses**
- 51 days **cash on hand**
- Robust **pension and retiree health care** funds
- **Bond ratings** remain strong

# Our Recovery Investments are Having an Impact


## In 2023, the District:

- ✓ **Increased population** for second year in a row
- ✓ Added **12,260 jobs**
- ✓ Had **hotel occupancy** and room revenue return to pre-pandemic levels
- ✓ Welcomed **2.8 million** visitors
- ✓ Opened:
  - nearly 165,000 sq feet of **retail** space
  - more than 800,000 sq feet of **office** space
  - more than 2,200 **residential** units
  - nearly 650 new **hotel** rooms
  - new 400,000 sq foot branch of the **Johns Hopkins University**
  - new 31,800 sq foot **Rubell Museum**
- ✓ Has more than 1,400 units delivering from **office to residential conversions** by 2025






## AS OF SEPTEMBER 30, 2023

**\$965.7 million** ▶   
The **Cash Flow Reserve** ended the year at 93% of standard levels due to the DC public schools and public charter schools advances.

**\$368.7 million** ▶   
The District's **Contingency Reserve** was repaid in full by the end of the Fiscal Year.

**\$33.5 million** ▶   
The **Fiscal Stabilization Reserve** was used to balance the FY 2024 Budget and 4-Year Financial Plan.

**\$184.4 million** ▶   
The **Emergency Reserve** was maintained at 100% of required levels to be ready for use in extraordinary circumstances.

## OUR RESERVES

### CASH FLOW

**8.3% of budget.** Provides daily operating cash to pay employees, meet contract payments, and cover daily supplies, alleviating the need to borrow funds to manage daily operations.

### CONTINGENCY

**4.0% of budget.** Available for unanticipated, non-recurring needs that arise. Funds must be replenished within 1-2 years.


### FISCAL STABILIZATION


**2.3% of budget.** May be used to cover District Government revenue shortfalls.

### EMERGENCY


**2.0% of budget.** Available for extraordinary, unanticipated, non-recurring needs, such as a natural disaster. Typically used only after Contingency Reserve has been exhausted.

## AS OF JANUARY 26, 2024

◀ **\$975.6 million**   
The **Cash Flow Reserve** provides operating cash to pay employees, meet contract payments, and cover daily supplies, alleviating the need for short-term borrowing to manage daily operations.

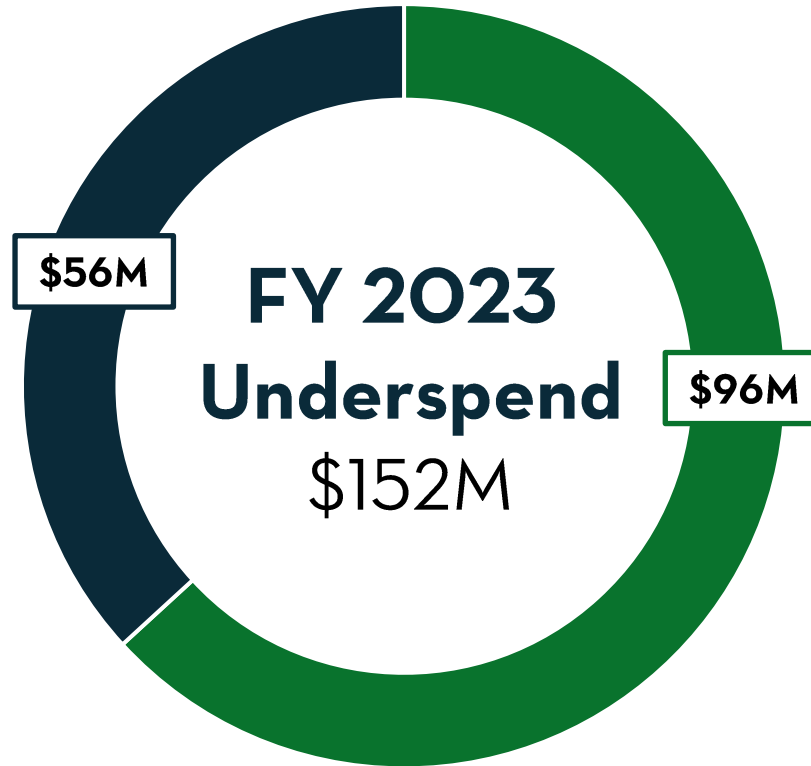
◀ **\$374.3 million**   
The District continues to use its **Contingency Reserve** to support migrant services, as well as public education and youth safety needs.

◀ **\$56.1 million**   
About 78% of the **Fiscal Stabilization Reserve** was used to balance the FY 2024 Budget and 4-year financial plan.

◀ **\$186.9 million**   
We continue to preserve the **Emergency Reserve** for any truly calamitous event that might occur, given the strains that the past year has put on the District's resources.

## Special Purpose Revenue Funds

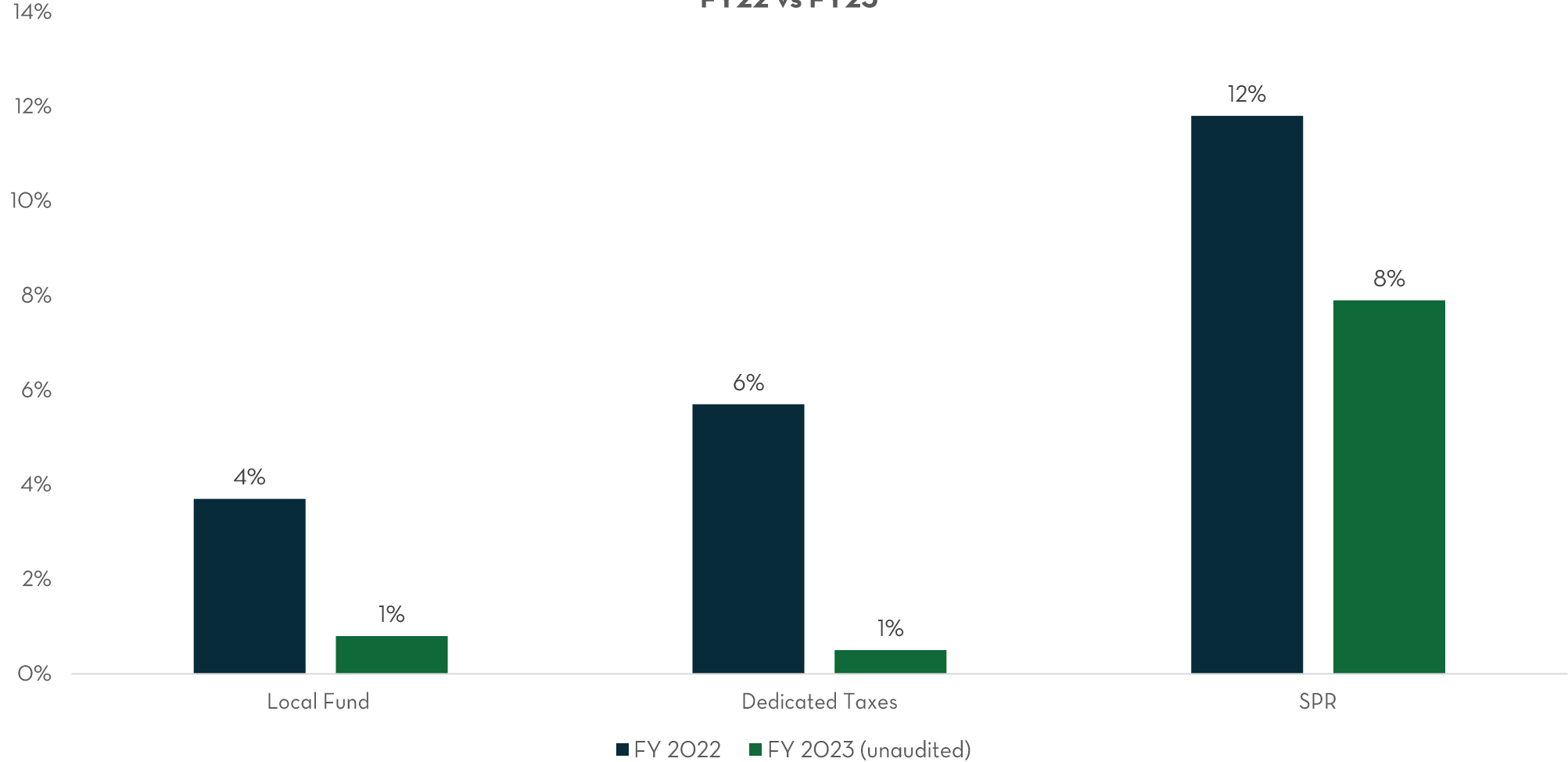
- Operations and Infrastructure (\$25M)
- Human Support Services (\$15M)
- Governmental Direction and Support (\$6M)
- Public Safety and Justice (\$4M)
- Public Education System (\$3M)
- Financing and Other (\$3M)
- Economic Development and Regulation (\$0.8M)



## Local Funds & Dedicated Taxes

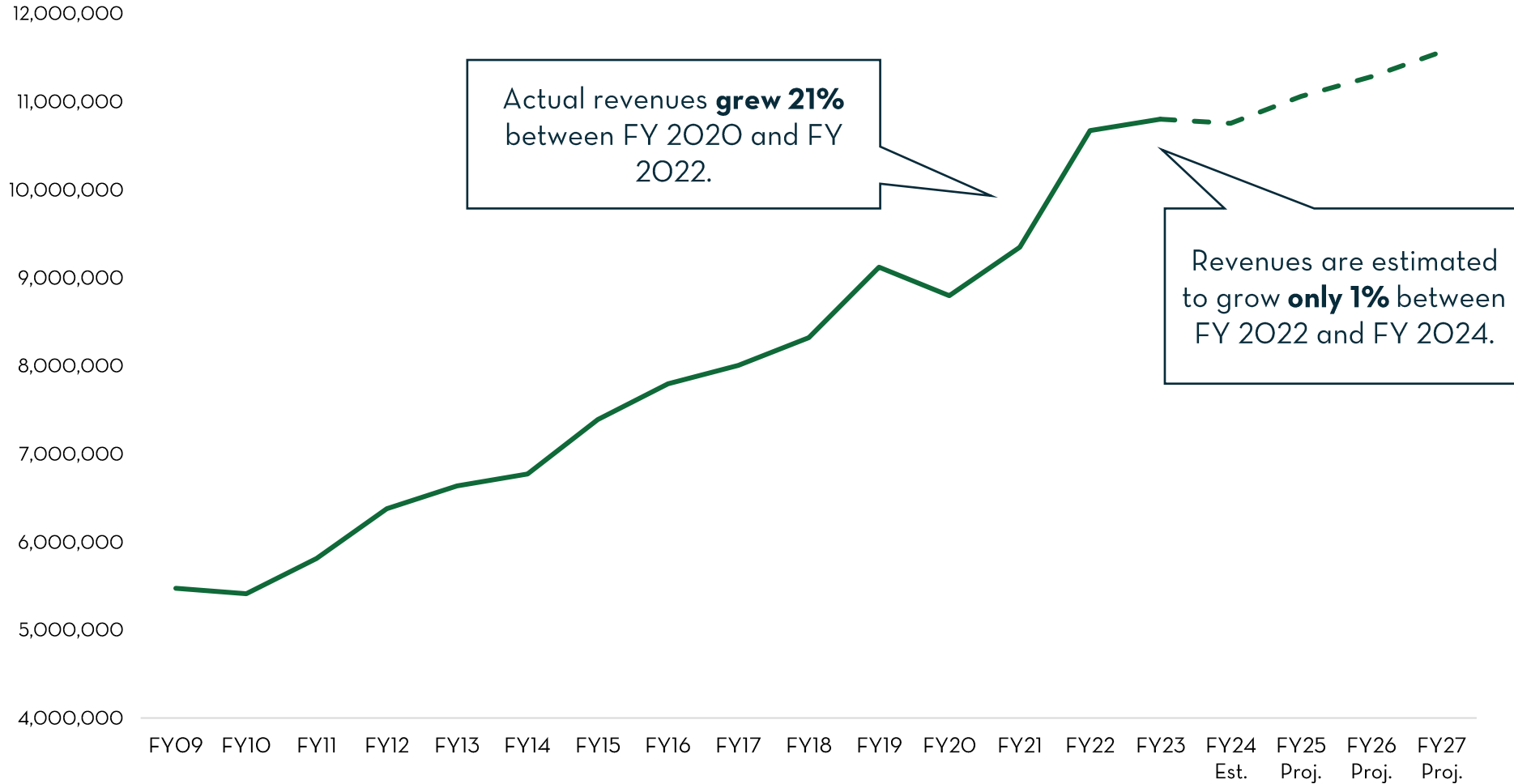
- Governmental Direction and Support (\$29M)
- Public Safety and Justice (\$19M)
- Human Support Services (\$18M)
- Public Education System (\$14M)
- Operations and Infrastructure (\$7M)
- Financing and Other (\$5M)
- Economic Development and Regulation (\$4M)

### % Underspend by Fund Type FY22 vs FY23



# Projected Future Revenues Will Slow Dramatically

### FY 2009-FY 2027 Actual and Projected Local & Dedicated Revenue (\$000)



## Since March 2020:

DC has received **\$8.5 billion** in federal grants through eight COVID-19 federal spending bills supporting: education, childcare, food assistance, tourism recovery, and rental assistance.

DC residents, non-profits, and businesses received nearly **\$8.3 billion** in direct payments through enhanced SNAP benefits, business loans, unemployment assistance, and economic impact payments.

**Nearly all those funds expire in September and we won't have increased revenues to make up for it.**

### State and Local Fiscal Relief (ARPA) spotlight

**Total allocated: \$2.3B**

FY 21 Actuals: \$295M  
FY 22 Actuals: \$803M  
FY 23 Actuals: \$668M  
FY 23 carryover: \$182M  
FY 24 Approved: \$364M

### FEMA Public Assistance spotlight

**\$1.1 billion** in expenses submitted with **\$992 million** returned to date.

DC ranks **15th** in highest overall total reimbursements, despite being ranked **49th** in population.

### ESSER I, II & III Spotlight

**Total Allocated: \$600M**

FY 20 Actuals: \$5.3M  
FY 21 Actuals: \$81.0M  
FY 22 Actuals: \$157.3M  
FY 23 Actuals: \$156.5M  
FY 24 Approved: \$199.9M



## DC'S ECONOMY IS IMPROVING, YET GROWTH SIGNIFICANTLY SLOWS

### No new revenue in the December 2023 forecast...

- Continued uncertainty of a federal government shutdown
- Federal employment continues decline
- Uncertain commercial property tax assessments and collections

### ...has significant impact on the budget formulation when:

- Construction costs and energy costs remain high
- WMATA fiscal cliff requires significant cost increases
- Nearly all collective bargaining agreements are up for negotiation
- Pension/retirement contributions remain significant
- Billions of \$\$\$ in federal aid runs out

## CHALLENGES LAY AHEAD



Continued telework



WMATA fiscal cliff



Commercial Real Estate Market



In FY 2025 Budget formulation, we must reset our spending growth.

**COVID-19 stimulus period spending levels are simply financially unsustainable.**



GOVERNMENT OF THE DISTRICT OF COLUMBIA  
**MURIEL BOWSER, MAYOR**

**[budget.dc.gov](https://budget.dc.gov)**