GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer

FEB 15 2013

The Honorable Vincent C. Gray
Mayor of the District of Columbia
Council of the District of Columbia
1350 Pennsylvania Avenue, N.W., Suite 600
Washington, D.C. 20004

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue, N.W., Suite 504
Washington, D.C. 20004

SUBJECT: Fourth Quarter, FY 2012, Status Report on the Emergency and Contingency Cash Reserve Funds as of September 30, 2012

Dear Mayor Gray and Chairman Mendelson:

Enclosed is the status report on the monthly activities and balances in the District of Columbia's Emergency and Contingency Cash Reserve Funds as of September 30, 2012. The numbers contained in this status report are reflected in the District's Comprehensive Annual Financial Report (CAFR).

Summary and Background

The Emergency Cash Reserve Fund may be used for unanticipated and nonrecurring extraordinary needs of an emergency nature, including a natural disaster or calamity and unexpected obligations created by federal law. The Contingency Cash Reserve Fund may be used for nonrecurring or unforeseen needs that arise during the fiscal year, including natural disasters, unexpected obligations created by federal law, new public safety or health needs identified after the budget process has occurred, and revenue shortfalls experienced by the District for three consecutive months that are 5 percent or more below the budget forecast. Both funds may be used for cash flow management purposes.

The District is required to maintain minimum balances (including required replenishment of permitted draws) in the Emergency and Contingency Cash Reserve Funds of 2 percent and 4 percent, respectively, of Local Fund operating expenditures less repayment of bonds and interest, for which a separate fund is already established. The minimum levels are based on the operating

expenditures contained in the most recently published CAFR of the District for the fiscal year immediately preceding the current fiscal year.

The September year-end FY 2011 CAFR fund balances included $109.9 million for the Emergency Cash Reserve Fund and $228.7 million for the Contingency Cash Reserve Fund, for a combined total of $338.6 million.

As of September 30, 2012, the Fourth Quarter FY 2012 reserve fund balances were as follows:

Emergency Reserve Fund	$110.0 million
Contingency Reserve Fund	229.1 million
Total	**$339.1 million**

Following is a discussion of activities for the fiscal year ending September 30, 2012 and resulting balances in the Emergency and Contingency Cash Reserve Funds.

Emergency Cash Reserve Fund

The Emergency Cash Reserve FY 2011 CAFR fund balance of $109.9 million increased by $136,000, to $110.0 million, during FY 2012, reflecting investment earnings.

Contingency Cash Reserve Fund

The Contingency Cash Reserve FY 2011 CAFR fund balance of $228.7 million increased during the fiscal year by $384,000, to $229.1 million, reflecting investment earnings.

The first draw, for $6.0 million, was made in October to fund costs of earthquake repairs. The District experienced a 5.8 magnitude earthquake on August 23, 2011, and the District drew an initial $0.9 million for repair costs in FY 2011. The Mayor requested the additional $6.0 million to fund repair costs during FY 2012, to be implemented by the Department of General Services. The draw was reimbursed at year-end.

A draw for $1.3 million was made in December for the Department of Motor Vehicles (DMV), for the nonrecurring and unforeseen costs required to continue the ticket collection contract within the Department. This contract expired December 31, 2011, and if it were not renewed immediately the Department would not be able to continue to collect revenue related to all tickets processed through the current vendor. In May, another draw was made for DMV for $1.0 million to cover additional ticket collection costs. $1.3 million was replenished in August and $1.0 million was replenished in September.

A withdrawal of $50 million was made for cash flow purposes in February. It was replaced in April.

In April and May, three draws were made as advances of the Fiscal Year 2012 Revised Budget Request Adjustment Emergency Act of 2012. A $7.0 million draw was made for D.C. Public Charter Schools and two draws, $3.5 million in April and $4.5 million in May, were made for the

Unemployment Compensation Fund. All were replenished in June, upon the approval of the supplemental budget action.
Two more draws were made in May for D.C. Public Charter Schools, to fund both increased summer school enrollment and an increased number of special education students. The first draw was for $1.2 million and the second was for $4.9 million. $1.2 million was replenished in August and $4.9 million was replenished in September. A final May draw was for $4.0 million for the Not-For-Profit Hospital Corporation Subsidy to resolve short-term cash flow issues of the United Medical Center, caused in part by the recently recalculated Disproportionate Share Hospital (DSH) federal payment. An additional $3.7 million was drawn in August. Both were replenished by year-end.

In June, $4.2 million was drawn for the Department of Healthcare Finance. Funding was needed to extend the existing contract with the Managed Care Organizations (MCOs) that provide health care to individuals enrolled in the DC Alliance program. The draw was replenished in July by the FY 2012 Second Revised Budget Request Emergency Adjustment Act of 2012. $3.3 million was drawn so the District could fund its Fourth Quarter payment to the Washington Metropolitan Area Transit Authority. The draw was replenished in August. Finally in June, $3.0 million was drawn for the Department of Transportation to fund nonrecurring and unforeseen costs required to award the parking meter maintenance contract by June 30. The draw was replenished in July.

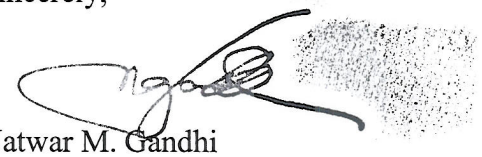
In July, $4.4 million was drawn for the Office of Contracting and Procurement to cover costs of the Derecho storm disaster. $1.4 million was replenished in September and $3.0 was replenished by year-end.

Four of the FY 2012 replenishments, totaling $19.1 million, had not been made on a cash basis by September 30, 2012. They were $6.0 million for the Department of General Services earthquake repair, $7.7 million for the Not-For-Profit-Hospital Corporation Subsidy, $1.0 million for the Department of Motor Vehicle ticket collection contract, and $4.4 million for the Office of Contracting and Procurement Derecho storm disaster. These four replenishments were made during the year-end close before the release of the CAFR.

September 30, 2012 Combined Balances

In summary, the September 30, 2012, fund balances for the Emergency and Contingency Cash Reserve Funds were $110.0 million and $229.1 million, respectively. Their combined total was $339.1 million.

If you have any questions or need additional information, please contact Gordon McDonald, Deputy Chief Financial Officer for Budget and Planning, at 727-1239.
Sincerely,



Natwar M. Gandhi
Chief Financial Officer

Enclosures

cc: Allen Y. Lew, City Administrator
Eric Goulet, Deputy Chief of Staff and Budget Director, Mayor's Office of Budget and Finance
Jennifer Budoff, Budget Director, Council of the District of Columbia
Angell Jacobs, Chief of Staff, Office of the Chief Financial Officer
David Tseng, General Counsel, Office of the Chief Financial Officer
Gordon McDonald, Deputy Chief Financial Officer, Office of Budget and Planning
Jeffrey Barnette, Deputy Chief Financial Officer and Treasurer, Office of Finance and Treasury
Anthony F. Pompa, Deputy Chief Financial Officer, Office of Financial Operations and Systems

Fiscal Year 2012, Emergency Cash Reserve Report
Fourth Quarter Ending 9/30/2012
as of 2/3/2013

		($ in 000s)
Fiscal Month	**Transactions/Balances**	**CAFR Basis Restricted Fund Balance**
Sept, 2011	FY 2011 ending balances:	109,853
Oct	Investment earnings	3
Nov	Investment earnings	3
Dec	Investment earnings	5
Dec	First Quarter ending balances	109,865
Jan, 2012	Investment earnings	4
Jan	Deposit to increase balance to the new required level	0
Feb	Investment earnings	31
Mar	Investment earnings	20
Mar	Second Quarter ending balances	109,920
Apr	Investment earnings	10
May	Investment earnings	4
Jun	Investment earnings	4
Jun	Third Quarter ending balances	109,938
July	Short-term cash flow transfer to pooled cash	0
	Short-term cash flow transfer from pooled cash	0
July	Investment earnings	8
Aug	Investment earnings	22
Sept	Investment earnings	22
Sept	Year-end balances	109,989
	Investment earnings, October - September	136

Fiscal Year 2012, Contingency Cash Reserve Report

Fourth Quarter Ending 9/30/2012

as of 2/3/2013

		($ in 000s)
Fiscal Month	Transactions/Balances	CAFR Basis Restricted Fund Balance (1)
Sept, 2011	FY 2011 ending balances:	228,729
Oct	Draw: Dept. of General Services (AM0), earthquake repair	(6,000)
Oct	Investment earnings	76
Nov	Investment earnings	1
Dec	Draw: Department of Motor Vehicles (KV0), costs required to continue ticket collection	(1,300)
Dec	Investment earnings	1
Dec	First Quarter ending balances	221,507
Jan, 2012	Investment earnings	1
Jan	Deposit to increase balance to the new required level	0
Feb	Investment earnings	66
Mar	Investment earnings	23
Mar	Second Quarter ending balances	221,597
Apr	Investment earnings	74
Apr	Draw: DC Charter Schools (GC0), advance of Supplemental Budget Request Act	(6,971)
Apr	Draw: Unemployment Compensation Fund (BH0), advance of Supplemental Budget Request Act	(3,500)
May	Draw: Unemployment Compensation Fund (BH0), advance of Supplemental Budget Request Act	(4,500)
May	Draw: Charter Schools (GC0), enrollment pressures by English Language Learner students	(1,215)
May	Draw: Charter Schools (GC0), enrollment pressures by English Language Learner students	(4,888)
May	Draw: Not-For-Profit Hospital Corp. subsidy (HX0), finance operations, including payroll	(4,000)
May	Draw: Dept of Motor Vehicles (KV0),unforeseen ticket collection costs	(1,000)
May	Investment earnings	7
Jun	Draw: Dept of Health Care Finance (HT0), extend MCO contracts in DC Alliance programs	(4,227)
Jun	Draw: Mass Transit Subsidies (KE0), pay Metro for 4th Quarter, FY 2012	(3,330)
Jun	Draw: Dept of Transportation (KA0), new costs to award parking meter maintenance contract	(3,000)
Jun	Replenishment: DC Charter Schools (GC0), from Supplemental BRA	6,971
Jun	Replenishment: Unemployment Compensation Fund (BH0), from Supplemental BRA	8,000
Jun	Investment earnings	8
Jun	Third Quarter ending balances	200,026
Jul	Replenishment: Dept of Health Care Finance (HT0), extend MCO contracts	4,227
Jul	Replenishment: Dept of Transportation (KA0), new costs to award parking meter contracts	3,000
Jul	Investment earnings	27
Jul	Draw: Office of Contracting and Procurement (PO0), cover costs of Derecho storm disaster	(4,445)
Aug	Draw: Not-For-Profit Hospital Corp. subsidy (HX0), finance operations, including payroll	(3,700)
Aug	Replenishment: DMV (KV0): ticket collection contract	1,300
Aug	Replenishment: DC Charter Schools (GC0), enrollment pressures by English Language Learners	1,215
Aug	Replenishment: WMATA (KE0), pay Metro for 4th quarter	3,330
Aug	Investment earnings	8

Fiscal Year 2012, Contingency Cash Reserve Report

Fourth Quarter Ending 9/30/2012

as of 2/3/2013

		($ in 000s)
Fiscal Month	Transactions/Balances	CAFR Basis Restricted Fund Balance (1)
Sep	Investment earnings	93
Sep	Replenishment: DMV (KV0): ticket collection contract	1,000
Sep	Replenishment: DC Charter Schools (GC0), enrollment pressures by English Language Learners	4,888
Sep	Replenishment: Office of Contracting and Procurement (PO0), derecho storm disaster	1,395
Sep	Replenishment: Department of General Services (AM0), continuing earthquake repair	6,000
Sep	Replenishment: Not-For-Profit Hospital Corporation Subsidy (HX0), finance operations	7,700
Sep	Replenishment: Office of Contracting and Procurement (PO0), derecho storm disaster	3,050
Sep	Year-end balances	229,113
	Investment earnings, October - September	384

(Investment earnings are calculated based on whole numbers and may not add due to rounding.)

1 This table reports budgetary uses of the Reserve on a CAFR basis. It does not reflect a $50 million draw in February (replenished in April) for cash flow purposes that did not represent a budgetary use of the Reserve. The September 30, 2012 reserve balance on a cash basis is the same as the CAFR basis, except for the four replenishments shown below. These four replenishments were made during the year-end close. During FY 2012 there were also minor timing differences of draws and replenishments between the two bases.

Replenishment: Department of General Services (AM0), continuing earthquake repair	6,000
Replenishment: Not-For-Profit Hospital Corporation Subsidy (HX0), finance operations	7,700
Replenishment: DMV (KV0): ticket collection contract	1,000
Replenishment: Office of Contracting and Procurement (PO0), derecho storm disaster	4,445
Total:	**19,145**