NEW ISSUE BOOK-ENTRY-ONLY

Bond Ratings:
Fitch: AA-
Moody's: Aa2
S&P: AA-
See "Ratings" herein.

In the opinion of Bond Counsel, assuming compliance by the District with certain covenants, under existing statutes, regulations and judicial decisions, the interest on the Bonds will be excluded from gross income for federal income tax purposes of the holders thereof and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds shall be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from District taxation, except for estate, inheritance and gift taxes. See "TAX MATTERS" herein for a description of certain other tax consequences to holders of the Bonds.

$495,425,000
DISTRICT OF COLUMBIA
(Washington, D.C.)
General Obligation Bonds, Series 2013A

Dated: Date of delivery **Due: June 1, as shown on the inside cover page**

This cover page contains certain information for quick reference only. It is not a summary of this Official Statement and investors must read the entire Official Statement to obtain the information essential to the making of an informed investment decision.

The General Obligation Bonds, Series 2013A (the "Bonds"), are general obligations of the District of Columbia (the "District") and the full faith and credit of the District is pledged to the payment of the principal of and interest on the Bonds when due. The Bonds are further secured by a security interest in and lien on the funds derived from a Special Real Property Tax (as defined herein) levied annually by the District, without limitation as to rate or amount, in amounts sufficient to pay the principal of and interest on the Bonds and any other outstanding general obligation Parity Bonds (as defined herein) when due.

The proceeds of the Bonds will be used to (1) finance capital project expenditures under the District's capital improvements plan, and (2) pay the costs and expenses of issuing and delivering the Bonds.

The Bonds will be issued only as fully registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository. Individual purchases will be made in book-entry-only form. Wells Fargo Bank, N.A. is the registrar, escrow agent and paying agent (in such capacities, "Registrar," "Escrow Agent" and "Paying Agent," respectively).

The Bonds will be issued in authorized denominations of $5,000 or any integral multiple thereof and will bear interest at the rates set forth on the inside cover page hereof, payable semi-annually on June 1 and December 1, commencing June 1, 2014, computed on the basis of a 360-day year comprised of twelve 30-day months.

The Bonds are subject to redemption prior to maturity as described herein.

The Bonds are offered when, as and if issued by the District, subject to receipt of the approving legal opinion of Bryant Miller Olive P.C., Washington, D.C., Bond Counsel to the District. The Office of the Attorney General for the District of Columbia will deliver an opinion as to certain legal matters pertaining to the District. Edwards Wildman Palmer LLP, Washington, D.C., Disclosure Counsel to the District, will deliver an opinion to the District and the Underwriters regarding certain matters. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Ballard Spahr LLP, Washington, D.C. and McKenzie & Associates, Washington, D.C. It is anticipated that the Bonds will be available for delivery in book-entry form through the facilities of DTC in New York, New York on or about December 18, 2013.

BofA Merrill Lynch

RBC Capital Markets **Siebert Brandford Shank & Co., L.L.C.**

Academy Securities **Barclays** **Fidelity Capital Markets**

Rice Financial Products Company **Wells Fargo Securities**

December 5, 2013

MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES, YIELDS AND CUSIPS[*]
SERIES 2013A BONDS

Year (June 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP[*]
2015	$ 500,000	2.00%	102.418%	0.330%	25476FLV8
2015	22,730,000	4.00	105.314	0.330	25476FMM7
2016	5,085,000	3.00	105.910	0.570	25476FLW6
2016	18,545,000	5.00	110.774	0.570	25476FMN5
2017	6,000,000	4.00	110.515	0.900	25476FLX4
2017	18,210,000	5.00	113.907	0.900	25476FMP0
2018	840,000	3.00	107.331	1.300	25476FLY2
2018	24,020,000	5.00	115.956	1.300	25476FMQ8
2019	1,865,000	4.00	111.762	1.730	25476FLZ9
2019	23,720,000	5.00	116.944	1.730	25476FMR6
2020	835,000	3.00	104.910	2.180	25476FMA3
2020	25,765,000	5.00	116.888	2.180	25476FMS4
2021	65,000	4.00	109.784	2.550	25476FMB1
2021	27,845,000	5.00	116.532	2.550	25476FMT2
2022	165,000	3.00	100.968	2.870	25476FMC9
2022	29,140,000	5.00	115.884	2.870	25476FMU9
2023	1,635,000	3.00	99.347	3.080	25476FMD7
2023	29,130,000	5.00	115.640	3.080	25476FMV7
2024	32,275,000	5.00	113.706[†]	3.300[†]	25476FME5
2025	33,885,000	5.00	112.238[†]	3.470[†]	25476FMF2
2026	35,580,000	5.00	110.877[†]	3.630[†]	25476FMG0
2027	37,360,000	5.00	109.453[†]	3.800[†]	25476FMH8
2028	39,230,000	5.00	108.460[†]	3.920[†]	25476FMJ4
2029	41,190,000	5.00	107.560[†]	4.030[†]	25476FMK1
2030	7,210,000	4.25	100.00	4.250	25476FML9
2030	32,600,000	5.00	106.588[†]	4.150[†]	25476FMW5

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[*] Copyright 2013, American Bankers Association. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw Hill Companies Inc. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Bonds and neither the District nor the Underwriters make any representation with respect to such CUSIP numbers nor undertake any responsibility for their accuracy now or at any time in the future. The CUSIP numbers are subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Bonds.

[†] Priced at the stated yield to the June 1, 2023, optional redemption date at a redemption price of 100%. See "THE BONDS – Redemption" herein.

DISTRICT OF COLUMBIA

Vincent C. Gray
Mayor

EXECUTIVE OFFICERS

Allen Y. Lew	City Administrator
Abigail Smith	Deputy Mayor for Education
Victor L. Hoskins	Deputy Mayor for Planning and Economic Development
Beatriz Otero	Deputy Mayor for Health and Human Services
Paul Quander	Deputy Mayor for Public Safety and Justice
Irvin B. Nathan	Attorney General
Natwar M. Gandhi*	Chief Financial Officer
Jeffrey Barnette	Deputy Chief Financial Officer and Treasurer
Fitzroy A. Lee	Deputy Chief Financial Officer for Revenue Analysis
Stephen M. Cordi	Deputy Chief Financial Officer for Tax and Revenue
Bert Molina	Deputy Chief Financial Officer for Financial Operations and Systems
Gordon McDonald	Deputy Chief Financial Officer for Budget and Planning

COUNCIL OF THE DISTRICT OF COLUMBIA

Phil Mendelson, Chairman

David A. Catania	At Large	Mary M. Cheh	Ward 3
David Grosso	At Large	Muriel Bowser	Ward 4
Vincent B. Orange, Sr.	At Large	Kenyan R. McDuffie	Ward 5
Anita Bonds	At Large	Tommy Wells	Ward 6
Jim Graham	Ward 1	Yvette M. Alexander	Ward 7
Jack Evans	Ward 2	Marion Barry, Jr.	Ward 8

BOND COUNSEL
Bryant Miller Olive P.C.
Washington, D.C.

DISCLOSURE COUNSEL
Edwards Wildman Palmer LLP
Washington, D.C.

FINANCIAL ADVISORS

Phoenix Capital Partners, LLP
Washington, D.C.

Public Financial Management, Inc.
Philadelphia, Pennsylvania

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Jeffrey Barnette
Deputy Chief Financial Officer and Treasurer
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Washington, D.C. 20024
phone: (202) 727-6055
fax: (202) 727-6963
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* On September 26, 2013, the Mayor nominated Jeffrey S. DeWitt as the District's new Chief Financial Officer (CFO) and the Council approved the nomination on November 5, 2013. Currently, Mr. DeWitt is the CFO for the City of Phoenix, Arizona. Dr. Gandhi will remain as CFO, until Mr. DeWitt's appointment takes effect after a 30-day review by the Committees on Appropriations of the Senate and the House, the Committee on Homeland Security and Governmental Affairs of the Senate and the Committee on Government Reform of the House (collectively, the "Committees"). On December 3, 2013, the Mayor submitted Mr. DeWitt's name to the Committees for the 30-day review, which will conclude on January 1, 2014.

No dealer, broker, salesperson or other person has been authorized by the District of Columbia (the "District") to give any information or to make representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been furnished by the District and includes information obtained from other sources, all of which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party.

The order and placement of materials in this Official Statement, including the appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections of this Official Statement. The offering of the Bonds is made only by means of this entire Official Statement.

The statements contained and incorporated by reference in this Official Statement and appendices hereto and in any other information provided by the District and other parties to the transactions described herein that are not purely historical are forward-looking statements. Such forward-looking statements can be identified, in some cases, by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "illustrate," "example," and "continue," or the singular, plural, negative or other derivations of these or other comparable terms. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to such parties on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in various important factors. Accordingly, actual results may vary from the projections, forecasts and estimates contained in this Official Statement and such variations may be material, which could affect the ability of the District to fulfill some or all of the obligations under the Bonds.

The Underwriters (as defined herein) have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

In connection with the offering of the Bonds, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of such Bonds at levels above those which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: HTTP://WWW.MUNIOS.COM. THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR IF IT IS PRINTED IN FULL DIRECTLY FROM SUCH WEBSITE.

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Part 1
of the
Official Statement
of the
DISTRICT OF COLUMBIA
(Washington, D.C.)
relating to

$495,425,000
DISTRICT OF COLUMBIA
(Washington, D.C.)
General Obligation Bonds, Series 2013A

INTRODUCTION

The District of Columbia (the "District") has prepared this Official Statement in connection with the issuance and sale of $495,425,000 aggregate principal amount of its General Obligation Bonds, Series 2013A (the "Bonds").

This Official Statement consists of the cover page, the inside cover page, the Tables of Contents, this Part 1, including the Appendices to this Part 1 (all of the foregoing are referred to collectively as "Part 1") and the attached Part 2 ("Part 2"). Both this Part 1 and Part 2 are dated as of the date set forth on the cover page. Both Part 1 and Part 2 should be read in their entirety. Part 1 of this Official Statement contains information relating principally to the Bonds. Part 2 of this Official Statement contains information relating principally to the government and economic resources of the District, and includes certain financial and other information supplementing the most recent general purpose financial statements of the District, which can be found in the District's Comprehensive Annual Financial Report ("CAFR") for the fiscal year ("Fiscal Year") ended September 30, 2012. The following portion of the CAFR for Fiscal Year 2012 is incorporated herein by reference: the information under the heading "Financial Section," from pages 21-164, inclusive (collectively, the "FY 2012 Financial Statements"). The District's CAFR for Fiscal Year 2012 and the FY 2012 Financial Statements can be found on the District's website at http://cfo.dc.gov/publication/fy-2012-dc-cafr/ or by registering with and logging onto the website of Digital Assurance Certification, L.L.C. ("DAC") at www.dacbond.com. DAC is the disclosure dissemination agent for the District. All information contained in Part 1 and Part 2 of this Official Statement pertaining to financial information or results for any year after Fiscal Year 2012 is preliminary, unaudited and subject to change.

References herein to the "District" refer to the District of Columbia as a municipal corporation and references to the "District of Columbia" refer to the District of Columbia as a geographical location.

Investor Relations. Investor information, including the District's CAFRs, may be requested in writing from the Treasurer, Office of Finance and Treasury, 1101 Fourth Street, S.W., Suite 850, Washington, D.C. 20024, by phone at (202) 727-6055, by e-mail at dcinvestorrelations@dc.gov, or by fax at (202) 727-6963. As disclosure dissemination agent for the District, DAC has agreed to promptly file with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system, upon receipt from the District, the District's annual financial information and notices of events that are required by the Continuing Disclosure Agreement. See "CONTINUING DISCLOSURE." Certain financial information with respect to the District may be obtained through the website of DAC at www.dacbond.com. Any such information speaks strictly as of its date and the District has undertaken no obligation to update such information, other than in accordance with its continuing disclosure undertakings and applicable law.

THE BONDS

Authorization

Section 461 (D.C. Official Code § 1-204.61) of the District of Columbia Home Rule Act, as amended, an act of the United States Congress (the "Congress") signed by the President on December 24, 1973 (the "Home Rule Act"), authorizes the District to issue general obligation bonds to provide for the payment of the cost of acquiring or undertaking its various capital projects. See Part 2, "INDEBTEDNESS – Summary of Statutory Debt Provisions."

The issuance of the Bonds is authorized pursuant to the General Obligation Bonds and Bond Anticipation Notes for Fiscal Years 2013-2018 Authorization Act of 2012, D.C. Law 19-231, effective March 19, 2013 (the "Bond Act"), the Fiscal Year 2014 Income Tax Secured Revenue Bonds and General Obligation Bond Issuance Approval Resolution of 2013, R20-321, effective November 5, 2013, and the Bond Issuance Certificate of the Mayor of the District of Columbia (the "Mayor") dated the date of issuance of the Bonds (the "Bond Issuance Certificate").

The Bonds, together with the District's outstanding general obligation bonds and general obligation bonds issued in the future that are secured by the Special Real Property Tax (as defined herein) and issued under Section 461 of the Home Rule Act, are referred to herein collectively as the "Parity Bonds." For a description of outstanding Parity Bonds, See Part 2, "INDEBTEDNESS - Summary of Statutory Debt Provisions – *Long-Term Obligations – General Obligation Bonds*."

Purpose of the Issue

The proceeds of the Bonds will be used to (1) finance capital project expenditures in the District's capital improvements plan, and (2) pay the costs and expenses of issuing and delivering the Bonds. See Part 2, "FISCAL YEAR 2014 BUDGET – Capital Budgeting and Financing."

General

The Bonds will be dated the date of their delivery, and bear interest at the rates set forth on the inside cover page hereof, payable semiannually on June 1 and December 1, commencing June 1, 2014, until final payment or maturity. Interest shall be computed on the basis of a three hundred sixty (360) day year consisting of twelve (12) months of thirty (30) days each. The Bonds shall be issuable only as fully registered bonds in denominations of $5,000 and multiples thereof.

Redemption

Optional Redemption. The Bonds are not subject to optional redemption prior to June 1, 2023. The Bonds maturing on and after June 1, 2024, shall be subject to redemption prior to maturity, in whole or in part in any authorized denomination on any date on or after June 1, 2023, at the option of the District, at the redemption price of 100% of the principal amount thereof, together with accrued interest to the redemption date.

Notice of Redemption. Notice of redemption is to be mailed, postage paid, not less than 30 nor more than 60 days prior to the date fixed for redemption to each registered owner of Bonds to be redeemed, at such owner's address in the bond register kept by the Registrar and by such other method, if any, as the District shall deem appropriate. Such notice shall specify the maturities and interest rate of the Bonds to be redeemed, the date fixed and place(s) for redemption and, if less than all of the Bonds of any like maturity are to be redeemed, the letters, numbers or other distinguishing marks of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and, if applicable, that such notice is conditional and the conditions that must be satisfied.

While the Bonds are subject to the book-entry system, redemption notices will be sent to Cede & Co., as the registered owner of the Bonds.

Partial Redemption. In the event that less than all of the Bonds of any maturity bearing the same interest rate are to be redeemed, and so long as the book-entry-only system remains in effect for such Bonds, the particular Bonds or portions of any such Bonds to be redeemed will be selected by DTC by lot. If the book-entry-only system no longer remains in effect for the Bonds, selection for redemption of less than all of the Bonds of any maturity bearing the same interest rate will be made by the District by lot in such manner as in its discretion it shall deem appropriate and fair; *provided, however,* that the principal amount redeemed must be in the minimum principal amount of $5,000 or a multiple of $5,000. For purposes of selection by lot within a maturity, each $5,000 of principal amount of a Bond will be considered a separate Bond.

Sources and Uses of Funds

The sources and uses of the proceeds of the Bonds are set forth below:

Sources:		
	Principal Amount of Bonds	$495,425,000.00
	Net Premium	57,544,560.55
	Total Sources:	**$552,969,560.55**
Uses:		
	Deposit to Capital Projects Fund	$550,000,000.00
	Underwriters' Discount	2,385,327.25
	Costs of Issuance*	584,233.30
	Total Uses:	**$552,969,560.55**

* Includes, among other items, paying agent fees, legal fees, financial advisory fees, rating agency fees, printing costs and rounding.

ANNUAL DEBT SERVICE SCHEDULE

The table below sets forth the debt service requirements for the District's currently outstanding general obligation bonds, the debt service requirements for the Bonds, and total debt service on all of the foregoing.

District of Columbia
General Obligation Bonds[(1)]

Fiscal Year Ending (Sept. 30)	Debt Service on Currently Outstanding General Obligation Bonds[(2)(3)(4)(5)]	Debt Service on the Bonds	Total Debt Service on Parity Bonds Outstanding Following Issuance of the Bonds[(2)(3)(4)(5)]
2014	$167,443,386	$10,968,259	$178,411,644
2015	190,641,863	47,454,375	238,096,238
2016	218,665,431	46,935,175	265,600,606
2017	198,566,714	46,435,375	245,002,089
2018	184,008,021	45,934,875	229,942,896
2019	169,977,422	45,433,675	215,411,097
2020	206,175,698	45,188,075	251,363,773
2021	186,883,149	45,184,775	232,067,924
2022	179,848,518	45,184,925	225,033,443
2023	146,142,787	45,182,975	191,325,762
2024	141,353,861	45,187,425	186,541,286
2025	137,688,215	45,183,675	182,871,890
2026	138,058,859	45,184,425	183,243,284
2027	126,957,463	45,185,425	172,142,888
2028	97,405,038	45,187,425	142,592,463
2029	97,859,875	45,185,925	143,045,800
2030	112,887,513	41,746,425	154,633,938
2031	142,500,813	-	142,500,813
2032	146,852,875	-	146,852,875
2033	146,985,250	-	146,985,250
2034	101,122,238	-	101,122,238
2035	109,056,350	-	109,056,350
2036	109,058,625	-	109,058,625
2037	109,056,200	-	109,056,200
Total	$3,565,196,160	$736,763,209	$4,301,959,369

(1) Totals may not total due to rounding.
(2) Does not account for federal subsidies expected with respect to the District's Build America Bonds.
(3) Assumes interest rate for unhedged variable rate bonds (Series 2008A and Series 2008D) calculated at 1.5% through Fiscal Year 2015 and 3% thereafter.
(4) Interest on the Series 2004 Bonds, which are the subject of a swap agreement, has been calculated using rates varying from 4.598% to 5.121%, representing the fixed rates payable by the District under the swap agreement.
(5) Interest on the Series 2008C Bonds, which are the subject of a swap agreement, has been calculated at the associated swap fixed rate of 3.615% plus, pursuant to a direct purchase transaction, a LIBOR index rate spread of 0.55%. Pursuant to any future remarketing, the interest rate on the Series 2008C Bonds may be higher or lower than this aggregate rate.

Expected Financings

In addition to the Bonds, the District expects to issue approximately $100 million of general obligation variable rate bonds in Fiscal Year 2014. Such bonds, which will be Parity Bonds, are expected to be sold on a direct purchase basis and will finance additional capital project expenditures of the District's capital improvements plan. The District also issued approximately $97.1 million of its Income Tax Secured Revenue Refunding Bonds, Series 2013A (Adjusted SIFMA Rate) on November 26, 2013, and expects to issue approximately $500 million of additional Income Tax Secured Revenue Bonds later in Fiscal Year 2014 to finance additional capital project expenditures of the District's capital improvements plan.

Book-Entry-Only System

The Bonds will be issued as fully-registered bonds, registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership interests in the Bonds will be available in book-entry-only form. Purchasers of beneficial ownership interests in the Bonds will not receive certificates representing their interests in the Bonds purchased. See APPENDIX B - Book-Entry-Only System." Principal of, premium, if any, and interest on the Bonds are payable, so long as the Bonds are in book-entry form, through a securities depository as described in APPENDIX B.

None of the District, the Underwriters (as defined herein), the Registrar, the Escrow Agent or the Paying Agent, has any responsibility or obligation to any Beneficial Owner (as defined in APPENDIX B) with respect to (i) the accuracy of any records maintained by DTC or any DTC participant, (ii) the distribution by DTC or any DTC participant of any notice that is permitted or required to be given to the owners of the Bonds, (iii) the payment by DTC or any DTC participant of any amount received with respect to the Bonds, (iv) any consent given or other action taken by DTC or its nominee as the owner of the Bonds or (v) any other related matter.

Method of Payment and Transfer

Principal of the Bonds is payable, when due, upon presentation and surrender of the Bonds at the principal corporate trust office of the Registrar.

Interest on the Bonds is payable by check or draft mailed to the person in whose name the Bonds are registered on the bond register kept by the Registrar at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding such interest payment date at such person's address as it appears in the bond register. So long as Cede & Co. is the registered owner of the Bonds, all such payments are to be made to Cede & Co.

"Business Day" means any day on which the offices of the government of the District and the Escrow Agent are open for regular business.

The transfer of Bonds is registrable only upon the registration books maintained by the District for that purpose at the principal corporate trust office of the Registrar, by the registered owner thereof or by the owner's attorney duly authorized in writing, upon surrender thereof together with an instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or the registered owner's duly authorized attorney and payment of any tax, fee or other governmental charge imposed because of such transfer. Upon such surrender for registration of transfer, the District will execute and the Registrar will authenticate and deliver a new Bond or Bonds of any authorized denominations, registered in the name of the transferee, and of the same aggregate principal amount, series, maturity and interest rate as the surrendered Bond or Bonds. Unless future rules and practices of the secondary securities market stipulate that the fees of the Registrar be paid by the transferor or transferee of previously registered Bonds, all costs of such transfer will be paid for by the District.

The Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same maturity and interest rate and of any authorized denominations, upon surrender thereof at the principal corporate trust office of the Registrar together with a written notice of transfer satisfactory to the Registrar, duly executed by the registered owner or the owner's duly authorized attorney and upon payment of any tax, fee or other governmental charge imposed because of such exchange.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General Obligation and Other Security

The Bonds are general obligations of the District and the full faith and credit of the District is pledged for the payment of the principal of and interest on the Bonds when due. The Bonds are payable from all funds of the District not otherwise legally committed and constitute continuing obligations until paid in accordance with their terms. The Home Rule Act requires the Council of the District of Columbia (the "Council") to provide in each annual budget sufficient funds to pay the principal of, and interest on, the Bonds and all other general obligation bonds and notes of the District. However, the appropriation of funds by the Council or Congress is not a pre-condition to the payment of such principal and interest.

The District's obligation to pay principal of and interest on the Parity Bonds and general obligation notes of the District are the only obligations of the District secured by its full faith and credit and unlimited taxing powers. In addition, the Parity Bonds and general obligation notes are secured by: (1) legally available funds of the District, including for the Parity Bonds a lien on and security interest in the revenue derived from the Special Real Property Tax (described below) and (2) the statutory obligation of the Mayor to ensure that the principal of and interest on such bonds and notes are paid when due. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Income Tax Secured Bond Authorization Act." For a description of outstanding Parity Bonds, see Part 2, "INDEBTEDNESS - Summary of Statutory Debt Provisions – *Long-Term Obligations – General Obligation Bonds*."

Special Real Property Tax

The Bond Act levies, without limitation as to rate or amount, for each real property tax year in which the Parity Bonds are outstanding, a Special Real Property Tax in amounts sufficient to pay the principal of and interest on any Parity Bonds, including the Bonds, coming due each year (the "Special Real Property Tax"). The Bond Act further grants to the holders of any Parity Bonds a lien on and security interest in the revenue derived from the Special Real Property Tax. The revenue derived from the Special Real Property Tax is subject to such security interest and lien upon receipt by the District. The Bond Act provides that the lien of the holders of the Parity Bonds on such special tax receipts is valid, binding and perfected as against any claims against the District. The District is obligated to set aside the revenue derived from the Special Real Property Tax in a separate debt service fund (the "Special Tax Fund") to be maintained separate from other funds of the District.

The District's Special Real Property Tax rate is set each October 15 for the current property tax year, which coincides with the District's Fiscal Year. The rate is set so that the amount of Special Real Property Tax collected and deposited to the Special Tax Fund will be sufficient to cover all debt service payments on the Parity Bonds during the current Fiscal Year. Real property taxes are due in semi-annual equal installments on March 31 and September 15 of each year. Special Real Property Tax receipts are to be used to pay the District's fixed-rate debt on December 1 and June 1, and the variable-rate debt when required throughout the year. Funds collected in the September 15 collection period are retained in the Special Tax Fund into the next Fiscal Year to make the December 1 debt service payment and to partially fund the June 1 debt service requirement. The balance of the June 1 debt service payment is funded with collections from the Special Real Property Tax collections due on March 31.

The District levies its real property tax pursuant to D.C. Official Code § 47-811. The Home Rule Act requires that the Council provide in each annual budget sufficient funds to pay the principal of and interest on general obligation bonds and notes issued by the District under the Home Rule Act. There is no limitation in the Home Rule Act on the amount or rate of real property tax levies. The Special Real Property Tax pledged to the payment of the Parity Bonds, including the Bonds, is authorized by the Home Rule Act and levied pursuant to the Bond Act. The Special Real Property Tax is collected at the same time as the real property tax.

See Part 2, "FINANCIAL INFORMATION – Summary of General Fund Revenues – *Property Taxes*" for a description of the District's real property classes and tax rates, the Special Real Property Tax rates, assessed valuations, tax levies and collections, and real property tax accounts receivables.

Special Tax Fund. The District has established and segregated the Special Tax Fund for the benefit of the holders of the Parity Bonds. The District is required to deposit the Special Real Property Tax receipts into the Special Tax Fund to pay principal of and interest on the Parity Bonds coming due each year. The District also may deposit funds other than the Special Real Property Tax receipts into the Special Tax Fund. From and after the deposit thereof, such moneys, including investment income thereon, are pledged to the payment of the Parity Bonds, and may not be used for any other purpose until the principal of and interest on the Parity Bonds have been paid in full when due or provided for, subject to certain other provisions described below. To the extent that the deposit of all or a portion of the Special Real Property Tax receipts required to be deposited annually is satisfied by the deposit of other funds, then an equal amount of the Special Real Property Tax receipts subsequently received shall be released from the lien and security interest and used to reimburse the General Fund (discussed herein) or other fund of the District from which such funds were received.

The Bond Act provides that if, in any real property tax year, the amount expected to be on deposit in the Special Tax Fund on the first day of the next succeeding real property tax year exceeds the greater of (i) the earnings on the Special Tax Fund for the current real property tax year or (ii) one-twelfth of the amount the Mayor certifies as required to pay the principal of and interest on the Parity Bonds coming due in the next succeeding real property tax year, then, upon the execution of a Certificate of the Mayor (or authorized delegate), such excess shall either be transferred to the General Fund or be used to purchase, for cancellation, outstanding debt. The excess amounts are released from the lien and security interest of the holders of the Parity Bonds.

In the event that sufficient moneys are not on deposit in the Special Tax Fund to pay principal of and interest on the Parity Bonds when due, then pursuant to the Home Rule Act and the Bond Act the Mayor is required to use any funds of the District not otherwise legally committed to provide for such payment.

Collection Agreement. The District has entered into a collection contract (the "Collection Agreement") with Wells Fargo Bank, N.A., as collection agent and temporary custodian of the Special Real Property Taxes (the "Collection Agent"). The Collection Agreement provides that all real property tax payments (of which the Special Real Property Tax is a component) are to be collected by the

Collection Agent, acting for and on behalf of the District. The Collection Agreement provides that the Collection Agent shall calculate the portion of real property tax payments that are allocable to the real property tax and the Special Real Property Tax, segregate and transfer the Special Real Property Tax receipts into a separate account held by U.S. Bank National Association as custodian ("Custodian"). The Custodian, from such separate account, pays on a weekly basis to Wells Fargo Bank, N.A. as the Escrow Agent the amount designated in writing by the District as necessary for the payment of the principal of and interest on the Bonds.

Escrow Agreement. The District has entered into an escrow agent, registrar and paying agent agreement (the "Escrow Agreement") with Wells Fargo Bank, N.A., to hold and apply the Special Real Property Tax for the payment of debt service on the Bonds. The Escrow Agreement provides that the Escrow Agent is acting solely as agent to the District and owes no fiduciary duty to any other person, including the bondholders, as a result of such agreement.

Investment of the Special Tax Fund. Moneys in the Special Tax Fund are to be invested only in (1) direct obligations of, or obligations unconditionally guaranteed by, the United States, (2) obligations issued or guaranteed by agencies or instrumentalities of the United States, (3) certificates of deposit in banks, trust companies and savings and loan associations fully and continuously secured by obligations specified in (1) and/or (2) above, which shall at all times have a market value (exclusive of accrued interest) at least equal to the value at maturity of the deposit so secured, (4) repurchase agreements with banks, savings and loan associations and trust companies and government bond primary dealers reporting to the Federal Reserve Bank of New York continuously secured or collateralized by obligations described in (1) or (2) above, which shall have a market value at all times at least equal to the principal amount of such repurchase agreements, provided such security or collateral is held by a trustee as titleholder, (5) deposits in accounts with banks, trust companies, national banking associations or savings and loan associations, provided that such deposits are fully insured by the United States or an agency thereof, and (6) money market funds consisting of investments specified in (1) and/or (2) above, including any such funds of the Escrow Agent. All such investments, and any investment income thereon, shall be held in the Special Tax Fund for the benefit of holders of the Parity Bonds. The District has reserved the right to change the eligible investments.

Income Tax Secured Bond Authorization Act

The Income Tax Secured Bond Authorization Act of 2008 (D.C. Law 17-254), as amended, (the "Income Tax Bond Act") authorizes the District to issue income tax secured revenue bonds (the "Income Tax Bonds") to finance some or all of the capital projects in the District's on-going capital improvements program. Income Tax Bonds are secured by a pledge of the revenues generated by the individual income tax and business franchise taxes imposed by the District (the "Income Tax Revenues"), which are paid directly to and collected by a collection agent. After transfers in April, May and June of each year by the collection agent to the trustee for the Income Tax Bonds of amounts needed in the upcoming Fiscal Year to pay debt service on such bonds, all remaining income tax proceeds are released to the District. The holders of any Income Tax Bonds have a first lien on and a pledge of Income Tax Revenues superior to that of any other person, including the holders of Parity Bonds.

Additional Debt

The District may issue additional Parity Bonds in the future. See Part 1, "THE BONDS – Future Financings" and Part 2, "FISCAL YEAR 2014 BUDGET," for a description of the District's capital funding plans. The Home Rule Act (which has also been applied to Income Tax Bonds by District statute) provides that additional Parity Bonds (other than refunding bonds) and Income Tax Bonds are not legally permitted to be issued if, at the time the additional Parity Bonds or Income Tax Bonds are to be issued, such issuance would cause the debt service in any Fiscal Year on the aggregate amounts of the outstanding Parity Bonds, Income Tax Bonds, capital project loans from the Treasury and the additional bonds proposed to be issued to exceed 17% of local-source District revenues (less certain special revenue categories) that the Mayor estimates and the District of Columbia Auditor certifies are expected to be received in the Fiscal Year in which the additional bonds are to be issued. There are currently no outstanding capital project loans from the Treasury. See Part 2, "INDEBTEDNESS – Summary of Statutory Debt Provisions," for a description of the method of calculation of the District's debt limit. For Fiscal Year 2013, total debt service on the District's outstanding Parity Bonds and Income Tax Bonds was approximately 7.6% of local-source District revenues.

Statutory Debt Limitations

In 2009, the District passed an act (the "Debt Ceiling Act") imposing a further limit on the issuance of any District general obligation bonds, Treasury capital-project loans, tax-supported revenue bonds, notes or other debt instruments secured by revenues derived from taxes, fees, or other general revenues of the District, or its agencies and authorities, pursuant to the District's power to tax and impose fees, including TIF Bonds and PILOT Notes (as hereinafter defined), certificates of participation and lease purchase financing obligations (collectively, with the exceptions noted in the Debt Ceiling Act, "Tax-Supported Debt"), but excluding revenue bonds, notes, or other debt instruments issued for the purpose of funding water and sewer facilities, as described in section 490(a) of the Home Rule Act, and bonds, notes, or other debt instruments paid or secured by revenues from the Master Settlement Agreement with tobacco companies, federal grants, or revenues from the operation of public enterprises, so long as those enterprises are fully self-supporting, if such issuance would result in total debt service in the Fiscal Year of issuance, or any of the five succeeding Fiscal Years, on all outstanding Tax-Supported Debt exceeding 12% of annual District General Fund expenditures and transfers in any applicable Fiscal Year, as contained in the most recently enacted District budget (the "Debt Ceiling").

Debt Service on all of the District's $8.6 billion of Tax-Supported Debt currently outstanding produces a Debt Ceiling percentage of approximately 9.5% in Fiscal Year 2013 (in relation to the 12% limit). Following the issuance of the Bonds, the District will have approximately $8.9 billion of Tax-Supported Debt outstanding, the debt service on which would produce Debt Ceiling percentage of approximately 10.2%, which would comply with the Debt Ceiling Act.

As noted above under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - General Obligation and Other Security," the District expects to issue Income Tax Bonds to finance some of its capital projects.

Defeasance

If the Mayor deposits with an escrow agent, in a separate defeasance escrow account held in trust for the holders of the Bonds, moneys or direct obligations of the United States, the principal of and interest on which, when due and payable, would provide sufficient moneys to pay the principal of and interest on the Bonds to be defeased when due and payable, whether at maturity or prior redemption, and delivers to such escrow agent an irrevocable letter of instruction to apply such deposit for the payment of the principal of, premium, if any, and interest on the Bonds to be defeased as they become due and payable, such Bonds would be considered paid and no longer outstanding for purposes of the Bond Act and would be secured solely by such defeasance escrow account.

Remedies of the Holder of the Bonds

Under the Bond Act, the District and its Mayor are subject to suit to enforce all rights of bond and note owners under the Bond Act, require the District to perform its duties under the Bond Act, and require the District to carry out any agreement with or for the benefit of bond or note owners, including, among other things, (1) requiring the collection and deposit of the Special Real Property Tax, (2) enforcing the security interest of the holders of the Bonds in the funds derived from the Special Real Property Tax, and (3) ordering payment of the Bonds from funds of the District not otherwise legally committed or, in the absence thereof, ordering the District and its Mayor to take all lawful action to obtain such funds. In exercising their discretion as to whether to enter or enforce such orders, the courts may take into account all relevant factors, such as overriding public necessity and the availability and adequacy of other remedies.

In the opinion of the Office of the Attorney General for the District of Columbia, under existing law, the District is not eligible to file a petition for an adjustment of debts under Chapter 9 of the United States Bankruptcy Code.

TAX MATTERS

General. The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements which must be met subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the Bonds to be included in federal gross income retroactive to the date of issuance of the Bonds, regardless of the date on which such non-compliance occurs or is ascertained. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the Bonds and the other amounts are to be invested and require that certain investment earnings on the foregoing must be rebated on a periodic basis to the Treasury Department of the United States (the "Treasury"). The District has covenanted to comply with such requirements in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

In the opinion of Bond Counsel, assuming compliance with certain covenants, under existing laws, regulations, judicial decisions, and rulings, interest on the Bonds is excluded from gross income for purposes of federal income taxation. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations, however, when Bonds are held by a corporation, interest on the Bonds may be subject to the alternative minimum tax. The federal alternative minimum taxable income of a corporation must be increased by 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (before this adjustment and the alternative tax net operating loss deduction). "Adjusted Current Earnings" will include interest on the Bonds. In addition, the Bonds and the interest thereon are exempt from District taxation, except estate, inheritance and gift taxes.

Except as described above, Bond Counsel will express no opinion regarding any other federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of Bonds may result in collateral federal income tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry Bonds; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent (15%) of certain items, including interest on the Bonds; (iii) the inclusion of interest on the Bonds in earnings of certain foreign corporations doing business in the United States for purposes of branch profits tax; (iv) the inclusion of interest on the Bonds in passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year; and (v) the inclusion of interest on the Bonds in "modified adjusted gross income" by recipients of certain Social Security and Railroad Retirement benefits for the purposes of determining whether such benefits are included in gross income for federal income tax purposes. Other provisions of the Code may give rise to adverse federal income tax consequences to particular Bondholders.

As to questions of fact material to the opinions of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the District, certificates of appropriate officers and certificates of public officials (including certifications as to the use of proceeds of the Bonds and of the property financed or refinanced thereby), without undertaking to verify the same by independent investigation.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE HOLDERS OF THE BONDS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE HOLDERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Information Reporting and Backup Withholding. Interest paid on tax-exempt bonds such as the Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Bonds, under certain circumstances, to "backup withholding" at the rate specified in the Code with respect to payments on the Bonds and proceeds from the sale of Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Bonds. This withholding generally applies if the owner of Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Bonds also may wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Other Tax Matters Relating to the Bonds. During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Bonds. In some cases, these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Bonds and their market value. No assurance can be given that legislative proposals will not be enacted that would apply to, or have an adverse effect upon, the Bonds. For example, in connection with federal deficit reduction, job creation and tax law reform efforts, proposals have been and others are likely to be made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. There can be no assurance that any such legislation or proposal will be enacted, and if enacted, what form it may take.

The introduction or enactment of any such legislative proposals may affect, perhaps significantly, the market price for, or marketability of, the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of owning the Bonds in their particular state or local jurisdiction and regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Tax Treatment of Original Issue Discount for the Bonds. Under the Code, the difference between the maturity amount of the Bonds maturing on June 1, 2023, with CUSIP number 25476FMD7 (the "Discount Bonds"), and the initial offering price to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers, at which price a substantial amount of the Discount Bonds of the same maturity and, if applicable, interest rate, was sold is "original issue discount." Original issue discount will accrue over the term of the Discount Bonds at a constant interest rate compounded periodically. A purchaser who acquires the Discount Bonds in the initial offering at a price equal to the initial offering price thereof to the public will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period he or she holds the Discount Bonds, and will increase his or her adjusted basis in the Discount Bonds by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or disposition of the Discount Bonds. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of the Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those above. Bondholders of the Discount Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of the Discount Bonds and with respect to the state and local tax consequences of owning and disposing of the Discount Bonds.

Tax Treatment of Bond Premium for the Bonds. The difference between the principal amount of the Bonds maturing on June 1, 2015, through and including June 1, 2030 (collectively, except for the Discount Bonds and the Bonds maturing on June 1, 2030, with CUSIP number 25476FML9, the "Premium Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity, and, if applicable, interest rate, was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each of the Premium Bonds, which ends on the earlier of the maturity or call date for each of the Premium Bonds which minimizes the yield on such Premium Bonds to the purchaser. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering price is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Bondholders of the Premium Bonds are advised that they should consult with their own tax advisors with respect to the state and local tax consequences of owning such Premium Bonds.

FINANCIAL ADVISORS

Phoenix Capital Partners, LLP, Washington, D.C. and Public Financial Management Inc., Philadelphia, Pennsylvania (together, the "Financial Advisors"), serve as financial advisors to the District for debt management and certain other financial matters. The Financial Advisors have provided certain services to the District in connection with the issuance of the Bonds and have assisted in the preparation of this Official Statement. The Financial Advisors are independent advisory firms and are not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

The Financial Advisors have not undertaken to make an independent verification of, or to assume responsibility for, the accuracy, completeness or fairness of the information contained in the Official Statement.

LEGAL INVESTMENT IN DISTRICT OBLIGATIONS

Section 486 of the Home Rule Act (D.C. Official Code § 1-204.86) provides that, notwithstanding any restriction on the investment of funds by fiduciaries contained in any other District law, domestic insurance associations, executors, administrators, guardians, trustees and other fiduciaries within the District of Columbia may legally invest any sinking funds, moneys, trust funds or other funds belonging to them or under or within their control in any bond issued in accordance with the Home Rule Act. Section 486 of the Home Rule Act also provides that all federal building and loan associations and federal savings and loan associations and banks, trust companies, building and loan associations and savings and loan associations, domiciled in the District of Columbia, may purchase, sell, underwrite, and deal in, for their own account or for the account of others, all bonds issued in accordance with the Home Rule Act.

LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Bryant Miller Olive P.C., Washington, D.C., Bond Counsel to the District. A complete copy of the proposed form of Bond Counsel opinion is set forth as APPENDIX A hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

Certain legal matters will be passed on for the District by the Office of the Attorney General for the District of Columbia. Edwards Wildman Palmer LLP, Washington, D.C., Disclosure Counsel to the District, will deliver an opinion to the District and the Underwriters regarding certain matters. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Ballard Spahr LLP, Washington, D.C., and McKenzie & Associates, Washington, D.C.

CONTINUING DISCLOSURE

The District will undertake in a Continuing Disclosure Agreement to assist the Underwriters in complying with the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission (the "SEC"), by providing annual financial information, operating data and event notices required by the Rule. As described in APPENDIX C, such undertaking requires the District to provide only limited information at specified times. Digital Assurance Certification, L.L.C., is disclosure dissemination agent for the District. Other than as described below, the District has complied in all material respects with its continuing disclosure agreements during the past five years.

The District has recently determined that it did not timely file a notice of mandatory tender for its Multimodal General Obligation Refunding Bonds, Series 2002D, which were refunded in 2010, and a notice of defeasance for its General Obligation Bonds, Series 2002C, which were refunded in 2012. The District has filed these notices and taken steps to ensure that all future such notices will be filed in a timely manner.

LITIGATION

There is no litigation pending in any court or, to the knowledge of the Office of the Attorney General for the District of Columbia, threatened, which may have the effect of restraining or enjoining the issuance, delivery or payment of the Bonds or the performance of the obligations of the District or the Mayor under the Bonds or the Bond Act or which in any way contests or may call into question the validity or enforceability of: (a) the Bonds or the pledge of the District's full faith and credit for their payment, or (b) the Bond Act or the obligations of the District or the Mayor thereunder.

The District annually estimates the litigation obligations that it expects will be incurred during a Fiscal Year, and provides for such estimated amount in developing its budget for such Fiscal Year. There is no litigation pending in any court, or to the knowledge of the Office of the Attorney General for the District of Columbia, threatened, which would have a material adverse impact on the District's ability to repay the Bonds or the District's long-term financial condition.

RATINGS

Fitch Ratings, Inc. ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services ("S&P") have assigned ratings of "AA-," "Aa2" and "AA-," respectively, to the Bonds, and the outlook for each such rating is "stable." A rating, including any related outlook with respect to potential changes in such rating, reflects only the view of the rating agency assigning such rating and is not a recommendation to buy, sell or hold the Bonds. An explanation of the procedure and methodology used by each rating agency and the significance of the ratings may be obtained from Fitch, One State Street Plaza, New York, New York; Moody's, 7 World Trade Center, New York, New York; and S&P, 55 Water Street, New York, New York. Such ratings may be changed at any time and no assurance can be given that they will not be revised, downgraded or withdrawn entirely by any such rating agencies. Any such downgrade, revision or withdrawal of a rating may have an effect on the market price of or market for the Bonds.

UNDERWRITING

The underwriters, Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBC Capital Markets, LLC, Siebert Brandford Shank & Co., L.L.C., Academy Securities, Inc., Barclays Capital Inc., Fidelity Capital Markets, a division of National Financial Services LLC, Rice Financial Products Company and Wells Fargo Bank, National Association (collectively, the "Underwriters"), have agreed to purchase the Bonds from the District at an aggregate price of $550,584,233.30, reflecting the aggregate principal amount of the Bonds of $495,425,000, plus net aggregate original issue premium of $57,544,560.55, less aggregate Underwriters' discount of $2,385,327.25. The obligations of the Underwriters to purchase the Bonds are subject to certain terms and conditions set forth in the Bond Purchase Agreement relating to the Bonds dated December 5, 2013, among the District and the Underwriters. The Bonds may be offered and sold to certain dealers, banks and others at prices lower than the initial public offering prices, and such initial offering prices may be changed from time to time, by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the District, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Academy Securities, Inc. ("Academy"), one of the underwriters of the Bonds, has entered into a distribution agreement (the "Distribution Agreement") with TD Ameritrade ("TD Ameritrade") for the retail distribution of the Bonds at the original issue prices. Pursuant to the Distribution Agreement, Academy may share a portion of its underwriting compensation with TD Ameritrade.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("WFBNA"). WFBNA, one of the underwriters of the Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation, with respect to the Bonds, with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

EXECUTION OF OFFICIAL STATEMENT

This Official Statement has been approved by the District for distribution to prospective purchasers of the Bonds.

DISTRICT OF COLUMBIA

By: *___/s/ Natwar M. Gandhi___*
Natwar M. Gandhi
Chief Financial Officer

APPENDIX A

FORM OF APPROVING OPINION OF BOND COUNSEL

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APPENDIX A

FORM OF APPROVING OPINION OF BOND COUNSEL

Upon delivery of the Bonds, Bryant Miller Olive P.C., Bond Counsel to the District, proposes to render its final approving opinion with respect to the Bonds, in substantially the form set forth below.

December 18, 2013

District of Columbia
John A. Wilson Building
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

$495,425,000
District of Columbia
General Obligation Bonds, Series 2013A

Ladies and Gentlemen:

We have acted as Bond Counsel to the District of Columbia (the "District") in connection with the issuance by the District of $495,425,000 aggregate principal amount of its General Obligation Bonds, Series 2013A (the "Bonds"). In such capacity, we have examined such law and certified proceedings, certifications and other documents as we have deemed necessary to render this opinion. Reference is made to the form of the Bonds for information concerning their details, including payment and redemption provisions, and their purpose.

The Bonds are authorized pursuant to the District of Columbia Home Rule Act, approved December 24, 1973 (Pub. L. No. 93-198; 87 Stat. 777; D.C. Official Code §§ 1-201.01 et seq.), as amended (the "Home Rule Act"), the General Obligation Bonds and Bond Anticipation Notes for Fiscal Year 2013-2018 Authorization Act of 2012, L19-231, effective March 19, 2013 (the "Authorization Act"), the Fiscal Year 2014 Income Tax Secured Revenue Bonds and General Obligation Bond Issuance Approval Resolution of 2013, R20-321, effective November 5, 2013, authorizing the District to issue the Series 2013A Bonds (the "Authorization Resolution," and together with the Authorization Act, the "Authorization Actions") and the proceedings under the Authorization Act set forth in the Bond Issuance Certificate of the Mayor of the District, dated the date hereof (the "Bond Issuance Certificate"). Any terms not otherwise defined herein shall have the meanings set forth in the Bond Issuance Certificate. The Bonds are being issued for the purpose of financing capital project expenditures under the District's capital improvements plan, and paying the costs and expenses of issuing and delivering the Bonds.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Authorization Resolution and the Bond Issuance Certificate and in the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation. We have not undertaken an independent audit, examination, investigation or inspection of such matters and have relied solely on the facts, estimates and circumstances described in such proceedings and certifications. We have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of the District of Columbia and the federal income tax laws of the United States of America.

Based on the foregoing, and assuming the due authorization, execution and delivery of the documents described below by parties thereto other than the District, we are of the opinion that under existing law:

(1) The Bonds have been duly authorized and issued in accordance with the Authorization Actions and constitute valid and binding general obligations of the District, enforceable in accordance with their terms, to which the full faith and credit of the District is pledged for the payment of principal and interest on the Bonds when due.

(2) The Authorization Actions have been duly and legally adopted and constitute valid and binding obligations of the District.

(3) The District is authorized and required by the Authorization Act to levy and collect the special real property tax, without limitation as to rate or amount, on all locally taxable real property in the District to pay principal and interest on the Bonds as they become due and payable.

(4) Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. The opinions set forth in this paragraph are subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order

that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has covenanted in the Bond Issuance Certificate to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

(5) Interest on the Bonds is exempt from taxation by the District, except estate, inheritance and gift taxes.

It is to be understood that the rights of the owners of the Bonds and the enforceability thereof may be subject to the exercise of judicial discretion in accordance with general principles of equity, to the valid exercise of the sovereign police powers of the District of Columbia and of the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

For purposes of this opinion, we have not been engaged or undertaken to review and, therefore, express no opinion herein regarding the accuracy, completeness or adequacy of the Official Statement or any other offering material relating to the Bonds. This opinion should not be construed as offering material, an offering circular, prospectus or official statement and is not intended in any way to be a disclosure statement used in connection with the sale or delivery of the Bonds. Furthermore, we are not passing on the accuracy or sufficiency of any CUSIP numbers appearing on the Bonds. In addition, we have not been engaged to and, therefore, express no opinion as to compliance by the District or the underwriter or underwriters with any federal or state statute, regulation or ruling with respect to the sale and distribution of the Bonds or regarding the perfection or priority of the lien on the special real property tax revenues. Further, we express no opinion regarding federal income or state tax consequences arising with respect to the Bonds, other than as expressly set forth herein.

Our opinions expressed herein are predicated upon present law, facts and circumstances, and we assume no affirmative obligation to update the opinions expressed herein if such laws, facts or circumstances change after the date hereof.

Respectfully submitted,

BRYANT MILLER OLIVE P.C.

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APPENDIX B

BOOK-ENTRY-ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds bearing the same interest rate, each in the aggregate principal amount thereof, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC' s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to the Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") dated December 18, 2013, is executed and delivered by the District of Columbia (the "Issuer") in connection with the issuance and sale of the Issuer's $495,425,000 General Obligation Bonds, Series 2013A (the "Bonds"), issued pursuant to the Bond Act (as defined in the Official Statement) (the "Authorizing Act"). Capitalized terms used in this Agreement which are not otherwise defined in the Authorizing Acts shall have the respective meanings specified above or in Article IV hereof.

ARTICLE I

The Undertaking

Section 1.1. **Purpose.** This Agreement is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 1.2. **Annual Financial Information.** (a) The Issuer shall provide Annual Financial Information with respect to each fiscal year of the Issuer, commencing with fiscal year ending September 30, 2013, by no later than five (5) months after the end of the respective fiscal year, to the MSRB.

(b) The Issuer shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any failure of the Issuer to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

Section 1.3. **Audited Financial Statements.** If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof because not available, the Issuer shall provide Audited Financial Statements, when and if available, to the MSRB.

Section 1.4. **Notice Events.** (a) If a Notice Event occurs, the Issuer shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to (i) the MSRB and (ii) the Escrow Agent.

(b) Any notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) Each Notice Event notice relating to the Bonds shall include the CUSIP numbers of the Bonds to which such Notice Event notice relates or, if the Notice Event notice relates to all bond issues of the Issuer including the Bonds, such Notice Event notice need only include the CUSIP number of the Issuer.

Section 1.5. **Additional Information.** Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event hereunder, in addition to that which is required by this Agreement. If the Issuer chooses to include any information in any Annual Financial Information or Notice Event notice in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

Section 1.6. **Additional Disclosure Obligations.** The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer and that, under some circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the Issuer under such laws.

Section 1.7. **Previous Non-Compliance**. The Issuer represents that, except as disclosed in the Official Statement, in the previous five years it has not failed to comply in all material respects with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

ARTICLE II

Operating Rules

Section 2.1. **Reference to Other Filed Documents.** It shall be sufficient for purposes of Section 1.2 hereof if the Issuer provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org), or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.4 hereof.

Section 2.2. **Submission of Information.** Annual Financial Information may be set forth or provided in one document or a set of documents, and at one time or in part from time to time.

Section 2.3. **Notice Events.** Each notice of a Notice Event hereunder shall be captioned "Notice Event" and shall prominently state the title, date and CUSIP numbers of the Bonds.

Section 2.4. **Dissemination Agents**. The Issuer may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Issuer under this Agreement, and revoke or modify any such designation.

Section 2.5. **Transmission of Notices, Documents and Information**. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.6. **Fiscal Year.** (a) The Issuer's current fiscal year begins October 1 and ends on September 30, and the Issuer shall promptly notify (i) the MSRB and (ii) the Escrow Agent of each change in its fiscal year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. __Effective Date; Termination__. (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The Issuer's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that the Issuer (1) receives an opinion of Counsel to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 3.2. __Amendment__. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments to or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have received an opinion of Counsel to the same effect as set forth in clause (2) above, (4) the Issuer shall have received an opinion of Counsel or a determination by an entity, in each case unaffiliated with the Issuer (such as bond counsel or the Trustee), to the effect that the amendment does not materially impair the interests of the holders of the Bonds, and (5) the Issuer shall have delivered copies of such opinion(s) and amendment to the MSRB.

(b) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the Issuer shall have received an opinion of Counsel to the effect that performance by the Issuer under this Agreement as so amended will not result in a violation of the Rule and (3) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

(c) This Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the Issuer shall have received an opinion of Counsel to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, of the SEC, and (2) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

(d) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the Issuer in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. **Benefit; Third-Party Beneficiaries; Enforcement.** (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the Issuer to comply with the provisions of this Agreement shall be enforceable by any holder of Outstanding Bonds. The holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Issuer's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the Issuer to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Authorizing Acts, and the rights and remedies provided by the Authorizing Acts upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the District of Columbia, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the District of Columbia; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. **Definitions**. The following terms used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, (i) collectively, updated versions of the following financial information and operating data contained in the Official Statement, for each fiscal year of the Issuer, as follows:

(a) Audited Financial Statements, if available, or Unaudited Financial Statements for the immediately preceding fiscal year; and

(b) the Issuer's Comprehensive Annual Financial Report, if any is prepared, for the immediately preceding fiscal year, and if not prepared, such annual financial information as the Issuer is advised by disclosure counsel or bond counsel would satisfy the definition of "annual financial information" in the Rule; and

(ii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(d) and (e) of this Agreement.

Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in Section 4.1(1) hereof of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) "Audited Financial Statements" means the annual financial statements, if any, of the Issuer, audited by such auditor as selected by the Inspector General or as shall otherwise then be required or permitted by the Issuer or federal law or the Authorizing Acts. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Sections 3.2(a) and (e) hereof, the Issuer may from time to time, if required by federal or District of Columbia legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific federal or District of Columbia law or regulation describing such accounting principles, or other description thereof.

(3) "Counsel" means any nationally recognized bond counsel or counsel expert in federal securities laws.

(4) "GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(5) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

(6) "Notice Event" means any of the following events with respect to the Bonds, whether relating to the Issuer or otherwise:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of Bondholders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event;

(xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

With regard to the reportable event described in subsection (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(7) "Official Statement" means the Official Statement dated December 5, 2013, of the Issuer relating to the Bonds.

(8) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(9) "SEC" means the United States Securities and Exchange Commission.

(10) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

DISTRICT OF COLUMBIA

By: ________________________________
Jeffrey Barnette
Deputy Chief Financial Officer and Treasurer

PART 2

of the

OFFICIAL STATEMENT

of the

DISTRICT OF COLUMBIA

relating to its

GENERAL OBLIGATION BONDS
SERIES 2013A

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GOVERNMENT OF THE DISTRICT OF COLUMBIA

LEGISLATIVE BRANCH

- Council of the District of Columbia
- DC Auditor
- Advisory Neighborhood Commissions

EXECUTIVE BRANCH

Mayor

- Office of the Chief Financial Officer
  - Office of Budget and Planning
  - Office of Tax and Revenue
  - Office of Financial Operations and Systems
  - Office of Finance and Treasury
  - Office of Revenue Analysis
  - DC Lottery and Charitable Games Control Board
- Office of the Inspector General
- DC Public Schools
  - Public Charter School Board
  - University of the District of Columbia
  - DC Community College
- Office of the City Administrator
  - Office of Deputy Mayor for Education
    - Office of the State Superintendent of Education
  - Office of the Deputy Mayor for Planning and Economic Development
    - Department of Employment Services
    - Department of Housing and Community Development
    - Department of Consumer and Regulatory Affairs
    - Office of Tenant Advocate
    - Department of Insurance, Securities and Banking
    - Department of Small and Local Business Development
    - Office of Motion Picture Development
    - Office of Planning
    - Commission on Arts and Humanities
  - Department of the Environment
  - Department of Human Resources
  - Department of Motor Vehicles
  - Department of Public Works
  - Department of Transportation
  - Department of General Services
  - Office of Risk Management
  - Office of Human Rights
  - Office of the Chief Technology Officer
  - Office of Contracts and Procurement
  - Taxicab Commission
  - Office of the Deputy Mayor for Public Safety and Justice
    - Metropolitan Police Department
    - Fire and Emergency Medical Services Department
    - Office of Unified Communications
    - Homeland Security and Emergency Management Agency
    - Department of Corrections
    - Office of the Chief Medical Examiner
    - Department of Forensic Sciences
  - Office of the Deputy Mayor for Health and Human Services
    - Department of Health
    - Department of Human Services
    - Child and Family Services Agency
    - Department on Disability Services
    - Office of Disability Rights
    - Department of Behavioral Health
    - Department of Youth Rehabilitation Services
    - Department of Health Care Finance
    - Office on Aging
    - Department of Parks and Recreation
- Office of the Attorney General
- Executive Office of the Mayor
  - Office of the Chief of Staff
  - Office of Budget and Finance
  - Office of Communications: Mayor's Correspondence Unit, Office of Cable Television
  - Office of Policy and Legislative Affairs
  - Office of Boards and Commissions
  - Office of Community Affairs: Office of Community Relations, Office of Partnerships and Grant Services, Office on Women's Policy and Initiatives, Serve DC, Youth Advisory Council, Office of African Affairs, Office of Asian & Pacific Islander Affairs, Office of GLBT Affairs, Office on Latino Affairs, Office of Religious Affairs, Office of Veteran Affairs
  - Office of the Secretary
  - Office of the General Counsel

JUDICIAL BRANCH

- DC Court of Appeals
- DC Superior Court
- Joint Commission on Judicial Administration
- Commission on Judicial Disabilities and Tenure
- Judicial Nomination Commission
- District of Columbia Bar
- Sentencing and Criminal Code Revision Commission

Independent Agencies

- Alcoholic Beverage Regulation Administration
- Board of Ethics and Government Accountability
- Contract Appeals Board
- Criminal Justice Coordinating Council
- DC Health Benefit Exchange Authority
- DC Housing Authority
- DC Public Library
- DC Water (Water and Sewer Authority)
- District of Columbia Retirement Board
- Events DC (Washington Convention and Sports Authority)
- Housing Finance Agency
- Not-for-Profit Hospital Corporation
- Office of Employee Appeals
- Office of the People's Counsel
- Pretrial Services Agency
- Public Defender Service
- Public Employee Relations Board
- University of the District of Columbia

Charter Independent Agencies

- Zoning Commission
- Public Charter Schools
- Public Service Commission
- Board of Elections

Regional Bodies

- Metropolitan Washington Council of Governments
- National Capital Planning Commission
- Washington Metropolitan Area Transit Authority
- Washington Metropolitan Area Transit Commission
- Metropolitan Washington Airports Authority

Updated: October 2013

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THE DISTRICT OF COLUMBIA

Creation and Charter

The District of Columbia (the "District") was created in 1791 by act of the United States Congress (the "Congress") and Presidential proclamation and has served as the capital of the United States of America since 1800. Under Article I, Section 8 of the United States Constitution, Congress has exclusive legislative authority over the District as the Nation's Capital. Since January 2, 1975, the District has been governed in accordance with the District of Columbia Home Rule Act, Pub. L. 93-198, an Act of Congress signed by the President of the United States (the "President") on December 24, 1973, as amended (the "Home Rule Act"). Under the Home Rule Act, the District is governed by an elected Mayor and an elected Council. With limited exceptions, including the payment of debt service on the Bonds and any Parity Bonds, the District may not obligate or expend funds absent annual Congressional appropriation.

The District is a unique governmental entity, combining state, county and municipal characteristics. Functions performed by the District government include public safety, police, fire, corrections, consumer and business regulatory affairs, public works (highways, streets and traffic control and sanitation), human services (health, welfare and employment assistance), leisure services (recreation and libraries), economic development (planning, zoning, urban renewal and housing), public education and general administration. The District and its instrumentalities also operate a university, a hospital, a stadium and armory complex, a convention center, a water and sewer system, a housing finance agency and a lottery.

Organization of the District Government

Legislative Branch. The legislative powers granted to the District by the Home Rule Act are vested in the Council of the District of Columbia (the "Council"), which consists of 13 members elected on a staggered basis for four-year terms. The Chairman of the Council and four members are elected on an "at-large" basis and each of the eight wards of the District elects one member.

The legislative powers granted to the Council by the Home Rule Act extend to all rightful subjects of legislation within the District consistent with the United States Constitution and the Home Rule Act and include the authority to pass laws, create and abolish any office (subject to certain protections applicable to the Office of the Chief Financial Officer and the District of Columbia Auditor pursuant to the Home Rule Act below), agency, or instrumentality of the District, define the duties of such offices, agencies and instrumentalities and conduct investigations into matters relating to the affairs of the District. Acts of the Council are subject to approval by the Mayor. In the event of a Mayoral veto, the Council may override the veto by a two-thirds vote. Except for emergency legislation with a limited duration, acts authorizing general obligation revenue anticipation notes and acts authorizing the renewal or refunding of bond anticipation notes, all acts of the Council are subject to a period of Congressional review before they take effect.

The power of the Council to enact certain taxes or pass other legislation is subject to certain limitations set forth in the Home Rule Act. For instance, the Council cannot enact legislation that would tax, directly or at the source, the income of any individual who is not a resident of the District, or would permit the building of structures within the District that would exceed in height above the sidewalk the width of the street, avenue, or highway in its front, increased by 20 feet. In addition, the District cannot tax federal properties.

Judicial Branch. The judicial power of the District is vested in a Superior Court and a Court of Appeals (together, the "Courts"). The Superior Court has jurisdiction of any civil action or other matter (at law or in equity) brought in the District of Columbia and of any criminal case under any law applicable exclusively to the District. The Superior Court has no jurisdiction over any civil or criminal matter over which a United States court has exclusive jurisdiction pursuant to an Act of Congress. The Court of Appeals has jurisdiction of appeals from the Superior Court and, to the extent provided by law, to review orders and decisions of the Mayor, the Council or any agency of the District. Generally, the President nominates judges of the Courts from a list of candidates recommended by the District of Columbia Judicial Nomination Commission and, with the advice and consent of the United States Senate, the President appoints the judges of the Courts. The federal government funds the operating and capital costs of the Courts; however, the Courts manage themselves.

Executive Branch. The Mayor, as the chief executive officer of the District under the Home Rule Act, is responsible for the proper execution of laws and administration of the District's affairs. Executive functions include supervision and direction of the District's administrative boards, offices and agencies, administration of the District's financial affairs through appointment of the Chief Financial Officer (the "CFO") (subject to Council approval and Congressional review), administration of personnel matters, central municipal planning, making legislative proposals to the Council and similar matters. The Mayor also has the authority to veto legislation adopted by the Council. The Mayor is assisted in these duties by a City Administrator, who serves as the chief administrative officer of the District. The City Administrator is appointed by the Mayor and serves at the pleasure of the Mayor.

In addition to the City Administrator, the Mayor is assisted by a Deputy Mayor for Planning and Economic Development, a Deputy Mayor for Education, a Deputy Mayor for Health and Human Services and a Deputy Mayor for Public Safety and Justice.

The Home Rule Act requires the Mayor to prepare and submit to the Council an annual budget, including, among other things, the budget for the forthcoming Fiscal Year, a multiyear plan for all agencies and all sources of funding, a multiyear capital improvement plan, a performance report comparing actual performance to goals, an issue analysis statement and a summary of the budget for public distribution. Once the Council has approved the budget, the Mayor forwards the budget to the President for submission to Congress.

The Mayor is elected to a four-year term. If there is a vacancy in the office of the Mayor, the Chairman of the Council serves as Acting Mayor until a special election for a new Mayor is held.

Office of the Chief Financial Officer. The CFO has primary responsibility for oversight of the District's budgetary and financial records, activities and transactions, including the supervision and administration of all borrowing programs of the District for the issuance of long-term and short-term indebtedness (excluding industrial revenue bonds).

The CFO is responsible for supervising the activities of the District Treasurer, supervising and administering the District's borrowing, administering cash management, administering the District's payroll and retirement systems, governing the District's accounting policies and systems, preparing certain reports on the District's accounting and financial operations, preparing a comprehensive financial management policy for the District and preparing the financial statements and reports on the District's activities required by the Home Rule Act. The CFO also must prepare annual estimates of all revenues of the District for use in the District's budget and quarterly re-estimates of revenues, supervise and assume responsibility for financial transactions to ensure adequate control of revenues and resources and that appropriations are not exceeded, maintain systems of accounting and internal control, supervise and assume responsibility for levying and collecting all taxes, fees and other revenues, maintain custody of all public funds and all investments and invested funds and assist the Inspector General of the District of Columbia (the "Inspector General") in developing internal audits of accounts, operations and records of the District. In addition, the CFO is required to prepare and submit to the Mayor, for inclusion in the annual budget of the District, annual estimates of expenditures and appropriations necessary for the operation of the Office of the CFO. The Mayor is required to forward all such estimates to the Council without revision, but the Mayor may attach his or her recommendations. The Council may comment upon or make further recommendations concerning such estimates, but it has no authority to revise those estimates.

The CFO oversees the Office of Finance and Treasury, the Office of Financial Operations and Systems, the Office of Budget and Planning, the Office of Tax and Revenue, the Office of Finance and Resource Management, the Office of Revenue Analysis and the District of Columbia Lottery and Charitable Games Control Board. Moreover, certain personnel performing financial functions in the District's various agencies (including independent agencies) report to the CFO. The Home Rule Act requires the CFO to submit quarterly estimates of all revenues of the District to the Mayor and Council.

The Mayor, with the advice and consent of the Council, appoints the CFO for a term of five years. Upon confirmation by the Council, the appointment is submitted to the Committees on Appropriations of the Senate and the House of Representatives, the Committee on Governmental Affairs of the Senate and the Committee on Government Reform of the House for a 30-day period of review and comment before the appointment takes effect. The CFO may be dismissed from office for cause by the Mayor and approval of that dismissal by a two-thirds vote of the Council. Upon approval of that dismissal by the Council, notice of the dismissal must be submitted to the Committees on Appropriations of the Senate and the House, the Committee on Governmental Affairs of the Senate and the Committee on Government Reform of the House for a 30-day period of review and comment before the dismissal takes effect.

The Mayor re-appointed Natwar M. Gandhi, Ph.D. as CFO for a five-year term commencing on July 1, 2012, and ending on June 30, 2017. In February 2013, Dr. Gandhi submitted his resignation to the Mayor. On September 26, 2013, the Mayor nominated Jeffrey S. DeWitt as the District's new CFO and the Council approved the nomination on November 5, 2013. Currently, Mr. DeWitt is the CFO for the City of Phoenix, Arizona. Dr. Gandhi has agreed to remain as CFO, until Mr. DeWitt's appointment takes effect after a 30-day review by the Committees on Appropriations of the Senate and the House, the Committee on Homeland Security and Governmental Affairs of the Senate and the Committee on Government Reform of the House (collectively, the "Committees"). On December 3, 2013, the Mayor submitted Mr. DeWitt's name to the Committees for the 30-day review, which will conclude on January 1, 2014.

Inspector General. The Inspector General is charged with conducting independent fiscal and management audits of District government operations, among other duties. The Inspector General must contract for an outside audit of the complete financial statements and report on the activities of the District for each Fiscal Year and establish an annual plan for audits of District programs during the Fiscal Year. The Inspector General may issue subpoenas relating to any matter under investigation and has the right to access all necessary District records relating to an investigation. Whenever the Inspector General has reasonable grounds to believe that there has been a violation of federal or District criminal law, he or she is required to report the matter expeditiously to the Office of the United States Attorney for the District of Columbia.

The Mayor appoints the Inspector General with the advice and consent of the Council for a six-year term. The Inspector General is subject to removal only for cause by the Mayor with the advice and consent of the Council. Neither the Mayor nor the Council may revise the proposed budget for the Office of the Inspector General ("OIG"), but they may make recommendations to Congress regarding the proposed budget.

District Auditor. The District of Columbia Auditor (the "District Auditor") is appointed for a term of six years and is responsible for an annual audit of the District's accounts and operations. The District Auditor is appointed by the Chairman of the Council, subject to the approval of a majority of the Council. The District Auditor is required to submit audit reports and recommendations to the Council, the Mayor and the Congress. The District Auditor has access to all books, accounts, records, reports, findings and all other papers, things, or property belonging to or in use by any department, agency, or other instrumentality of the District government and necessary to facilitate the audit. The Mayor is required to state in writing to the Council what action he or she has taken to effectuate the recommendations made in the District Auditor's reports.

The District Auditor also is required to certify the Mayor's estimate of local revenues for purposes of the general obligation bond debt limitation.

Office of Integrity and Oversight. In 2003, the CFO created an Office of Integrity and Oversight ("OIO") for the purpose of conducting regular audits of the office of the CFO operations, identifying those operational procedures and processes that need to be modified, updated or strengthened, recommending appropriate changes and monitoring the implementation of those changes. Such audits are in addition to the investigative audits conducted by the OIG, the District Auditor and the District's independent outside auditors.

Certain press reports in 2012 criticized the non-release of an OIO audit that had concluded incorrectly that there was no audit trail of changes senior managers made to real property assessments when those managers approved or rejected the proposed actions of subordinate managers. An amended report corrected the initial report to confirm that there was such an audit trail. The Council conducted a hearing on October 12, 2012, at which no improper actions were found but during which concerns were expressed about additional ways to strengthen the process. On October 16, 2012, the Council adopted emergency legislation directing submission to the Mayor and Council of: (1) all OIO audits and reports within 15 days of completion; (2) a list of all incomplete or on-going audits quarterly; and (3) the annual audit plan on each October 1. In addition, the CFO is required to post all completed audits and reports on the CFO website within 15 days of completion. See http://cfo.dc.gov/page/audit-reports/.

On October 22, 2012, the office of the CFO received an "informal inquiry request" letter from the staff of the Municipal Securities and Public Pensions Fund Unit of the Division of Enforcement of the Securities and Exchange Commission ("SEC") requesting, in principal part, copies of all audits, inspections, reviews and investigations (including drafts) conducted by the OIO during the period January 1, 2010 through October 19, 2012, related or referring to the CFO's Offices of Finance and Treasury, Tax and Revenue and Financial Operations and Systems. The CFO has provided all materials requested by the SEC and no further action or request for information has been reported to the District by the SEC as of the date of this Official Statement.

Congressional Authority

Notwithstanding the Home Rule Act's delegation to the District of authority for self-government, Congress reserves the right to exercise its Constitutional authority as the legislature for the District by enacting legislation on any subject, whether within or without the scope of legislative power granted to the Council by the Home Rule Act, including legislation to amend or repeal any law in force in the District prior to or after enactment of the Home Rule Act and any act passed by the Council. Such legislative authority is subject to Constitutional limitations on the powers of the United States government.

The Home Rule Act provides, with exceptions for emergency legislation, acts authorizing general obligation revenue anticipation notes and acts authorizing the renewal or refunding of bond anticipation notes, that no act passed by the Council and approved either by the Mayor or through veto override by the Council shall take effect until the expiration of a period of 30 legislative days (for acts on civil matters) or 60 legislative days (for acts on criminal matters) after transmittal to Congress. During such periods, Congress and the President may disapprove an act of the Council by enacting a joint resolution of Congress approved by the President, in which event the act will not become effective. Congress, from time to time, at the request of the District, has enacted legislation waiving the legislative layover period for certain District legislation.

Disapproval of an act of the Council by Congress has occurred infrequently. Congress, however, has made revisions to the District's budget as adopted by the Council and generally has conditioned its approval of the District's budget on compliance by the District with a variety of Congressional mandates.

The Authority

Pursuant to the District of Columbia Financial Responsibility and Management Assistance Act of 1995, Pub. L. 104-8, as amended (the "Authority Act"), the District of Columbia Financial Responsibility and Management Assistance Authority (the "Authority") was established. Without repealing the District's Mayor/Council government structure, the Authority Act granted the Authority substantial powers over the financial activities and management operations of the District government during any "Control Period" and "Control Year" as defined in the Authority Act. The Authority Act defined the initial Control Period as commencing in 1995 on the effective date of the Authority Act and terminating only upon specific statutory findings of the Authority regarding the financial condition of the District. The initial Control Period terminated on February 14, 2001, upon certification by the Authority on that date and the Authority, pursuant to law, suspended its activities on September 30, 2001. Under the provisions of the Authority Act, a new Control Period will be initiated if: (i) the Mayor seeks a U.S. Treasury advance; (ii) the District defaults with respect to any loan, bond, note or other form of borrowing; (iii) the District fails to meet its payroll for any pay period; (iv) at the end of any quarter of any Fiscal Year, a cash deficit exists that exceeds the difference between the estimated District revenues and estimated District expenditures during the remainder of that Fiscal Year or the remainder of that Fiscal Year together with the first six months of the succeeding Fiscal Year; (v) the District fails to make required payments relating to pensions and benefits for current and former District government employees; or (vi) the District fails to make payments to any entity under an interstate compact to which the District is a signatory. If a new Control Period were to be initiated under the existing Authority Act, the Authority would be reconstituted and resume its full statutory powers.

Federal Funding

The federal government assumes the costs of certain District state-like functions, such as the Courts and incarceration of convicted felons, that do not appear in the District's budget. The federal government also provides revenues to the District for other functions and for certain programs, such as Medicaid, school improvements and the Tuition Assistance Grant program, which do appear in the District's budget. In Fiscal Year 2012, the District directly received federal revenues in the total aggregate amount of approximately $3.45 billion. See Table 1 below and Exhibits 2-b and 2-d and Notes 9 and 13 to the FY 2012 Financial Statements.

The federal government also provides many services required for its own operations within the District of Columbia or for the benefit of visitors to the Nation's Capital. The federal government operates and maintains its own buildings, national monuments and parks and it provides financial support to visitor attractions such as the National Gallery of Art, the Smithsonian Institution and the National Zoo. The federal government also maintains special police forces and guard services to protect the White House, the Capitol, the Supreme Court, other federal facilities and foreign embassies and missions.

Federal funding received by the District could be adversely affected by implementation of certain provisions of the Budget Control Act of 2011 (Pub. L. 112-25) (the "Budget Control Act"), which was signed into law by the President on August 2, 2011. As a result of the failure of the Joint Select Committee on Deficit Reduction to reach an agreement on the deficit reduction actions as required by the Budget Control Act, sequestration - a unique budgetary feature of the Budget Control Act - has been triggered. Sequestration was implemented beginning in Fiscal Year 2013, resulting in automatic cuts to federal spending in designated agencies and programs of $1.2 trillion. These federal spending cuts are to be spread evenly over Fiscal Years 2013 through 2021. Sequestration could adversely affect the availability of certain federal funds typically received annually by the District. Portions of certain federal programs, including Medicaid and federal aid to highways to the extent otherwise subject to obligation limitations, are currently exempt from sequestration. The District does not know at this time what impact sequestration had on the amount of federal funds received by the District in Fiscal Year 2013 or will have on funds expected to be received in Fiscal Year 2014. The District has estimated a potential annual reduction of approximately $40 million of federal grant revenues and $10 million of federal payments. The final effect on Fiscal Year 2013 might have been less than estimated because the sequestration took effect after the Fiscal Year had begun and some grants, especially education grants, already had been made to the District. Even if sequestration is modified, the District may face reduced federal grant awards in future years as a result of overall efforts to control federal spending. The reduction to federal grant revenues is a separate issue from the estimated effects of sequestration, or other potential federal cutbacks, on the District's local funds revenues as a result of reduced federal activity in the District of Columbia and the region.

Federal Direct Subsidy Payments. The District issued its Income Tax Secured Revenue Bonds, Series 2009E, Income Tax Secured Revenue Bonds, Series 2010F and General Obligation Bonds, Series 2010A as BABs (as defined below) (collectively, the "District BABs"). The District issued its Income Tax Secured Revenue Bonds, Series 2010D as QSCBs (as defined below) (together with the District BABs, the "Direct Subsidy Bonds"). Federal direct subsidy payments are available to the District to support debt service payments on the Direct Subsidy Bonds.

As part of ARRA (as defined below), Congress added provisions to the Internal Revenue Code of 1986, as amended (the "Code") that permitted state or local governments to issue bonds as "build America bonds" or "BABs." BABs were required to meet certain requirements of the Code and the related Treasury regulations and the issuer was required to make an irrevocable election to have the special rule for qualified bonds apply. Interest on BABs is not excluded from gross income for purposes of federal income taxation.

Under the Code, an issuer of BABs could apply to receive direct subsidy payments from the Secretary of the United States Department of the Treasury (the "Treasury"). To receive a direct subsidy payment for BABs, under existing procedures, the issuer of the BABs must file a tax return (designated as Form 8038-CP) between 90 and 45 days prior to the corresponding bond interest payment date, with such issuer to receive the direct subsidy payment contemporaneously with the interest payment date with respect to such bond. Depending on the timing of the filing and other factors, the direct subsidy payment on BABs may be received before or after the corresponding interest payment date.

Under the Code, an issuer also may issue “qualified school construction bonds” or “QSCBs,” the proceeds of which may be used to construct, rehabilitate or repair a public school facility, to acquire land provided that the facility to be constructed with the same issue of QSCBs will be located on the land and to acquire equipment or furniture provided that the equipment or furniture is to be used in the portion of the public school facility that is being constructed, rehabilitated or repaired with the proceeds of the QSCBs. These bonds may be issued by a state or local government within the jurisdiction in which the public school facility is located and bond proceeds are required to be spent for a facility located within the jurisdiction of the issuer. Issuers of QSCBs may elect to receive direct payment subsidy payments from the Treasury for interest payments on QSCBs. The District made such an election for its issuance of QSCBs.

The direct subsidy payments scheduled to be paid to the District in Fiscal Year 2013 relating to the Direct Subsidy Bonds were approximately $20.2 million. The direct subsidy payments scheduled to be paid to the District in Fiscal Year 2014 were $20.0 million. Direct subsidy payments for Fiscal Year 2012 are not reflected in Table 1 below.

There can be no assurance that the District will receive the direct subsidy payments on the Direct Subsidy Bonds, as such payments do not constitute a full faith and credit guarantee of the United States of America. Direct subsidy payments are required to be paid by the Treasury under ARRA. The amount of any direct subsidy payment is subject to change by Congress. The direct subsidy payments will only be paid if the Direct Subsidy Bonds continue to be qualified under federal requirements. The District is obligated to make all payments of principal and interest on the Direct Subsidy Bonds whether or not it receives the direct subsidy payments from the Treasury.

Direct subsidy payments also are subject to offset against certain amounts that may, for unrelated reasons, be owed by the District to an agency of the government of the United States of America. Any such offset would occur as part of the Treasury’s Offset Program, which collects delinquent amounts due to federal agencies and states in accordance with 26 U.S.C. §6402(d), 31 U.S.C. §3720A and other applicable laws. From time to time payments of various amounts due to the District, including direct subsidy payments, have been delayed by the federal government pending resolution of a particular claim or dispute. In each case, the District has promptly resolved the matter.

Sequestration also affected the amount of direct subsidy payments received by the District. According to the Office of Management and Budget, budget cuts resulting from sequestration amounted to a 5.1% reduction in direct subsidy payments in Fiscal Year 2013. However, the District experienced a direct subsidy payment reduction in Fiscal Year 2013 of approximately $878,000, or 4.35%. Federal budget cuts in Fiscal Year 2014 related to sequestration could reduce the expected direct subsidy payments to the District by 7.2% or approximately $1.4 million.

Table 1. Federal Revenues, by Category
Fiscal Year 2012
($000s)

Pension Contributions [(1)]	$ 482,400	
Federal Payments in the District's Budget, Operating	73,769	
Federal Payments in the District's Budget, Capital	0	
Federal Payments, Total:		556,169
Federal Operating Grants:		2,635,161
Federal Capital Grants:		261,411
Total		**$3,452,741**

(1) Pension contributions do not pass through the District's budget. Pension contributions are for Police, Firefighter and Teacher Retirement Funds, for liabilities the federal government assumed through the National Capital Revitalization and Self-Government Improvement Act of 1997, Pub. L. 105-33.

Sources: District's Fiscal Year 2012 CAFR and reports from the District's financial system.

American Recovery and Reinvestment Act of 2009. On February 17, 2009, the President signed into law the American Recovery and Reinvestment Act of 2009 ("ARRA"), a national economic stimulus bill. For Fiscal Years 2009 through 2011, the District estimates that it has benefited directly and indirectly from approximately $1.26 billion of net federal ARRA expenditures. Included in this total are amounts from State Fiscal Stabilization Funds ("SFSF"), Medicaid Federal Medical Assistance Percentage ("FMAP") increases, federal operating grants, federal capital grants, unemployment trust funds and funding for the District of Columbia Water and Sewer Authority ("DC Water"), the Washington Metropolitan Area Transit Authority and the District of Columbia Housing Authority.

In Fiscal Year 2009, the District received approximately $178 million of ARRA-related grant awards in its operating and capital funds. The District received approximately $446 million in ARRA-related awards in Fiscal Year 2010 and approximately $215 million in ARRA-related awards in Fiscal Year 2011. Because the SFSF funds and the FMAP increase have expired, ARRA funds have been significantly lower since Fiscal Year 2011.

Federal Payments. The federal government provides the District with federal payments to pay for certain specified purposes, such as school improvements and the Tuition Assistance Grant program. The District received federal payment revenues of approximately $173 million in Fiscal Year 2009, $151 million in Fiscal Year 2010, $126 million in Fiscal Year 2011, and $74 million in Fiscal Year 2012. In addition to this amount, the federal government contributed approximately $400 million for certain retirement programs for District employees in Fiscal Year 2009, $519 million in Fiscal Year 2010, $492 million in Fiscal Year 2011 and $482 million in Fiscal Year 2012, which amounts were paid directly by the federal government and were not part of the District's budget.

Federal Grants. The District, similar to most states, participates in a number of federal programs that are funded through formula and project grants, direct payments for specified and unrestricted use, food stamps and other pass-through grants and direct and guaranteed loans. The federal government provided federal operating grants to the District (other than the SFSF and FMAP increases within ARRA) in the amount of approximately $2.1 billion in Fiscal Year 2009, $2.2 billion in Fiscal Year 2010, $2.4 billion in Fiscal Year 2011, and $2.6 billion in Fiscal Year 2012. Capital grants to the District, which are used to purchase or construct fixed assets, such as land, utility plants, buildings and equipment, totaled approximately $152.6 million for Fiscal Year 2009, $244.3 million in Fiscal Year 2010, $173.0 million in Fiscal Year 2011, and $261.4 million in Fiscal Year 2012, the bulk of which were United States Highway Trust Fund moneys provided for public infrastructure improvements.

The District is currently working with the U.S. Department of Housing and Urban Development ("HUD") to resolve issues with respect to approximately $28.5 million of Community Development Block Grant ("CDBG") funds received by the Department of Housing and Community Development ("DHCD") over a nine-year period. This amount represents less than 10% of the over $390 million of CDBG funds and associated program income received by the District over the relevant years. On February 27, 2013, DHCD submitted a letter to HUD with documentation in support of the expenditures. As of the date of this Official Statement, there has been no response from HUD. The District has not made any repayments to HUD related to this issue. While the possibility exists that the District may have to repay some or all of these funds, to date, no request for repayment has been made. If such a request is made, the District would have the right to appeal to reduce or eliminate any such amounts requested to be repaid.

BUDGETING AND FINANCIAL PROCEDURES

General

The Home Rule Act requires the District to have an annual budget that includes, among other things, the budget for the forthcoming Fiscal Year, a multiyear plan for all agencies and all sources of funding, a multiyear capital improvement plan, a performance report comparing actual performance to goals, an issue analysis statement and a summary of the budget for public distribution. The multiyear plan includes the actual experience of the immediately preceding three Fiscal Years, the approved current Fiscal Year budget and estimates for at least the four succeeding Fiscal Years.

For each Fiscal Year, the Mayor is required by the Home Rule Act to submit to the Council, at such time as the Council directs, a budget, prepared on the basis that proposed expenditures do not exceed resources. Upon approval by Council, the budget is transmitted by the Mayor to the President, for transmission by the President to Congress. After the submission of the District's proposed budget to Congress, the District's budget is subject to the Congressional appropriations process. Congress is free to alter the budget as it sees fit. If Congress fails to enact the District's appropriations act by the start of the new Fiscal Year on October 1, Congress must enact a continuing resolution in order for the District to expend its revenues and operate the government. The District cannot spend money, including locally generated funds, without Congressional appropriations, except for certain designated purposes, including, among other things, the payment of debt service on income tax secured revenue bonds, general obligation bonds and general obligation tax revenue anticipation notes.

Pursuant to the provisions of (i) the federal Anti-Deficiency Act, 31 U.S.C. §§ 1341, 1342, 1349-1351 and 1511-1519 (the "Federal ADA") and D.C. Official Code §§ 1-206.03(e) and 47-105; (ii) the District of Columbia Anti-Deficiency Act, D.C. Official Code §§ 47-355.01 – 355.08 (the "D.C. ADA" and (i) and (ii) collectively, as amended from time to time, the "Anti-Deficiency Acts"); and (iii) Section 446 of the District of Columbia Home Rule Act, D.C. Official Code § 1-204.46, with the exception of repayment of debt service on bonds and expenditures of certain grants, the District cannot obligate itself to any financial commitment in any present or future year unless the necessary funds to pay that commitment have been appropriated by Congress and are lawfully available for the purpose committed.

Local Budget Autonomy Legislation. On December 18, 2012, the District Council adopted the Local Budget Autonomy Amendment Act of 2012, which the Mayor signed on January 18, 2013 (the "Budget Autonomy Act"). The Budget Autonomy Act would grant the District, effective January 1, 2014, the right to enact and appropriate its local funds budget without the need for approval by the United States Congress ("Congress") and to establish the District's fiscal year. A referendum approving the Budget Autonomy Act was approved by the District voters on April 23, 2013. The Budget Autonomy Act was submitted to Congress for a 35-day period of review, ending on July 24, 2013. Congress did not take any action approving or disapproving the Budget Autonomy Act during that period. However, the District's Attorney General and others have questioned the legality of the Budget Autonomy Act, particularly whether it could be sent to Congress at all. The federal Government Accountability Office is reviewing the Budget Autonomy Act, and an opinion is expected in November or December, 2013. Notwithstanding the Budget Autonomy Act, the Continuing Appropriations Act (as defined below) provided the District with spending authority for District local funds for the entire Fiscal Year 2014.

The Mayor submitted his Fiscal Year 2014 Proposed Budget and Financial Plan, including both the operating and capital budgets, to the Council on March 28, 2013 (the "Fiscal Year 2014 Budget"). The Council approved the budget on May 22, 2013. The Mayor submitted the Fiscal Year 2014 Budget to the President on July 31, 2013, who submitted it to Congress.

Generally, the District cannot obligate or expend District funds without a federal appropriation. Thus, from October 1 through October 16, 2013, because Congress did not approve the Fiscal Year 2014 Budget or provide spending authority for the District for Fiscal Year 2014, the District government did not have appropriated funds available for its operations. However, the Mayor of the District informed the federal Office of Management and Budget (OMB) that "all operations of the government of the District of Columbia are 'excepted' activities essential to the protection of public safety, health, and property and therefore [would] continue to be performed during a lapse in appropriations." The District government remained open and operating during the October 1 to October 16 period, utilizing permanently appropriated money in its Contingency Reserve Fund to pay employees and certain other operating costs. On October 17, 2013, the President signed the Continuing Appropriations Act, 2014 (P.L. 113-46) ("Continuing Appropriations Act") which appropriated the local funds in the District's Fiscal Year 2014 budget for the remainder of Fiscal Year 2014, even though the Continuing Appropriations Act otherwise terminates federal government appropriations on January 15, 2014, or upon certain conditions. The District has fully replenished the amounts drawn from the Contingency Reserve Fund during the period from October 1 to October 16, 2013. See "Historic Use of Cash Reserves" and "FISCAL YEAR 2014 BUDGET" herein.

After Congress appropriates the District's budget, the District's ability to shift funds between major funding categories approved during the appropriations process remains constrained by federal and local law. A request by the Mayor to reprogram funds is subject to approval by the Council, including reprogrammings between agencies within the same appropriation title.

The Office of the CFO monitors spending primarily through a quarterly financial review process. That process involves the submission of a quarterly financial status update from each agency of the District, an analysis of those reports by staff of the Office of Budget and Planning and reconciliation of any differences from forecasted spending. In addition, a monthly Financial Status Report is compiled to provide a "snapshot" of the District's progress in executing the annual budget. As necessary, follow-up meetings between staff of the Office of Budget and Planning and agency personnel are conducted to explore more fully expenditure control issues and forecasting assumptions. Agency directors and financial managers may be required by the CFO to submit specific action plans, including milestone achievement dates, to eliminate potential overspending. Remedial action plans are required wherever current agency control plans are deemed to be inadequate to ensure budget balance.

If overspending during a Fiscal Year has occurred or is anticipated and agencies do not reduce spending to the authorized levels, the CFO is authorized to take actions that are intended to ensure spending reductions. Such actions can include apportionment (authorizing no more than a pro rata portion of an annual budget to be expended each month), reducing budget authority in the financial management system available to such agency, restricting purchase approvals and instituting employee furloughs and reductions in force.

The Office of the CFO requires, subject to exceptions for "direct vouchers" as explained below, that all expenditures by District agencies first be obligated in the District's accounting and financial reporting systems before being vouched and paid. In certain instances, however, the payees cannot be determined in advance or the nature of the expenditures does not lend itself to prior obligation. In those instances, the Office of the CFO has authorized agencies to expend funds that have not been obligated previously in the District's accounting and financial reporting systems. This process is referred to by the District as expenditures by "direct voucher." Examples of permitted direct voucher expenditures are litigation settlements, payments for court orders, workers' compensation and unemployment benefits and procurements due to an emergency arising from unanticipated and nonrecurring extraordinary needs of an emergency nature. Although expenditures by direct vouchers are not obligated previously in the District's accounting and financial reporting systems, most of those expenditures are included in the District's budgeting process. For example, although litigation settlements are in general paid as a permitted direct voucher expenditure, the Office of the Attorney General provides each year to the Office of the CFO its best judgment as to the amount of litigation expenditures that may occur in a Fiscal Year and such estimate is taken into account in preparing the budget. The amount of expenditures by direct voucher and the percentages such expenditures represent of total General Fund expenditures and other uses in a particular Fiscal Year are as follows: 2009: $818,559,896 (11.74%), 2010: $741,660,668 (10.85%), 2011: $691,308,978 (11.4%) and 2012: $703,622,574 (10.2%). The Office of the CFO has numerous tools to ensure that the impact of direct vouchers on the ability to monitor and control expenditures is minimal. Agencies operate within their authorized budgets even with the use of the direct voucher program and the Office of the CFO continues to carefully monitor their use. The CFO issued in 1996 the first order that established guidelines for the use of direct vouchers and subsequently revised that order on September 5, 2007 and again on June 22, 2011. The Office of the CFO has determined that in Fiscal Year 2012 approximately $7,106,588 (1.01%) of expenditures by direct voucher did not fully conform with such guidelines.

Cash Reserves

The District is required by federal law to maintain the Emergency Reserve Fund and the Contingency Reserve Fund and is required by District law to maintain the Fiscal Stabilization Reserve Account and the Cash Flow Reserve Account. The Fiscal Year 2011 Budget Support Act directed the CFO to create the Fiscal Stabilization Reserve Account and the Cash Flow Reserve Account as segregated nonlapsing accounts within the cumulative Fund Balance. These two accounts were established with the goal of replenishing and augmenting the spendable portion of the District's Fund Balance to a level that, together with the Emergency Reserve Fund and the Contingency Reserve Fund, equals approximately two months (16.67%) of operating expenditures. The District has not fully funded the Fiscal Stabilization Reserve Account or the Cash Flow Reserve Account as of the date of this Official Statement. The Emergency Reserve Fund, the Contingency Reserve Fund, Cash Flow Reserve Account and Fiscal Stabilization Reserve Account, are collectively referred to herein as the "Cash Reserves."

Emergency Reserve Fund. The District is required by federal law to maintain an Emergency Reserve Fund, which is a separate account within the General Fund. The District is required to deposit not later than October 1 of each Fiscal Year into the Emergency Reserve Fund (less the amount necessary to repay draws during the next two Fiscal Years) that amount in cash necessary to bring the balance in such fund to 2% of the actual operating expenditures paid from local funds for the Fiscal Year of the most recently issued CAFR, after deducting from such expenditures those amounts attributed to debt service payments for which a debt service reserve or escrow fund is already established.

The CFO, in consultation with the Mayor, developed a policy to govern the use of such funds, which is limited by law to unanticipated and nonrecurring extraordinary needs of an emergency nature. Accordingly, the Emergency Reserve Fund may not be used to fund (i) any department, agency, or office of the District that is administered by a receiver, (ii) shortfalls in any projected expenditure reductions that are included in the budget proposed by the District or (iii) settlements and judgments made by or against the District. Funds may be allocated from the Emergency Reserve Fund only after the CFO has prepared an analysis regarding the non-availability of other sources of funding to carry out the purposes of the allocation and the impact of such allocation on the balance and integrity of the Emergency Reserve Fund.

The District must replenish any expenditures from the Emergency Reserve Fund so that not less than 50% of such expenditures or the amount needed to restore the 2% balance, whichever is less, is replenished by the end of the first Fiscal Year following the year in which the expenditure was made, with the balance being restored by the end of the second Fiscal Year. If funds in the Emergency Reserve Fund are expended, the Mayor and the Council must notify the Committees on Appropriation of the Senate and the House in writing not more than 30 days after such expenditure.

Contingency Reserve Fund. The District is required by federal law to maintain a Contingency Reserve Fund, which is a separate account within the General Fund. The District is required to deposit not later than October 1 of each Fiscal Year into the Contingency Reserve Fund that amount in cash necessary to bring the balance in such fund to 4% of the actual operating expenditures (less the amount necessary to repay draws during the next two Fiscal Years) paid from local funds for the Fiscal Year of the most recently issued CAFR, after deducting from such expenditures those amounts attributed to debt service payments for which a debt service reserve or escrow fund is already established. See Table 2 for the historical use and balances of the Emergency Reserve Fund.

The CFO, in consultation with the Mayor, developed a policy to govern the use of such funds, which is limited to nonrecurring or unforeseen needs that arise during the Fiscal Year, including natural disasters, unforeseen weather conditions, unexpected obligations created by federal law, new public safety or health needs or opportunities to achieve cost savings. The Contingency Reserve Fund also may be used to cover revenue shortfalls that continue for three consecutive months (based on a two month rolling average) that are 5% or more below the budget forecast. The policy is described in APPENDIX A to the District's annual budget and financial plan.

The District must replenish any expenditures from the Contingency Reserve Fund so that not less than 50% of such expenditures or the amount needed to restore the 4% balance, whichever is less, is replenished by the end of the first Fiscal Year following the year in which the expenditure was made, with the balance being restored by the end of the second Fiscal Year.

In addition, the District has the authority to allocate and use amounts in the Emergency Reserve Fund and Contingency Reserve Fund for cash flow management purposes. Such allocations may not exceed 50% of the balance of the applicable reserve fund at the time such allocation is made. The aggregate amount allocated from a reserve fund during a Fiscal Year may not exceed 50% of the balance of such fund as of the first day of such Fiscal Year. Following any allocation, the District is required to fully replenish the amounts allocated from a reserve fund not later than the earlier of (i) nine months after the allocation or (ii) the last day of the Fiscal Year. In addition, following any allocation from a reserve fund for cash flow management purposes, if the District makes any other allocation from such fund during a Fiscal Year the result of which is that the balance of the reserve fund is reduced to an amount that is less than 50% of the balance of the reserve fund on the first day of such Fiscal Year, the District must replenish the balance of such fund within 60 days to an amount equal to 50% of the balance of the reserve fund on the first day of such Fiscal Year. Nothing precludes the District from using such funds for cash flow management purposes more than once during a Fiscal Year, subject to the provisions regarding replenishment. See Tables 2 and 3 for the historical use and balances of the Contingency Reserve Fund.

Cash Flow Reserve Account. The Cash Flow Reserve Account was established by the District in Fiscal Year 2011 and may be used by the CFO to cover cash-flow needs, provided that any amounts used must be replenished to the Cash Flow Reserve Account in the same Fiscal Year. At full funding, the Cash Flow Reserve Account will equal 8.33% of the General Fund operating budget for each Fiscal Year. At September 30, 2012, the cash balance in the Cash Flow Reserve Account was $346,000,000, which was 5.31% of the General Fund operating budget as of that date.

Fiscal Stabilization Reserve Account. The Fiscal Stabilization Reserve Account was established by the District in Fiscal Year 2011 and may be used by the Mayor for those purposes for which the Contingency Reserve Fund may be used as discussed above (except for cash flow management purposes), as certified by the CFO, with approval of the Council by act. At full funding, the Fiscal Stabilization Reserve Account will equal 2.34% of the District's General Fund operating expenditures for each Fiscal Year. At September 30, 2012, the cash balance in the Fiscal Stabilization Reserve Account was $95,000,000, which was 1.49% of the General Fund operating expenditures as of that date. To date, the District has never withdrawn funds from the Fiscal Stabilization Reserve Account.

If either of the Cash Flow Reserve Account or the Fiscal Stabilization Reserve Account are below full funding, immediately upon issue of the District's CAFR, the CFO is required to deposit 50% of the undesignated end-of-year Fund Balance into each account, or 100% of the undesignated end-of-year Fund Balance into the account that has not reached capacity, to fully fund these accounts to the extent that the undesignated end-of-year Fund Balance allows. If amounts required to satisfy the reserve requirements for the Emergency Reserve Fund or the Contingency Reserve Fund are reduced, the amount required to be deposited in Fiscal Stabilization Reserve Account is required to be increased by a like amount. See Tables 2 and 3 below for the historical use and balances of these Funds.

Historical Use of Cash Reserves. All of the draws on the reserve funds described below were for authorized purposes and the respective replenishments were in compliance with the statutory deadlines.

Table 2. Historical Use of Cash Reserves
Fiscal Years 2009-2013
($000,000s)

Fiscal Year	**Withdrawals**				**Replenishments**			
	Emergency Reserve Fund	Contingency Reserve Fund	Cash Flow Reserve Account	Fiscal Stabilization Reserve Account	Emergency Reserve Fund	Contingency Reserve Fund	Cash Flow Reserve Account	Fiscal Stabilization Reserve Account
2009	$50.0	$224.6	N/A	N/A	$50.0	$167.8	N/A	N/A
2010	$100.0	$236.0	N/A	N/A	$100.0	$286.8	N/A	N/A
2011	-0-	$236.8	-0-	-0-	-0-	$242.8	-0-	-0-
2012	-0-	$52.1	-0-	-0-	-0-	$52.1	-0-	-0-
2013	-0-	$284.6*	$39**	-0-	-0-	$273.6*	$39**	-0-

* As of the date hereof, $204.8 million of the Fiscal Year 2013 draws have been replenished. An additional $68.8 million may be replenished by the close of Fiscal Year 2013 if uncommitted funds are available, and otherwise, will be replenished in Fiscal Years 2014 and 2015. Per the Fiscal Year 2014 Budget submitted to Congress, $11.0 million is to be repaid in Fiscal Years 2014 and 2015 and is therefore not shown as a replenishment in the table. (Separately, additional Fiscal Year 2013 revenues and savings also will have to repay $10.2 million of write-offs of ambulance receivables in the Fire and Emergency Medical Services agency.) See discussion under "FISCAL YEAR 2013 REVISED BUDGET" herein.

** As of the date hereof, the $39 million draw from the Cash Flow Reserve Account has not been replenished. However, increased revenues reflected in the June and September 2013 revenue estimates indicate that the Cash Flow Reserve Account balance may be increased to at least the balance shown in the Fiscal Year 2014 Budget. This would be done upon issue of the District's CAFR when deposits are made from the unassigned Fund Balance into the Cash Flow Reserve Account until it has reached its capacity, as detailed in the account's description above.

Table 3. Cash Reserve Fund Balances[1]
($000,000s)

Fiscal Year	2010	2011	2012	2013	2014
Emergency Reserve Fund [1]	$ 110	$ 110	$ 110	$ 110	$ 112
Contingency Reserve Fund [1]	228	229	229	218	224
Cash Flow Reserve Account [2]	N/A	152	346	347	347
Fiscal Stabilization Reserve Account [2]	N/A	42	95	96	96

(1) The amounts listed for Fiscal Years 2010-2012 reflect the actual reserve balances reported in the District's CAFR for such Fiscal Years, while the amounts for Fiscal Year 2013 and 2014 balances are set forth in the Fiscal Year 2014 Budget. The cash components referenced in the paragraphs below represent actual cash balances at September 30 and may vary from amounts reported in the applicable CAFR.

(2) The amounts listed for Fiscal Year 2011 and 2012 are taken from the District's CAFRs, Note 11 for such Fiscal Years. Fiscal Year 2013 and Fiscal Year 2014 data are estimated as shown in the Fiscal Year 2014 Budget.

As of September 30, 2010, the cash components of the Emergency Reserve Fund and the Contingency Reserve Fund balances were $109.7 million and $202.2 million, respectively. The September 30, 2010, cash balance of the Contingency Reserve Fund differs from the Fiscal Year 2010 ending balance for such Fund reflected in Table 3 above because (i) the District deposited the $20.0 million of the Fiscal Year 2010 Not-for-Profit Hospital Corporation draw described above after September 30, 2010, during the Fiscal Year 2010 year-end closing process and (ii) the Fiscal Year 2010 ending balance reflected in Table 3 includes a $6.0 million receivable for the Not-for-Profit Hospital Corporation draw.

As of September 30, 2011, the cash components of the Emergency Reserve Fund and the Contingency Reserve Fund balances were $109.9 million and $212.7 million, respectively. The September 30, 2011, cash balance of the Contingency Reserve Fund differs from the Fiscal Year 2011 ending balance for such Fund reflected in Table 3 above because of two amounts outstanding as of that date: (i) a $10.0 million draw related to the August 2011 earthquake and (ii) a $6.0 million portion of the draw related to the Not-for-Profit Hospital Corporation. These draws were replenished consistent with statutory requirements.

As of September 30, 2012, the cash components of the Emergency Reserve Fund and the Contingency Reserve Fund balances were $110.0 million and $210.0 million, respectively. The September 30, 2012, cash balance of the Contingency Reserve Fund differs from the Fiscal Year 2012 ending balance for such Fund reflected in Table 3 above because the following draws were outstanding, on a cash basis, as of that date: (i) $6.0 million cash draw related to continuing earthquake repair; (ii) $7.7 million to finance operations of the Not-for-Profit Hospital Corporation; (iii) $1.0 million for a Department of Motor Vehicles ticket collection contract; and (iv) $4.4 million for the June 2012 "Derecho" storm disaster. These draws were replenished consistent with statutory requirements.

As of September 30, 2013, the Emergency Reserve Fund and the Contingency Reserve Fund balances are projected to be $110.1 million and $218.3 million, respectively, totaling $328.4 million. The Contingency Reserve Fund projected year-end balance does not include a $11.0 million draw to cover operating costs of the Not-For-Profit Hospital Corporation that is projected to be repaid in Fiscal Years 2014 and 2015. It does include $68.8 million of replenishments that have not been made as of the date hereof but will likely be made during the year-end close. If not replenished during the Fiscal Year 2013 close, these draws will be replenished consistent with statutory requirements.

During the period October 1 through October 16, 2013, the federal budget impasse resulted in no appropriations for the District's budget for Fiscal Year 2014. Accordingly, the District utilized money in the Contingency Reserve Fund (which carries a permanent appropriation and carried a balance of $150 million into Fiscal Year 2014). This Fund was used, in conjunction with the Mayor's declaration that all District employees are essential, to allow all District employees to continue working and to pay them currently, and to fund certain other actions that required immediate funding, with $125 million allocated for payroll and $23 million allocated for other costs. The District has fully replenished the amounts drawn from the Contingency Reserve Fund during the period from October 1 to October 16, 2013.

Financial Procedures

Audit and Accounting Practices. The District's Fiscal Year covers the 12-month period between October 1 of one calendar year and September 30 of the next calendar year. The District uses Generally Accepted Accounting Principles ("GAAP") for governments, established by the Governmental Accounting Standards Board ("GASB"), to account for its assets, liabilities, equity and results of operations. The budgetary basis of accounting is used to prepare budgetary comparison statements; however, the District's financial statements are prepared using GAAP. GAAP basis statements include a number of revenue, expenditure and source and use items which are excluded from the budget. Consequently, the GAAP-based presentation provides a more comprehensive view of the activities in the General Fund (the District's principal operating fund). Since Fiscal Year 1980, the financial statements of the District have been prepared in accordance with GAAP for governments and audited by Independent Certified Public Accountants. Additional information concerning the District's accounting policies is provided in the disclosures contained in the Notes to the Basic Financial Statements (as set forth in the FY 2012 Financial Statements), which explain the items presented in the main body of the financial statements.

D.C. Official Code § 47-119 requires that the District's financial operations be audited each Fiscal Year by an independent auditor. The District selected KPMG, LLP as its independent auditor for Fiscal Year 2010 pursuant to a one-year contract that is subject to four annual renewal options at the option of the District. District law provides that an audit contract with the same auditor cannot be extended past five years.

Consistent with GAAP, the District prepares government-wide financial statements and fund financial statements. Government-wide financial statements focus on all the economic resources of the District and use the full accrual basis of accounting (revenues are recognized when earned and expenses recorded when a liability is incurred). Fund financial statements focus primarily on the sources, uses and balances of current financial resources and use the modified accrual basis of accounting (revenue is recognized only if payment is actually received during the year or soon enough thereafter to pay current-year liabilities).

As set forth in Part 1, the FY 2012 Financial Statements have been incorporated herein by reference. The District's Fiscal Year 2012 CAFR can be found on the District's website at http://cfo.dc.gov/publication/fy-2012-dc-cafr/ or by registering with and logging onto the website of Digital Assurance Certification, L.L.C. ("DAC") at www.dacbond.com. DAC is the disclosure dissemination agent for the District. Copies of the District's CAFRs may also be obtained by written request submitted to the Treasurer of the District of Columbia, Office of Finance and Treasury, 1101 Fourth Street, S.W., Suite 850, Washington, D.C. 20024, or by email at dcinvestorrelations@dc.gov. The independent auditors did not review this Official Statement. In addition, the District did not request the independent auditors' consent to incorporate by reference herein the FY 2012 Financial Statements. Accordingly, the independent auditors did not perform any procedures relating to any of the information in this Official Statement.

Revenue Estimates and Expenditure Projections. The Home Rule Act requires the CFO to submit quarterly estimates of all revenues of the District to the Mayor and Council. Table 4 below shows the most recent revenue estimates for the District for Fiscal Years 2013-2017. In general, the revenue estimates reflect additional expected revenue in Fiscal Year 2013 ($35.9 million) and Fiscal Year 2014 ($49.0 million). This stems primarily from stronger than expected performance of non-withholding individual collections in 2013 as some taxpayers shifted income from tax year 2013 into late tax year 2012 in anticipation of the possibility of an increase in federal personal income tax rates on January 1, 2013. However, individual income tax growth is expected to slow from a growth rate of 10.9 percent in Fiscal Year 2013 to 2.0 percent in Fiscal Year 2014. The net increase in forecasted revenues also reflects reductions in sales tax revenues for Fiscal Year 2013 ($25.3 million) and Fiscal Year 2014 ($6.2 million). Sales tax revenue growth through August 2013 was slower than expected and was likely due to the effects of sequestration on spending in the District. In general, estimated revenue growth in Fiscal Year 2013 was slower than the growth in Fiscal Year 2012 due to the likely impact of federal sequestration, and slower employment growth and certain one-time revenue gains in Fiscal Year 2012. A strong stock market in Fiscal Year 2012 and in the first part of Fiscal Year 2013 is also a factor in higher expected collections in Fiscal Year 2014. However, due to the uncertainties regarding the possible additional federal cutbacks, including federal sequestration and uncertainties regarding the international, national and local economies, the revenue forecasts have increases of not more than $100.0 million in each of the Fiscal Years 2015-2017. The forecast does not include any possible effects from the federal government shut-down of October 1-16, 2013 or any other possible federal government shut-downs during Fiscal Year 2014.

Table 4. Local Source, General Fund Revenue Estimates
($000,000s)

	Fiscal Year				
	2013	**2014**	**2015**	**2016**	**2017**
June 2012 Revenue Estimate	$5,865.1	$5,957.0	$6,095.2	$6,250.6	-
September 2012 Revenue Estimate	$5,865.1	$5,957.0	$6,095.2	$6,250.6	-
December 2012 Revenue Estimate	$5,865.1	$5,957.0	$6,095.2	$6,250.6	-
February 2013 Revenue Estimate	$6,055.1	$6,134.8	$6,273.4	$6,449.4	$6,574.0
June 2013 Revenue Estimate	$6,141.0(1)	$6,227.1	$6,393.0	$6,577.0	$6,748.6
September 2013 Revenue Estimate	$6,163.2	$6,311.6	$6,508.8	$6,697.6	$6,880.1

(1) Does not reflect $13.8 million reduction due to subsequent legislative changes enacted in June, 2013.

The District's revenue assumptions reflect a combination of statistical techniques, historical factors, local information and experience with the regional economy. Statistical techniques used in developing some of these revenue estimates include trending, time series analysis, correlation analysis and other common statistical methods. The estimating process requires ongoing communication with local business officials and economists. For example, the Office of Revenue Analysis routinely consults business, trade and research organizations to determine the current status and future course of the various segments of the region's economy. All of these factors are considered and balanced against the past experience of revenue collections in the District. Only the CFO's revenue estimates may be used for the budget.

In preparing gross expenditure projections, the expenditures are categorized by types of spending, which are also referred to as "object classes." Object classes include categories such as personal and contractual services, supplies and materials, energy, telecommunications, rent, other services and charges, subsidies and transfers, capital outlay and debt service. In order to project overall expenditure growth for an agency, the expenditure growth rate for each object class is estimated and then applied to the base level of spending. The rationale for this approach is that growth rates among spending categories will vary since the factors that influence the growth in these areas vary. For instance, rent expenditures may depend upon long-term contract provisions; utilities expenditures may vary with service demands, energy costs and needs; and other expenditures (such as supplies) may change mainly with the rate of inflation.

Budgetary Basis. The District utilizes budgetary controls designed to monitor compliance with expenditure limitations contained in the annual appropriated budget approved by Congress. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function within the District's General Fund. The District also uses an encumbrance accounting system as another technique for establishing and maintaining budgetary control. Generally, encumbered amounts lapse at year-end in the General Fund but not in the Capital Projects Fund, Special Revenue Fund, or the fund established for federal Programs.

Fund Accounting. Government-wide financial statements (*i.e.,* the Statement of Net Assets and the Statement of Activities, which present the non-fiduciary activities of the District (governmental and business-type activities) and its discretely presented component units) are required by GASB's Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The District uses fund accounting to prepare financial statements that focus on specific District functions or activities rather than the District as a whole. Fund accounting is also used to demonstrate compliance with legal requirements established by external parties, governmental statutes, or regulations. The three major fund types for which separate financial statements are provided are governmental funds, proprietary funds and fiduciary funds. Because assets of fiduciary funds are held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not included in the government-wide financial statements.

Governmental Funds. The District's major governmental funds consist of the General Fund, the Federal and Private Resources Fund and the General Capital Improvements Fund.

<u>General Fund</u>. The General Fund is the principal operating fund of the District. It is used to account for all financial resources except for those required to be accounted for in another fund. Expenditures for public safety and justice, public education, human support services, economic development and regulation, public works, receiverships, joint venture (transit) subsidy, debt service on general obligation debt and governmental direction and support are all recorded in the General Fund. The General Fund also partially supports, primarily through operating transfers, the activities of certain component units (the University of the District of Columbia (the "University") and the Washington Convention and Sports Authority ("WCSA"), which was created on October 1, 2009, through the merger of the Sports and Entertainment Commission (the "Sports Commission") and the Washington Convention Center Authority ("WCCA")). Major current tax revenue sources of the General Fund include real property taxes, sales and use taxes and income and franchise taxes. The federal grant-in-aid programs constitute significant intergovernmental revenue sources of the General Fund.

<u>The Federal and Private Resources Fund</u>. The Federal and Private Resources Fund is used to account for proceeds of intergovernmental grants and other federal payments and private grants that are legally restricted to expenditure for specified purposes.

<u>General Capital Improvements Fund</u>. The General Capital Improvements Fund is used to account for the purchase or construction of capital assets financed by operating transfers, capital grants or debt.

Governmental fund revenues are recognized when they become available and measurable. Revenues, except for property taxes, are deemed available if they are collectible within the current year or within a reasonable time thereafter to pay liabilities of the current year. Property taxes are recognized as revenue in the fiscal period for which they were levied and are deemed available if they are collected within 60 days of the end of the Fiscal Year. Allowances for taxes that may ultimately be uncollectible are estimated and recorded as reductions of revenues. Grants that are restricted to specific uses are recognized as revenues when the related costs are incurred. For expenditure-driven grants, revenues are recognized when all eligibility criteria and compliance requirements have been met and allowable costs have been incurred. Grants that are collected before eligibility and compliance requirements are met or the related costs are incurred are reported as deferred revenues. In addition, grants collected before the period for which use is intended are also reported as deferred revenues. Expenditures and expenses are recognized when the liabilities are incurred, if measurable.

Proprietary Funds. Proprietary funds are used to account for activities similar to those found in the private sector where the costs (including depreciation) of providing goods and services primarily or solely to the public on a continuing basis are or could be financed or recovered primarily through user charges. The District's two major proprietary funds are the Lottery and Games Fund, the net proceeds from the operation of which are deposited into the General Fund at the end of each Fiscal Year and the Unemployment Compensation Fund, which is used to account for the accumulation of resources to be used for benefit payments to unemployed former employees of the District and federal government and of private employers in the District.

Fiduciary Funds. Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and other governments. The District reports the following fiduciary funds: Pension Trust Funds, Other Postemployment Benefits ("OPEB") Trust Fund, Private Purpose Trust Fund (Section 529 college savings plan) and Agency Funds. Agency Funds are used to account for refundable deposits required of various licensees, monies held in escrow and other assets held in the custody of the District, as an agent for individuals, private organizations, other governments, or other funds.

Component Units. As of the end of Fiscal Year 2012, the District reports five discretely presented component units: DC Water (formerly known as the Water and Sewer Authority), WCSA, the University, the District of Columbia Housing Finance Agency (the "Housing Finance Agency") and the Not-For-Profit Hospital Corporation (d/b/a the "United Medical Center" or "UMC"). The District also reports one blended component unit: the Tobacco Settlement Financing Corporation (the "Tobacco Corporation").

Performance Audits and Reports. The District is subject to performance audits by the Comptroller General of the United States, who heads the Government Accountability Office (formerly General Accounting Office), the District Auditor and the OIG. Such officials and others, including the Congressional Budget Office, have issued reports and made public statements regarding the District's financial condition, including some that have been critical of the District's management and financial operations. It is reasonable to expect that reports and statements that prompt public comment will continue to be issued.

FINANCIAL INFORMATION

The District's Financial Statements are prepared in accordance with accounting principles generally accepted in the United States as promulgated by GASB. The following GASB statements adopted by the District are ordered by dates in which the District implemented such GASB statements.

General Fund Operations: 2009-2012

- GASB Technical Bulletin (GASBTB 2008-1): *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*

Issued on December 15, 2008, this technical bulletin clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, for calculating the annual required contribution (the "ARC") adjustment.

This technical bulletin applies to situations in which the actuarial valuation separately identifies the actual amount that is included in the ARC related to the amortization of past employer contribution deficiencies or excess contributions to a pension or OPEB plan. Statements 27 and 45 required a procedure for estimating the amount. This technical bulletin encourages the use of the actual amount, if known, in place of the estimation for purposes of the ARC adjustment. The District implemented the requirements of GASB Technical Bulletin (GASBTB 2008-1) during the Fiscal Year ended September 30, 2009.

● GASB Statement No. 49: *Accounting and Financial Reporting for Pollution Remediation Obligations*

Issued in November 2006, GASB Statement No. 49 identifies the circumstances under which a government is to estimate its expected outlays for pollution remediation if it knows that a site is polluted. Liabilities and expenses are to be estimated using "an expected cash flows" measurement technique, which is used by environmental professionals. GASB Statement No. 49 also requires state and local governments to disclose in the notes to the financial statements information about their pollution obligations associated with clean-up efforts. The District implemented the requirements of GASB Statement No. 49 during the Fiscal Year ended September 30, 2009.

● GASB Statement No. 52: *Land and Other Real Estate Held as Investments by Endowments*

Accounting standards previously required permanent and term endowments, including permanent funds, to report land and other real estate held as investments at their historical cost. Endowments exist to invest resources for the purpose of generating income. Other entities that exist for similar purposes—pension and other postemployment benefit plans, external investment pools and Internal Revenue Code Section 457 deferred compensation plans—however, report land and other real estate held as investments at their fair value. Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value and other information that they currently present for other investments reported at fair value. GASB Statement No. 52 was issued by GASB in November 2007 and its requirements were implemented by the District during the Fiscal Year ended September 30, 2009.

● GASB Statement No. 55: *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

The objective of this Statement is to incorporate the hierarchy of GAAP for state and local governments into the GASB's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP and the framework for selecting those principles. GASB is responsible for establishing GAAP for state and local governments. However, the current GAAP hierarchy is set forth in the American Institute of Certified Public Accountants' ("AICPA") Statement on Auditing Standards No. 69, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*, rather than in the authoritative literature of the GASB. GASB Statement

No. 55 was issued by GASB in March 2009 and its requirements were implemented by the District during the Fiscal Year ended September 30, 2009.

- GASB Statement No. 56: *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*

Issued in March 2009, this statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the AICPA Statements on Auditing Standards. This statement addresses three issues not included in the GASB's authoritative literature that established accounting principles – related party transactions, going concern considerations and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in the accounting and financial reporting standards rather than in the auditing literature. The District implemented the requirements of GASB Statement No. 56 during the Fiscal Year ended September 30, 2009.

- GASB Statement No. 51: *Accounting and Financial Reporting for Intangible Assets*

Issued in June 2007, Statement No. 51 provides that intangible assets must: (1) lack physical substance; (2) be non-financial in character; and (3) have an initial useful life extending beyond a single reporting period.

This Statement further provides that recognition of intangible assets is only appropriate when they are either separable (e.g. can be sold, transferred, or licensed) or represent contractual or other legal rights regardless of transferability or separability. The District implemented the requirements of GASB Statement No. 51 during the Fiscal Year ended September 30, 2010.

- GASB Statement No. 53: *Accounting and Financial Reporting for Derivative Instruments*

Issued in June 2008, this Statement requires governments to measure most derivative instruments at fair value in financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. This statement provides specific criteria to be used by governments to determine whether a derivative instrument results in an effective hedge. Changes in fair value for effective hedges that are achieved with derivative instruments are to be recognized in the reporting period to which they relate. Changes in the fair value of these hedging derivative instruments do not affect current investment revenue, but are reported as deferrals in the statement of net assets or the balance sheet. Derivative instruments that either do not meet the criteria for an effective hedge or are associated with investments that are already reported at fair value are to be classified as investment derivative instruments for financial reporting purposes. Changes in fair value of those derivative instruments are reported as part of investment revenue in the current reporting period. The District implemented the requirements of GASB Statement No. 53 during the Fiscal Year ended September 30, 2010.

- GASB Statement No. 54: *Fund Balance Reporting and Governmental Fund Type Definitions*

Issued in February 2009, this statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that must be made when reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories. Statement

No. 54 also requires additional classification of fund balance as restricted, committed, assigned and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

This statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about certain stabilization arrangements in the notes to the financial statements. The definitions of the general fund type, special revenue fund type, capital projects fund type, debt service fund type and permanent fund type are also clarified in this statement.

The District implemented the requirements of GASB Statement No. 54 during the Fiscal Year ended September 30, 2011.

- GASB Statement No. 59: *Financial Instruments Omnibus*

Issued in June 2010, this statement provides updates and refinements to existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement provides amendments to several standards. The District implemented the requirements of GASB Statement No. 59 during the Fiscal Year ended September 30, 2011.

- GASB Statement No. 64*, Derivative Instruments: Application of Hedge Accounting Termination Provisions—An Amendment of GASB Statement No. 53*

Issued in June 2011, this statement clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. Some governments have entered into interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty's credit support provider commits or experiences either an act of default or a termination event as described in the related swap agreement. Many of those governments have replaced their swap counterparty, or swap counterparty's credit support providers, either by amending existing swap agreements, or by entering into new swap agreements. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* Those provisions require governments to cease hedge accounting upon termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income. Statement No. 64 sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue.

The District implemented the requirements of GASB Statement No. 64 during the Fiscal Year ended September 30, 2012.

Certain accounting standards issued in recent years by the GASB were not applicable to the District and therefore, were not adopted. Such standards include the following:

- GASB Statement No. 57: *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*

- GASB Statement No. 58: *Accounting and Financial Reporting for Chapter 9 Bankruptcies*

District's General Fund: Fund Balance

The District began Fiscal Year 2012 (October 1, 2011) with a General Fund balance of $1.1 billion. The General Fund's fund balance at the end of Fiscal Year 2012 (September 30, 2012) was $1.507 billion. Based upon GAAP principles, the District ended Fiscal Year 2012 with an excess of revenues over expenditures of approximately $430.9 million in the General Fund, which, when combined with other financing sources and uses in the General Fund of $29.3 million for Fiscal Year 2012, resulted in a net change of $401.6 million in the General Fund's balance. See Exhibit 2-b in the Fiscal Year 2012 Financial Statements.

From time to time, the District budgets funds from the General Fund's fund balance for various expenditures. In Fiscal Year 2012, the District expended $5.8 million of its General Fund balance. For the budgeted amounts (revised and proposed) for Fiscal Years 2014 - 2017, see Table 14 on page 2-41, "Fiscal Years 2014 - 2017 Proposed Budget and Financial Plan: General Fund," at line 13.

Fund balance, in the governmental funds financial statements, will generally differ from net assets in the government-wide financial statements due to the difference in the measurement focus and basis of accounting used in the respective financial statements. Fund financial statements focus on the sources, uses and balances of current financial resources and use the modified accrual basis of accounting. The government-wide financial statements focus on all economic resources and use the full accrual basis of accounting. Non-current liabilities such as claims and judgments, compensated absences, general obligation debt and interest on other long-term debt are included in the government-wide financial statements but are not included in the governmental funds financial statements. The difference is the recording of long-term obligations that will be liquidated with future years' resources.

As described more fully in Note 1 of the District's Fiscal Year 2012 CAFR, the General Fund Balance is made up of funds that fall into five categories: Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance and Unassigned Fund Balance.

- Nonspendable Fund Balance represents resources that cannot be spent because they are either not in spendable form (e.g., physical assets) or are legally or contractually required to be maintained intact.
- Restricted Fund Balance represents resources whose use is constrained by external factors; such as debt covenants, laws, regulations or through restrictions imposed by law. Included in the Restricted Fund Balance category, for example, are the Emergency and Contingency Cash Reserves, and the funds received pursuant to tobacco settlement which are dedicated to the payment of the Tobacco Settlement Asset-Backed Bonds issued in Fiscal Years 2001 and 2006.
- Committed Fund Balance represents resources that can only be used for specific purposes pursuant to limitations imposed by the District's government. This category includes such things as the Fiscal Stabilization Reserve and the Cash Flow Reserve, as well as the Youth Jobs Fund and other specific purposes that are financed by dedicated taxes that, as a result of the dedication, are not available for general budgeting.
- Assigned Fund Balance represents resources that are neither restricted nor committed but for which the District has a stated intended use established by the Mayor or Council. This category can include things such as non-recurring policy initiatives in a subsequent fiscal year or other expenditures included in the current Fiscal Year's budget and approved by District Council.

- Unassigned Fund Balance represents resources which cannot be classified in one of the other categories.

The following table sets forth the composition of the General Fund Balance as detailed in the District's CAFRs from Fiscal Year 2009 through Fiscal Year 2012.

Table 5. Composition of General Fund Balance, Fiscal Years 2009-2012
($000,000s)

	Fiscal Years			
	2009	**2010**	**2011**	**2012**
Emergency & Contingency Cash Reserves[1]	$284.3	$337.9	$ 338.6	$ 339.1
Fiscal Stabilization & Cash Flow Reserves[1]	0.0	0.0	194.2	441.9
Bond Debt Service	35.3	288.3	345.3	388.3
Other Nonspendable, Restricted, Committed, Assigned or Unassigned	600.9	304.5	226.8	337.2
Total	**$920.5**	**$930.8**	**$1,104.9**	**$1,506.5**

[1] See "Cash Reserves" herein for more detail on the reserve funds.

Management Discussion of Three Years Historical General Fund Operations

The District experienced moderate improvement in its financial condition in Fiscal Years 2010 through 2012 as the District continued to be impacted by the economic downturn of recent years. The District's CAFR earned an unqualified (clean) audit opinion in each of the three Fiscal Years 2010 through 2012.

The results of the General Fund operations in Fiscal Years 2010-2012 are summarized below.

Fiscal Year 2010. The District's General Fund ended Fiscal Year 2010 with a budgetary surplus of $58.1 million. After considering fund balances released from restrictions, transfers or other financing sources and debt-related and other adjustments required by GAAP, the non-budgetary or GAAP deficit was $30.4 million. Following the passage of the Clarification of Personal Property Tax Revenue Reporting Act of 2011, the District changed its policy regarding personal property tax revenue reporting. This resulted in an adjustment for Fiscal Year 2010 and a decrease in deferred property tax revenue of $40.6 million. Consequently, the accumulated General Fund balance was approximately $930.8 million at September 30, 2010, as compared to $920.5 million at September 30, 2009. See Note 1.Y. to the District's CAFR for Fiscal Year 2011.

Fiscal Year 2011. The District's General Fund ended Fiscal Year 2011 with a budgetary surplus of $239.7 million. After considering fund balances released from restrictions, transfers or other financing sources and debt-related and other adjustments required by GAAP, the non-budgetary or GAAP surplus was $174.1 million. Consequently, the accumulated General Fund balance was approximately $1.105 billion at September 30, 2011, as compared to $930.8 million at September 30, 2010.

Fiscal Year 2012. The District's General Fund ended Fiscal Year 2012 with a budgetary surplus of $416.7 million. After considering fund balances released from restrictions, transfers or other financing sources and debt-related and other adjustments required by GAAP, the non-budgetary or GAAP surplus was $401.6 million. Consequently, the accumulated General Fund balance was approximately $1.507 billion at September 30, 2012, as compared to $1.105 billion at September 30, 2011.

Summary of General Fund Revenues

Local General Fund Revenues. Local General Fund Revenues exclude federal grants, private and other grants and intra-District transfers, but include income taxes, property taxes, sales and use taxes, the public utility tax and a combination of other taxes and fees, applicable rates of which are shown in Table 6, "Major Tax Rates," below.

The Home Rule Act requires the Council to provide in each annual budget sufficient funds to pay the principal of and interest on general obligation bonds and notes issued by the District under the Home Rule Act.

The acts which provide for the issuance of general obligation bonds also permit the District to levy, without limitation as to rate or amount, for each real property tax year in which general obligation bonds are outstanding, a "Special Real Property Tax" in amounts sufficient to pay the principal of and interest on any such bonds coming due each year. Special Real Property Tax proceeds are irrevocably dedicated and pledged to the payment of principal of and interest on general obligation bonds. See "BUDGETING AND FINANCIAL PROCEDURES – Summary of General Fund Revenues – *Property Taxes – Tax Levy*" below.

In addition to the Special Real Property Tax dedicated to the payment of general obligation bonds, other District taxes are dedicated to the payment of District obligations including: (i) a portion of certain sales and use taxes dedicated to paying debt service on revenue bonds issued by WCSA, (ii) portions of certain sales and use taxes, utility taxes and the Ballpark Fee dedicated to the payment of the Ballpark Bonds (as defined below), (iii) portions of taxes collected in certain geographical areas for improvements that are pledged to secure tax-increment financing bonds and notes of the District, (iv) individual income tax and business franchise taxes pledged to secure Income Tax Bonds (as defined below) and (v) portions of deed recordation and deed transfer taxes dedicated to the Housing Production Trust Fund that pay debt service on bonds issued to provide funding for certain housing-related projects. See "INDEBTEDNESS - Summary of Statutory Debt Provisions." The total amount of these pledged revenues represents approximately 12.3% of the District's total General Fund budget.

Table 6. Major Tax Rates

Fiscal Years 2009-2013

	2009	2010	2011	2012	2013
Property[1]					
Real					
Class 1	0.85	0.85	0.85	0.85	0.85
Class 2	1.65/1.85[2]	1.65/1.85[2]	1.65/1.85[2]	1.65/1.85[2]	1.65/1.85[2]
Class 3	10.00	10.00	5.00	5.00	5.00
Class 4	n/a	n/a	10.00	10.00	10.00
Personal	3.40	3.40	3.40	3.40	3.40
Sales and Use[3]					
General[4]	0.0575	0.06	0.06	0.06	0.06
Selective					
Cigarettes[5]	2.00	2.50	2.50	2.86[6]	2.86[6]
Motor Fuel[7]	0.20	0.235	0.235	0.235	0.235
Income and Receipts[8]					
Individual	0.04-0.085	0.04-0.085	0.04-0.085	0.04-0.0895	0.04-0.0895
Business	0.09975	0.09975	0.09975	0.09975	0.09975
Gross Receipts					
Public Utility[9]					
Residential Customers[10]	0.10	0.10	0.10	0.10	0.10
Non-Residential Customers[11]	0.11	0.11	0.11	0.11	0.11
Public Utility (Electrical)[12]					
Residential Customers	0.0070	0.0070	0.0070	0.0070	0.0070
Non-Residential Customers	0.0077[13]	0.0077[13]	0.0077[13]	0.0077[13]	0.0077[13]
Ballpark Fee[14]	$5,500-16,500	$5,500-16,500	$5,500-16,500	$5,500-16,500	$5,500-16,500

(1) Per $100 of assessed value. Property Tax rates represent the aggregate of the Real Property Tax rate and the Special Real Property Tax rate. For the purpose of levying taxes on real property in the District of Columbia, the Council may establish different classes of real property. For Fiscal Years 2011 and 2012, Class 1 is comprised of residential real property that is improved and whose legal use (or in the absence of use, its highest and best permitted legal use) is for nontransient residential dwelling purposes; Class 2 is comprised of all real property that is not classified as Class 1, Class 3 or Class 4 property (being principally commercial real property); Class 3 is comprised of all improved real property that appears on the list of registered vacant properties submitted semiannually by the Mayor to the Office of Tax and Revenue; and Class 4 is comprised of all improved real property that appears on the list of blighted vacant properties submitted semiannually by the Mayor to the Office of Tax and Revenue.

(2) $1.65 for each $100 of assessed value for the first $3 million of assessed value and $1.85 for the portion of assessed value exceeding $3 million.

(3) A portion of sales and use taxes on restaurant meals and hotel accommodations is dedicated to paying debt service on revenue bonds issued by the WCSA and its predecessor, the WCCA, to finance the Walter E. Washington Convention Center and a hotel in connection with the Convention Center and to paying operating expenses of WCSA.

(4) Per $1 of general sales. Does not include the additional 4.25% Ballpark Sales Tax or taxes on lodging, restaurants, parking or tangible personal property or services by legitimate theaters, or by entertainment venues with 10,000 or more seats.

(5) Per pack.

(6) Beginning in 2012, a wholesale surcharge of $0.36 per pack was added to the stamp tax on cigarettes. This surcharge will be reviewed and adjusted as necessary annually in March.

(7) Per gallon.

(8) Per $1 of taxable income.

(9) Per $1 of gross receipts. Applies to companies selling natural gas, landline telephone service, toll telecommunications service, mobile telecommunications service, heating oil and artificial gas.

(10) Each gas company that provides distribution services to customers in the District of Columbia is required to pay a tax of $0.0707 for each therm of natural gas delivered to end-users in the District of Columbia and each person who delivers heating oil to an end-user in the District of Columbia is required to pay a tax of $0.17 for each gallon of home heating oil delivered to end-users in the District of Columbia for the preceding billing period.

(11) One-eleventh of the non-residential tax is deposited into the District's Ballpark Revenue Fund (as defined below) to be used for debt service on bonds issued by the District (the "Ballpark Bonds") to fund the construction of a baseball stadium. In addition, each gas company that provides distribution services to customers in the District of Columbia is required to pay a tax of $0.0777 for each therm of natural gas delivered to non-residential end-users in the District of Columbia, of which $0.00707 for each therm is required to be deposited into the District's Ballpark Revenue Fund. Each person who delivers heating oil to an end-user in the District of Columbia is required to pay a tax of $0.187 for each gallon of home heating oil delivered to non-residential end-users in the District, of which $0.017 for each gallon is required to be deposited into the District's Ballpark Revenue Fund.

(12) Per Kilowatt–hour of electricity delivered.

(13) $0.0007 of the tax collected for every kilowatt-hour of electricity delivered to non-residential end-users in the District of Columbia is deposited in the Ballpark Revenue Fund to be used for debt service on the Ballpark Bonds.

(14) The Ballpark Fee is a gross receipts fee that is levied on businesses within the District of Columbia with $5 million or more in annual District gross receipts and are either subject to filing franchise tax returns (whether corporate or unincorporated) or are employers required to make unemployment insurance contributions, in accordance with the following schedule: for gross receipts totaling $5,000,000 to $8,000,000, the required fee is $5,500; for gross receipts totaling $8,000,001 to $12,000,000, the required fee is $10,800; for gross receipts totaling $12,000,001 to $16,000,000, the required fee is $14,000; and for gross receipts greater than $16,000,001, the fee is $16,500.

Table 7. Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting, $000s)

Fiscal Year	Property Tax: Real	Property Tax: Personal	Property Tax: Rental	Sales and Use	Income and Franchise	Gross Receipts	Other Taxes	Total
2003	$ 822,845	$67,294	$11,749	$ 779,920	$1,167,452	$261,643	$273,191	$3,384,094
2004	947,690	63,558	16,840	828,391	1,299,009	271,897	379,521	3,806,906
2005	1,058,100	72,068	18,165	957,394	1,472,432	295,819	377,213	4,251,191
2006	1,163,598	55,548	22,336	970,885	1,591,483	278,453	390,542	4,472,845
2007	1,452,267	67,394	32,239	1,056,780	1,736,361	302,768	498,198	5,146,007
2008	1,666,315	59,690	33,086	1,101,859	1,755,894	302,873	413,401	5,333,118
2009	1,832,748	69,163	32,612	1,052,011	1,478,068	315,976	261,909	5,042,487
2010	1,790,519	56,501	34,264	1,081,005	1,434,131	295,531	264,959	4,956,910
2011	1,715,069	52,696	32,980	1,121,257	1,656,283	279,002	403,199	5,260,486
2012	1,843,918	55,734	35,134	1,218,576	1,956,590	319,036	404,066	5,833,054

Source: District's Fiscal Year 2012 CAFR; Statistical Section, Exhibit S-1E.

Income Taxes. The District levies two major types of income taxes: the individual income tax and business franchise taxes. The individual income tax and the business franchise taxes combined generate the largest proportion of Local General Fund Revenues.

Individual Income Tax. The District imposes an individual income tax on all income earned by full-year residents, part-year residents and individuals occupying District residences at least 183 days of a given calendar year. The current individual income tax rate ranges from 4% on taxable income less than $10,000 to 8.5% on taxable income in excess of $40,000. Beginning January 1, 2012, taxable income in excess of $350,000 is subject to a tax rate of 8.95%. Without further action by the Council, this 8.95% income tax rate will expire on December 31, 2015.

Business Franchise Taxes. The business franchise tax consists of two taxes: the corporate franchise tax and the unincorporated business franchise tax. The corporate franchise tax applies to the income received by corporations from District sources. For other nonexempt businesses, the District taxes the annual gross income in excess of $12,000, after certain additional deductions, through an unincorporated business franchise tax. The same rate of 9.975% applies to both business franchise taxes.

District legislation authorizes the issuance of revenue bonds secured by a pledge of the revenues generated by the individual income tax and business franchise taxes (described immediately below) imposed by the District. See "INDEBTEDNESS - Summary of Statutory Debt Provisions."

Property Taxes. This group of taxes generates the second largest proportion of Local General Fund Revenues. The District levies two primary types of property taxes: the personal property tax and the real property tax.

Personal Property Tax. The District levies a personal property tax on the tangible personal property of businesses, excluding inventories. The current personal property tax rate is $3.40 per $100 of assessed value of tangible personal property in excess of $225,000.

Real Property Tax. The District levies a real property tax on approximately 65%-69% of the value of the District's real property assessment base. The remaining 31%-35% of the value of the real property assessment base is classified as tax exempt and is used by the U.S. government, District government, foreign governments, nonprofits or other tax-exempt organizations.

The District levies its real property tax pursuant to D.C. Official Code § 47-811. The Special Real Property Tax pledged to the payment of the general obligation bonds is authorized by the Home Rule Act. There is no limitation in the Home Rule Act on the amount or rate of real property tax levies. Since 1993, the District's real property tax year has been the 12-month period beginning October 1 and ending September 30, the same as the District's Fiscal Year.

Pursuant to D.C. Official Code § 47-812, the Council sets real property tax rates that remain in effect until amended annually. The Council receives from the CFO an estimate of the assessment roll on or before September 15th of each year. Unless the Council has fixed the Special Real Property Tax rates, the CFO will determine the special tax rates and publish a notice annually by September 15th. The Home Rule Act requires the Council to provide in each annual budget sufficient funds to pay the principal of and interest on general obligation bonds and notes issued by the District under the Home Rule Act. The Special Real Property Tax is collected at the same time as the real property tax.

Each Fiscal Year a certain percentage of real property tax collections are dedicated to the payment of principal and interest on the District's outstanding general obligation bonds. The percentages for Fiscal Years 2009 through 2014 are shown in the table below. For Fiscal Year 2014, such percentage has been established as 10.5% and Special Real Property Tax revenues are expected to be approximately 1.15 times the debt service on the District's general obligation bonds.

Table 8. Percent of Real Property Tax Dedicated to General Obligation Bond Debt Service
(Fiscal Years 2009-2014)

Fiscal Year	Dedicated Percentage
2009	28.0%
2010	28.0
2011	20.0
2012	14.0
2013	11.0
2014	10.5

Real Property Tax Rates. The District has established four classes of real property: Class 1, which includes residential real property that is improved and whose legal use (or in the absence of use, its highest and best permitted legal use) is for nontransient residential dwelling purposes; Class 2, which consists of all real property not in Class 1, Class 3 or Class 4 (being principally commercial real property); Class 3 is comprised of all improved real property that appears on the list of registered vacant properties submitted semiannually by the Mayor to the Office of Tax and Revenue; and Class 4 is comprised of all improved real property that appears on the list of blighted vacant properties submitted semiannually by the Mayor to the Office of Tax and Revenue. See Table 6 on page 2-25, "Major Tax Rates" for the Property Tax rates reflecting the aggregate of the general real property tax rate and the Special Real Property Tax rate. The effective rate for Class 1 property may be reduced in individual cases by credits and deductions. For instance, Class 1 property owners over 65 whose annual adjusted gross income is less than $125,000 are eligible for a 50% reduction in their real property taxes. The income threshold of $125,000, which began with tax year 2014 (and which is subject to adjustments upwards after tax year 2014) replaced the threshold of $100,000 from prior tax years.

Assessment. The assessed value of all real property is the estimated full market value of the property as of the January 1 preceding the Fiscal Year during which the property will be taxed. The District currently assesses real property on an annual basis.

For a property owners entitled to claim a homestead deduction for his or her property, the property is allowed a $69,100 deduction in value before the tax rate is applied to the remaining value; this remaining value is known as the "taxable assessment." In addition, the taxable assessment cannot, by law, increase by more than 10% from year to year, even though real property assessments will continue to be based upon the estimated market value, as required under District law. The $69,100 homestead deduction is subject to annual adjustments upward by the annual increase in the Washington area consumer price index. The $69,100 homestead deduction amount was applicable during tax year 2013 and the adjusted tax year 2014 amount has not yet been determined.

Property owners may appeal the proposed assessed value of property by petitioning for an administrative review. The first-level administrative review provides an opportunity for considering information that may enhance the accuracy of the property assessment. A property owner may appeal the first-level administrative review determination to the Real Property Tax Appeals Commission ("RPTAC"). The petition for a first-level administrative review is generally a prerequisite for filing an appeal with RPTAC. RPTAC must hear and decide each appeal and present any revised assessment to the Office of Tax and Revenue. A property owner may appeal RPTAC's final determination to the Superior Court. To seek review of the assessment by the Superior Court, however, the property owner must first exhaust his or her administrative remedies described above, pay the tax and any interest and penalty thereon and file an appeal with the Superior Court on or before September 30 (the end of the tax year).

Taxes become delinquent upon the failure to timely pay any installment thereof. Delinquent real property taxes are subject to a penalty of 10% of the unpaid amount if payment is not received on or before the due date and interest accrues at the rate of 1.5% per month on the amount due for each month or part thereof that the tax is in arrears. Real property taxes are due semiannually on March 31 and September 15. Delinquent real property taxes subject the related property to an automatic lien, which is perfected whenever full payment, including penalty and interest, is not made on or before the due date of the applicable semiannual bill.

Real Property Tax Sale. Each year, the Office of Tax and Revenue mails tax sale notices to all delinquent real property owners. All delinquent real property tax accounts as of October 1 of the preceding year that continue to remain delinquent are advertised in at least two local newspapers to inform property owners of a tax sale auction that will occur with respect to such delinquent properties. The sale of delinquent tax year 2012 taxes was held July 15-17, 2013.

On September 16, 2013, the CFO ordered the cancellation of all 142 homestead properties sold at the July 2013 tax sale. The following day, the Council passed the District Real Property Tax Sale Emergency Act of 2013 to cancel any tax sale that has occurred of a resident's real property who is a senior citizen, veteran or disabled individual, to establish prospectively a $2,000 tax lien threshold for any real properties subject to a tax sale, to require that the owner of record of a primary residence receive any surplus bid by the purchaser if the foreclosure order is not final by December 31, 2013 and beginning with the July 2013 tax sale to cap attorney fees at $1,500. The District cannot predict at this time the amounts, if any, that will be needed to compensate property owners.

On September 17, 2013 the Council also passed the Tax Lien Compensation and Relief Reporting Emergency Act of 2013 requiring the CFO to review all residential real property tax liens sold between September 1, 2003 and September 1, 2013; to consider whether certain real property tax liens, sales and foreclosures were the result of excusable neglect or other equitable circumstances that warrant relief; to identify the amount of funds needed to compensate persons for whom an equitable remedy would provide substantial justice; and to require a report on these matters to the Council by January 31, 2014. The

District cannot predict at this time the amounts, if any, that will be needed to compensate property owners.

Interest on Bonds. The District, through emergency legislation, temporarily repealed the law to tax interest on non-District municipal bonds. The temporary repeal is in effect from July 30, 2013, through January 15, 2014. Permanent legislation is under review by the U.S. Congress. Under the permanent legislation, individuals, estates and trusts would no longer be required to include interest on the obligations of the District, a state, a territory of the United States, or any political subdivision thereof, in the computation of District gross income.

Data Relating to Assessments, Collections and Valuations. The following Tables 9-11 provide information relating to the real property tax levies and collections for the past five years, the changes in the assessed value of residential, commercial and tax-exempt real property in the District over time and the principal property taxpayers.

Table 9. Real Property Tax Levies and Collections (All Classes)
Last Five Fiscal Years
($000s)

		Collected within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year Ended Sept. 30	Taxes Levied for the Fiscal Year	Amount	Percentage of Levy	Collection in Subsequent Years	Amount	Percentage of Levy
2008	$1,662,835	$1,615,583 (1)	97.2%	$59,885 (1)	$1,675,468	96.6%
2009	$1,861,953	$1,752,290 (2)	94.1%	$65,868 (2)	$1,818,158	92.6%
2010	$1,792,100	$1,735,602 (3)	96.8%	$94,683 (3)	$1,830,285	94.5%
2011	$1,639,902	$1,610,533	98.2%	$111,465	$1,721,998	92.3%
2012	$1,814,958	$1,784,196	98.3%	$78,989	$1,863,185	94.7%

(1) Previously reported collections for 2008 include tax overpayments for both the current levy and prior year balances of $7,490 and $7,500, respectively.

(2) Previously reported collections for 2009 include tax overpayments for both the current levy and prior year balances of $8,648 and $3,615, respectively.

(3) Previously reported collections for 2010 include tax overpayments for both the current levy and prior year balances of $10,940 and $2,361, respectively.

Note: Table reflects a modification to the tax levy data previously reported, which included new billings of prior year tax, penalty and interest amounts due. Data has been reformatted to specifically identify prior year amounts included in the annual amounts billed. The table reflects five years of data, as the detailed information on delinquent amounts included in the tax levy for years 2002-2007 is not available in the format required.

Source: District’s Fiscal Year 2012 CAFR; Statistical Section, Exhibit S-2F.

Table 10. Assessed Value of Taxable Property
Last Ten Fiscal Years
($000s)

Fiscal Year	Estimated actual value: Commercial Property	Residential Property[1]	Total Taxable	Tax Exempt	Total Value	Total Direct Tax Rate[2]	Tax exempt as a % of total actual value
2003	$29,684,430	$28,379,237	$58,063,667	$35,728,289	$93,791,956	1.38	38.1%
2004	$33,752,889	$32,701,220	$66,454,109	$43,234,068	$109,688,177	1.35	39.4%
2005	$36,905,213	$49,982,554	$86,887,767	$43,219,725	$130,107,492	1.37	33.2%
2006	$40,400,447	$58,090,888	$98,491,335	$59,664,865	$158,156,200	1.34	37.7%
2007	$51,748,487	$73,126,786	$124,875,273	$57,690,545	$182,565,818	1.31	31.6%
2008	$61,557,827	$81,400,361	$142,958,188	$67,869,520	$210,827,708	1.30	32.2%
2009	$68,495,502	$84,544,053	$153,039,555	$81,211,121	$234,250,676	1.29	34.7%
2010	$68,254,862	$81,862,427	$150,117,289	$82,113,504	$232,230,793	1.30	35.4%
2011	$59,224,100	$80,063,402	$139,287,502	$81,528,158	$220,815,660	1.25	36.9%
2012	$65,903,077	$80,598,880	$146,501,957	$83,399,263	$229,901,220	1.26	36.3%

Note: Assessed value is 100% of estimated actual value.

(1) After deduction of homestead deduction and credits against tax for 2002-2012. Does not reflect: (i) the 2002 and 2003 cap on increases in assessments of 25% for Class 1 real properties with homestead deductions; (ii) the 2004 and 2005 cap on increases in assessments of 12% for class 1 real properties with homestead deductions; or (iii) the 2006-2012 cap on increases in assessments of 10% for Class 1 real properties with homestead deductions.

(2) The total direct tax rate is the weighted rate of all taxable real property, obtained by multiplying the weighted rate by the percentage of the total value of real property for each class.

Source: District's Fiscal Year 2012 CAFR; Statistical Section, Exhibit S-2A.

Table 11. Principal Property Taxpayers
Fiscal Year 2012
($000s)

Taxpayer	Taxable Assessed Value	% of Total Taxable Assessed Value
JBG/FEDERAL CENTER LLC	$614,998	0.399%
DAVID NASSIF ASSOCIATES	509,913	0.331
MANUFACTURERS LIFE INSURANCE	463,386	0.301
CARR CRHP PROPERTIES LLC	439,110	0.285
SECOND ST HOLDING LLC	382,778	0.248
PRESIDENT & DIRECTORS OF GEORGETOWN UNIVERSITY	362,678	0.237
WASHINGTON SQUARE LIMITED PARTNERSHIP	318,484	0.235
UNITED BROTHERHOOD CRPT JNR AM NATL H S FD	360,000	0.234
1301 K STREET LP	354,043	0.230
WASHINGTON SQUARE LIMITED PARTNERSHIP	351,000	0.228
GEOFFREY A ECKLES	336,400	0.218

Source: District's Fiscal Year 2012 CAFR; Statistical Section, Exhibit S-2D.

Sales and Use Taxes. This group of taxes generates the third largest proportion of Local General Fund Revenues. The District levies a general sales tax of 5.75% on the sale of tangible property, selected services, medical marijuana, some sweetened beverages and food sold in vending machines. Other sales and use tax rates range from 10.0% to 18.0%. A portion of these taxes are dedicated to paying debt service on revenue bonds issued by WCSA to finance the construction of the Walter E. Washington Convention Center and a hotel in connection with the Convention Center and to paying operating expenses of the WCSA. The convention center taxes are collected by the District in accordance with certain lockbox and collection agreements and consist of 4.45% of the gross receipts for the sale or charges for any hotel room in the District and 1% of the gross receipts from the sale or charges made in the District for restaurant meals, alcoholic beverages consumed on premises and rental vehicle charges. In addition, a portion of general sales taxes collected in certain areas of the District are dedicated to paying debt service on District TIF bonds and notes.

Gross Receipts Taxes. The District levies a tax on the gross receipts of gas, electric and local telephone companies. The effective rate for gas and local telephone companies is 11% of gross receipts from non-residential (i.e., commercial) customers and 10% of gross receipts from residential customers. One-eleventh of the tax on the gross receipts from non-residential customers is deposited into the Ballpark Revenue Fund (as defined below) to be used for debt service on the Ballpark Bonds (as defined below). See "INDEBTEDNESS – Summary of Statutory Debt Provisions – *Ballpark Financing*" herein.

The District also collects a tax of $0.007 for each kilowatt-hour of electricity delivered to end-users in the District of Columbia. An additional $0.0007 for each kilowatt-hour of electricity delivered to non-residential end-users in the District of Columbia is deposited into the Ballpark Revenue Fund to be used for debt service on the Ballpark Bonds. These taxes are collectively referred to herein as the "Ballpark Utilities Tax."

Beginning January 1, 2005, the District began collecting a gross receipts tax on certain businesses within the District, in accordance with the following schedule (the "Ballpark Fee"):

Table 12. Ballpark Fee

Gross Receipts	Fee
$ 5,000,000 - $ 8,000,000	$ 5,500
$ 8,000,001 - $12,000,000	$10,800
$12,000,001 - $16,000,000	$14,000
Greater than $16,000,001	$16,500

On or before December 1 of each year, the CFO is required to compute the amount of the Ballpark Fee collected in the prior Fiscal Year and the amount estimated to be collected in the then-current Fiscal Year. If the estimate for the current Fiscal Year is less than $14 million, plus any amount necessary to replenish any reserve funds established by the ballpark trust indenture and to meet any projected debt service shortfalls on Ballpark Bonds, the CFO must calculate an adjustment of the schedule above to provide for receipt in the current Fiscal Year of $14 million plus any additional amounts to cover projected shortfalls as described. To date, the CFO has not had to adjust the schedule.

Other Local General Fund Revenues. The District collects additional local General Fund revenues through a variety of smaller taxes and fees. In addition to those taxes and fees, in Fiscal Year 2000, the District began receiving funds pursuant to the Master Settlement Agreement between certain states and localities and the major U.S. tobacco companies. During Fiscal Years 2001 and 2006, the District sold to the Tobacco Corporation substantially all of its right, title and interest in the amounts payable to the District in future years under the Master Settlement Agreement in exchange for receiving the proceeds of bonds issued in 2001 and 2006, the repayment of which is secured by payments under the Master Settlement Agreement.

Federal Revenues. In addition to the local General Fund revenues, the District receives certain amounts from the federal government for various purposes. See "THE DISTRICT AND THE FEDERAL GOVERNMENT – Federal Funding."

Summary of General Fund Expenditures

The following are major categories of General Fund expenditures.

Human Support Services. This category includes expenditures for services essential to the health and well-being of the District's residents. It encompasses the operations of the Department of Human Services and the Department of Health, which provide health, social and rehabilitative programs and administer the major federal grant-supported assistance programs, including Medicaid and Temporary Assistance to Needy Families, the successor program to Aid to Families with Dependent Children. This category also includes parks and recreation, mental health, youth rehabilitation services and child and family services.

Also in this category is the District's financing of St. Elizabeths Hospital, a psychiatric institution serving District residents and certain federal beneficiaries. The federal government has financial responsibility for certain categories of patients, including those referred by the federal courts and those referred by federal facilities.

In Fiscal Year 2012, the human support services General Fund expenditures totaled $1.61 billion and were approximately 25.1% of all General Fund expenditures. The Fiscal Year 2013 revised budget included human support services General Fund expenditures of $1.64 billion, representing approximately 24.7% of all General Fund expenditures. The Fiscal Year 2014 Budget includes human support services General Fund expenditures of $1.68 billion, representing approximately 24.6% of all General Fund expenditures.

After providing approximately $100 million in support between November 2007 and July 2010 to the former owners of the United Medical Center ("UMC"), the only hospital in the District of Columbia east of the Anacostia River, numerous defaults under the loan and grant documents forced the District to foreclose on UMC on July 9, 2010. The District created the Not-for-Profit Hospital Corporation, an independent instrumentality of the District, to operate UMC. Since July 2010 through the end of Fiscal Year 2013, the District has provided an additional $24.7 million of operating subsidies to UMC. In Fiscal Year 2012, in response to existing and anticipated future reductions in federal funding, UMC implemented a program to reduce operating expenses. That continuing program was expected to reduce operating expenses in Fiscal Year 2013 by 7.8% from Fiscal Year 2012 operating expenses. However, the District estimates that it will need to provide an additional $2.7 million of operating subsidy in Fiscal Year 2014. In March, 2013, the District retained Huron Consulting Services, LLC ("Huron"), to review UMC's operations and to propose a strategic plan to improve UMC's financial and medical operations and better prepare UMC for an initial partnership relationship with another health care provider (yet to be identified) and eventual transfer of UMC to that partner (subject to certain ongoing requirements regarding the provision of health care services). The strategic plan has been approved by UMC's Board of Directors and the Mayor's Office. In addition to Huron's fees, the District has budgeted $10 million in each of Fiscal Years 2014 and 2015 to assist with this process, but it is anticipated that the District's total contribution to UMC (including information technology upgrades required by the Patient Protection and Affordable Care Act ("ACA"), routine and deferred maintenance capital costs, construction of ambulatory care centers and renovations to the main hospital building) could cost an additional $140 million in Fiscal Years 2014 through 2018. The District has not established a definitive timetable for the sale, transfer or other action regarding UMC, but even with the expense reductions and operational changes, it is not clear that UMC can operate without a District subsidy, particularly because there is a need for additional capital improvements at the facility.

In addition, the District is engaged in litigation with several contractors/business partners of the former owners of UMC. This litigation is centered on allegations that the foreclosure of UMC was invalid and/or that the foreclosure resulted in financial loss to the plaintiffs. The outcome of such litigation is unknown at this time and, therefore, the District cannot predict the potential liability to the District, if any.

Public Education. On April 23, 2007, subsequent to its passage by the Council, the Mayor signed the District of Columbia Public Education Reform Amendment Act of 2007 (the "School Reform Act"), which transfers significant control over the budget, operation and management of the D.C. Public Schools system ("DCPS") from the school board to the Mayor. Following Congressional enactment of legislation amending the Home Rule Act, the School Reform Act became law.

In addition to DCPS, charter schools, special education programs and the Office of the State Superintendent of Education, the School Reform Act also affects spending for the Teachers' Retirement Program, the Public Library System, non-public tuition assistance and the subsidy to the University.

Public education expenses also include the District of Columbia State Board of Education ("SBOE"), a newly established agency pursuant to the "State Board of Education Personnel Authority Amendment Act of 2012" (D.C. Law 19-284, effective April 27, 2013). This agency was established to monitor and provide policy leadership and recommendations regarding education in the District.

In Fiscal Year 2012, General Fund public education expenditures totaled $1.57 billion and represented approximately 24.5% of all General Fund expenditures. The Fiscal Year 2013 revised budget included General Fund public education expenditures of $1.62 billion, which equaled approximately 24.4% of all General Fund expenditures. The Fiscal Year 2014 Budget includes General Fund public education expenditures of $1.64 billion, totaling approximately 24.0% of all General Fund expenditures.

During the 2012-2013 school year, DCPS operated 118 public schools and alternative and special education learning centers serving students from pre-kindergarten through high school. In the 2011-2012 school year, the audited enrollment in DCPS was 45,191 students. The 2012-2013 DCPS audited student enrollment was 45,557. DCPS closed nine public schools in the 2012-2013 school year and 12 public schools in the 2013-2014 school year.

In addition to traditional public schools, the District's public education system also includes public charter schools, which are under the oversight of the District of Columbia Public Charter School Board. There were 53 public charter schools funded during Fiscal Year 2012. Total public charter school audited enrollment for school year 2011-2012 was 31,562 students. The 2012-2013 public charter school audited student enrollment was 34,674, an increase of 9.8 percent over the prior year.

Under the District's Uniform Per Student Funding Formula ("UPSFF") and Congressional mandates, the District generally must fund students at approved public charter schools at the same level as if they were in the public schools. The UPSFF provides a per-student base foundation funding level as well as weighting factors for grade level. In addition, the UPSFF assigns additional funds for special education categories, summer school and English language learners through add-on weights.

DCPS's capital projects were implemented by the Office of Public Education Facilities Modernization ("OPEFM") beginning in June 2007. The Mayor was required to submit a comprehensive multiyear Master Facilities Plan, which functions as a District-wide public education facilities plan, for review and approval by the Council before it became final. The Master Facilities Plan is designed to address the needs of DCPS's aging infrastructure. Aspects of the plan include complete renovation and modernization of schools, correcting fire code and life safety violations and addressing system and component replacements. The initial proposed budget for capital improvements for Fiscal Years 2011 through 2016, which was submitted as part of the Master Facilities Plan approved by the Council and submitted to Congress on July 1, 2010, was approximately $1.72 billion, with approximately $1.13 billion of the total coming from the issuance of bonds and approximately $583 million of the total coming from pay-as-you-go transfers from the operating budget.

Pursuant to the FY 2011 - FY 2016 Capital Improvement Plan for Public Education Facilities Amendment Act of 2010 (D.C. Law 18-223, effective September 24, 2010), the Council requested a resubmission of the capital improvements plan for Fiscal Years 2011 through 2016 by October 15, 2010. The resubmitted plan was required to be realigned to: (i) give priority consideration for modernization to schools with poor condition assessments, with defined educational gaps due to the condition of facilities, or the lack of facilities and with capacity needs as seen in historical enrollments and audited enrollments and (ii) reflect a fix-it-first modernization policy where all elementary and middle schools undergo basic Phase I modernization, as defined in the Master Facilities Plan approved pursuant to the Master Facilities Plan Approval Act of 2010 (D.C. Law 18-223, effective September 24, 2010), prior to the start of Phase II or Phase III modernizations or expansion of facilities at any school. Beginning in Fiscal Year 2010, along with the budget request, an updated Public School Facility capital improvement plan must be submitted to the Council defining improvement plans on a school-by-school basis. Based on OPEFM's resubmission and subsequent events, the Council and the Mayor enacted the Fiscal Year 2011 Office of Public Education Facilities Modernization Funding Revised Emergency Act of 2011 in February 2011. This Act authorized spending of $282.7 million for specific school projects, within previously budgeted amounts.

Beginning in Fiscal Year 2012, OPEFM was merged with the Department of Real Estate Services, the Municipal Facilities: Non-Capital agency and the capital construction and real property management functions of the Department of Parks and Recreation, Metropolitan Police Department and the Fire and Emergency Medical Services Department, to form the Department of General Services ("DGS"). The DGS manages the District's "vertical" construction projects (including those of DCPS); acquires and disposes of real property; manages building space; and provides building services for facilities owned and occupied by the District, including engineering services, custodial services, security services, energy conservation and utilities management. The purpose of the merger was to achieve service efficiencies while removing redundancies. The Fiscal Year 2013 Budget included a six-year capital improvement plan for DCPS totaling $1.77 billion. For Fiscal Year 2013, $385 million was budgeted for DCPS capital projects. The Fiscal Year 2014 Budget included a six-year capital improvement plan for DCPS totaling $1.78 billion. This plan, which will be implemented by DGS, provides $1.78 billion in income tax secured revenue bond and/or general obligation bond funding. For Fiscal Year 2014, $455 million has been proposed for DCPS capital projects.

According to the federally required December 1, 2012 Child Count, the District served 12,585 students with disabilities in the 2011-2012 school year. Of these 12,585 students, 11,091 were served in District public school programs, 1,427 were served in non-public schools at the District's expense and 67 were served by public schools in surrounding jurisdictions through tuition agreements. The 1,427 students who attended non-public schools at the District's expense were served in those programs pursuant to the requirements of the Individuals with Disabilities Education Act ("IDEA") or through placement into non-public residential facilities by the Department of Youth Rehabilitation Services ("DYRS"), the Child and Family Services Agency ("CFSA") or the Department of Mental Health ("DMH"). The 67 students who attended public schools outside of the District did so because of placement into out-of-state foster homes by CFSA. Where appropriate and permissible under IDEA and local law, the District has set a goal to return children in non-public schools to public school facilities in the District.

The District also provides financial support to the University, a land-grant institution offering higher education to the public. In Fiscal Years 2012 and 2013, the District provided approximately $67.4 million and $65.6 million, respectively, to the University, or about 1% of total General Fund expenditures in each year. The Fiscal Year 2014 Budget includes approximately $66.7 million for the University, or about 1% of total General Fund expenditures.

Public Safety and Justice. This category includes the Metropolitan Police Department, the Fire and Emergency Medical Services Department, the Department of Corrections, the National Guard, the Homeland Security and Emergency Management Agency, the Office of Unified Communications, the Department of Forensic Sciences, the Office of the Chief Medical Examiner, the Office of Police Complaints and the District's retirement contributions for police officers and firefighters.

In Fiscal Year 2012, General Fund public safety and justice expenditures totaled $949 million and represented approximately 14.8% of all General Fund expenditures. The Fiscal Year 2013 revised budget included General Fund public safety and justice expenditures of $996 million, representing approximately 15.0% of all General Fund expenditures. The Fiscal Year 2014 Budget includes General Fund public safety and justice expenditures of $1,005 million, representing approximately 14.7% of all General Fund expenditures.

Public Works. This category includes the Department of Public Works ("DPW"), the District Department of Transportation ("DDOT"), the Department of Motor Vehicles ("DMV"), the Department of the Environment ("DDOE") and the Washington Metropolitan Area Transportation Authority ("WMATA"). DDOT is responsible for transportation-related operations such as street maintenance and repair and snow removal. DPW is responsible for trash collection, street cleaning and parking enforcement. DMV is responsible for driver, vehicle and adjudication services for District residents. DDOE is responsible for creating environmental protection, education and enforcement standards, providing natural resource conservation techniques and supplying energy assistance programs to District residents and businesses. WMATA is responsible for planning, developing, building, financing and operating a regional bus and rail transportation system.

In Fiscal Year 2012, General Fund public works expenditures totaled $483 million and represented approximately 7.5% of all General Fund expenditures. The Fiscal Year 2013 revised budget included General Fund public works expenditures of $513 million, representing approximately 7.7% of all General Fund expenditures. The Fiscal Year 2014 Budget includes General Fund public works expenditures of $523 million, representing approximately 7.6% of all General Fund expenditures.

Employee Benefits. District full-time employees receive pension benefits through the federally administered Civil Service Retirement System ("CSRS"), the Social Security System, or the District's Retirement Programs. In addition, the District provides health and life insurance benefits to retirees of the District first employed after September 30, 1987. Retirees of the District government first employed before October 1, 1987, remain eligible for federal health and life insurance benefits. Notes 9 and 10 to the District's CAFR for Fiscal Year 2012 sets forth more detailed information regarding the plans and the costs associated with these plans for the District.

The District's aggregate retirement contributions in Fiscal Years 2012 and 2013 were $119.7 million (which amount included an annual required contribution of $116.7 million and an additional contribution of $3.0 million) and $102.7 million, respectively and are budgeted to be $142.4 million in Fiscal Year 2014. These amounts were and are equal to the annual required contributions for each year.

The District's expenditures for its OPEB liabilities in Fiscal Years 2012 and 2013 were $109.8 million and $107.8 million, respectively. The proposed actuarial funding of its OPEB liability is projected to range from $89.9 million in Fiscal Year 2014 to $105.4 million in Fiscal Year 2017.

For additional information regarding employee benefits, see "RETIREMENT PROGRAMS" below.

The discussion below is based, in part, on projections and forward-looking statements related to Fiscal Years 2013 and 2014. No assurance can be given that the budget estimates and forward-looking statements discussed below will be realized. The accuracy of the budget estimates and forward-looking statements related to the Fiscal Year 2013 revised Budget and Financial Plan and the Fiscal Year 2014 Budget cannot be verified until after the close of each such Fiscal Year and the completion of the related audit. In addition, the accuracy of all projections and forward-looking statements is dependent on a number of factors, including: (1) general economic factors that affect local source revenues such as sales taxes and individual income taxes, (2) the effectiveness of monitoring agency expenditures, (3) the ability of the District to meet spending reduction initiatives, (4) the amount of federally mandated expenditures, (5) year-end accruals of revenues and expenses and (6) the implementation of new federal legislation or initiatives.

FISCAL YEAR 2013 APPROVED BUDGET AND FINANCIAL PLAN

The Mayor submitted his Fiscal Year 2013 Proposed Budget and Financial Plan, including both the operating and capital budgets, to the Council on March 23, 2012. The Council held public hearings on the budget and approved it on May 15, 2012. The Mayor submitted the Fiscal Year 2013 Proposed Budget and Financial Plan to the President on July 18, 2012, who submitted it to Congress. On September 28, 2012, the President signed the Continuing Appropriations Resolution, 2013 (P.L. 112-175) (the "Continuing Resolution"), which provided the Fiscal Year 2013 spending authority. The appropriations and funds made available under the Continuing Resolution were available until the earlier of: (1) the enactment into law of an appropriation for any project or activity provided for in the Continuing Resolution; (2) the enactment into law of the applicable appropriations act for Fiscal Year 2013 without any provision for such project or activity; or (3) March 27, 2013. The Continuing Resolution further provided that the District may expend local funds for programs and activities under the heading "District of Columbia Funds" for such programs and activities under Title IV of H.R. 6020 (112th Congress), as reported by the Committee on Appropriations of the House of Representatives, at the rate set forth under "District of Columbia Funds—Summary of Expenses" as included in the Fiscal Year 2013 Budget Request Act of 2012 (D.C. Act 19-381), as modified as of the date of the enactment of the Continuing Resolution. The Continuing Resolution was set to expire on March 27, 2013. On March 26, 2013, the President signed the Consolidated and Further Continuing Appropriations Act, 2013 (P.L. 113-6) that extended the District's spending authority until September 30, 2013. The Fiscal Year 2013 total General Fund budget called for expenditures totaling $6.65 billion, of which $5.91 billion was from local funds, $260 million was from dedicated taxes and $480 million was from special purpose non-tax revenue funds. General Fund revenue totals $6.58 billion, of which $5.86 billion was from local funds, $260 million was from dedicated taxes and $460 million was from special purpose non-tax revenue funds. These revenues included $120 million of policy proposals that impacted General Fund revenues of which $100 million was from local funds, $10 million was from dedicated taxes and $10 million was from special purpose non-tax revenue funds. Total General Fund resources were $6.65 billion, which consisted of $6.58 billion of revenue, $50 million of fund balance use, $10 million of transfers from other funds and $10 million of bond proceeds to pay issuance costs. Total Fiscal Year 2013 Gross Funds resources were $11.37 billion, which included $6.65 billion of General Fund resources, $2.76 billion of federal resources, $10 million of private resources, and $1.95 billion from enterprise-type resources.

The Fiscal Year 2013 approved budget used $49.5 million in General Fund balance, comprised of $31.1 million of local fund balance, $0.2 million of dedicated taxes fund balance and $18.2 million of special purpose revenue fund balance. The local fund balance included $18.2 million additional Fiscal Year 2012 revenue that was not budgeted but was held for Fiscal Year 2013 use. Finally, of the $0.9 million General Fund Operating Margin before allocation to reserves (General Fund Resources of $6.649 billion less General Fund Total Expenditures and Transfers of $6.648 billion), $0.2 million was to be deposited into the Cash Flow Reserve Account and $0.2 million was to be deposited into the Fiscal Stabilization Reserve Account, leaving an Operating Margin, Budget Basis of $0.5 million.

The Fiscal Year 2011 Budget Support Act of 2010 (D.C. Law 18-223, effective September 24, 2010) (the "Fiscal Year 2011 Budget Support Act") created a Pay-as-you-go Capital Account beginning in Fiscal Year 2012, which was to be used to reduce future District borrowing for capital purposes. The annual amount of local funds deposited into the Pay-as-you-go Capital Account was to equal the projected local funds revenue of each year, minus the Fiscal Year 2011 local funds revenue in the Budget and Financial Plan approved May 26, 2010, multiplied by 25%. Subsequent legislation, including the District's Fiscal Year 2013 Budget, updated the base year for the Pay-as-you-go Capital Account requirement to be the Fiscal Year 2015 local funds revenue, and it made Fiscal Year 2016 the first year the requirement would take effect. The Fiscal Year 2014 Budget Support Emergency Act of 2013 (D.C. Act 20-130, enacted July 30, 2013) uses Fiscal Year 2016 as the base year and makes Fiscal Year 2017 the first year all funds in the Pay-as-you-go Capital Account will be dedicated to the construction of the District's new streetcar system, until the system is complete.

FISCAL YEAR 2013 REVISED BUDGET

On February 22, 2013 the Office of the Chief Financial Officer provided a revised revenue estimate, which showed an increase of $190.0 million in Fiscal Year 2013 Local fund revenues. Based on the revised revenue estimate, the Mayor submitted a supplemental budget request to the Council on March 28, 2013. After Council changes and approval, the supplemental budget request for $238.7 million was submitted to Congress on May 23, 2013. Of the total, $104.3 million was for Local funds, $14.3 million for Dedicated Taxes, $98.2 million for Special Purpose or other funds, $12.4 million for Medicaid funds and $9.5 million for Capital funds. As part of the Mayor's new $100 million Housing Initiative, the Housing Production Trust Fund received a net transfer of $47.9 million in Local funds and the Office of the Chief Technology Officer received $0.5 million in Local funds. The newly created District of Columbia Health Benefit Exchange Authority received $26.6 million in Special Purpose Revenue budget authority to support the agency's mission and operating costs. The supplemental budget request also included $24.2 million in Local funds for District-wide cost of living adjustments, which was budgeted in the Workforce Investment agency and would be transferred by the Mayor to agencies. The Department of Health Care Finance Dedicated Taxes budget was increased by $10.3 million, of which $5.0 million was to repay the Contingency Cash Reserve for funding that was used for the non-federal share of the contract to review current operations of the United Medical Center and propose a strategic plan for its future operations. The other portion is $5.3 million from hospital provider tax, which funds the non-federal share of supplemental payments to District hospitals for outpatient services. This agency also received an increase of $12.4 million in budget authority for federal Medicaid funds. District Public Schools received $2.0 million of Local funds and additional budget authority of $11.7 million to spend from its Special Purpose Revenue fund balance and District Public Charter Schools also received $2.0 million of Local funds. The Department of Employment Services received $10.5 million in Local budget authority to spend funds in fund balance, $6.1 million for adult training and $4.4 million for various youth programs. The University of the District of Columbia received $9.9 million in Local budget authority to spend prior year (Fiscal Year 2008) unspent subsidy funding.

During Fiscal Year 2013, the Mayor requested the use of a total of $284.6 million from the Contingency Reserve Fund for the following purposes: (i) to obtain budget authority while the first supplemental budget request was awaiting Congressional approval for the Deputy Mayor for Public Safety and Justice and the Office of the Deputy Mayor for Education; (ii) for the Metropolitan Police Department to fund District of Columbia Public Schools security contract required for the safety of the students and staff, (iii) for the DC Public Charter Schools to meet its required fourth quarter payment, (iv) for Presidential Inaugural expenses, (v) for the Office of Contracting and Procurement to fund the costs of "super storm Sandy", (vi) for the DC Health Benefit Exchange Subsidy to fund the Health Benefit Exchange Authority, a health care exchange created by recent legislation to implement the federal Affordable Care and Patient Act in the District, (vii) for advances to District Public Schools and District Public Charter Schools, (viii) for the Department of Small and Local Business Development to initiate a Certified Business Enterprise compliance monitoring system; (ix) for the State Superintendent of Education to cover the remaining pre-allocated costs to eligible participants of the DC Tuition Assistance Grant; (x) for the University of the District of Columbia to cover the contractual cost of developing a strategic plan; (xi) for the Department of Health Care Finance to fund consulting services to the Not-for-Profit Hospital Corporation to develop a transition plan to manage UMC; (xii) for the Department of Health Care Finance to make negotiated payment to healthcare providers related to the receivership of the Charter Health Care Plan due to rate adjustments; (xiii) for the Not-for-Profit Hospital Corporation Subsidy to alleviate operating cash flow issues at UMC; and (xiv) to the DC Taxicab Commission to cover critical agency operations throughout the remainder of Fiscal Year 2013, when it will begin collecting surcharge revenue for smart meters. A total of $204.8 million of the Fiscal Year 2013 draws has been repaid to the Contingency Reserve Fund to date while a total of $79.8 million remains outstanding. The CFO has the authority to repay outstanding amounts during the Fiscal Year close if uncommitted fund balance is available. If any amounts remain outstanding after the Fiscal Year 2013 close, the District would have to repay 50% during each of Fiscal Years 2014 and 2015.

The Mayor requested the use of the Fiscal Stabilization Fund for $38.9 million for an advance to the District Public Charter Schools. It was repaid by local funds after the Fiscal Year 2014 Budget was sent to Congress in August 2013. There will be a write-off of $10.2 million in agency Section 103 Settlements and Judgments for Public Safety and Justice related to ambulance receivables of the Fire and Emergency Medical Services Department.

FISCAL YEAR 2014 BUDGET

The Mayor submitted the Fiscal Year 2014 Budget, including both the operating and capital budgets, to the Council on March 28, 2013 and the Council approved it on May 22, 2013. The Mayor submitted the Fiscal Year 2014 Budget to the President on July 31, 2013, who submitted it to Congress. Due to Congress' failure to pass a Continuing Resolution for federal spending for Fiscal Year 2014, the federal government shut down (with certain exceptions) on October 1, 2013 and remained shut down through October 16, 2013. The Fiscal Year 2014 Budget was not approved by Congress prior to October 1, 2013, and the District utilized its Contingency Reserve Fund and remained operational until the federal government shut down ended on October 17, 2013 with the passage of the Continuing Appropriations Act. The Continuing Appropriations Act provides the federal government with funding through January 15, 2014 and it grants to the District authority to spend its own local funds through September 30, 2014, making it possible for the District to continue operating independently from the federal government, even in the event of another federal government shut down in January 2014.

The total Fiscal Year 2014 General Fund budget, including allocation of the $49.53 million of revised revenue estimate, calls for expenditures totaling approximately $7.16 billion, of which $6.35 billion is from local funds, $300 million is from dedicated taxes and $520 million is from special purpose non-tax revenue funds. General Fund revenue totals $7.01 billion, of which $6.24 billion is from local funds, $300 million is from dedicated taxes and $470 million is from special purpose non-tax revenue funds. These revenues include $80 million of policy proposals impacting General Fund revenues, of which $60 million is from local funds, $10 million is from dedicated taxes and $30 million is from special purpose non-tax revenue funds. Total General Fund resources are $7.17 billion, which consists of $7.01 billion of revenue, $150 million of fund balance use, no transfers from other funds and $10 million of bond proceeds for issuance costs.

Total Fiscal Year 2014 Gross Funds resources are $12.22 billion, including the $7.17 billion of General Fund resources, $2.98 billion of federal resources, $10 million of private resources and $2.06 billion of enterprise-type resources.

The total Fiscal Year 2014 Gross Funds expenditure budget of $12.21 billion includes $49.53 million budgeted from the revised revenue estimate allocation, the $7.16 billion of General Fund budget, $2.98 billion of federal resources budget, $10 million of private resources budget, and $2.06 billion of enterprise-type budgets.

The $12.21 billion budget is composed of the following spending priorities: $4.1 billion for Human Support Services, $2.1 billion for Public Education System, $1.1 Billion for Public Safety and Justice, $1.0 billion for Financing and Other, $700 million for Public Works, $700 million for Governmental Direction and Support, $400 million for Economic Development and Regulation, and $2.1 billion for the Enterprise Fund.

The Fiscal Year 2014 Budget uses $146.8 million in General Fund balance, comprised of $96.0 million of local fund balance, $3.5 million of dedicated taxes fund balance and $47.3 million of special purpose revenue fund balance. The local fund balance includes additional Fiscal Year 2013 revenue that was not budgeted but was held for Fiscal Year 2014 use. Finally, $0.1 million will be deposited into the Cash Flow Reserve Account and $0.1 million will be deposited into the Fiscal Stabilization Reserve Account.

The District's government is funded by a combination of local funds and other funds, including Enterprise Funds, Federal Payments, Special Purposes Revenues, Federal Grants and Medicaid and Dedicated Taxes. Table 13 below sets forth the local funds portion of the budgets for Fiscal Years 2013 and 2014 and a comparison between such budgets.

Table 13. Local Funds Portion of Budgeted Expenditures
(Fiscal Years 2013-2014)

Appropriation Title	Fiscal Year 2013 Budget	Fiscal Year 2014 Budget	Variance
Governmental Direction and Support	$ 552,261	$ 602,553	9.1%
Economic Development and Regulation	147,413	162,340	10.1
Public Safety and Justice	944,599	987,421	4.5
Public Education System	1,595,178	1,699,649	6.5
Human Support Services	1,549,920	1,632,355	5.3
Public Works	407,637	433,487	6.3
Financing and Other	714,961	831,828	16.3
Total	**$5,911,968**	**$6,349,631**	**7.4** (avg.)

Table 14 below sets forth the District's General Fund proposed budget and financial plan for Fiscal Years 2014-2017. Information for Fiscal Years 2012 and 2013 is also provided for comparative purposes.

Table 14. Fiscal Years 2014-2017 Proposed Budget and Financial Plan: General Fund
(Budgetary Basis, in $000s)

		2012 Actual	2013 Approved	2013 Revised	2014 Proposed	2015 Projected	2016 Proposed	2017 Projected
1	**Revenues**							
2	Taxes:	$5,435,187	$5,307,745	$5,547,431	$5,655,803	$5,795,567	$5,976,568	$6,155,492
3	Dedicated taxes	406,664	257,618	279,497	287,618	281,710	290,739	290,343
4	General Purpose Non-Tax Revenues	454,634	373,316	419,331	415,591	411,099	404,858	349,567
5	Special Purpose (O-type) Revenues	421,590	447,719	458,376	465,206	496,130	477,785	476,773
6	Transfer from Lottery	66,404	63,175	63,175	63,455	66,700	68,000	69,000
7	Interfund transfer	0	18,797	25,197	0	0	0	0
8	**Subtotal, General Fund Revenues**	**6,784,479**	**6,468,370**	**6,793,007**	**6,887,673**	**7,051,206**	**7,217,950**	**7,341,175**
9	Bond Proceeds for Issuance Costs	3,142	6,000	6,000	6,000	6,000	6,000	6,000
10	Funds set aside from prior year	0	18,231	18,231	96,001	0	0	0
11	Transfer from Federal and Private Resources	1,478	3,497	3,497	3,497	3,497	3,497	3,497
12	Transfer from Enterprise and Other Funds	25,403	6,632	6,632	750	0	0	0
13	Fund Balance Use	5,769	31,246	135,242	50,862	0	0	0
14	Revenue Proposals	0	115,202	(13,469)	76,700	83,948	76,077	71,185
15	**Total General Fund Resources**	**6,820,271**	**6,649,178**	**6,949,140**	**7,121,483**	**7,144,651**	**7,303,524**	**7,421,857**
16								
17	**Expenditures (by Appropriation Title)**							
18	Governmental Direction and Support	520,529	602,430	611,426	653,929	638,377	650,187	649,900
19	Economic Development and Regulation	198,185	291,790	353,980	329,721	297,391	303,486	296,135
20	Public Safety and Justice	948,964	995,575	1,005,336	1,035,064	1,046,134	1,072,607	1,093,329
21	Public Education System	1,567,337	1,620,000	1,640,873	1,705,425	1,705,055	1,730,156	1,751,005
22	Human Support Services	1,610,189	1,643,871	1,683,642	1,746,493	1,715,243	1,733,199	1,740,456
23	Public Works	482,900	512,737	523,042	559,892	568,900	578,103	584,215
24	Financing and Other	540,813	634,071	663,878	712,921	764,929	818,984	848,762
25	Bond Issuance Costs	4,348	6,000	6,000	6,000	6,000	6,000	6,000
26	**Subtotal, Operating Expenditures**	**5,873,265**	**6,306,475**	**6,488,177**	**6,749,445**	**6,742,029**	**6,892,722**	**6,969,802**
27	Paygo Capital	80,878	35,803	44,562	34,786	40,188	37,907	69,067
28	Transfer to Trust Fund for Post-Employment Benefits	109,800	107,800	107,800	107,800	114,400	121,600	129,400
29	Repay Contingency Reserve Fund	0	750	144	5,500	5,500	0	0
30	Transfer to Enterprise Funds	339,598	197,403	197,403	215,170	219,145	228,350	225,785
31	Operating Impact of CIP	0	0	0	0	22,204	13,493	22,441
32	**Total Expenditures and Transfers**	**6,403,539**	**6,648,231**	**6,838,086**	**7,112,702**	**7,143,465**	**7,294,073**	**7,416,494**
33	**Operating Margin before allocation to reserves**	**416,732**	**947**	**111,054**	**8,781**	**1,186**	**9,451**	**5,363**
34	**Reserves for subsequent years' expenditures**	**18,231**	**0**	**96,001**	**0**	**0**	**0**	**0**
35	**Cash Flow Reserve Account**	**193,971**	**193**	**192**	**145**	**593**	**4,725**	**2,681**
36	**Fiscal Stabilization Reserve Account**	**53,776**	**193**	**192**	**145**	**593**	**4,725**	**2,681**
37	**Operating Margin, Budget Basis**	**150,754**	**561**	**14,670**	**8,490**	**0**	**0**	**0**
38								
39	**Composition of Cash Reserves**							
40	Emergency Cash Reserve Balance (2%)	109,989	110,135	110,159	112,346	113,375	120,851	121,070
41	Contingency Cash Reserve Balance (4%)	229,113	226,386	218,319	224,211	230,142	241,802	242,335
42	**Total Cash Reserves – Emergency and Contingency**	**339,102**	**336,521**	**328,478**	**336,557**	**343,517**	**362,653**	**363,405**
43								
44	**Composition of Fund Balance**							
45	**Beginning General Fund Balance**	**1,104,894**	**1,506,526**	**1,506,526**	**1,454,107**	**1,306,025**	**1,297,211**	**1,296,661**
46	Operating Margin before allocation to reserves	416,732	947	111,054	8,781	1,186	9,451	5,363
47	Projected GAAP Adjustments (NET)	(9,331)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
48	Fund Balance Use (see lines 10 and 14 above)	(5,769)	(49,477)	(153,473)	(146,863)	0	0	0
49	**Ending General Fund Balance**	**$1,506,526**	**$1,447,996**	**$1,454,107**	**$1,306,025**	**$1,297,211**	**$1,296,661**	**$1,292,024**

(1) Numbers may not add due to rounding.

Capital Budgeting and Financing

The following describes the District's proposed six-year capital improvements plan (for Fiscal Years 2014-2019) as set forth in the District's Fiscal Year 2014 Budget.

The District's proposed six-year capital improvements plan for Fiscal Years 2014-2019 anticipates funding from various sources, including long-term income tax secured revenue bonds and/or general obligation bonds, long-term grant anticipation revenue vehicles ("GARVEE") bonds, pay-as-you-go transfers from the General Fund, equipment lease/purchase financing, federal grants, private grants, a local match to the grants from the Federal Highway Administration, sales of assets and local transportation fund revenue, totaling $6.24 billion of capital funds over the course of the six-year period.

The proposed six-year capital improvements plan assumes approximately $1.09 billion of income tax secured revenue bonds and/or general obligation bonds being issued to fund the District's capital improvements plan during Fiscal Year 2014 and approximately $4.14 billion of income tax secured revenue bonds and/or general obligation bonds being issued to fund the District's capital improvements plan over the course of the six-year period from 2014 through 2019, as set forth in Table 15 below.

The actual amount of capital projects financed with income tax secured revenue bonds or general obligation bonds each year will be re-evaluated in each annual budget development process and prior to each issuance and will depend on capital project priorities and the progress of such projects over their development life cycles, constrained by the District's intent to moderate its borrowing levels in order to prudently manage its debt ratios and debt burden. The District is implementing new systems and controls to better monitor planned and actual spending on approved capital projects. Based on this information, the District will determine the extent to which planned borrowing will be supplemented with other sources, such as General Fund revenue in the form of pay-as-you-go capital, to the extent that such other sources are available.

Table 15 below summarizes the District's capital improvements plan for Fiscal Years 2014 through 2019, as set forth in the District's Fiscal Year 2014 Budget. References to the issuance of bonds to fund the capital improvements plan may refer to either income tax secured revenue bonds or to general obligation bonds, either of which may be issued by the District for such purpose.

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Table 15. Fiscal Years 2014-2019 Capital Improvements Plan Funding Sources
(Budgetary Basis)
($000s)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 14-FY 19 Total
General Obligation/Income Tax Bonds	$1,087,263	$934,763	$713,478	$491,219	$460,342	$455,738	$4,142,803
Master Equipment Lease/Purchase	17,452	15,358	9,900	-	200	-	42,910
Pay-As-You-Go	13,279	18,136	15,474	46,624	102,712	144,826	341,050
Sale of Assets	-	9,150	25,500	-	-	-	34,650
Private Grants	-	-	-	-	5,000	-	5,000
Local Transportation Fund Revenue(1)	21,508	22,052	21,024	23,843	22,433	22,433	133,293
GARVEE Bonds	-	-	67,770	117,290	106,230	-	291,290
Local Highway Trust Fund(2)	46,439	39,264	40,872	40,871	40,871	40,872	249,188
Federal Grants	215,451	158,532	156,679	156,679	156,679	156,679	1,000,700
Total Funding	**$1,401,391**	**$1,197,255**	**$1,050,697**	**$876,526**	**$894,468**	**$820,548**	**$6,240,885**

(1) Includes local revenues from utility marking service fees, public inconvenience fees and a portion of rights-of-way occupancy fees.
(2) Includes local revenues from motor fuel taxes and a portion of rights-of-way fees.

Table 15 above does not include the issuance of TIF Bonds, PILOT Notes or refunding bonds, all of which the District may issue from time to time. See "INDEBTEDNESS- Long-Term Obligations - Economic Development Initiatives of the District" herein.

Table 16 sets forth the major categories of expenditure in the District's capital improvements plan for Fiscal Years 2014 through 2019.

Table 16. Fiscal Years 2014-2019 Capital Improvements Plan Projected Expenditures
($000s)

Category	Amount
Department of Transportation	$2,513
District of Columbia Public Schools	1,783
Washington Metropolitan Area Transit Authority	701
Office of the Deputy Mayor - Planning & Economic Development	298
District of Columbia Public Library	190
Department of Parks and Recreation	157
Other	598
Total	**$6,240**

INDEPENDENT ENTITIES

The following section discusses borrowing by certain independent entities and instrumentalities of the District. By statute, the debt issued by these entities and instrumentalities is not a general obligation of the District and does not involve a pledge of the full faith and credit of the District.

The District of Columbia Water and Sewer Authority

The District of Columbia Water and Sewer Authority (the "Authority", also commonly referred to as "D.C. Water") is an independent authority of the District of Columbia. The Authority was created in April 1996 under and pursuant to the Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996, D.C. Law 11-111, as amended and supplemented, and the District of Columbia Water and Sewer Authority Act of 1996, Public Law 104-184.

D.C. Water provides retail water and wastewater treatment services to the District of Columbia and wholesale wastewater conveyance and treatment services to Montgomery and Prince George's Counties in Maryland and Fairfax and Loudoun Counties in Virginia. The Authority is governed by a Board of Directors consisting of 11 principal and 11 alternate members. Six principal members are appointed by the Mayor of the District with advice and consent of the Council and five principal members are appointed by the Mayor on the recommendations of the user jurisdiction.

D.C. Water finances its capital needs from revenues generated from user fees, grants, wholesale customer contributions and the proceeds of long-term bonds and short-term notes. The Authority has approximately $2.0 billion of long-term bonds outstanding. In addition, the Authority has established a commercial paper ("CP") program to provide interim financing for its capital projects. Three series of notes have been issued under the program: the tax-exempt Series A CP Notes in an aggregate principal amount not to exceed $75 million, the tax-exempt Series B CP Notes in an aggregate principal amount not to exceed $50 million, and the taxable Series C CP Notes in an aggregate principal amount not to exceed $75 million, each as subordinate debt. Currently, the Authority has $12 million of Series B CP Notes and $29.2 million of Series C CP Notes outstanding.

Washington Convention and Sports Authority

Washington Convention and Sports Authority ("WCSA") is an independent authority of the District government created to construct and operate a convention center in the District (the "Convention Center"), pursuant to the Washington Convention Center Authority Act of 1994, D.C. Law 10-188, as amended, including by the Washington Convention Center Authority and Sports and Entertainment Commission Merger Amendment Act of 2009 (the "WCSA Act").

In September 1998, the Washington Convention Center Authority, as predecessor to WCSA ("WCCA") issued $524,460,000 Senior Lien Dedicated Tax Revenue Bonds, Series 1998 (the "1998 Bonds") to finance a portion of the costs of the new Convention Center, which opened in March 2003. In February 2007, WCCA issued $492,525,000 Senior Lien Dedicated Tax Revenue and Refunding Bonds, Series 2007A (the "2007 Bonds"), which refunded the outstanding 1998 Bonds and provided funds to acquire land on which a new convention center hotel is currently being constructed.

In October 2010, WCSA issued its Senior Lien Dedicated Tax Revenue Bonds, Series 2010A and Series 2010B and its Senior Lien Dedicated Tax Revenue and Refunding Bonds, Series 2010C in the aggregate principal amount of approximately $292 million to finance a portion of the costs of constructing a convention headquarters hotel adjacent to the Convention Center, to cater to visitors to the Convention Center, and to refund a portion of the 2007 Bonds.

The 2007 Bonds and the 2010 Bonds are secured by certain specified tax revenues dedicated pursuant to the WCSA Act (the "Dedicated Taxes"). See "FINANCIAL INFORMATION — Summary of General Fund Revenues — Sales and Use Taxes." The 2010 Bonds are also secured by a TIF note from the District.

Each year the D.C. Auditor is required to certify to the Mayor, the Council, the CFO, and the Chairman of WCSA whether the revenues projected to be realized in the upcoming Fiscal Year from the Dedicated Taxes, the projected operating revenues of WCSA, and any amounts in excess of the minimum required reserves for the upcoming Fiscal Year are sufficient to pay the projected operating and debt service expenditures and reserve requirements. If the certification of the D.C. Auditor indicates that such projected revenues are insufficient to meet such projected expenditures, the Mayor must impose a surtax on the Dedicated Taxes for the upcoming Fiscal Year at a rate calculated according to a statutory formula intended to generate sufficient revenue to equal the difference between the projected expenditures and revenues.

Washington Metropolitan Area Transit Authority

Washington Metropolitan Area Transit Authority ("WMATA") was created by interstate compact in 1967, with the consent of Congress, by the District, the State of Maryland, and the Commonwealth of Virginia, to construct a 103-mile, 83-station rapid transit system ("Metrorail"), and was later authorized to purchase and operate several of the area's privately owned bus systems and to operate the Metrorail system (collectively, the "Metro System"). Metrorail construction began in 1967 and the final segment of the originally-planned system opened to passengers in January 2001.

In the 1970s, WMATA issued $997 million of revenue bonds, which were guaranteed by the federal government, to finance construction of the Metrorail system. This debt is not a general obligation of the District and does not involve a pledge of the full faith and credit of the District. Pursuant to an obligation to the U.S. Department of Transportation, however, the District's estimated share of WMATA's debt service on those revenue bonds requires payments of approximately $10.3 million annually through Fiscal Year 2014. Although WMATA refinanced those bonds in 1993, the District's obligation did not decrease. The $30 million in savings from the refinancing of those bonds were reinvested in WMATA's capital improvement program.

The District contributes, as do other participating jurisdictions, a proportionate share of WMATA's operating costs, as WMATA's operating revenues are insufficient to cover such costs. The District's share of WMATA's operating and capital budgets for Fiscal Years 2011 through 2014 is shown in Table 17 below. The District's share of WMATA's annual debt service and operating loss is reported as a current expenditure for transportation services in the General Fund.

Table 17. District's Share of WMATA Budget
(Fiscal Years 2011-2014)

Fiscal Year	District's share of WMATA's Operating Budget	District's share of WMATA's Capital Budget
2011	$237,583,636.00*	$ 94,888,633.00*
2012	$254,326,931.00	$110,215,000.00
2013	$265,881,921.00	$116,890,000.00
2014	$275,488,409.00	$131,148,000.00

*Actual Wire Transfer Amount for Fiscal Year 2011.
All other figures represent WMATA's Approved Jurisdictional Obligation for the District of Columbia

WMATA lacks a dedicated funding source for the Metro System, forcing it to rely on annual contributions from the federal government and the local jurisdictions which are served by the Metro System (the "Contributing Jurisdictions") to fund operations, maintenance and capital improvement projects. In order to provide a more predictable source of funding for long-term capital improvement projects, WMATA and the Contributing Jurisdictions have entered into the Capital Funding Agreement, pursuant to which the Contributing Jurisdictions committed to approximately $5.0 billion of funding (subject to appropriation) (the "Funding Commitment") for WMATA to finance capital improvement projects for the Metro System in Fiscal Years 2011-2016. The District's budgeted contributions for capital outlays for Fiscal Years 2011 to 2016 are $397,314,000. This amount does not include the District's contribution of not more than $50 million annually in support of the Passenger Rail Investment and Improvement Act. See "FISCAL YEAR 2014 BUDGET — Capital Budgeting and Financing.

District of Columbia Housing Finance Agency

The District of Columbia Housing Finance Agency ("DCHFA") is a corporate body and an instrumentality of the District created under the District of Columbia Housing Finance Agency Act, Chapter 27 of Title 42 of the District of Columbia Official Code, as amended, and has a legal existence separate from the government of the District. DCHFA has the power to issue revenue bonds, notes and other obligations to finance or assist in financing low and moderate income housing projects and homeownership programs. DCHFA has issued bonds and notes to provide financing for its housing programs/projects that are collateralized by (a) mortgage-backed securities and mortgage loans made on the related multifamily housing developments and single-family residences, (b) substantially all revenues, mortgage payments, and recovery payments received by DCHFA from mortgage-backed securities and mortgage loans, and (c) certain funds and accounts, including debt service reserve funds, established pursuant to indentures authorizing issuance of the bonds. DCHFA has approximately $1 billion of bonds outstanding.

District of Columbia Tobacco Settlement Financing Corporation

In November 1998, the District (along with a number of other States and various jurisdictions) signed a Master Settlement Agreement with certain tobacco manufacturers that ended litigation over health care treatment costs incurred for smoking-related illnesses. Under the settlement, the District was entitled to receive annual payments in perpetuity, with an estimated aggregate $1.2 billion to be received by 2025. The amount payable to the District in each year was to be determined by a complex formula based, among other things, on United States tobacco consumption, inflation rates and the market shares of the participating tobacco manufacturers. Although to date payments have been made by the participating manufacturers substantially as required by the Master Settlement Agreement, their ability to make such payments in the future is subject to the continued viability of the tobacco industry as a whole and of the participating manufacturers in particular, as well as various other uncertainties. Payment adjustments tied to, among other factors, settlement-related litigation, a decline in domestic tobacco shipments, and market share loss to manufacturers not participating in the Master Settlement Agreement, may have an adverse effect on the amount payable to the District in each year under the Master Settlement Agreement. In 2012, the District entered into a settlement agreement with the participating manufacturers that reduces the risk of substantial reductions to the District's payments due to market-share-loss adjustments. However, the District's prospective receipt of amounts payable to the District under the Master Settlement Agreement has been virtually eliminated for the foreseeable future as a result of the securitization transactions described below.

Pursuant to the Tobacco Settlement Trust Fund Emergency Establishment Act of 1999, as amended by the Tobacco Settlement Financing Act of 2000 (collectively, the "Tobacco Act"), the District created within the General Fund a separate trust fund designated the Tobacco Settlement Trust Fund (the "Tobacco Fund") and established the District of Columbia Tobacco Settlement Financing Corporation (the "Tobacco Corporation") as a special purpose, independent instrumentality of the District government. Pursuant to the Tobacco Act, the Tobacco Corporation issued $521,105,000 aggregate principal amount of its Tobacco Settlement Asset-Backed Bonds, Series 2001 (the "2001 Tobacco Bonds") on March 13, 2001. On that date, the District sold to the Tobacco Corporation substantially all of its right, title and interest in certain amounts paid or payable to the District under the Master Settlement Agreement, including certain initial and annual payments that had already been received by the District, and the District's right to receive all future payments under the Master Settlement Agreement. In exchange, the Tobacco Corporation redeemed or defeased certain obligations of the District and transferred to the District the so-called residual interest, that is, the right to receive the portion of the payments received under the Master Settlement Agreement not required in each year to pay expenses, debt service, or reserves for the 2001 Tobacco Bonds, including any payments that may be received after the Tobacco Bonds (and any additional bonds or other obligations which may be issued in the future by the Tobacco Corporation) are retired. The residual interest is required to be deposited into the Tobacco Fund. Accordingly, since March 13, 2001, the District's share of payments under the Master Settlement Agreement has been paid to the Tobacco Corporation instead of the District. The Tobacco Corporation has made two transfers to the District in the amounts of $9.75 million and $5.1 million, representing the Fiscal Year 2002 and Fiscal Year 2003 residual interest, respectively. The indenture pursuant to which the 2001 Tobacco Bonds were issued provides that in the event one of the four original participating tobacco manufacturers that is a party to the Master Settlement Agreement is rated below investment grade (defined as a "Trapping Event"), the tobacco settlement payments shall be used to fund a special reserve account before any residual interest is paid to the District. As a result of ratings downgrades of R.J. Reynolds Tobacco Holdings, Inc.'s senior unsecured debt to below investment grade in June and July of 2003, the residual interest for Fiscal Year 2004 and subsequent Fiscal Years accordingly was retained by the Tobacco Corporation until one year after R.J. Reynolds Tobacco Holdings, Inc.'s ratings were restored to investment grade, which occurred in June 2008. As such, the Trapping Event ended in June 2009, allowing the transfer of $23.1 million of accumulated residual interest to the District at that time.

The Tobacco Corporation applied the net proceeds of the 2001 Tobacco Bonds to redeem or defease certain general obligation bonds of the District, thereby reducing the District's general obligation bond debt service by an average of approximately $50 million per year through 2014, and reducing outstanding principal by approximately $482 million. Pursuant to federal law, amounts equal to the annual debt service savings were required to be appropriated and deposited into the Emergency Reserve Fund until such fund was fully funded.

On August 30, 2006, the Tobacco Corporation issued $248,264,046 aggregate principal amount of its Tobacco Settlement Asset-Backed Bonds, Series 2006 (the "2006 Tobacco Bonds"). The 2006 Tobacco Bonds are subordinate to the 2001 Tobacco Bonds, and are payable from the residual interest referred to above. Rights to such residual interest to be received after April 1, 2015, were sold by the District to the Tobacco Corporation, in exchange for the proceeds of the 2006 Tobacco Bonds. The District retains the rights to the residual interest in excess of the amounts needed to retire, and upon retirement of, the 2006 Tobacco Bonds. A portion of the proceeds of the 2006 Tobacco Bonds was initially slated to be used to fund a portion of the District's contribution to the Southeast Hospital. However, it was ultimately decided that the District would use funds previously allocated for pay-as-you-go capital expenditures for the entire District contribution to the Southeast Hospital, and use a portion of the proceeds of the 2006 Tobacco Bonds to fund capital expenditures associated with the District's schools modernization initiative. The balance of the proceeds of the 2006 Tobacco Bonds was allocated to fund various health-care-related needs and other capital projects of the District.

The 2001 Tobacco Bonds and the 2006 Tobacco Bonds are secured by and payable solely from the Tobacco Corporation's interest in certain amounts paid or payable under the Master Settlement Agreement.

OTHER INFORMATION

The District Government - Employment

Labor Relations. The authority to conduct labor negotiations is contained in the Comprehensive Merit Personnel Act ("CMPA") and in Mayor's Order 2001-168 (November 14, 2001). The Office of Labor Relations and Collective Bargaining ("OLRCB"), a component of the Executive Office of the Mayor - Office of the City Administrator, represents the District as the principal management advocate in negotiations with labor organizations representing employees under the Mayor's personnel authority and in administering the District's labor relations program.

Forty-six local unions represent employees in agencies under the Mayor's personnel authority, which include agencies with delegated personnel authority. A total of 46 local unions from 14 different national labor organizations represent the District's total employee complement of approximately 33,000 employees, of which approximately 75% are represented by labor organizations. The employees under the Mayor's personnel authority are organized in 96 bargaining units and 20 compensation units.

In addition to agencies under the Mayor's personnel authority, independent entities including the University, DCHFA, WCSA, D.C. Water, the Public Service Commission, and the D.C. Armory have separate personnel authorities. The CFO has personnel authority over almost all District accounting, budget and financial management positions, and over all personnel of the Office of Finance and Treasury, the Office of Financial Operations and Systems, the Office of Budget and Planning and OTR. The Attorney General has personnel authority over all District legal service positions.

The District is currently engaged in collective bargaining negotiations for renewal of several compensation and working conditions agreements. Many of these contracts remain in effect until agreement is reached on successor agreements and such agreements are approved by the Mayor and the Council, as required by law. One of the District's goals for negotiation of working conditions is to establish work rules that allow agencies to improve services, cut operating costs and make District agencies more efficient. By law, employees of the District are not permitted to strike.

During Fiscal Year 2013, the parties reached agreement on several compensation agreements including that covering employees in Compensation Units 1 and 2.

The most recent agreement between the District and the labor organizations representing employees covered by Compensation Units 1 and 2 is effective from Fiscal Year 2013 through Fiscal Year 2017. Compensation Units 1 and 2 cover the majority of District schedule and wage grade employees under the Mayor's personnel authority, an estimated 9,500 total employees. In September 2013, the parties reached an agreement which is effective retroactively, to October 1, 2012, and will continue in effect through September 30, 2017. The agreement was approved by the Council, as required by law, and provides for adjustments to wages and benefits from April 1, 2013, through Fiscal Year 2017. The increases in wages for each period covered by the current Compensation Units 1 and 2 Agreement are as follows:

- Fiscal Year 13 (April 1, 2013) – 3%
- Fiscal Year 2014 – The District is required to set aside an amount equivalent to 1.5% of total salaries for Compensation Units 1 and 2, as of November 19, 2012, to be used to implement any compensation adjustment required by the Classification & Compensation Reform Project.
- Fiscal Year 2015 – 3%

- Fiscal Year 2016 – 3%
- Fiscal Year 2017 – 3%

The agreement also provides for $500,000 over the duration of the agreement to be used toward affordable housing incentives to eligible employees. The agreement further provides for a monthly contribution of $10 for each bargaining unit member toward a pre-paid legal services plan. Finally, the agreement continues to provide a $25 monthly incentive to employees who use public transportation to travel to and from work.

The most recently negotiated agreement between the District and Compensation Unit 13, which covers approximately 55 registered nurses, was effective during Fiscal Years 2005 through 2009. The parties are currently at an impasse to determine Fiscal Years 2010 through 2012 compensation for covered employees.

The most recently negotiated agreement between the District and Compensation Unit 19, which covers dentists, physicians, and podiatrists, was effective during Fiscal Year 2005 through 2009. The parties are currently negotiating for a successor agreement to determine appropriate wages and benefits for Fiscal Years 2010 through 2012.

The most recently negotiated agreement between the District and Compensation Unit 3, which covers approximately 4,000 uniformed police officers at the Metropolitan Police Department, was effective through Fiscal Year 2008. The parties are currently engaged in interest arbitration to reach a successor agreement.

The collective bargaining agreement between the District and Compensation Unit 4, covering approximately 1,600 uniformed officers at the Fire and Emergency Services Department, expired on September 30, 2007. The last round of negotiations resulted in a tentative agreement that provided no increase to wages or benefits. However, the agreement was not ratified by the union membership. Subsequently, the union agreed to forego negotiating on wages and benefits for Fiscal Years 2008 through 2010. The parties are currently engaged in interest arbitration to reach a successor agreement.

The most recent agreement between the District and Compensation Unit 33, which covers attorneys employed by the Office of the Attorney General, was effective during Fiscal Years 2011 through 2013 and provided increases only in Fiscal Years 2012 and 2013 of 1.5% for each year. The parties are negotiating a successor agreement for Fiscal Years 2014 through 2017.

In Fiscal Year 2006, the District's Office of Labor Relations and Collective Bargaining assumed new authority for compensation negotiations for certain subordinate agencies that have independent personnel authority, most significantly the Department of Mental Health (reorganized and renamed the Department of Behavioral Health, "DBH"), which has approximately 1,200 full time equivalent employees of which approximately 70% are unionized. The unionized employees are represented by seven different national unions, with seven compensation units. Agreements were reached with each of the Committee of Interns and Residents, Service Employees International Union, District 1199E, the Psychologists' Union, the Laborers International Union, and American Federation of State, County and Municipal Employees, Local 2095 and American Federation of Government Employees, Local 383, and the District of Columbia Nurses Association, all at DBH. Those agreements provide for wage and benefits increases through Fiscal Year 2016 in some cases and Fiscal Year 2017 in others. The only agreement still in bargaining at DBH is the one covering doctors. In addition, the District currently is negotiating with the American Federation of State, County and Municipal Employees, Locals 2921 and 1959, the International Brotherhood of Teamsters and the Council of School Officers (representing Principals, Assistant Principals and Related Service Providers, *inter alia*) to determine appropriate wage and benefits for employees at DCPS, the Office of the State Superintendent for Education, and DGS (formerly, OPEFM, *inter alia*).

The current collective bargaining agreement with the Washington Teachers' Union ("WTU") and DCPS, was effective through Fiscal Year 2012. It provided retroactive wage and benefits adjustments and required the implementation of a pay for performance system beginning in Fiscal Year 2010. Bargaining for a successor agreement had begun with the prior WTU President and his team. However, this process has been delayed due to a recent turnover in the leadership of the WTU.

Table 18. District Government - Number of Authorized, Permanent, Full-Time Employees[(1) (2)]

FUNCTION	FY 2013 Approved Budget	FY 2014 Proposed Budget
Governmental direction and support	3,463	3,542
Economic development and regulation	1,514	1,614
Public safety and justice	8,426	8,424
Public education system	10,008	9,793
Human support services	5,404	5,541
Public works	2,502	2,604
TOTAL EMPLOYEES	31,317	31,518

(1) Details may not sum to total due to rounding.
(2) Number of employees includes only those paid from local funds in the General Fund.

Source: District's Fiscal Year 2013 approved budget and financial plan and the Initial Proposed Fiscal Year 2014 Budget.

RETIREMENT PROGRAMS

The District provides full-time employees certain pension benefits through the federal Civil Service Retirement System ("CSRS"), the Social Security System, or the District's retirement programs. The District also has established a post-retirement health and life insurance plan for eligible employees.

Brief descriptions of these plans are set forth below. See also Notes 9 and 10 to the FY 2012 Financial Statements, which are incorporated herein by reference, and the Required Supplementary Information pertaining to the District's retirement programs and other post-employment benefit ("OPEB") programs set forth at pages 134 and 135 of the FY 2012 Financial Statements.

Pension and Retirement Plans Not Sponsored by the District

U.S. Civil Service Retirement & Social Security Systems. Permanent full-time employees hired before October 1, 1987, except those covered by the District's retirement program, are covered by the CSRS. As of September 30, 2012, approximately 2,498 active District employees were covered by the CSRS. Permanent full-time employees, except those covered by the District's retirement program, hired after September 30, 1987, are covered by the U.S. Social Security System. As of September 30, 2012, approximately 28,062 active employees were making contributions to the U.S. Social Security System. The U.S. Civil Service Retirement System and the U.S. Social Security System are the responsibility of the federal government, and the District is only responsible for making regular payments at specified rates to those plans. Public Law 99-335, effective January 1, 1987, precludes the District's participation in the CSRS and the Federal Health and Life Insurance Program for employees hired after September 30, 1987. Employees hired after that date are covered under the District's health insurance, life insurance and defined contribution pension plans.

The District made contributions to the CSRS in the approximate amounts of $12.3 million in Fiscal Year 2012 and $11.4 million in Fiscal Year 2013 and expects to contribute $10.6 million in Fiscal

Year 2014. The District contributed approximately $66.3 million in Fiscal Year 2012 and $68.7 million in Fiscal Year 2013 to the U.S. Social Security System and expects to contribute approximately $70.8 million in Fiscal Year 2014. The District also paid Medicare taxes for those employees in the approximate amounts of $27.1 million in Fiscal Year 2012 and $27.7 in Fiscal Year 2013 and expects to contribute approximately $28.3 million in Fiscal Year 2014.

College Teachers' Retirement System. The College Teachers' Retirement System, which covers University employees, is a multi-employer plan administered by the nationwide Teachers' Insurance and Annuity Association/College Retirement Equities Fund.

Pension and Retirement Plans Sponsored by the District

Defined Benefit Pension Plans. The District of Columbia Retirement Board ("DCRB"), pursuant to the authority set forth in §§ 191 and 121(e) of the District of Columbia Retirement Reform Act (the "Reform Act"), Pub. L. 96-122, 93 Stat. 866, November 17, 1979 (codified at D.C. Official Code §§ 1-751 and 1-711(e) (2001)) is responsible for managing and controlling the Police Officers and Fire Fighters' Retirement Fund and the Teachers' Retirement Fund (collectively, the "Fund"), as well as implementing and administering the Police Officers and Firefighters' Retirement Plan (codified in D.C. Official Code Title 5, ch. 7) and the Teachers' Retirement Plan (codified in D.C. Official Code Title 38, subtitle V, ch. 20, subch. II) (collectively, the "Plans") for members of the Plans, their survivors and beneficiaries. The District is responsible for funding and administering these plans. These employees are not covered by the U.S. Social Security System.

The Fund was split in 1997 pursuant to Title XI of the Balanced Budget Act of 1997, Pub. L. 105-33, 111 Stat. 715, as amended (the National Capital Revitalization and Self-Government Improvement Act of 1997, or "Revitalization Act"). Under the Revitalization Act, the U.S. Department of the Treasury ("Treasury") is responsible for funding benefits based upon service as of June 30, 1997, in accordance with the Plans in effect on June 29, 1997 ("Federal Benefit Payments") (D.C. Official Code § 1-809.02 (2001)). Treasury maintains a separate fund to pay Federal Benefit Payments. The District is responsible for funding benefits based on service after June 30, 1997, in accordance with a "Replacement Plan" the District was required to adopt ("District Benefits Payments"). These payments are made from the Fund.

The Replacement Plan, enacted by the District in 1998 (the Police Officers, Firefighters, and Teachers Retirement Benefit Replacement Act of 1998, D.C. Law 12-152), continued the terms of the Plans as those plans existed on June 30, 1997 (D.C. Official Code § 1-905.01 (2001)). Amendments to the Replacement Plan by the District government only apply to District Benefit Payments.

Although most benefit payments are only Federal Benefit Payments, an increasing number of payments are either a combination of Federal Benefit Payments and District Benefits Payments (referred to as "Split Benefit Payments") or District Benefit Payments only. Generally, if a member's service began and ended on or before June 30, 1997, the member receives Federal Benefit Payments. If a member's service began on or before June 30, 1997, and ended after June 30, 1997, the member receives Split Benefit Payments (Federal benefit payment regulations apply in determining the split financial obligations between Treasury and the District for Split Benefit Payments. See 31 CFR part 29). If a member's service began and ended after June 30, 1997, the member receives District Benefit Payments.

Overview. The DCRB administers the District's Retirement Programs (D.C. Official Code Title 5, ch. 7 and D.C. Official Code Title 38, subtitle V, ch. 20, subch. II) which consist of two single-employer defined benefit pension plans, one established for police officers and firefighters, and the other for teachers.

Membership in the Retirement Programs as of October 1, 2012, the date of the most recent valuation, is as follows:

Table 19. Retirement Programs Membership
(as of October 1, 2012)

	Police and Firefighters	*Teachers*
Active	5,510	4,495
Inactive*	81	1,031
Terminated, vested*	185	920
Retired Members and Survivors*	3,285	2,039
Total*	**9,061**	**8,485**

* District only, does not include federal members.

Each Plan provides retirement, death and disability benefits, and annual cost of living adjustments to Plan members and beneficiaries. Retirement and disability benefit provisions for police and firefighters are established by the Policemen and Firemen's Retirement and Disability Act (D.C. Code §5-701 et seq. (2001 ed.)). For the Teachers Plan, Title 38, Chapter 20 of the D.C. Code (D.C. Code § 38-2001, et seq. (2001 ed.)) assigns the authority to establish and amend benefit provisions to the Council. The DCRB issues a publicly available financial report which includes financial statements and required supplementary information for the plans. The most recent report for the Fiscal Year ended September 30, 2012 (the "2012 DCRB CAFR") is incorporated herein by reference and can be obtained from the Executive Director, District of Columbia Retirement Board, 900 7th Street, N.W., 2nd Floor, Washington, D.C. 20001. The 2012 DCRB CAFR can also be found at http://dcrb.dc.gov/publication/dcrb-2012-fiscal-year-comprehensive-annual-financial-report-cafr/.

The twelve-member DCRB administers the assets of the District's Defined Benefit Replacement Plans, and the District accounts for them as Pension Trust Funds. The District's Defined Benefit Replacement Plans have defined retirement benefits, which increase after retirement in proportion to changes in the Consumer Price Index or, in some cases, current salary levels. Benefits are payable upon retirement, disability, death, or other termination. Required employee contributions are 7% for police officers, firefighters, and teachers hired before the first pay period beginning after November 1, 1996, and 8% for those employees hired after the first pay period beginning after November 1, 1996.

The District is required to contribute the remaining amounts necessary to finance the coverage of its employees through periodic contributions at actuarially determined amounts in accordance with the provisions of the Replacement Plan. The Replacement Plan defines the eligibility and the calculation of the amount of the benefit payment for covered District employees for service accrued after June 30, 1997. The District's contributions for Fiscal Years 2013, 2012, 2011 and 2010 were equal to the plans' independent actuary's recommendation.

The DCRB is currently working with the federal government on a reconciliation of historic retirement payments. Based on information developed to date, the DCRB has determined that it owes the federal government approximately $30 million. This amount is expected to be reflected in the audited financial statements of the DCRB for the year ended September 30, 2013 and will be recovered through the annual actuarial valuation process commencing in Fiscal Year 2015.

Tables 20 and 21 on the following page and Table 22 on page 2-55 set forth the total market value of net assets, amount of employee and employer contributions, net investment income, and disbursements including benefit payments, refunds on death and refunds plus interest on withdrawals, for the Retirement Programs for the Police Officers and Firefighters and Teachers for Fiscal Year 2003 through Fiscal Year 2012, inclusive.

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Table 20. Police Officers and Firefighters' Retirement Plan[1]

Year Ended September 30	Market Value of Net Assets	Employee Contributions	Employer Contributions	Net Investment Income/(Loss)	Disbursements
2012	$3,681,854,000	$30,398,000	$116,700,000	$452,881,000	$47,176,000
2011	3,127,467,000	30,474,000	127,200,000	81,973,000	39,357,000
2010	2,925,742,000	31,607,000	132,300,000	270,277,000	34,991,000
2009	2,524,994,000	29,900,000	106,000,000	(58,228,000)	31,084,000
2008	2,476,726,000	31,718,000	137,000,000	(516,438,000)	31,114,000
2007	2,853,608,000	27,489,000	140,100,000	400,433,000	26,008,000
2006	2,310,211,000	25,142,000	117,500,000	212,089,000	17,612,000
2005	1,973,092,000	23,804,000	112,100,000	235,515,000	17,353,000
2004	1,619,026,000	20,847,000	96,700,000	-	9,440,000
2003	1,345,545,000	19,867,000	68,900,000	-	7,592,000

Table 21. Teachers' Retirement Plan[1]

Year Ended September 30	Market Value of Net Assets	Employee Contributions	Employer Contributions	Net Investment Income/(Loss)	Disbursements
2012	$1,503,486,000	$28,639,000	$ -	$190,002,000	$56,539,000
2011	1,340,712,000	27,739,000	-	44,364,000	49,477,000
2010	1,317,470,000	29,940,000	-	125,756,000	43,312,000
2009	1,204,391,000	29,900,000	-	(37,875,000)	41,188,000
2008	1,257,754,000	25,919,000	6,000,000	(259,309,000)	33,611,000
2007	1,517,765,000	26,793,000	14,600,000	217,731,000	28,702,000
2006	1,279,139,000	25,807,000	15,500,000	120,114,000	24,803,000
2005	1,142,521,000	24,778,000	9,200,000	137,333,000	23,079,000
2004	994,289,000	26,283,000	-	102,890,000	9,542,000
2003	874,658,000	26,047,000	-	121,326,000	6,078,000

(1) Source: Annual Actuarial Valuation Reports and Comprehensive Annual Financial Reports.

Actuarial Valuation. The most recent actuarial valuation of the Retirement Programs was prepared by the DCRB's actuary, Cavanaugh Macdonald Consulting, LLC, as of October 1, 2012. This valuation (the "2012 Valuation") is incorporated herein by reference and is available at: http://dcrb.dc.gov/service/actuarial-valuations/. Prior valuations are also available for comparison purposes and can be obtained from the DCRB at that address.

The purpose of the actuarial valuations prepared for the DCRB is to provide a summary of the funded status of each plan as of the valuation date, to recommend rates of contribution to be paid by the District in the following Fiscal Year (i.e., the 2012 Valuation recommends contribution rates for Fiscal Year 2014) and to provide accounting information under GASB Statements No. 25 and 27.

An actuarial valuation calculates the actuarial accrued liability in each of the plans, which represents the present value of benefits the plan will pay to its retired members and active members upon retirement based on certain demographic and economic assumptions. The actuarial valuation compares the actuarial accrued liability with the actuarial value of assets and any excess of that liability over the assets forms the unfunded actuarial accrued liability ("UAAL"), if any, of the plans. The actuarial valuation will express the percentage that a system is funded through a "funded ratio," which represents the actuarial value of assets of the plan divided by the actuarial accrued liability of such plan. The actuarial valuation will also state an annual required contribution ("ARC"), which is a recommended amount that the District contribute annually to the applicable plan. The ARC consists of two components: (1) normal cost, which represents the portion of the present value of retirement benefits that are allocable to active members' current year service, and (2) an amortized portion of the UAAL, if any.

Description of Certain Actuarial Assumptions. To calculate the actuarial value of assets and actuarial accrued liability of each plan, the actuarial valuations use several actuarial assumptions. Some examples of these assumptions include an expected rate of return on assets, age of retirement of active members, future salary increases for current employees and assumed mortality rates for retirees and beneficiaries. If the actual experience of a plan differs from these assumptions, the UAAL of such plan may increase or decrease to the extent of any such variance. With respect to expected rate of return of assets, for example, the actual rate of return for each plan depends on the performance of its investment portfolio. The value of the securities in the investment portfolio changes from one Fiscal Year to the next, which, in turn, causes increases or decreases in the plan's UAAL. This could have a resulting impact on the ARC, which may increase the amount of the District's contribution to the plans.

Prior to the 2012 Valuation, the expected rate of return was 7.00%. However, for the 2012 Valuation, the expected rate of return was lowered to 6.50%. Other changes in assumptions used in the 2012 Valuation included changing the actuarial cost method from the "Aggregate" method to the more commonly used "Entry Age Normal" method, changing the price inflation assumption from 4.25% to 3.50% and lowering the payroll growth assumption from 4.75% to 4.25%. The net effect of these changes was an employer contribution amount for Fiscal Year 2014 of $142,402,000, which the District paid to DCRB at the end of October 2013. The Fiscal Year 2013 employer contribution was approximately $102.7 million.

Unlike the Aggregate method, the Entry Age Normal method identifies a normal cost and an unfunded accrued liability, thus allowing gains and losses to be amortized over a period of time (20 years in DCRB's case). Most public pension plans use the Entry Age Normal method.

An additional actuarial method used in arriving at the actuarial valuation is so-called "smoothing," whereby the difference between the market value of assets and the actuarial value of assets is smoothed over a number of years (in the case of the District, the previous seven years) to offset the effects of volatility of market values in any single year. In addition, the DCRB uses a 20% "corridor" in order to prevent the smoothed values from differing too much from market. The use of the 20% corridor means that very large gains and losses (i.e., ones that would produce a smoothed value that is more than 20% higher or lower than the actual market value) will be reflected immediately in funding.

Finally, as noted in the 2012 Valuation, the DCRB adopted a new funding policy as of November 15, 2012. The two main goals of the changed policy are as follows:

- to maintain an increasing or stable ratio of plan assets to accrued liabilities and reach a 100% minimum funded ratio; and
- to develop stable or declining contribution rates as a percentage of member payroll, with a minimum employer (District) contribution equal to the lesser of the normal cost determined under the Entry Age Normal funding method and the current active member contribution rate.

The new policy also sets the amortization period for any unfunded liability at 20 years in 2012 and will decline one year each year until a funded ratio of 100% is reached. In addition, the amortization of the unfunded accrued liability will be developed using the 'level dollar' approach. Level dollar means the UAL will be paid in the same dollar amount for the entire period, similar to a fixed-rate home mortgage.

Table 22 presents, for each plan, the actuarial value of assets, the market value of net assets, the actuarial value of assets as a percent of market value of assets, the investment rate of return based on the actuarial value of assets, and the investment rate of return based on market value assets over the past eleven years.

Table 22. Actuarial Value, Market Value and Investment Rates of Return
(Fiscal Years 2002-2012)

	Fiscal Year	Actuarial Value (AV) of Assets	Market Value (MV) of Net Assets	AV as % of MV	Investment Rate of Return (AV)	Investment Rate of Return (MV)[(1)(2)]
Police Officers and Firefighters						
	2012	$3,804,853	$3,681,526	103%	2.87%	14.5%
	2011	3,593,716	3,127,496	115	1.43	2.9
	2010	3,418,796	2,920,790	117	1.27	10.3
	2009	3,032,094	2,524,995	120	0.4	(2.2)
	2008	2,932,100	2,481,200	118	4.6	(16.9)
	2007	2,672,900	2,861,000	93	11.5	16.8
	2006	2,252,600	2,308,200	98	9.2	10.4
	2005	1,933,600	1,978,500	98	9.1	13.9
	2004	1,645,400	1,621,200	101	6.9	11.9
	2003	1,427,800	1,346,800	106	4.6	16.3
	2002	1,278,900	1,084,300	118	N/A	(7.9)
Teachers						
	2012	$1,585,626	$1,503,346	105%	2.37%	14.5%
	2011	1,573,654	1,340,725	117	1.38	2.9
	2010	1,570,968	1,314,357	120	1.32	10.3
	2009	1,445,000	1,204,393	120	0.4	(2.2)
	2008	1,447,600	1,253,500	115	4.6	(16.9)
	2007	1,396,000	1,517,200	92	12.2	16.8
	2006	1,230,000	1,284,400	96	9.6	10.4
	2005	1,104,600	1,145,600	96	9.3	13.9
	2004	998,700	994,700	100	7.0	11.9
	2003	917,800	874,700	105	4.6	16.3
	2002	860,800	733,100	117	N/A	(7.9)

(1) Investment returns based on market value of net assets are gross of fees.
(2) Total Fund rate of return.

Funded Status and Funding Progress

Table 23 provides an analysis of funding progress for each of the District's defined benefit pension plans from 2003 through 2012, based on the annual actuarial valuation report for each respective year.

Table 23. Schedule of Funding Progress
($000s)

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)*	Unfunded AAL (UAAL)*	Funded Ratio*	Covered Payroll*	UAAL as a Percent of Covered Payroll*
Teachers' Retirement Plan							
	10/1/2003	$ 917,800	N/A	N/A	N/A	N/A	N/A
	10/1/2004	998,700	N/A	N/A	N/A	N/A	N/A
	10/1/2005	1,104,600	N/A	N/A	N/A	N/A	N/A
	10/1/2006	1,230,000	$1,106,000	($124,000)	111.2%	$322,300	(38.5)%
	10/1/2007	1,396,000	1,251,300	(144,700)	111.6	349,900	(41.4)
	10/1/2008	1,447,600	1,338,000	(109,600)	108.2	359,100	(30.5)
	10/1/2009	1,445,000	1,304,500	(140,500)	110.8	336,600	(41.7)
	10/1/2010	1,570,968	1,328,299	(242,669)	118.3	337,516	(71.9)
	10/1/2011	1,573,654	1,544,864	(28,790)	101.9	384,455	(7.5)
	10/1/2012	1,585,626	1,680,548	94,922	94.4	381,235	24.9
Police Officers and Firefighters' Retirement Plan							
	10/1/2003	$1,427,800	N/A	N/A	N/A	N/A	N/A
	10/1/2004	1,645,400	N/A	N/A	N/A	N/A	N/A
	10/1/2005	1,933,600	N/A	N/A	N/A	N/A	N/A
	10/1/2006	2,252,600	$2,459,000	$206,400	91.6%	$351,000	58.8%
	10/1/2007	2,672,900	2,647,300	(25,600)	101.0	371,300	(6.9)
	10/1/2008	2,932,100	2,938,800	6,700	99.8	421,800	1.6
	10/1/2009	3,048,400	3,027,900	(20,500)	100.7	436,100	(4.7)
	10/1/2010	3,418,796	3,166,830	(251,966)	108.0	423,854	(59.4)
	10/1/2011	3,593,716	3,309,825	(283,891)	108.6	421,221	(67.4)
	10/1/2012	3,804,853	3,456,976	(347,877)	110.1	414,877	(83.9)

Source: 2012 Valuation and the District of Columbia Retirement Board
* From 2003-2005 the District of Columbia Retirement Board used the aggregate actuarial cost method and was therefore not required to disclose a schedule of funding progress.

Annual Required Contributions

Table 24 sets forth the ARC by the District for each of the Fiscal Years indicated. The ARC is determined annually based on the most recent actuarial valuation, although due to the timing of receipt of each valuation, there is a lag between the Fiscal Year results used to determine the ARC for any particular future Fiscal Year. As noted above, the 2012 valuation was used to determine the ARC for Fiscal Year 2014. The valuation as of October 1, 2013, will be used to determine the ARC for Fiscal Year 2015.

Table 24. Schedule of Employer Contributions
($000,000s)

Year Ending	Teachers' Retirement Fund		Police Officers and Firefighters' Retirement Fund		Total Fund	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
September 30, 2012	-	100%	$116.7	100%	$116.7	100%
September 30, 2011	-	100	127.0	100	127.0	100
September 30, 2010	-	100	132.3	100	132.3	100
September 30, 2009	-	100	106.0	100	106.0	100
September 30, 2008	$6.0	100	137.0	100	143.0	100
September 30, 2007	14.6	100	140.1	100	154.7	100
September 30, 2006	15.5	100	117.5	100	133.0	100
September 30, 2005	9.2	100	111.6	100	120.8	100
September 30, 2004	-	100	96.2	100	96.2	100
September 30, 2003	-	100	68.9	100	68.9	100

Source: 2012 DCRB CAFR

Future actuarial results and accordingly annual funding requirements may differ significantly from the results set forth herein and in the 2012 Valuation. These differences will be due to various factors, including, in part, as noted in the 2012 Valuation, plan experience may differ from that anticipated by the economic or demographic assumptions, changes in such assumptions and changes in plan provisions or applicable law. It is likely that actual future circumstances will vary from those assumed in the 2012 Valuation and such variances may be substantial.

Investments

The 2012 DCRB CAFR includes a specific section labeled "Investment Section", which contains detailed information concerning the DCRB's investment objectives and policies, investment results, asset allocation, a report on investment activity, a list of the largest assets held, a schedule of fees and commissions and an investment summary. See pages 54-61 of the 2012 DCRB CAFR. Additional information regarding the DCRB's investment objectives and policies and investment reports is available at http://dcrb.dc.gov/service/investments.

Recent Changes to Pension Obligation Reporting

In June 2012, the Government Accounting Standards Board ("GASB") issued GASB Statement No. 68, which set forth new standards that will modify the accounting and financial reporting of the District's pension obligations. The new standard for governments that provide employee pension benefits will require the District to report in its statement of net position a net pension liability, defined as the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the asset (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees and their beneficiaries. The new standard will require immediate recognition of more pension expense than is currently required. The rate used to discount projected benefit payments to their present value will be based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specified conditions to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be invested using a strategy to achieve that return and (b) a yield or index rate on tax-exempt 20-year AA-or-higher rated municipal bonds to the extent that the conditions for use of the long-term expected rate of return are not met. The new standard will be effective for the District's Fiscal Year 2015.

Defined Contribution Pension Plan. Permanent full-time employees hired after September 30, 1987, are covered by the District's Defined Contribution Pension Plan. As of September 30, 2013 approximately 15,500 active permanent and full-time general employees were beneficiaries of payments made by the District on their behalf to the Defined Contribution Pension Plan. These employees also make payments to the U.S. Social Security System and are the beneficiaries of payments made by the District to that system on their behalf.

The District-sponsored Defined Contribution Pension Plan is an Internal Revenue Code Section 401(a) plan for permanent full-time and part-time employees who otherwise would have been covered by the Civil Service Retirement System but who were employed after September 30, 1987. The District contributed approximately $44.2 million for Fiscal Year 2012 and $48 million in Fiscal Year 2013. The current level of the District's defined contribution payment is 5% of base salary, except for detention officers, who receive 5.5% of base salary. Employees do not contribute to the plan and are eligible to participate after one year of service. Contributions and earnings vest fully after five years of creditable service. Vested contributions are not assets of the District and the District has no additional liability to this plan.

403(b) and 457(b) Plans. The District also sponsors an annuity purchase plan under Internal Revenue Code Section 403(b) and a deferred compensation plan under Internal Revenue Code Section 457(b). Both plans are funded entirely from employee contributions. The assets of both plans are not assets of the District and the District has no financial liability to either plan.

Other Post-Employment Benefits

Before 1987, all employees and retirees of the District government were eligible for coverage under federal health and insurance plans. In 1987, in response to a federal request, the Council enacted the District of Columbia Government Comprehensive Merit Personnel Act of 1978 Employee Benefits Amendment Act of 1987 (D.C. Law 7-27). This law requires the District government to provide health and life insurance benefits to retirees of the District first employed after September 30, 1987. Retirees of the District government first employed before October 1, 1987, remain eligible for federal health and life insurance benefits. A separate trust fund, the Annuitants' Health and Life Insurance Employer Contribution Trust Fund, was established to provide OPEB to retirees of the District first employed after September 30, 1987. Similar to most other jurisdictions, the District initially funded these programs on a pay-as-you-go basis, but began funding OPEB on an actuarial basis in Fiscal Year 2008. "Pay-as-you-go" is a method of financing a pension or other post-retirement benefit plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

The District provides post-employment benefits to retirees. Based on years of service, the District pays up to a maximum of 75% of the cost of retiree health insurance, 30% of the cost of retiree life insurance and 60% of the cost of retiree spouse and dependent health insurance. The District pays 75% of the cost of the selected health benefit plan for covered family members of police officers or firefighter annuitants who are injured or killed in the line of duty. These benefits are available to all employees with five years of continuous service prior to retirement.

The District's proposed actuarial funding of its OPEB liability is set forth in line 28 of Table 14, "Fiscal Years 2014 - 2017 Proposed Budget and Financial Plan: General Fund. The most recent valuation, as of September 30, 2012, shows the funded ratio of the restricted trust established by the District to be 75.4%, as compared to 59.0% as of September 30, 2011. The actuarial accrued liability is estimated to be $919.7 million, with an actuarial value of assets held in trust of $693.3 million. This results in an unfunded actuarial liability of $226.4 million as of September 30, 2012.

Since the District adopted GASB 45, which sets forth standards for the measurements, recognition and display of OPEB expenses/expenditures and related assets and liabilities and financial statement disclosures, the District established a restricted trust and began making annual payments to the trust. To date, the District has contributed 99% of the ARC for this purpose. The current investment return assumption is 7% and the unfunded liabilities are amortized over an open, 30 year period. The ARC to the trust for Fiscal Years 2011, 2012 and 2013 were $84.2 million, $95.5 million and $85.2 million, respectively. For Fiscal Year 2013, the District budgeted and expended $107.8 million for deposit into the trust. This amount had been established prior to release of the latest valuation. Based on its most recent valuation, the District currently projects future ARC to range from $89.7 million in Fiscal Year 2014 to $104.4 million in Fiscal Year 2017.

Actual contributions will likely be different in the future as funding requirements will be based upon various matters, including actuarial assumptions, investment returns, plan benefits and participant demographics. In addition, the most recent valuation also notes the uncertainty posed by certain provisions of the Patient Protection and Affordable Care Act ("ACA"). One provision of the ACA imposes a 40% per year excise tax (the so-called "Cadillac tax") on health coverage providers beginning in 2018 to the extent the value of employer sponsored health coverage exceeds certain amounts. The District cannot now predict whether or to what extent the Cadillac tax provision may adversely affect the costs to the District and its employees of providing health care coverage.

Additional information regarding the District's OPEB plan and costs is set forth in Note 10 to the Fiscal Year 2012 CAFR and in the Regional Supplemental Information thereto at page 135. The most recent actuarial valuation as of September 30, 2012, is incorporated herein by reference and can be found on the District's website at http://cfo.dc.gov/page/reports-and-publications/.

INDEBTEDNESS

Summary of Statutory Debt Provisions

The Home Rule Act authorizes the issuance of short-term and long-term general obligation debt of the District. Short-term debt may be issued in the form of: (i) revenue anticipation notes, in anticipation of the collection or receipt of revenues for a Fiscal Year or (ii) bond anticipation notes, in anticipation of the issuance of general obligation bonds.

The total amount of revenue anticipation notes outstanding at any time during a Fiscal Year may not exceed 20% of the total anticipated revenue of the District for such Fiscal Year and such notes must mature within the Fiscal Year in which they are issued. Not more than 15 days before the issuance of any revenue anticipation notes, the Mayor must certify the total anticipated revenue of the District for such Fiscal Year.

Bond anticipation notes must be paid no later than the last day of the third Fiscal Year following the Fiscal Year of issuance. The act of Council authorizing the notes must set forth an estimated maximum annual debt service amount for the general obligation bonds in anticipation of which the notes are issued and such debt service must be included in the 17% maximum debt service calculation described below.

The District also may issue long-term debt in the form of general obligation bonds and income tax secured bonds to finance capital projects and to refund indebtedness of the District. Any general obligation bond and income tax secured revenue bond issuances are not permitted during any Fiscal Year if total debt service in any Fiscal Year will exceed 17% of District revenues (as described in section 603(b) of the Home Rule Act, D.C. Official Code §1-206.03(b)(1) to which income tax secured bonds have been applied by District statute) during the Fiscal Year in which such issuances are made. General obligation bonds are secured by the full faith and credit of the District and may be secured additionally by a security interest in specified District revenues, including a special real property tax.

In 2009, the District passed an act (the "Debt Ceiling Act") imposing a further limit on the issuance of any District general obligation bonds, Treasury capital-project loans, tax-supported revenue bonds, notes or other debt instruments secured by revenues derived from taxes, fees, or other general revenues of the District, or its agencies and authorities, pursuant to the District's power to tax and impose fees, including TIF Bonds and PILOT Notes (as hereinafter defined), certificates of participation and lease purchase financing obligations (collectively, with the exceptions noted in the Debt Ceiling Act, "Tax-Supported Debt"), but excluding revenue bonds, notes, or other debt instruments issued for the purpose of funding water and sewer facilities, as described in section 490(a) of the Home Rule Act, and bonds, notes, or other debt instruments paid or secured by revenues from the Master Settlement Agreement with tobacco companies, federal grants, or revenues from the operation of public enterprises, so long as those enterprises are fully self-supporting, if such issuance would result in total debt service in the Fiscal Year of issuance, or any of the three succeeding Fiscal Years, on all outstanding Tax-Supported Debt exceeding 12% of annual District General Fund expenditures and transfers in any applicable Fiscal Year, as contained in the most recently enacted District budget (the "Debt Ceiling").

Debt Service on all of the District's $8.6 billion of Tax-Supported Debt currently outstanding produced a Debt Ceiling percentage of approximately 9.55% in Fiscal Year 2013 (in relation to the 12% limit). For Fiscal Year 2013, total debt service on the District's outstanding general obligation and income tax secured indebtedness was approximately 7.6% (in relation to the 17% limit) of District revenues.

The projected Debt Ceiling percentages for Fiscal Years 2013 through 2017 are set forth below.

Table 25. Projected Annual Debt Ceiling Percentages
(as of November 1, 2013)

2013	9.55%
2014	10.44
2015	10.77
2016	11.29
2017	11.44

The Council may authorize the issuance of revenue bonds, notes or other obligations (including refunding bonds, notes or other obligations) to borrow money to finance governmental purposes authorized for financing by general obligation bonds or notes by creating a security interest in any District revenues. Such bonds, notes or other obligations, if issued, are to be secured by a pledge of the revenues realized from the property, facilities, developments and improvements financed by the issuance of such bonds, notes, or other obligations or by the mortgage of real property or the creation of a security interest in available revenues, assets or other property. Such bonds, notes, or other obligations will not be general obligations of the District and will not constitute a debt of the District or lending of the public credit. The

District has issued and expects to issue, revenue debt on behalf of various for-profit and non-profit undertakings, the proceeds of which are used for public purposes beneficial to the District.

All debt of the District must be authorized and issued pursuant to an act of Council and, in the case of general obligation bonds, the Council may require a voter referendum. The issuance of income tax secured revenue bonds or general obligation bonds for capital project purposes also is subject to prior approval by Council. Acts authorizing the issuance of general obligation revenue anticipation notes take effect on the date of enactment of such acts. Acts authorizing the issuance of any borrowings of the District, except those authorized as emergency legislation, acts authorizing the renewal or refunding of bond anticipation notes, and acts authorizing general obligation revenue anticipation notes, are subject, unless waived, to a 30-legislative day Congressional review period and possible disapproval by Congress and the President. To date, there has never been a voter referendum on the issuance of general obligation bonds.

Long-Term Obligations

General Obligation Bonds. The District currently has approximately $2.2 billion of general obligation bonds outstanding. With the exception of approximately $164.9 million of variable-rate debt, all other general obligation bonds have been issued on a fixed-rate basis, synthetically converted to fixed-rate obligations or otherwise hedged by a floating-to-fixed rate swap to hedge against interest rate fluctuations. The District expects to issue approximately $600 million of general obligation bonds in Fiscal Year 2014, which will include this issue of approximately $500 million of fixed-rate bonds and an additional $100 million of variable rate bonds to be sold on a direct purchase basis.

Income Tax Secured Revenue Bonds. The Income Tax Secured Bond Authorization Act of 2008 (D.C. Law 17-254; D.C. Official Code §§ 47-340.26-36), as amended (the "Income Tax Bond Act") authorized the District to issue income tax secured revenue bonds (the "Income Tax Bonds") to finance some or all of the capital projects in the District's on-going capital improvements program. Income Tax Bonds are secured by a pledge of the revenues generated by the individual income tax and business franchise taxes imposed by the District (the "Income Tax Revenues"), which are paid directly to and collected by a collection agent. After transfers in April, May and June of each year by the collection agent to the trustee for the Income Tax Bonds of amounts needed in the upcoming Fiscal Year to pay debt service on such bonds, all remaining income tax proceeds are released to the District. The holders of any Income Tax Bonds have a first lien on and pledge of Income Tax Revenues superior to that of the holders of the Bonds and general obligation bonds of the District.

The District has approximately $4.5 billion of Income Tax Bonds outstanding, including $270.2 million of variable-rate bonds. The District expects to issue approximately $500 million of Income Tax Bonds in Fiscal Year 2014.

Other Long-Term Obligations. In addition to the general obligation bonds and income tax secured revenue bonds, the District has payment obligations with respect to approximately (i) $45.5 million of outstanding Certificates of Participation with a final maturity of 2023 issued to finance a portion of the cost of a public safety and emergency preparedness command center and telecommunications network and (ii) $161.5 million of outstanding Certificates of Participation with a final maturity of 2026, issued to finance a portion of the cost of designing, constructing and equipping a new psychiatric hospital facility on District-owned land on the campus of St. Elizabeths Hospital and to fund a portion of the cost of the acquisition and rehabilitation of a facility for the Department of Motor Vehicles. In each case, the Certificates are not debt of the District and the District's payment obligations are subject to and dependent upon both inclusion of sufficient funds in annual District budgets and annual appropriations being made by the Council and the United States Congress for such purpose. The Certificates are, however, included in the calculation of the Debt Ceiling percentage.

The Mayor proposed and the Council approved bonds issued in 2007 (in the initial aggregate principal amount of $34.1 million), 2010 (in the initial aggregate principal amount of $53.2 million) and 2012 (in the initial aggregate principal amount of $39.6 million) to finance a portion of the District's New Communities Initiative, which is a large scale and comprehensive plan that provides housing infrastructure with a special focus on public housing, provides critical social support services, decreases the concentration of poverty and crime, enhances access to education and provides training and employment education to neighborhoods where crime, unemployment and truancy converge to create intractable physical and social conditions. Such bonds are revenue bonds secured by that portion of the District's deed recordation tax and real property transfer tax revenues that is deposited into the District's Housing Production Trust Fund and are currently outstanding in the combined principal amount of approximately $120.5 million. Beginning in Fiscal Year 2014, based on a Council Act, New Communities projects selected for financing with bond proceeds will no longer be funded from the Housing Production Trust Fund but will be funded with the Income Tax Bonds.

In Fiscal Year 2011, the District issued $82.6 million of GARVEE bonds to finance a portion of the East Washington Traffic Initiative (the 11th Street SE Bridge project). In Fiscal Year 2013, the District issued $42.9 million of additional GARVEE bonds for the 11th Street SE Bridge project. The District currently has approximately $117.6 million of GARVEE bonds outstanding. GARVEE bonds are secured by and payable solely from certain transportation grants received from, or anticipated to be received from, the federal government. No District funds are pledged to pay GARVEE bonds and the Home Rule Act and the Debt Ceiling Act exclude GARVEE bonds from their respective debt limitation provisions, as discussed above.

In addition to the standard fixed-rate general obligation bonds and income tax secured revenue bonds, the District uses variable-rate bonds, synthetic fixed-rate bonds (through interest rate swaps), revenue bonds (including TIF Bonds and PILOT Notes (as hereinafter defined)) for special projects, certificates of participation and a master equipment lease/purchase program to diversify its debt portfolio, minimize debt service costs and efficiently manage its capital assets and liabilities.

Interest Rate Swap Agreements. The District has used interest rate swaps as part of prudent fiscal management to lower its overall cost of borrowing. The District's swap agreements, subject to one exception relating to a floating-to-floating interest rate swap, were entered into in conjunction with the issuance of floating-rate general obligation bonds. At the time each such swap agreement was executed, the fixed rate paid by the District pursuant to the floating-to-fixed interest rate swap agreement was less than the fixed rate that would have been payable on fixed rate bonds. To manage its exposure to counterparty risk, the District has entered into agreements only with counterparties that have a rating of at least "A." To manage its exposure to basis risk, the floating rate index selected at the time of execution of each agreement was that which, in the District's judgment, would approximate the rate on the related variable-rate bond series.

The District or a counterparty may terminate a swap if the other party fails to perform under the terms of the contract. In addition, the Schedules to the International Swaps and Derivatives Association Master Agreement define an "additional termination event," which provides that the swap may be terminated if the counterparty, the counterparty's credit support provider, if any, or the District has triggered such event. See Table 26 "Interest Rate Swaps – Summary Information" below for specific termination trigger events.

The following table provides a brief description of the principal features of each interest rate swap agreement to which the District is a party. For a description of the underlying obligations to which the swap agreements described below relate, see Note 8 to the Fiscal Year 2012 Financial Statements.

Table 26. Interest Rate Swaps - Summary Information (1)
as of November 22, 2013

1.	**Related Bond Series**	**General Obligation Bonds Series 2001C, 2001D**	**General Obligation Bonds Series 2004B**	**General Obligation Bonds Series 2008C(3)**
2.	**Initial Notional Amount**	$278,080,000	$38,250,000	$224,300,000
3.	**Current Notional Amount**	$186,480,000	$38,250,000	$224,300,000
4.	**Termination Date**	June 1, 2029	A portion terminates, tied to bond maturities, on June 1, 2014, 2015, 2016 and 2020	June 1, 2027
5.	**Type of Swap**	Floating-to-Floating	Floating-to-Fixed	Floating-to-Fixed
6.	**Rate Paid by Counterparty**	60 to 90% of LIBOR, based on LIBOR rate on reset date	Varies, from 1.55% to 1.81% plus CPI-U rate	To 12/1/04, BMA* Index; 12/1/04 to Termination Date, 67% of LIBOR
7.	**Rate Paid by District**	67% of LIBOR	Varies, from 4.598% to 5.121%	3.615%
8.	**Counterparty**	JP Morgan Chase Bank, N.A.	Bear Stearns Capital Markets Inc. (2)	Morgan Stanley Capital Services Inc.
9.	**Counterparty Rating (S&P/Moody's/Fitch)**	A+/Aa3/A+	A/A3/A+	A-/Baa2/A
10.	**Collateral/Credit Support**	None	Assured Guaranty Ltd., insurance for swap payments by District; Guarantee of counterparty by parent	None
11.	**Priority of Payments**			
	a. interest payments	General obligation of the District	General obligation of the District	General obligation of the District
	b. termination payments	General funds of the District, subject to appropriation	General funds of the District, subject to appropriation	General funds of the District, subject to appropriation
12.	**Additional Termination Events**	Senior unsecured debt rating falls below BBB- or Baa3	Senior unsecured debt rating falls below BBB- or Baa3	Senior unsecured debt rating falls below BBB- or Baa3

* Following the merger of the Securities Industry Association and the Bond Market Association ("BMA"), the BMA is now the Securities Industry and Financial Markets Association ("SIFMA").

(1) **AWC Agreement**. In addition to the swaps summarized in this table, in connection with the issuance of the AWC Bonds (as hereinafter defined), AWC entered into a floating-to-fixed interest rate swap with Wells Fargo Bank, N.A., formerly Wachovia Bank, N.A., under which AWC pays a fixed rate and receives a variable rate that matches the rate on the AWC Bonds. The notional amount of such agreement is equal to the principal amount of the AWC Bonds. Since the issuance of such AWC Bonds, the District has, pursuant to statute, abolished AWC and assumed its assets and obligations, including the payment of the AWC Bonds, but only from the specific revenue streams pledged as security for such bonds.

(2) **Bear Stearns Merger**. Although Bear, Stearns & Co. Inc., parent of the counterparty, was acquired by JPMorgan Chase & Co., the counterparty continues to exist and act in the same role under the related interest rate swap agreement. JP Morgan Chase & Co., also serves as guarantor to Bear Stearns Capital Markets, Inc. as is reflected in the current ratings.

(3) **The Series 2008C Bonds**. The Series 2008C Bonds were issued to refund the District's Series 2002B Bonds. The swap agreement entered into by the District in connection with the Series 2002B Bonds (the "2002 Swap") was, for federal tax purposes, identified on the District's books with the Series 2002B Bonds. While the issuance of the Series 2008C Bonds resulted in the deemed termination of the 2002 Swap for federal tax purposes, the 2002 Swap has not actually been terminated by the District and remains in effect for the Series 2008C Bonds.

Economic Development Initiatives of the District. The District finances a portion of the costs of certain privately owned, economic development projects through the issuance of tax increment bonds or notes ("TIF Bonds") and Payment In Lieu of Taxes revenue bonds and notes ("PILOT Notes"). TIF

Bonds generally are payable from incremental increases in certain dedicated real property and sales tax revenues generated from the respective project TIF Areas. Some TIF Bonds and PILOT Notes are additionally secured by the Downtown TIF Area. The Downtown TIF Area is located substantially in the northwest quadrant of the District of Columbia and covers a substantial portion of the downtown area of the District of Columbia (the "Downtown TIF Area"). TIF Bonds and PILOT Notes are not general obligation debt of the District, and do not involve a pledge of the full faith and credit of the District.

Table 27 below lists all outstanding TIF Bonds and PILOT Notes of the District, those that were issued and subsequently repaid, as well as additional debt that has been authorized but remains unissued.

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Table 27. TIF Bonds and PILOT Notes

Project Name	Initial Issuance Amount	Amount Outstanding as of November 2, 2013	Authorization Remaining
Authorized Under the Tax Increment Financing Authorization Act of 1998 (as amended)			
Capitol Hill Towers TIF	$ 10,000,000	$ 173,832	$ 0
Embassy Suites Hotel TIF	11,000,000	0	0
Gallery Place TIF	73,650,000	50,455,000	0
International Spy Museum TIF	6,900,000	0	0
Mandarin Oriental Hotel TIF	45,990,000	19,677,371	0
NCRC Revenue Bonds (DC USA Parking Garage Project)	46,900,000	3,900,210	0
Shakespeare Theatre TIF Note	10,000,000	0	0
Waterfront Arts Project TIF Note	10,000,000	12,023,302 [(1)]	0
Subtotal	**$ 214,440,000**	**$ 86,229,715**	**$ 0**
Authorized Under the Retail Incentive Act of 2004 (as amended)			
Downtown Retail Priority Area TIF Notes	18,473,326	10,631,647	0
Fort Lincoln Retail Priority Area TIF Note	10,000,000	8,135,868	0
Great Streets Retail Priority Area TIF Notes	5,934,731	5,735,970	0
Subtotal	**$ 34,408,057**	**$ 24,503,486**	**$ 0**
Authorized Under the Payment In Lieu of Taxes Act of 2004 (as amended)			
Anacostia Waterfront Corporation PILOT Revenue Bonds	111,550,000	77,210,000	0
Capper/Carrollsburg PILOT Revenue Bond Anticipation Notes	29,000,000	0	0
Rhode Island PILOT Note	7,200,000	7,200,000	0
Southeast Federal Center PILOT Note	5,660,000	5,497,180	84,340,000
Subtotal	**$ 153,410,000**	**$ 89,907,180**	$ **84,340,000**
Authorized Under Other Acts			
Convention Center Hotel TIF/Revenue Bonds	218,000,000	218,000,000	0
O Street Market TIF	38,650,000	38,650,000	$3,000,000
Verizon Center Sales Tax Revenue Notes	50,000,000	49,925,000	0
Southwest Waterfront TIF/PILOT	0	0	198,000,000
Subtotal	**$ 306,650,000**	**$ 306,575,000**	**$ 201,000,000**
TOTAL	**$ 708,908,057**	**$ 507,215,381**	**$ 285,340,000**

(1) Includes accrued interest.

Ballpark Financing. The Ballpark Omnibus Financing and Revenue Act of 2004 (the "Ballpark Financing Act") provided public financing for (i) the construction of a baseball stadium in the District (the "Ballpark"), to be owned by the District and leased (the "Stadium Lease") to the owners of the Washington Nationals and (ii) the renovation of Robert F. Kennedy Memorial Stadium ("RFK") (collectively, the "Ballpark Project"). The Ballpark Financing Act provided for the creation of a Ballpark Revenue Fund (the "Ballpark Revenue Fund") within the General Fund, into which all receipts are deposited from the following (collectively, "Ballpark Revenues"): (i) taxes on ticket sales, parking and concessions of food, beverages and merchandise at the Ballpark and RFK (during baseball games) (the "Ballpark Sales Tax"), (ii) a gross receipts tax on certain businesses within the District in accordance with the schedule described in footnote 14 to Table 6 (the "Ballpark Fee"), (iii) the Ballpark Utilities Tax (described below) and (iv) rent payments under the Stadium Lease.

The Ballpark Revenue Fund is pledged as the source of payment for the District's Ballpark Revenue Bonds, which were issued in the amount of $534.8 million in May 2006, to fund the Ballpark Project. The Ballpark Revenue Bonds were originally issued as Taxable Series 2006A-1, Taxable Series 2006A-2, Series 2006B-1 and Series 2006B-2 (Auction Rate Certificates) (collectively, the "Ballpark Bonds"). In May 2008, the Series 2006B-2 Bonds were converted to variable-rate demand obligations with credit enhancement in the form of a direct-pay letter of credit provided by Bank of America, N.A. In July 2011, a portion of the Series 2006B-2 Bonds, totaling approximately $22,725,000, was privately placed with PNC Bank, N.A. at a variable rate of interest for a term of three years.

The District collects a tax of 11% of the gross receipts from sales to non-residential customers by companies selling natural gas, landline telephone service, toll telecommunications service, mobile telecommunications service, heating oil and artificial gas. The "Ballpark Utilities Tax" is equal to: (i) one-eleventh of the aforementioned 11% gross receipts tax and (ii) a tax of $0.0007 per kilowatt-hour of electricity delivered to non-residential end-users in the District of Columbia.

Other Capital Funding

Master Equipment Lease/Purchase Program. The District began a Master Equipment Lease/Purchase Program (the "Program") in 1998 to provide tax-exempt financing for projects with short-term to intermediate-term useful lives. As a result, rolling stock such as police, emergency and public works vehicles has been acquired on a relatively short-term lease/purchase basis rather than with the proceeds of long-term bonds. This Program has enabled the District to improve its asset/liability management by matching the useful life of the asset being financed to the amortization of the liability (five to ten years).

As of November 2, 2013, the District had financed approximately $469 million of its capital equipment needs through the Program since its inception and there was approximately $114 million in principal outstanding. Lease payment obligations are payable subject to appropriation and are neither debt nor general obligations of the District; such obligations, however, are subject to the Debt Ceiling.

Underground Electric Power Lines. The District expects to participate in the financing of undergrounding electric power lines located in the District of Columbia. Repayment of the District's bonds to be issued to finance this project will not be paid from District funds but instead from revenues generated from increased electric rates charged to and collected from electric consumers by the public utility and approved by the District's Public Service Commission. As such, the obligations arising from this financing are not the District's debt and are not subject to the Debt Ceiling.

Short-Term Obligations

The District from time to time issues short-term tax revenue anticipation notes, which must be repaid by the end of the Fiscal Year in which they are issued, in order to finance its seasonal cash flow needs. The District issued tax revenue anticipation notes in Fiscal Years 2010-2014, as shown below. All tax revenue anticipation notes issued in Fiscal Years 2010-2013 were repaid at the end of each respective Fiscal Year. The District expects to repay the tax revenue anticipation notes issued in Fiscal Year 2014 by the end of September 2014.

Table 28. General Obligation Tax Revenue Anticipation Notes
Fiscal Years 2010-2014
($000,000s)

	2010	2011	2012	2013	2014
Total Notes Issued	$500	$700	$820	$675	$405
Total Notes Issued as a Percentage of General Fund Revenues [(1)]	8.83%	11.68%	12.45%	10.95%	6.42%

[(1)] The total amount of tax revenue anticipation notes outstanding at any time during a Fiscal Year may not exceed 20% of the total anticipated tax revenue of the District for such Fiscal Year. Such notes must mature within the Fiscal Year in which they are issued.

Sources: Exhibit A-2 General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance, District's CAFRs for Fiscal Years 2009-2012. The percentages for Fiscal Years 2013 and 2014 are based on the District's September 2013 Revenue Estimate.

The outstanding Tax-Supported Debt of the District as of September 30, 2013, is set forth below:

Table 29. Outstanding Tax-Supported Debt
(as of September 30, 2013)

Security	Par Outstanding	Percentage
General Obligation Bonds	$2,245,184,845.20	26.1%
Income Tax Secured Revenue Bonds	4,457,675,000.00	51.7
TIFs & PILOTS	299,925,718.59	3.5
COPs	206,965,000.00	2.4
Capital & Master Leases	122,317,983.91	1.4
Ballpark Revenue Bonds	502,255,000.00	5.8
HPTF Bonds	120,450,000.00	1.4
Convention Center Bonds	652,660,000.00	7.6
Qualified Zone Academy Bonds	6,681,651.75	0.1
TOTAL	**$8,614,115,199.45**	**100.0%**

Tables 30 and 31 show the District's Tax-Supported Debt for Fiscal Years 2008-2012 on a per capita basis and as a percent of assessed value.

Table 30 Tax-Supported Debt Per Capita
Fiscal Years 2008-2012

Fiscal Year	Tax-Supported Debt [(1)]	Tax-Supported Debt Per Capita [(2)]
2008	$6,221,813,000	$ 9,874
2009	6,414,393,000	10,019
2010	6,955,944,000	10,727
2011	7,624,392,000	11,364
2012	7,831,218,000	11,467

(1) As described under " - INDEBTEDNESS - Summary of Statutory Debt Provisions," Tax-Supported Debt includes general obligation bonds, income tax secured revenue bonds, TIF bonds and notes, qualified zone academy bonds, certificates of participation, capital leases, Ballpark Bonds, housing production trust fund bonds, PILOT revenue bonds and Convention Center bonds, but excludes revenue bonds, notes or other debt instruments issued for the purpose of funding water and sewer facilities, as described in Section 490(a) of the Home Rule Act and bonds, notes or other debt instruments paid or secured by revenues from the Master Settlement Agreement with tobacco companies, federal grants or revenues from the operation of public enterprises, so long as those enterprises are fully self-supporting.
(2) The prior per capita amounts have been updated to reflect revised census population estimates.

Sources: District's Fiscal Year 2012 CAFR; Statistical Section; Convention Center debt was obtained from the District's Notes to Financial Statements from prior Fiscal Year CAFRs.

Table 31. Tax-Supported Debt and Assessed Value of Taxable Property

Fiscal Year	Estimated Actual Values	Tax Supported Debt	Debt / Estimated Actual Value[(1)]
2008	$142,958,188,000	$6,221,813,000	4.4%
2009	153,039,555,000	6,414,393,000	4.2%
2010	150,011,289,000	6,955,944,000	4.6%
2011	139,287,502,000	7,624,392,000	5.5%
2012	146,501,957,000	7,831,218,000	5.3%

Note: Assessed value is 100% of estimated actual value.
(1) Median debt to value percentage for Moody's Aa rated municipalities is 3.02%.

THE DISTRICT'S ECONOMIC RESOURCES

Overview

Although the District is primarily known as the Nation's Capital, it is also an international city, a cultural center and the central city of the seventh largest metropolitan area in the United States. The District covers approximately 61 square miles and had a resident population of 632,323 as of July 1, 2012 according to the U.S. Census Bureau estimates. The Washington primary metropolitan statistical area (the "PMSA") encompasses 20 jurisdictions in Maryland, Virginia and West Virginia, as well as the District.

As the Nation's Capital, the District is the seat of the three branches of the federal government and headquarters for most federal departments and agencies. In addition, the District is host to 206 foreign embassies and other recognized diplomatic missions. A number of international organizations, such as the International Monetary Fund, the World Bank, the World Health Organization and the Organization of American States, have their headquarters in the District.

In 2012, approximately 16.8 million domestic visitors and 1.8 million international visitors traveled to the District. The District was the eighth most visited destination in the U.S. for international travelers in 2012. Visitors are attracted not only by the need to do business with the federal government and regional businesses but also by the national monuments, 350 historic sites, more than 50 museums and other major cultural attractions. The John F. Kennedy Center for the Performing Arts, the National Gallery of Art, the Smithsonian Institution and the Library of Congress are among the cultural institutions of international renown located in the District. In 2012, total visitor spending in the District was approximately $6.2 billion.

The Washington, D.C. area has developed into a diverse economic region with federal government employment providing a base for significant expansions in services, aerospace, high technology and communications and as a site for corporate headquarters. The District is served by three airports (Ronald Reagan Washington National Airport, primarily for domestic flights and Washington Dulles International Airport and Baltimore-Washington Thurgood Marshall International Airport for domestic and international flights), as well as passenger and freight rail networks and passenger buses.

Land and Land Use

The borders of the District were fixed originally by Presidential proclamation in 1791 and later amended by Acts of Congress in 1846, 1927 and 1945. The District by statute cannot annex land in surrounding jurisdictions.

Due largely to the presence of the federal government and the many other governmental and nonprofit organizations that maintain offices and facilities in the District, the majority of land in the District is exempt from real property taxation. Table 32 below sets forth the relative percentages of land in the District devoted to various taxable and tax-exempt uses.

Table 32. Land Uses by Tax Classification for Tax Year 2012

USE	AREA
Tax Exempt	
Federal tax-exempt	36%
Other tax-exempt	13%
District government	7%
Taxable	
Owner-occupied residential	36%
Commercial	8%
Vacant	0%
TOTAL	**100%**

Source: District of Columbia Office of Tax and Revenue.

Population

The U.S. Census Bureau estimated that the District of Columbia's population was 632,323 on July 1, 2012, which is an increase of 67,093 or 11.9%, as compared to July 1, 1998. The population growth as of July 1, 2012 was the fourth consecutive year in which annual population growth exceeded

2%, with an average annual gain of 13,022, during this period. The U.S. Census Bureau estimates as of July 1, 2013, are not expected to be available until December, 2013.

From 2010 to 2012, the District of Columbia experienced a higher rate of population growth than any of the 50 states. The rate, 4.5%, was higher than either of the two highest states (North Dakota, at 4.0%, and Texas, at 3.6%) and also higher than the average rate for the United States, at 1.7%.

Per capita personal income in the District has been consistently higher than all of the 50 states. In 2012, per capita personal income in the District was $74,710, compared to $42,693 for the United States as a whole, based on estimates by the U.S. Bureau of Economic Analysis. Based upon data collected by the U.S. Census Bureau from 2007 through 2011, median household income over that period for District residents was $61,835, compared to $52,762 nationwide. The high per capita and household incomes in the District result from a combination of factors, including multiple-earner households, small household size (average of 2.13 persons based upon data collected by the U.S. Census Bureau from 2011) and a large percentage of college graduates employed in highly-skilled occupations. The District has a significant number of lower-income residents, with an average of 18.2% of the population below the poverty line in 2011. Based upon data collected by the U.S. Census Bureau from 2007 through 2011, an average of 87.1% of District residents age 25 or older are high school graduates, compared to 85.4% nationwide; 50.5% of District residents in the same age group had earned a bachelor's degree (or higher), compared to 25.4% nationwide.

Table 33. Demographic Statistics

	Population	Median Age (Years)	Per Capita Personal Income		
Year	D.C.	D.C.	D.C.	U.S.	Ratio of D.C. to U.S.
2008	580,236	34.3	$70,144	$40,873	171.6%
2009	592,228	34.0	$68,008	$39,357	172.7%
2010	604,989	33.8	$69,769	$40,163	173.7%
2011	619,020	33.7	$74,481	$42,298	176.0%
2012	632,323	33.6	$74,773	$43,735	170.9%

Sources: U.S. Department of Commerce, U.S. Census Bureau; U.S. Department of Commerce, Bureau of Economic Analysis.

Table 34. Sources of Income of District Residents(1)

Source of Income	2008	2009	2010	2011	2012
Net earnings	72.83%	74.94%	75.30%	75.25%	74.95%
Dividends, interest and rents	16.70%	13.25%	12.17%	12.15%	12.43%
Transfer payments(2)	10.47%	11.81%	12.53%	12.60%	12.62%

(1) Each of the years listed is a calendar year.

(2) Transfer payments consist largely of government benefits received by individuals, including retirement and disability insurance benefits (e.g., workers' compensation), medical benefits (e.g., Medicare), income maintenance benefits (e.g., Supplemental Security Income benefits, family assistance payments and food stamps) and unemployment insurance compensation.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Table 35. Personal Income Tax Filers and Liability by Income Level
(2012)

Income Level	Number of Filers	Percentage of Total Filers	Percentage of Total Income Taxes Collected
$100,001 and higher	54,311	15.9%	70.9%
$75,001 - $100,000	25,745	7.6	8.9
$50,001- $75,000	45,254	13.3	9.8
$25,001- $50,000	80,531	23.6	8.2
$10,001 - $25,000	68,815	20.2	2.0
$10,000 and lower	66,109	19.4	0.2
	340,765	**100.00%**	**100.00%**

Source: District's Fiscal Year 2012 CAFR; Statistical Section, Exhibit S-2H.

Employment and Industry

Employment. The following statistics are based on estimates by the U.S. Bureau of Labor Statistics and are not seasonally adjusted. In June 2013, total resident employment in the PMSA was 3,039,974, and total resident employment in the District was 341,976, which is 11.25% of the PMSA total.

The District's large service sector accounted for 717,000 jobs located in the District as of June 2013. Public sector employment in the District, which stabilized District employment during the U.S. economic recession that began in December 2007, increased to an annual average of 248,400 jobs in Fiscal Year 2011. As of June 2013, public sector employment in the District had decreased to 236,800 jobs.

Income. Wages earned in the District of Columbia were 1.8% higher in the quarter ended June 2013 as compared to the same period one year earlier. August 2013 wage and salary employment in the District of Columbia was up by only 833, or 0.1%, from the one year earlier, as measured by the three-month moving average. In the quarter ended June 2013, District of Columbia personal income grew by 2.3% and estimated wages of District of Columbia residents grew 2.5%, as compared to the same period one year earlier. The personal income gain was lower than the 2.7% gains experienced by the United States as a whole. For the quarter ended June 2013, wages earned in the District grew by $1.11 billion. All of the increase was due to wage growth in the private sector because Federal wages declined by $350 million in the same period.

Tourism. The convention and tourism industry that services the business traveler, conventioneer and tourist is one of the District's core industries and is a major source of jobs and sales tax revenue.

The Convention Center opened in 2003 with the goal of increasing the District's desirability as a destination for business meetings and conventions. The Convention Center is approximately three times as large as the former convention center with approximately 2.3 million total square feet, including 725,000 square feet of exhibit space, 210,000 square feet for meeting space divisible into 66 rooms and 44,000 square feet for retail space and street-level restaurants. The meeting space includes a 52,000 square foot ballroom which is one of the largest on the East Coast.

In October 2010, the WCSA issued approximately $250 million in bonds to assist with the financing of the Washington Convention Center headquarters hotel development, adjacent to the convention center, which includes the acquisition, development, construction and equipping of a hotel with approximately 1,170 rooms and suites, together with ancillary facilities customarily found in convention center hotels.

Universities. Several colleges and universities are located in the District of Columbia, including Georgetown University, The George Washington University, Howard University, The Catholic University of America, Gallaudet University, American University and the University of the District of Columbia. Other major universities in the PMSA include George Mason University and the University of Maryland.

Real Estate. The September 2013 three-month moving total of single-family home sales in the District of Columbia was 15.2% more than the year before, with an average price of 14.9% higher than the year before. The September 2013 three-month moving total of condominium sales in the District of Columbia was 25.8% more than the year before, with an average price of 6.1% higher than the year before. For the quarter ending September 2013, the commercial office space vacancy rate in the District of Columbia was 9.2% (including sublet space), well below the comparable rate of 13.4% for the surrounding metropolitan area. Occupied commercial office space in the District of Columbia for the quarter-ending September 2013 was 1.99 million square feet, or 1.6%, higher than the prior year.

Table 36 sets forth the number of home sales in the District of Columbia and the average home sale prices for Fiscal Years 2008-2012.

Table 36. Homes Sales and Average Home Sale Prices in the District of Columbia
(Fiscal Years 2008-2012)

	Fiscal Years				
	2008	2009	2010	2011	2012
Home Sales	6,373	6,237	7,972	7,525	8,146
Average Home Sale Prices	$671,300	$661,500	$711,500	$719,200	$771,200

Source: September 2013 Revenue Estimates Certification letter (Estimated Key Variables for D.C. Economy for the Forecast Period FY 2008 through FY 2017).

Outlook. Federal government employment and contracting provide a solid foundation for the District's economic base. Over the past year, the District's private sector continued to add jobs and the number of private sector jobs now is about 25,000 greater than when the U.S. recession began in December 2007, with the largest gains occurring in professional services, health, hospitality and non-profit organizations. The current outlook is for gains in the private sector to continue which may offset reductions that could occur in government employment.

Tables 37 through 39 illustrate the growth and decline of various District of Columbia employment sectors over time, the largest private and non-profit employers in the District and the change in employment over time for the District, the PMSA and the nation.

Table 37. Employment in the District of Columbia By Industry

(Annual Average Data) (1), (2), (3)

($000s)

Calendar Year	2008	2009	2010	2011	2012
Federal Government	193.8	200.2	210.6	212.2	208.0
District Government	37.2	36.3	32.5	31.1	30.5
Public Transportation	3.8	3.8	3.8	3.8	4.1
Trade, Trans. & Utilities	27.9	26.8	27.3	27.4	27.8
Financial Activities	28.2	26.9	26.9	27.6	28.1
Professional & Business Services	152.4	147.6	147.7	150.4	153.3
Other private	256.7	256.2	259.5	269.9	276.0
Total Service-Providing	**689.4**	**688.7**	**700.4**	**713.0**	**717.3**
Total Goods-Producing	**14.5**	**12.9**	**11.7**	**13.2**	**14.5**
Total Non-Farm	**703.9**	**701.6**	**712.1**	**726.2**	**731.8**

(1) Not seasonally adjusted. Data may not equal totals due to independent rounding. Industry classification is based on the North American Industry Classification System ("NAICS").

(2) Data includes all full-time and part-time employees who received pay for any part of the pay period that includes the 12th of the month.

(3) Proprietors, self-employed individuals, unpaid family and volunteer workers, military personnel, internationally stationed workers and private household workers are excluded.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Table 38. Top 10 Private Sector Employers in the District(1)(2)

(2012)

Employer	Rank(3)
The George Washington University	1
Georgetown University	2
Washington Hospital Center	3
Children's National Hospital	4
Howard University	5
Georgetown University Hospital	6
American University	7
The Catholic University of America	8
Fannie Mae	9
Providence Hospital	10

(1) This data is produced through the Quarterly Covered Employment and Wage Program, a Bureau of Labor Statistics federal/state cooperative statistical program. Release of data under this program is subject to the Confidential Information Protection and Statistical Efficiency Act of 2002. The District cannot release company specific employment information without the written consent of each of the companies that are included in the release of such data. As a result, only rank information for the top ten principal employers is presented.

(2) Table 38 does not include the federal and local government as employers. With the exception of Fannie Mae, all of the employers listed above are not-for-profit entities.

(3) Ranked by size of workforce.

Source: District's Fiscal Year 2012 CAFR; Statistical Section, Exhibit S-4B.

Table 39. Employment and Unemployment in the Civilian Labor Force
Washington, D.C., Washington PMSA and the United States
(Annual Average Data; Not Seasonally Adjusted)

Washington, D.C.

	2008	2009	2010	2011	2012
Labor Force	333,799	335,091	345,566	348,050	361,610
Number Employed	311,905	302,687	310,842	312,859	329,270
Number Unemployed	21,894	32,404	34,724	35,191	32,340
Unemployment Rate	6.5%	9.7%	10.1%	10.1%	8.9%

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Washington, PMSA

	2008	2009	2010	2011	2012
Labor Force	3,045,734	3,054,881	3,097,489	3,146,870	3,182,005
Number Employed	2,933,449	2,865,431	2,898,823	2,958,470	3,005,066
Number Unemployed	112,285	189,450	198,667	188,400	176,940
Unemployment Rate	3.7%	6.2%	6.4%	6.0%	5.6%

Source: U.S. Department of Labor, Bureau of Labor Statistics.

United States

	2008	2009	2010	2011	2012
Labor Force	154,287	154,142	153,889	153,617	154,975
Number Employed	145,363	139,878	139,064	139,869	142,469
Number Unemployed	8,924	14,265	14,825	13,747	12,506
Unemployment Rate	5.8%	9.3%	9.6%	8.9%	8.1%

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Table 40. Unemployment Rates[1]

Calendar Year	District	Washington, PMSA	U.S.
2008	6.6%	3.7%	5.8%
2009	9.7%	6.2%	9.3%
2010	10.0%	6.4%	9.6%
2011	10.1%	6.0%	8.9%
2012	8.9%	5.6%	8.1%
August 2012	8.9%[2]	5.7%[2]	8.1%[2]
August 2013	8.7%[3][4]	5.4%[3][4]	7.3%[3]

[1] Not seasonally adjusted, except for District August rates. Annual rates are an average of monthly rates for the given year.
[2] Monthly rate for August 2012.
[3] Monthly rate for August 2013.
[4] Preliminary, subject to change.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

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