Public Hearing on the

Fiscal Year 2021 Annual Comprehensive Financial Report (ACFR)

Testimony of

Kevin Donahue
City Administrator

Committee of the Whole
Phil Mendelson, Chairman

February 3, 2022
The Financial State of the District is Strong

- 25th consecutive **clean audit**
- 7th consecutive year with **no material weaknesses or significant deficiencies**
- 60 days **cash on hand**
- Fully funded **pension and retiree health care**
- **Bond ratings** remain strong
Our Five Guiding Principles During the Pandemic

Maintain core government functions by focusing on the health, well-being, and safety of DC residents and businesses.

Maximize resources needed for the immediate public health response to COVID-19.

Maximize resources needed for our community members hardest hit by the COVID-19 public health emergency.

Maintain stability for our the District Government workforce.

Don’t lose ground on key District priorities.
Putting Our Guiding Principles into Our Covid Response

- Meal distribution: 2.1 million school meals distributed across 48 sites citywide, plus 3 million meals for our seniors
- Free, robust testing: Provided 800,000 PCR and rapid tests and vaccinated 627,000 DC residents with at least one dose of the COVID-19 vaccine
- Rental assistance: $352 million in rental and utility assistance to District residents impacted by the pandemic, including more than 50,000 families
- Contact tracing: Over 500 contact tracers hired and over 1.5 million opt-ins to DC CAN, the District’s mobile COVID notification system
- Remote Learning: Provided 20,000 learning devices for students and connected 25,000 homes to free internet access
- Pandemic Recovery: $4.76 billion spent on COVID-related costs through grants, contingency cash, CARES and ARPA funds
- Unemployment benefits: $2 billion in additional federal and local benefits distributed
- Health Care Capacity: 8 COVID Centers and 88 District-operated vaccination clinics located across DC, including school-based pediatric clinics

FY 2021 ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR)
DC Advocated For - and Received - $17 Billion in Federal Aid

Federal Funding to DC Agencies for Programs to Assist Our Residents & Businesses ($2.4 billion)

- Grants to DC agencies and local education agencies to support emergency rental assistance, covid testing, vaccinations, homeless assistance services, mental health grants, small business credit initiatives, and lost wages assistance grants

Direct Aid to DC Government to Empower Equitable Economic Recovery¹ ($2.9 billion)

- Local Fiscal Recovery Fund
- State Fiscal Recovery Fund
- Capital Projects Fund
- Coronavirus Relief Fund

Direct Aid to DC Residents, Businesses, and Nonprofits ($11.7 billion)

- Economic assistance to DC households through impact payments, pandemic EBT benefit transfers, and funeral assistance
- Assistance to DC businesses and nonprofits through injury loans, paycheck protection, and emergency relief
- Grants to institutes of higher education
- Increases for Supplemental Nutrition Assistance Program (SNAP)
- Pandemic Unemployment Compensation (PEUC)

¹ Does not include allocations from the Infrastructure Investment and Jobs Act.
Unique Opportunity to Advance Towards an Equitable Future

**IMPROVE HEALTH & WELL-BEING**
- $259M for COVID-19 Public Health Emergency and Direct Response Costs, increase access to telehealth, improve food access, and reduce health disparities

**LEAD AN EQUITABLE RECOVERY**
- $535M to support economic recovery and growth of local businesses, promote a green economy, and build pathways to prosperity

**MINIMIZE LEARNING LOSS**
- $125M dedicated to accelerate learning, improve childcare availability and stability, and ensure youth safety

**REDUCE GUN VIOLENCE**
- $98M investment in alternatives to 911, expansion of violence intervention strategies, and gun violence prevention initiatives

**PREVENT EVICTIONS & STRENGTHEN HOUSING AFFORDABILITY**
- $490M investment in the construction and preservation of affordable housing throughout all eight wards

FY 2021 ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR)
District economy is improving, but has not yet fully recovered.

Challenges lay ahead:
- Slower population growth
- Federal Government telework
- Reduced WMATA ridership and service levels
- Telework impact on Central Business District

Unprecedented Federal resources let us make big investments — but are one-time.

Looking ahead to FY 2023 – FY 2026 budget formulation, we must plan for a “new normal” and not create an unsustainable fiscal cliff.

Source: Office of the Chief Financial Officer

FY 2021 Annual Comprehensive Financial Report (ACFR)
Budget Engagement Opportunities

FEBRUARY 2022

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SENIOR BUDGET ENGAGEMENT FORUM
Thursday, FEBRUARY 10 - 11:45AM

BUDGET ENGAGEMENT FORUM
Wednesday, FEBRUARY 16 - 5:30PM

Forums will be held virtually

For more information and to RSVP, visit budget.dc.gov

Mayor Bowser’s proposed FY 2023 Budget will be released on March 16, 2022
The Bedrock of Our Financial Stability: DC’s Reserve Funds

**AS OF SEPTEMBER 30, 2021**

- **Cash Flow Reserve** replenished and ready to meet cash flow needs in FY 2022. ($827.7 million)
- **Contingency Reserve** fully replenished after being depleted in FY 2021 to respond to COVID-19 and other unforeseen needs. ($317.1 million)
- **Fiscal Stabilization Reserve** fully replenished. ($226.4 million)
- **Emergency Reserve** was preserved in case of worsening COVID-19 crisis or other unforeseen emergencies. ($158.5 million)

**RESERVE FUNDS**

- **CASH FLOW**
  - 8.33% 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**
  - 2.34% of budget. May be used to cover revenue shortfalls experienced by the District government.

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

**AS OF JANUARY 29, 2022**

- **Cash Flow Reserve** is providing daily operating cash to pay employees, meet contract payments, and cover daily supplies, alleviating the need for short-term borrowing to manage daily operations. ($495.1 million)
- **Contingency Reserve** continues to be used to respond to immediate COVID-19 needs and First Amendment-related activities. ($45.7 million)
- **Fiscal Stabilization Reserve** remains fully replenished. ($226.4 million)
- **Emergency Reserve** remains preserved to be used only for any calamitous event. ($158.5 million)