NEW ISSUE - BOOK-ENTRY-ONLY

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the TRANs is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the TRANs is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the TRANs is exempt from District taxation, except estate, inheritance and gift taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on the TRANs. See "TAX MATTERS."

$405,000,000
DISTRICT OF COLUMBIA
(Washington, D.C.)
FISCAL YEAR 2014
GENERAL OBLIGATION TAX REVENUE ANTICIPATION NOTES

Dated: Date of Delivery | **Due: September 30, 2014**

CUSIP: 25476F LU0* | **Interest Rate: 2.00%**

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 Fiscal Year 2014 General Obligation Tax Revenue Anticipation Notes (the "TRANs") will be issued only as fully registered notes, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. Purchases of beneficial interests in the TRANs will be made in book-entry form. Purchasers of beneficial interests will not receive certificates representing their interests in the TRANs. Principal of and interest on the TRANs are payable to Cede & Co., as nominee for DTC, which is to, in turn, remit such principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners. Beneficial interests in the TRANs may be purchased in denominations of $5,000 or any integral multiple thereof.

Interest will accrue on the TRANs from and including the dated date to, but excluding, the maturity date and will be computed on the basis of a 365-day year and actual days elapsed. Wilmington Trust, N.A., is the Escrow Agent, Paying Agent and Registrar for the TRANs. Payment of principal of and interest due on the TRANs will be made on September 30, 2014.

The TRANs are not subject to redemption prior to maturity.

The TRANs are general obligations of the District and the full faith and credit of the District is pledged to the payment of the principal of and interest on the TRANs when due.

The TRANs were sold on a competitive basis as described herein under "COMPETITIVE SALE OF TRANs" and pursuant to the Official Terms of Note Sale dated October 24, 2013 and attached hereto as Appendix C.

The TRANs are offered when, as and if issued by the District, subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Washington, D.C., Bond Counsel. The Office of the Attorney General of the District of Columbia will deliver an opinion as to certain legal matters pertaining to the District. Edwards Wildman Palmer LLP, Washington, D.C., is serving as Disclosure Counsel to the District and will deliver an opinion regarding certain matters to the Underwriters (as defined herein). It is anticipated that the TRANs will be available for delivery in book-entry form through the facilities of DTC in New York, New York on or about November 7, 2013.

October 29, 2013

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

Orrick, Herrington & Sutcliffe LLP
Washington, D.C.

DISCLOSURE COUNSEL

Edwards Wildman Palmer LLP
Washington, D.C.

FINANCIAL ADVISORS

Phoenix Capital Partners, LLP
Washington, D.C.

Public Resources Advisory Group, Inc.
New York, New York

INVESTOR RELATIONS

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Deputy Chief Financial Officer and Treasurer
Office of Finance and Treasury
1101 Fourth Street, S.W., Suite 850
Washington, D.C. 20024
phone: (202) 727-6055
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e-mail: dcinvestorrelations@dc.gov

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* On September 26, 2013, the Mayor announced that he has nominated Jeffrey S. DeWitt as the District's new CFO. Currently, Mr. DeWitt is the CFO for the City of Phoenix, Arizona. Dr. Gandhi will remain as CFO until Mr. DeWitt's appointment is confirmed by the Council and takes effect after a 30-day review by the Committees on Appropriations of the Senate and the House of Representatives (the "House"), the Committee on Home Land Security and Governmental Affairs of the Senate and the Committee on Government Reform of the House.

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 TRANs 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 TRANs is made only by means of this entire Official Statement.

The statements contained 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 to fulfill some or all of the obligations under the TRANs.

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.

TABLE OF CONTENTS
FOR PART 1

TABLE OF CONTENTS
FOR PART 2

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

$405,000,000
FISCAL YEAR 2014
GENERAL OBLIGATION TAX REVENUE ANTICIPATION NOTES

INTRODUCTION

This Official Statement has been prepared by the District of Columbia (the "District") in connection with the issuance and sale of $405,000,000 aggregate principal amount of its Fiscal Year 2014 General Obligation Tax Revenue Anticipation Notes (the "TRANs").

This Official Statement consists of the 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 TRANs. 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 basic financial statements of the District, which can be found in the District's Comprehensive Annual Financial Report ("CAFR") for fiscal year 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 21-163, 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 references contained in Part 1 and Part 2 of this Official Statement to financial information or results for any year after fiscal year 2012 are preliminary, unaudited and subject to change.

There are references in Part 2 to the District's general obligation bonds and the security and sources of payment therefor, including a Special Real Property Tax. The TRANs are not secured by the Special Real Property Tax, which is set aside and irrevocably dedicated to the payment of principal of and interest on the District's general obligation bonds. The TRANs are secured in the manner described herein under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE TRANS."

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 Deputy Chief Financial Officer and 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.

DESCRIPTION OF THE TRANS

Authorization

Section 472 of the District of Columbia Home Rule Act, as amended, an act of the United States Congress signed by the President on December 24, 1973 (the "Home Rule Act"), authorizes the District of Columbia to issue general obligation revenue anticipation notes for a fiscal year to pay general governmental expenses in anticipation of the collection or receipt of revenues for such fiscal year, and requires that such notes be due and payable in the fiscal year in which they are issued. The TRANs 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 TRANs.

Section 472 further provides that the total amount of all general obligation revenue anticipation notes outstanding at any time during a fiscal year shall not exceed 20% of the total anticipated revenue of the District for such fiscal year, as certified by the Mayor as of a date not more than 15 days before the date of original issuance of the general obligation revenue anticipation notes. On September 30, 2013, the District's Chief Financial Officer (the "CFO") provided a revenue estimate for total non-dedicated Local Fund Revenues of $6,311.6 million for Fiscal Year 2014. See APPENDIX E for the District's preliminary actual and projected cash flows in fiscal year 2013 (unaudited) and projected cash flows (including the TRANs) in Fiscal Year 2014. Local Fund revenue excludes federal grants, private and other grants and intra-District transfers, but includes income taxes, property taxes, sales and use taxes, the public utility tax and a combination of other taxes and fees.

The TRANs will be issued pursuant to the Fiscal Year 2014 Tax Revenue Anticipation Notes Act of 2013, D.C. Act 20-186, effective October 4, 2013 (the "TRANs Act"), and the Note Issuance Certificate of the CFO.

Wilmington Trust, N.A., is the Escrow Agent, Paying Agent and Registrar for the TRANs. The District and Wilmington Trust, N.A. will enter into an Escrow Agent, Paying Agent and Registrar Agreement (the "TRANs Escrow Agreement") providing for the establishment of accounts and the deposit of revenues therein.

Purpose of the Issue

The TRANs are being issued to finance general governmental expenses of the District in anticipation of the collection or receipt of revenues for Fiscal Year 2014.

Terms

The TRANs will be dated the date of delivery thereof and will mature on September 30, 2014. The TRANs will bear interest at the rate set forth on the cover of this Official Statement. Interest will accrue from, and including, the dated date to, and excluding, the maturity date of September 30, 2014, calculated on the basis of a 365-day year and actual days elapsed. Payment of principal and interest due on the TRANs will be made on September 30, 2014.

The TRANs will be issued as fully registered notes, 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 TRANs will be available in book-entry only form. Purchasers of beneficial ownership interests in the TRANs will not receive certificates representing their interests in the TRANs purchased. See "APPENDIX B – BOOK-ENTRY ONLY SYSTEM." Transfer of the TRANs may be made on any business day prior to September 29, 2014.

Principal of, premium, if any, and interest on the TRANs are payable, so long as the TRANs are in book-entry form, through a securities depository as described in APPENDIX B.

The TRANs are not subject to redemption prior to maturity.

SECURITY AND SOURCES OF PAYMENT FOR THE TRANS

General Obligation Pledge

The TRANs 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 TRANs when due. The TRANs are payable from all funds of the District not otherwise legally committed and constitute continuing obligations until paid in accordance with their terms. The District has covenanted to deposit certain Receipts (as defined under "The TRANs Escrow Account" below) in an account entitled "Special Escrow for Payment of District of Columbia Fiscal Year 2014 General Obligation Tax Revenue Anticipation Notes" (the "TRANs Escrow Account") created under the TRANs Act pursuant to the terms of the TRANs Escrow Agreement.

The District's obligations to pay principal of and interest on general obligation bonds ("General Obligation Bonds") and notes, including the TRANs, are the only obligations of the District secured by its full faith and credit. In addition, the General Obligation Bonds and notes have equal and ratable claims against (1) legally available funds of the District and (2) the Home Rule Act obligation of the Mayor to ensure that the principal of and interest on such bonds and notes are paid when due. The funds obligated by the District for the payment of principal of and interest on the TRANs are not subject to Congressional appropriation. The TRANs are not secured by amounts held in a special tax fund derived from Special Real Property Taxes (see PART 2 - "FINANCIAL INFORMATION - Summary of General Fund Revenues" for a description of the Special Real Property Tax) to secure General Obligation Bonds or the other funds described below as exclusions from the definition of "Receipts." In addition, the District is authorized, pursuant to the Income Tax Secured Bond Authorization Act of 2008, effective October 22, 2008 (D.C. Law 17-254; D.C. Official Code §§ 47-340.26-36), as amended (the "Income Tax Bond Act"), to issue bonds that are secured by the District's personal income tax and business franchise tax revenues ("Income Tax Bonds"). The Income Tax Bond Act provides that "the holders of the [income tax] bonds shall have a first lien on and pledge [of the personal income and business franchise revenues] superior to that of any other person, including holders of general obligation bonds or notes [including the TRANs] secured by the full faith and credit of the District…." Currently, the District has approximately $2.2 billion of fixed and variable rate General Obligation Bonds outstanding and approximately $4.5 billion of fixed and variable rate Income Tax Bonds outstanding. The District expects to issue approximately $96.5 million of Income Tax Secured Revenue Refunding Bonds (adjusted SIFMA rates) by November 30, 2013, and to issue $100 million of index rate direct purchase bonds on or about December 1, 2013. The District also expects to issue approximately $500 million General Obligation Bonds and approximately $500 million of Income Tax Bonds in Fiscal Year 2014.

The full faith and credit of the United States is not pledged for the payment of the principal of or interest on the TRANs, nor is the United States responsible or liable for the payment thereof.

The TRANs Escrow Account

The District has established, for the benefit of the holders of the TRANs (each a "Noteholder" and collectively the "Noteholders"), the TRANs Escrow Account, a segregated special purpose account, to be held by the Escrow Agent. The District is required under the TRANs Act and the TRANs Escrow Agreement to deposit Receipts (and any other amounts available to pay the TRANs) into the TRANs Escrow Account, from time to time, as hereinafter described, for the purpose of paying the principal of and interest on the TRANs when due. From and after the deposit thereof, such moneys, including any investment income thereon, are pledged to the payment of the TRANs and any additional revenue anticipation notes issued on a parity with the TRANs, may be invested only as provided in the TRANs Escrow Agreement and may not be used for any other purpose until the principal of and interest on the TRANs and such parity notes have been paid in full.

"Receipts" means all funds received by the District from any source, including, but not limited to, taxes (other than (i) Special Real Property Taxes or charges levied pursuant to Section 481(a) of the Home Rule Act which are pledged to the payment of the general obligation bonds of the District; (ii) the revenue and receipts pledged to the payment of the District's Income Tax Bonds pursuant to Section 490(n) of the Home Rule Act and the Income Tax Bond Act prior to transfer back to the District's unrestricted General Fund to be applied for any lawful purposes of the District; and (iii) any other funds that are restricted by law to uses other than payment of principal and interest on the TRANs), fees, charges, miscellaneous receipts, and any money advanced, loaned or otherwise provided to the District by the United States Treasury, less funds that are pledged to debt or other obligations according to Section 9 of the TRANs Act or that are restricted by law to uses other than payment of principal of and interest on the TRANs.

Deposits to the TRANs Escrow Account

The TRANs Act requires the CFO to set aside and deposit with the Escrow Agent a portion of the Receipts in an amount sufficient to pay principal of and interest on the TRANs when due. The District has covenanted in the TRANs Act to levy, maintain or enact taxes (other than any Special Real Property Taxes or other taxes or charges levied for the benefit of holders of General Obligation Bonds, Income Tax Bonds, or revenue bonds) due and payable during the period from August 1, 2014, through September 30, 2014, sufficient to provide moneys to pay the TRANs when due. The District also has covenanted in the TRANs Escrow Agreement not to create or permit the existence of any lien on or pledge of the funds on deposit in the TRANs Escrow Account to pay any other obligation (except additional parity revenue anticipation notes) of the District.

Under the TRANs Escrow Agreement, the District has covenanted to make escrow deposits into the TRANs Escrow Account in accordance with the schedule set forth below (or if any such day is not a business day, on the next business day), which aggregate deposits will be sufficient to pay principal of and interest on the TRANs at maturity.

Date of Deposit	Amount of Deposit
September 2, 2014	20% of the outstanding principal amount
September 19, 2014	60% of the outstanding principal amount
September 29, 2014	20% of the outstanding principal amount, plus 100% of accrued interest to maturity

The TRANs Act and the TRANs Escrow Agreement require the CFO to review the current monthly cash flow projections of the District for the fiscal year before the 16^{th} day of August and the 16^{th} day of September 2014. If the CFO determines, upon such review, that the aggregate amount of principal of and interest on the TRANs then outstanding (less any amounts and investment income then on deposit in the TRANs Escrow Account) equals or exceeds 85% of the amount of the Receipts estimated by the CFO to be received after such date but prior to September 30, 2014, then the CFO is required to deposit into the TRANs Escrow Account the Receipts thereafter received on and after that date by the District and not otherwise legally committed until the amount on deposit in the TRANs Escrow Account, including investment income, equals or exceeds 100% of the aggregate amount of principal of and interest on the TRANs payable at maturity.

In the event that sufficient moneys are not on deposit in the TRANs Escrow Account to meet in a timely manner any required principal or interest payments on the TRANs, then pursuant to the TRANs Act and the TRANs Escrow Agreement, the CFO is required to deposit into the TRANs Escrow Account, not later than one business day before the date such principal or interest payment is due, any funds of the District not otherwise legally committed in an amount sufficient to provide for timely payment of principal of and interest on the TRANs. However, no assurances can be given that such funds of the District not otherwise legally committed, other than the Receipts, will exist or will exist in sufficient amount to make such payment. The District has the authority to requisition U.S. Treasury advances in certain very limited circumstances.

LITIGATION

There is no litigation pending in any court or, to the knowledge of the Office of the Attorney General of the District of Columbia, threatened, which may have the effect of restraining or enjoining the issuance, delivery or payment of the TRANs or the performance of the obligations of the District or the CFO under the TRANs or the TRANs Act or which in any way contests or may call into question the validity or enforceability of: (a) the TRANs or (b) the TRANs Act or the obligations of the District or the CFO 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 of the District of Columbia, threatened, which would have a material adverse impact on the District's ability to repay the TRANs or the District's long term financial condition.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the TRANs is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the TRANs is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the TRANs is exempt from taxation by the District, except estate, inheritance and gift taxes. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix A hereto.

Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the "IRS") is studying whether the amount of the stated interest payable at maturity on short-term debt obligations (i.e., debt obligations with a stated fixed rate of interest which mature not more than one year from the date of issue) that is excluded from gross income for federal income tax purposes should be treated (i) as qualified stated interest or (ii) as part of the stated redemption price at maturity of the short-term debt obligation, resulting in treatment as accrued original issue discount (the "original issue discount"). The TRANs will be issued as short-term debt obligations. Until the IRS provides further guidance with respect to tax-exempt short-term debt obligations, taxpayers may treat the stated interest payable at maturity either as qualified stated interest or as includable in the stated redemption price at maturity, resulting in original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of TRANs if the taxpayer elects original issue discount treatment.

TRANs purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the TRANs. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the TRANs will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the TRANs being included in gross income for federal income tax purposes, possibly from the date of original issuance of the TRANs. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the TRANs may adversely affect the value of, or the tax status of interest on, the TRANs. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the TRANs is excluded from gross income for federal income tax purposes and is exempt from taxation by the District, except estate, inheritance and gift taxes, the ownership or disposition of, or the accrual or receipt of interest on, the TRANs may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the TRANs to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration's proposed 2014 budget includes a legislative proposal which, for tax years beginning after December 31, 2013, would limit the exclusion from gross income of interest on obligations like the TRANs to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the TRANs. Prospective purchasers of the TRANs should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the TRANs for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the TRANs ends with the issuance of the TRANs, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the TRANs in the event of an audit examination by the IRS. Under current procedures, parties other than the District and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the TRANs for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the TRANs, and may cause the District or the Beneficial Owners to incur significant expense.

FINANCIAL ADVISORS

Phoenix Capital Partners, LLP, Washington, D.C., and Public Resources Advisory Group, Inc., New York, New York (collectively, 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 TRANs 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 MATTERS

Certain legal matters relating to the issuance of the TRANs and the tax status of interest thereon (see "TAX MATTERS" herein) will be subject to the approving opinion (the "Bond Opinion") of Orrick, Herrington & Sutcliffe LLP, Washington, D.C., Bond Counsel to the District, which will be furnished at the expense of the District upon delivery of the TRANs in substantially the form set forth as APPENDIX A. The Bond Opinion will be limited to matters relating to authorization and validity of the TRANs and to the tax-exempt status of interest thereon as described in the section "TAX MATTERS". Bond Counsel has not been engaged to investigate the financial resources of the District or its ability to provide for payment of the TRANs and the Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase TRANs.

Certain legal matters will be passed on for the District by the Office of the Attorney General of 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 (as defined below) regarding certain matters.

COMPETITIVE SALE OF TRANS

After competitive, electronic bidding on October 29, 2013, the TRANs were awarded by the District in the amounts, to the purchasers (collectively, the "Underwriters") and at the aggregate purchase prices to be paid to the District, and were initially offered to the public at prices resulting in the reoffering yields, as follows:

Amount	Purchaser	Purchase Price	Reoffering Yield
$230,000,000	J.P. Morgan Securities LLC	$233,765,100	0.165%
100,000,000	Wells Fargo Bank, N.A.	101,642,000	0.164
50,000,000	RBC Capital Markets, LLC	50,818,500	0.169
25,000,000	PNC Capital Markets LLC	25,409,500	0.160
$405,000,000		$411,635,100	

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 D, 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. The District has complied in all material respects with its continuing disclosure agreements during the past five years.

RATINGS

The TRANs have been rated "F1+," "MIG1" and "SP-1+" by Fitch Ratings, Inc. ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services ("S&P"), respectively. The District's long-term General Obligation Bonds are currently rated "AA-" (stable outlook), "Aa2" (stable outlook) and "AA-" (stable outlook) by Fitch, Moody's and S&P, respectively. 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 TRANs. 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 TRANs.

EXECUTION OF OFFICIAL STATEMENT

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

DISTRICT OF COLUMBIA

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

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APPENDIX A

FORM OF BOND COUNSEL OPINION

November __, 2013

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

$405,000,000
DISTRICT OF COLUMBIA
FISCAL YEAR 2014 GENERAL OBLIGATION
TAX REVENUE ANTICIPATION NOTES

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 its $405,000,000 Fiscal Year 2014 General Obligation Tax Revenue Anticipation Notes (the "TRANs"), pursuant to the District of Columbia Home Rule Act, as amended (the "Home Rule Act"), the Fiscal Year 2014 Tax Revenue Anticipation Notes Act of 2013, D.C. Act No. A20-186, effective October 4, 2013 (the "TRANs Act"), and the proceedings under the TRANs Act set forth in the Note Issuance Certificate executed by the Chief Financial Officer of the District and dated the date hereof (the "Note Issuance Certificate"). Terms used but not defined herein are defined in the Note Issuance Certificate.

In such connection, we have reviewed the Note Issuance Certificate, the Escrow Agent, Paying Agent and Registrar Agreement dated November __, 2013 (the "Escrow Agreement"), by and between the District and Wilmington Trust, N.A., as the registrar and escrow agent (the "Registrar and Escrow Agent"), the Tax Certificate of the District, dated the date hereof (the "Tax Certificate"), certificates of the District, the Registrar and Escrow Agent and others, opinions of counsel to the Registrar and Escrow Agent and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the TRANs Act, the Note Issuance Certificate, the Escrow Agreement and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the TRANs to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the TRANs, the Note Issuance Certificate, the Escrow Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against corporate bodies in the District of Columbia. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), arbitration, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the documents described in the second paragraph hereof. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the TRANs and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The TRANs have been duly authorized and issued and constitute the valid and binding general obligations of the District.

2. The Escrow Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the District. The Escrow Agreement creates a valid pledge, to secure the payment of the principal of and interest on the TRANs, of the funds on deposit in an account established pursuant to the Escrow Agreement.

3. Interest on the TRANs is excluded from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986 and is exempt from District taxation, except estate, inheritance and gift taxes. Interest on the TRANs is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the TRANs.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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 TRANs. The TRANs 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 TRAN certificate will be issued for each maturity of TRANs, 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 TRANs under the DTC system must be made by or through Direct Participants, which will receive a credit for the TRANs on DTC's records. The ownership interest of each actual purchaser of each TRAN ("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 TRANs 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 TRANs, except in the event that use of the book-entry system for the TRANs is discontinued.

To facilitate subsequent transfers, all TRANs 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 TRANs 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 TRANs; DTC's records reflect only the identity of the Direct Participants to whose accounts such TRANs 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 TRANs may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the TRANs, such as redemptions, tenders, defaults, and proposed amendments to the TRANs documents. For example, Beneficial Owners of TRANs may wish to ascertain that the nominee holding the TRANs 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 TRANs 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 TRANs 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 TRANs are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the TRANs 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 under the TRANs Act, 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 TRANs purchased or tendered, through its Participant, to the Agent, and shall effect delivery of such TRANs by causing the Direct Participant to transfer the Participant's interest in the TRANs, on DTC's records, to the Agent. The requirement for physical delivery of TRANs in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the TRANs 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 TRANs 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, definitive TRANs 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, TRAN certificates will be printed and delivered to DTC.

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APPENDIX C

FORM OF OFFICIAL TERMS OF NOTE SALE

$405,000,000*
DISTRICT OF COLUMBIA
FISCAL YEAR 2014 GENERAL OBLIGATION
TAX REVENUE ANTICIPATION NOTES

Notice is hereby given that sealed bids, defined to include electronic bids via PARITY, for the $405,000,000* Fiscal Year 2014 General Obligation Tax Revenue Anticipation Notes (the "Notes") of the District of Columbia (the "District") will be received in the manner described below until 11:00 a.m. (Washington, D.C. time), on October 29, 2013 (the "Sale Date"). An award is expected to be made by the Deputy Chief Financial Officer and Treasurer (the "Treasurer") of the District by 5:00 p.m. (Washington, D.C. time), on that date.

Sealed bids will be accepted by the Treasurer at 1101 4th Street, S.W., Suite 850, Washington, D.C. 20024. Electronic bids will be accepted and must be submitted to PARITY as provided herein. No other form or bid or provider of electronic bidding services will be accepted.

Immediately upon the District's receipt of the bid results from PARITY, the sealed and electronic bids will be opened and announced. An award will be made to the successful bidder(s), after all bids have been verified and evaluated, subject to the provisions described in this Official Terms of Note Sale.

For purposes of both the written bidding process and the electronic bidding process, the time as maintained by PARITY shall constitute the official time with respect to all bids submitted.

If any provisions of this Official Terms of Note Sale conflict with information provided by PARITY as the approved provider of electronic bidding services, this Official Terms of Note Sale shall control. Further information about PARITY, including fees, costs and respective responsibilities of the bidder and PARITY, may be obtained from PARITY, 395 Hudson Street, New York, New York 10014 (Attention: Customer Support Services, 212-404-8104). It is solely the responsibility of the bidder and PARITY that all respective bid requirements as stated in this Official Terms of Note Sale are met in accordance with the terms herein. Other requirements as established by PARITY and prospective bidders are the responsibility of those parties.

CHANGE OF DATE AND TIME FOR RECEIPT OF BIDS: The District reserves the right to extend the date and/or time for the receipt of bids by giving notice by Bond Buyer Wire/TM3 and by posting notice of such extension at the place for receipt of bids, such notice to be given and posted not later than 2 p.m. on October 28, 2013. Such notice shall be considered an amendment to this Official Terms of Note Sale. Any bid submitted prior to the notice of extending the date and/or time for the receipt of bids may be withdrawn and resubmitted without prejudice. The District reserves the right to cancel the sale of the Notes by giving notice by Bond Buyer Wire/TM3 on or prior to the date and prior to the time for receipt of bids.

PURPOSE AND SECURITY: The Notes are to be issued to satisfy the District's seasonal cash flow needs. The Notes will be general obligations of the District as described in the Preliminary Official Statement.

* Preliminary, subject to change.

ISSUE: The Notes will be dated the Date of Delivery (the "Dated Date"), and will be issued as fully registered Notes without coupons in book-entry only form in denominations of $5,000 or any integral multiple thereof.

INTEREST PAYMENTS: Interest on the Notes will accrue from the Dated Date and be payable on September 30, 2014 (the "Maturity Date"). Interest payments will be computed on a 365-day year, based on the actual number of days elapsed.

OPTIONAL REDEMPTION: The Notes are not subject to optional redemption in whole or in part prior to their maturity date.

SEALED BIDS: Bidders shall submit their proposals on Official Bid Forms (obtained as described in the last paragraph hereof) furnished by the District and signed by the bidder. Bids shall be addressed to Jeffrey Barnette, Deputy Chief Financial Officer and Treasurer, Office of Finance and Treasury, 1101 4th Street, S.W., Suite 850, Washington, D.C. 20024.

ELECTRONIC BIDDING PROCEDURES: Electronic bids must be submitted via PARITY. Bids will be communicated electronically to the District at 11:00 a.m. (Washington, D.C. time), on October 29, 2013. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via PARITY, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Notes or (3) withdraw its proposed bid. Once the bids are communicated electronically via PARITY to the District, each bid will constitute an irrevocable offer to all of the Notes or portions thereof on the terms herein provided.

BIDDING SPECIFICATIONS: Bidders may submit multiple bids but no "all or none" bids will be accepted. No conditional bids will be accepted. Bidders must bid in integral multiples of $25 million. A separate proposal must be submitted for each premium bid. For all bids received, the District will calculate the true interest cost ("TIC") of such bids. Unless all bids are rejected, the Notes will be awarded to the bidder(s) complying with the terms of these Official Terms of Note Sale and offering to purchase all of the Notes or portions thereof at the lowest TIC to the District. The TIC shall be determined for each bid by doubling the semiannual interest rate, compounded semiannually, necessary to discount to the price bid the payments of principal and interest on the Notes from their respective payment dates to the Dated Date of the Notes. Each bidder, as a matter of information only and not as a part of the proposal, shall state on the Official Bid Form the estimated TIC of their bid. PARITY shows the reoffering price of all winning bids. The PARITY reoffering price is the maximum original reoffering price permitted. Any underwriter's discount must be included in the original reoffering price at the time the bid is submitted. Additional adjustments after the bids will be deemed unresponsive and not be honored. The District reserves the right to award all or a portion of the Notes and to award the Notes to any bidder in a principal amount less than the principal amount of the Notes bid for in any proposal, in which event any premium bid shall be proportionately reduced. If this procedure results in a tie, the Notes will be awarded and sold to the bidders based on a ratable apportionment between or among such bidders.

INTEREST RATE: The rate of interest on the Notes will be determined by 2 p.m. on October 28, 2013; provided, however, that in no event shall the rate of interest exceed 10% per annum. Potential bidders will be notified via The Bond Buyer Wire/TM3 of the interest rate. Any bid for less than par will be rejected.

MATURITY DATE: Principal and interest due on the Notes will be paid on September 30, 2014.

AWARD: The District reserves the right to reject any and all bids, and to waive any irregularity or informality in any bid. No bid may be withdrawn after it is filed with the Treasurer unless permission is first obtained from the Treasurer. Any bid not conforming to these Official Terms of Note Sale or not submitted via PARITY or on the Official Bid Form without alteration, except for the required insertions, may be rejected. Unless all proposals are rejected, the Treasurer will award the Notes to the bidder(s) whose bids result in the lowest TIC to the District not later than 5:00 p.m. (Washington D.C. time), on the Sale Date or at such extended date and/or time as provided in this Official Terms of Note Sale, as amended.

GOOD FAITH DEPOSIT: No good faith deposit will be required.

DELIVERY OF NOTES: The District requires that the Notes be delivered to DTC in New York, New York, on behalf of the successful bidder(s) and be paid for by such successful bidder(s) on the closing date, which is expected to be November 7, 2013, or such other date agreed to by the District and such successful bidder(s) (the "Closing Date"). Payment for the Notes must be made to the District in Federal Reserve Funds on the Closing Date in Washington, D.C.

CERTIFICATION OF ISSUE PRICE: Each bidder, by submitting its bid, agrees to complete, execute and deliver to the District, by the date of the delivery of the Notes, a certificate relating to the "issue price" of the Notes substantially in the form annexed hereto (the "Issue Price Certificate"). In the event a successful bidder will not reoffer the Notes for sale to the general public (excluding bond houses, brokers and similar persons or organizations acting in the capacity of underwriters or wholesalers), the Issue Price Certificate may be modified in a manner approved by the District and Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Each successful bidder will be responsible for instituting such syndicate reporting requirements, to make such investigations, or otherwise to ascertain the facts necessary to enable it to make such certificate with reasonable certainty.

LEGAL OPINION: The opinion of Orrick, Herrington & Sutcliffe LLP, Washington, D.C., Bond Counsel, is expected to be delivered, approving the legality of the issuance of the Notes and stating that, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, (1) interest on the Notes (a) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and (b) is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes; and (2) the interest on the Notes is exempt from District taxation except estate, inheritance and gift taxes. Such opinions will be furnished to the successful bidder(s) without charge, together with the usual closing documents.

OPINION OF DISCLOSURE COUNSEL: Edwards Wildman Palmer LLP, Washington, D.C., Disclosure Counsel to the District, has assisted in the preparation of the Official Statement and will render an opinion to the successful bidder (s) with respect to certain matters in connection with the Official Statement. Such opinion will be furnished to the successful bidder(s) without charge.

BLUE SKY LAWS AND LIMITATIONS ON BIDDERS: By submission of its bid, each initial purchaser represents that the sale of the Notes or beneficial interests therein in states other than the District will be made only pursuant to exemptions from registration or, where necessary, that such initial purchaser will register the Notes or beneficial interests therein in accordance with the securities law of the states in which the Notes or beneficial interests therein are offered or sold. The District agrees to cooperate with the successful bidder(s) at the successful bidders' written request and expense, in registering the Notes or beneficial interests therein or obtaining an exemption from registration in any state where such action is necessary, provided, however, that the District reserves the right not to consent to service of process outside its boundaries.

RIGHT OF CANCELLATION: Each successful bidder shall have the right, at its option, to cancel its contract to purchase the Notes if the District shall fail to execute the Notes and tender the same for delivery within sixty (60) days from the date of award thereof.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Notes, but neither the failure to print such numbers on the Notes, nor any error with respect thereto shall constitute cause for a failure or refusal by any purchaser thereof (successful bidder) to accept delivery of and pay for the Notes in accordance with the terms of the contract consisting of these Official Terms of Note Sale and its accepted bid. All expenses in relation to the printing of the CUSIP numbers on the Notes shall be paid for by the District, provided, however, that the District assumes no responsibilities for any CUSIP Service Bureau or other charges that may be imposed for the assignment of such numbers. It shall be the obligation of each successful bidder to furnish to DTC an underwriter questionnaire and to the District the CUSIP numbers for the Notes not less than two (2) business days following the date of award. All expenses in connection with the assignment of CUSIP numbers shall be paid for by the successful bidder(s). No error with respect to the assignment of such numbers shall constitute cause for failure or refusal by any successful bidder to accept delivery of and pay for the Notes in accordance with the terms of its bid. No CUSIP identification number shall be deemed to be part of any Note or a part of the contract evidenced thereby and no liability shall attach to the District or any of its elected or appointed officials, officers, employees or agents because of or on account of such numbers.

OFFICIAL STATEMENT: The District, by accepting the electronic bid or Official Bid Form of each successful bidder, (a) certifies to such successful bidder as of the date of acceptance that the Preliminary Official Statement of the District to be dated on or about October 24, 2013 (the "Preliminary Official Statement"), furnished prior to the date of acceptance with respect to the proposed sale of the Notes, has been "deemed final" within the meaning of Rule 15c2-12 promulgated under the Securities and Exchange Act of 1934, as amended ("Rule 15c2-12"), except for certain omissions permitted thereunder and except for changes permitted by other applicable law, and (b) agrees to provide to such successful bidder, in order to permit the successful bidder to comply with Rule 15c2-12, with up to 500 copies of a "Final Official Statement" (as defined in Rule 15c2-12) within the period of time allowed under Rule 15c2-12 at the sole cost and expense of the District, with any additional copies that such successful bidder shall reasonably request to be provided at the sole cost and expense of the successful bidder.

CONTINUING DISCLOSURE: In order to assist each successful bidder with compliance with Rule 15c2-12, the District has undertaken in a Continuing Disclosure Agreement to provide while the Notes are outstanding: (1) no later than five months after the end of its fiscal year, certain limited financial information and operating data and (2) timely notice of the occurrence of certain material events with respect to the Notes. See Appendix D of the Preliminary Official Statement. Such annual information and material event notices will be provided to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system, as required under Rule 15c2-12.

CERTIFICATE REGARDING OFFICIAL STATEMENT: At the time of delivery of the Notes, each successful bidder will receive a certificate signed by an Authorized Delegate of the District confirming to such purchaser that, to the best of the knowledge of said Authorized Delegate, the Official Statement, as of its date, did not and does not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

EQUAL OPPORTUNITY POLICY: It is the policy of the District to foster business and professional opportunities for African Americans, Native Americans, Asian Americans, Pacific Islander Americans, Hispanic Americans as well as for local, small and disadvantaged businesses. Bidders are requested to assist the District in implementing this policy by taking all reasonable steps to assure that these individuals and businesses have an opportunity to participate in this financing.

FURTHER INFORMATION: Copies of the Preliminary Official Statement, the Official Terms of Note Sale and the Official Bid Form for the purchase of the Notes may be obtained from Jeffrey Barnette, Deputy Chief Financial Officer and Treasurer, Office of Finance and Treasury, 1101 4th Street, S.W., Suite 850, Washington, D.C. 20024.

Jeffrey Barnette
Deputy Chief Financial Officer and Treasurer
Office of Finance and Treasury
1101 4th Street, S.W., Suite 850
Washington, D.C. 20024

$________
DISTRICT OF COLUMBIA
FISCAL YEAR 2014 GENERAL OBLIGATION
TAX REVENUE ANTICIPATION NOTES

CERTIFICATE AS TO ISSUE PRICE

This Certificate is furnished by ______, (the "**Original Purchaser**") of $__________ aggregate principal amount of the District of Columbia (the "District") Fiscal Year 2014 General Obligation Tax Revenue Anticipation Notes (the "**Notes**"), to establish the initial offering price of the Notes for purposes of determining the "issue price" of the Notes within the meaning of Section 1273 of the Internal Revenue Code (the "Code").

THE ORIGINAL PURCHASER DOES HEREBY CERTIFY as follows:

1. The Original Purchaser reasonably expected on ________, 2013 (the "Sale Date") which is the date on which the District accepted the Original Purchaser's bid to purchase the Notes that all of the Notes would be sold for cash to the general public (excluding bond houses, brokers and similar persons or organizations acting in the capacity of underwriters or wholesalers) at the respective initial offering prices, as set forth in Schedule 1 hereto (each, an "**Initial Public Offering Price**").

2. The Original Purchaser has made a bona fide offering of all of the Notes to the general public (excluding bond houses, brokers and similar persons or organizations acting in the capacity of underwriters or wholesalers) at the respective Initial Public Offering Price. The aggregate Initial Public Offering Price is equal to $_____________ (representing $____________ aggregate principal amount of the Notes, [plus] [minus] [net] original issue [premium] [discount] of $_________________).

3. The Original Purchaser first sold at least 10% of the aggregate principal amount of the Notes to the general public (excluding bond houses, brokers and similar persons or organizations acting in the capacity of underwriters or wholesalers) at the Initial Public Offering Price.

4. The Initial Public Offering Price of each maturity of the Notes was determined by the Original Purchaser to represent its best estimation of the fair market value of such maturity as of the Sale Date.

We understand that the foregoing information may, among other things, be relied upon by the District with respect to certain of the representations set forth in the Tax Certificate of the District with respect to the Notes and by the District's Bond Counsel, Orrick, Herrington & Sutcliffe LLP, in connection with its opinion regarding the exclusion of interest on the Notes from federal gross income pursuant to Section 103 of the Code.

The undersigned is authorized to execute this certificate on behalf of the Original Purchaser, which is based on one or more of (i) personal knowledge, (ii) inquiry deemed adequate by the undersigned, or (iii) institutional knowledge regarding the matters set forth herein.

Dated: ___________________, 2013

[Successful Bidder]

By: ____
Printed Name: ____________________________________
Title: ____

OFFICIAL BID FORM

PROPOSAL FOR THE PURCHASE OF $405,000,000* DISTRICT OF COLUMBIA FISCAL YEAR 2014 GENERAL OBLIGATION TAX REVENUE ANTICIPATION NOTES

Jeffrey Barnette
Deputy Chief Financial Officer and Treasurer
Office of Finance and Treasury
1101 4th Street, S.W., Suite 850
Washington, D.C. 20024

Dear Mr. Barnette:

For $405,000,000* principal amount, Fiscal Year 2014 General Obligation Tax Revenue Anticipation Notes, of the District of Columbia (the "Notes"), dated the Dated Date, described in the attached Official Terms of Note Sale, which is hereby incorporated herein and made a part of this bid, with interest rates per annum on the Notes payable on September 30, 2014, computed on a 365-day year, based on actual days elapsed in the undersigned bids as follows:

We offer to pay the sum of $__________ par (in integral multiples of $25,000,000), plus premium, if any, of $____________ in Federal Funds. Said Notes shall bear interest at ______%.

The undersigned agrees to complete, execute and deliver to the District, by the date of the delivery of the Notes, a certificate relating to the "issue price" of the Notes in the form attached to the Official Terms of Note Sale.

The undersigned acknowledges receipt of the Preliminary Official Statement dated October 24, 2013.

* Preliminary, subject to change.

This bid is submitted in accordance with and subject to all provisions contained in the Official Terms of Note Sale.

Note: Not a part of said proposal. Estimated true interest cost:	By:	______________________
	For:	______________________
___________%		______________________
	Telephone #:	______________________
	Date:	______________________

Listed below are the members of our account on whose behalf this bid is made.

______________________	______________________
______________________	______________________
______________________	______________________
______________________	______________________

ACCEPTED:

By: ______________________
Jeffrey Barnette
Deputy Chief Financial Officer and Treasurer

By: ______________________

For: ______________________

Date: ______________________

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") dated November __, 2013, is executed and delivered by the District of Columbia (the "Issuer") in connection with the issuance and sale of the Issuer's $405,000,000 aggregate principal amount Fiscal Year 2014 General Obligation Tax Revenue Anticipation Notes (the "TRANs") pursuant to the Fiscal Year 2014 Tax Revenue Anticipation Notes Act of 2014 (the "TRANs Act"). Capitalized terms used in this Agreement which are not otherwise defined in the TRANs Act 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 Trustee.

(b) Any notice of a defeasance of TRANs shall state whether the TRANs 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 TRANs shall include the CUSIP numbers of the TRANs to which such Notice Event notice relates or, if the Notice Event notice relates to all bond issues of the Issuer including the TRANs, 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. **<u>Additional Disclosure Obligations</u>.** 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. **<u>Previous Non-Compliance</u>.** 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. **<u>Reference to Other Filed Documents</u>.** 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. **<u>Submission of Information</u>.** 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. **<u>Notice Events</u>.** Each notice of a Notice Event hereunder shall be captioned "Notice Event" and shall prominently state the title, date and CUSIP numbers of the TRANs.

Section 2.4. **<u>Dissemination Agents</u>**. 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. **<u>Transmission of Notices, Documents and Information</u>**. (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. **<u>Fiscal Year</u>.** (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 Trustee 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. **<u>Effective Date; Termination</u>.** (a) This Agreement shall be effective upon the issuance of the TRANs.

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

(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 TRANs, 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 TRANs (except to the extent required under clause (4)(ii) below), 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) either (i) 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 TRANs, or (ii) the holders of the TRANs consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Trust Indenture with consent of holders of TRANs pursuant to the terms of the Trust Indenture as in effect at the time of the amendment, 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 TRANs, 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 TRANs, 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 **<u>Benefit; Third-Party Beneficiaries; Enforcement</u>.** (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 TRANs, except that beneficial owners of TRANs 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 TRANs. 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 TRANs pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of TRANs for purposes of this subsection (b).

(c) 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. **<u>Definitions</u>**. The following terms used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, (i) collectively:

(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 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 District of Columbia or federal law or the Indenture. 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 TRANs, 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 security, or other material events affecting the tax status of the security;

(vii) modifications to rights of security holders, if material;

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

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the securities, 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.

(7) "Official Statement" means the Official Statement dated October __, 2013 of the Issuer relating to the TRANs.

(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

APPENDIX E

CASH FLOW PROJECTIONS

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GOVERNMENT OF THE DISTRICT OF COLUMBIA
CONSOLIDATED OPERATING CASH FLOW ACTUAL[1]
FOR THE YEAR ENDING SEPTEMBER 30, 2013
($ millions)

*** with Short-Term Borrowing of $675 million**

	I------------Actual------------											I----Forecast----I	FY 2013 ACTUAL Totals
	October	November	December	January	February	March	April	May	June	July	August	September	
Beginning Operating Cash Balance [2]	**386.73**	**558.04**	**491.36**	**576.77**	**622.39**	**345.39**	**587.18**	**799.42**	**794.13**	**892.91**	**786.45**	**923.11**	
OPERATING ACTIVITIES													
RECEIPTS													
Tax Receipts													
Individual Income Tax	115.99	114.20	123.13	249.88	57.58	70.66	253.49	123.09	160.30	113.70	109.02	162.54	**1,653.57**
Business Franchise Tax	15.56	2.55	79.45	29.48	(3.23)	90.20	77.82	10.71	60.30	14.77	5.40	67.37	**450.38**
Gross Receipts Tax	16.70	14.40	15.17	20.06	39.42	31.38	14.92	48.63	32.86	34.45	18.47	78.94	**365.39**
Real Property Tax	21.03	2.45	9.02	(0.97)	2.01	676.03	273.02	13.38	1.64	24.86	87.00	780.29	**1,889.76**
Personal Property Tax	1.28	0.20	0.21	0.53	0.20	(0.05)	0.37	0.09	0.28	24.72	27.22	2.17	**57.21**
General Sales Tax	100.72	89.23	88.94	94.66	84.01	73.68	97.07	104.19	101.15	106.93	87.92	109.70	**1,138.19**
Selective Sales Tax	5.13	4.84	7.42	10.64	9.85	5.06	6.11	7.67	6.76	6.62	5.20	29.92	**105.23**
Miscellaneous Tax Receipts	27.73	23.40	16.79	58.11	25.48	16.22	20.07	33.23	8.42	17.70	76.63	66.27	**390.05**
Total Tax Receipts [3]	**304.14**	**251.27**	**340.13**	**462.38**	**215.31**	**963.18**	**742.86**	**341.00**	**371.72**	**343.74**	**416.84**	**1,297.20**	6,049.77
Non-Tax Receipts - General Purpose	32.83	24.61	16.86	64.87	66.72	31.14	40.82	34.18	44.02	74.59	32.09	14.29	**477.03**
Non-Tax Receipts - Special Purpose	30.97	31.53	31.08	37.53	31.63	31.74	24.55	37.14	39.20	39.86	44.94	56.31	**436.48**
Lottery/Interfund Transfer	-	-	13.99	9.70	5.13	-	6.20	-	12.63	-	12.65	7.71	**68.00**
Medicaid Reimbursement [4]	138.62	146.08	105.39	128.49	152.60	129.25	136.59	156.96	148.69	129.57	186.64	155.59	**1,714.47**
Federal Grants (less Medicaid Reimbursements)[5]	39.45	55.02	121.13	45.97	53.59	71.23	52.34	74.53	49.11	75.46	84.28	99.53	**821.63**
Federal Payments	-	35.62	-	-	-	-	0.74	23.49	-	0.00	-	-	**59.86**
Private and Other Funds	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Transfer from Bond Escrow Fund	-	-	-	-	-	-	-	-	-	-	-	66.80	**66.80**
Other Transfers and Receipts	-	-	-	-	-	-	-	-	-	-	-	155.79	**155.79**
TOTAL RECEIPTS	**546.02**	**544.12**	**628.57**	**748.95**	**524.97**	**1,226.55**	**1,004.10**	**667.29**	**665.37**	**663.23**	**777.44**	**1,853.22**	9,849.81
DISBURSEMENTS													
Payroll	208.63	246.91	177.75	177.61	189.01	179.23	201.51	242.27	177.63	179.41	180.29	186.63	**2,346.88**
GO Debt Service Escrow	4.21	0.49	1.80	-	0.40	135.21	54.60	2.68	0.33	4.97	17.40	156.06	**378.15**
Income Tax Debt Service Escrow	-	-	-	-	-	131.77	131.77	131.77	-	-	-	-	**395.30**
Debt Service - Certificates of Participation	-	-	-	-	25.36	0.79	-	-	0.08	5.19	-	3.64	**35.06**
Debt Service - Master Lease Program	-	-	12.38	0.02	-	12.71	-	-	12.18	-	-	12.51	**49.80**
Charter Schools	201.38	-	-	116.77	-	-	105.24	0.05	(0.26)	178.96	-	-	**602.15**
Pension Contribution & Benefits	102.72	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	-	**102.71**
Public Assistance (TANF)	6.78	6.57	6.62	6.70	6.58	7.47	6.60	6.70	6.45	6.37	6.65	11.48	**84.98**
Public School (NPS) [6]	44.70	25.59	42.48	31.42	42.28	18.56	44.61	17.11	30.20	25.69	20.96	163.84	**507.43**
Foster Care (NPS)	8.90	8.37	(2.09)	3.96	5.27	4.89	3.44	8.46	0.31	4.02	4.56	46.80	**96.88**
Medicaid (NPS)	157.11	207.20	164.47	161.44	201.47	169.25	185.29	209.37	186.21	168.67	258.65	172.97	**2,242.11**
WMATA Operating Subsidy	68.85	-	38.14	3.75	-	55.09	-	-	64.47	-	-	-	**230.29**
Rents and Utilities	24.35	18.55	21.16	18.51	25.78	17.69	24.38	19.12	16.67	24.53	18.80	31.21	**260.74**
Various Agency Disbursements [7]	90.23	28.53	54.02	46.67	51.21	50.20	53.35	51.40	42.22	59.38	54.75	262.43	**844.38**
Various Agency Subsidies and Transfers [8]	74.56	37.23	48.15	34.12	59.31	68.48	57.24	59.66	50.50	68.85	104.46	143.61	**806.17**
Payments to Healthcare Safety Net (GSECH)	3.07	2.29	2.83	2.50	2.52	2.61	2.40	(11.74)	2.71	2.97	2.82	12.30	**27.28**
Deposit to Health Benefit Fund (OPEB)	-	-	-	-	-	-	-	-	-	-	-	107.80	**107.80**
Transfers From Dedicated Tax Revenues	9.47	13.05	30.67	16.91	4.90	28.87	9.17	25.23	17.89	9.94	8.55	57.00	**231.65**
TOTAL DISBURSEMENTS	**1,004.95**	**594.78**	**598.37**	**620.37**	**614.09**	**882.81**	**879.61**	**762.06**	**607.59**	**738.94**	**677.89**	**1,368.28**	9,349.75
NET OPERATING CASH FLOW	**($458.9)**	**(50.65)**	**30.20**	**128.57**	**(89.12)**	**343.74**	**124.49**	**(94.77)**	**57.77**	**(75.71)**	**99.55**	**484.94**	**500.06**
CAPITAL AND FINANCING ACTIVITIES													
Capital Disbursements	**139.55**	**69.29**	**80.61**	**82.96**	**101.90**	**103.91**	**108.53**	**69.49**	**123.97**	**112.51**	**120.45**	**129.42**	**1,242.59**
PayGo Capital	2.45	2.06	(5.17)	1.28	1.88	3.14	0.86	2.33	0.36	3.73	7.71	0.36	**21.01**
Long-Term Financing	104.95	45.86	56.73	45.46	50.26	76.86	51.40	30.83	93.91	97.65	100.36	106.38	**860.63**
Highway Trust Fund: Federal Grants	18.40	15.87	18.88	26.96	23.66	19.06	31.07	24.11	23.38	12.15	15.91	15.65	**245.09**
Highway Trust Fund: Motor Fuel Tax	5.50	4.12	4.33	7.15	6.20	2.29	20.59	3.51	3.47	(2.75)	(6.23)	4.08	**52.25**
Capital - Master Lease	8.25	1.37	5.83	2.11	19.91	2.56	4.61	8.72	2.85	1.73	2.71	2.96	**63.60**
Capital Reimbursements	97.19	48.26	94.73	-	161.59	-	166.29	158.28	175.98	100.30	152.36	-	**1,154.98**
Cash Flow from Capital Activity	**(42.36)**	**(21.03)**	**14.12**	**(82.96)**	**59.69**	**(103.91)**	**57.76**	**88.79**	**52.01**	**(12.21)**	**31.91**	**(129.42)**	**(87.61)**
Financing Activities													
From (To) E/C/FS Reserve Funds [9]	(2.40)	5.00	41.09	-	(53.74)	1.96	30.00	0.70	(11.00)	(18.55)	5.20	52.50	**50.77**
From (To) CF Reserve Funds [10]	-	-	-	-	(193.83)	-	-	-	-	-	-	-	
Short-Term Borrowing (Repayment)	675.00	-	-	-	-	-	-	-	-	-	-	(677.70)	**(2.70)**
Net Cash Flow after Capital & Financing Activitie	**$171.3**	**(66.68)**	**85.41**	**45.61**	**(277.00)**	**241.79**	**212.24**	**(5.29)**	**98.78**	**(106.46)**	**136.66**	**(269.68)**	460.53
Ending Operating Cash Balance	**558.04**	**491.36**	**576.77**	**622.39**	**345.39**	**587.18**	**799.42**	**794.13**	**892.91**	**786.45**	**923.11**	**653.43**	
Ending CF Reserve Balance	**152.49**	**152.49**	**152.49**	**152.49**	**346.32**	**346.32**	**346.32**	**346.32**	**346.32**	**346.32**	**346.32**	**346.32**	
Ending Emergency Reserve Balance	**109.99**	**109.99**	**109.99**	**109.99**	**109.99**	**109.99**	**109.99**	**109.99**	**109.99**	**109.99**	**109.99**	**109.99**	
Ending Contingency Reserve Balance	**212.36**	**207.36**	**166.27**	**166.27**	**166.27**	**164.31**	**134.31**	**133.61**	**144.61**	**163.16**	**157.96**	**144.36**	
Ending Fiscal Stabilization Reserve Balance	**41.80**	**41.80**	**41.80**	**41.80**	**95.53**	**95.53**	**95.53**	**95.53**	**95.53**	**95.53**	**95.53**	**56.63**	
Total Cash Balance	**1,074.68**	**1,003.00**	**1,047.32**	**1,092.94**	**1,063.50**	**1,303.33**	**1,485.57**	**1,479.59**	**1,589.37**	**1,501.45**	**1,632.91**	**1,310.73**	

[1] Represents all receipts and disbursements that flow through the District's Operating Accounts.
[2] FY 2013 Beginning Operating Cash Balance is based on projected cash-on-hand as of Sept. 30, 2012
[3] Includes Dedicated Taxes
[4] Calculated generally at 70% of Medicaid expenditure
[5] Calculated at 100% of Budget Authority.
[6] The Non-Personnel Services **(NPS)** line items do not include expenses for Payroll.
[7] Various Agency Disbursements include supplies and materials, contractual services, equipment and equipment rentals, other service charges and vendor payments
[8] Various Agency Subsidies and Transfers includes human support services including housing, health, youth and community programs of various types
[9] E/C/FS are Emergency, Contingency and Fiscal Stabilization reserve Funds
[10] CF is Cash Flow Reserve Fund

GOVERNMENT OF THE DISTRICT OF COLUMBIA
CONSOLIDATED OPERATING CASH FLOW PROJECTION [1]
FOR THE YEAR ENDING SEPTEMBER 30, 2014
($ millions)

*** with Short-Term Borrowing of $405 million**

	I--------------------					Projections					--------------------I		**FY 2014 Projection Totals**
	October	November	December	January	February	March	April	May	June	July	August	September	
Beginning Operating Cash Balance [2]	**653.43**	**553.32**	**388.72**	**400.79**	**127.60**	**128.58**	**521.47**	**467.52**	**284.66**	**286.23**	**232.48**	**270.87**	
OPERATING ACTIVITIES													
RECEIPTS													
Tax Receipts													
Individual Income Tax	110.61	128.68	135.08	216.10	58.39	66.99	132.98	198.10	134.03	126.05	124.19	210.86	**1,642.06**
Business Franchise Tax	22.74	6.59	83.28	19.01	0.88	90.65	63.26	15.72	76.95	4.80	3.27	89.42	**476.57**
Gross Receipts Tax	18.92	19.88	20.14	21.84	40.18	24.24	50.15	31.36	65.22	23.46	22.84	34.41	**372.64**
Real Property Tax	12.29	5.52	14.70	3.61	0.86	561.01	391.75	12.42	4.66	10.56	53.32	896.81	**1,967.52**
Personal Property Tax	1.33	0.20	0.22	0.55	0.20	(0.05)	0.38	0.10	0.29	25.67	28.26	1.71	**58.87**
General Sales Tax	98.66	96.97	89.66	99.49	83.66	51.58	112.17	99.51	114.48	119.43	134.38	90.15	**1,190.15**
Selective Sales Tax	5.78	5.45	6.90	6.26	5.62	5.51	11.09	7.40	5.32	4.83	10.43	35.89	**110.48**
Miscellaneous Tax Receipts	16.08	23.28	20.31	29.53	13.23	26.86	17.73	11.90	22.75	15.49	44.04	114.66	**355.86**
Total Tax Receipts [3]	**286.41**	**286.57**	**370.29**	**396.39**	**203.02**	**826.79**	**779.50**	**376.51**	**423.70**	**330.30**	**420.73**	**1,473.92**	**6,174.15**
Non-Tax Receipts - General Purpose	9.65	23.37	26.29	33.06	37.30	59.91	31.89	24.83	27.17	31.32	56.73	54.06	**415.59**
Non-Tax Receipts - Special Purpose	44.08	36.03	31.09	21.76	49.99	38.07	58.55	29.06	32.90	50.24	45.27	28.14	**465.21**
Lottery/Interfund Transfer	4.88	6.10	4.88	6.10	4.88	4.88	4.88	6.10	4.88	4.88	6.10	4.88	**63.46**
Medicaid Reimbursement [4]	158.88	147.73	163.31	123.56	169.60	155.91	176.32	153.41	185.52	217.52	148.15	118.45	**1,918.37**
Federal Grants (less Medicaid Reimbursements)[5]	41.90	58.86	91.56	44.34	40.72	77.57	82.47	56.77	103.91	143.78	57.49	146.45	**945.81**
Federal Payments	-	39.11	-	79.40	-	-	-	-	-	-	-	-	**118.50**
Private and Other Funds	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	**6.86**
Transfer from Bond Escrow Fund	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Other Transfers and Receipts	19.48	19.48	19.48	19.48	19.48	19.48	19.48	19.48	19.48	19.48	19.48	19.48	**233.81**
TOTAL RECEIPTS	**565.87**	**617.82**	**707.49**	**724.67**	**525.58**	**1,183.19**	**1,153.67**	**666.74**	**798.15**	**798.09**	**754.53**	**1,845.96**	**10,341.75**
	1.35	0.61	1.62	0.40	0.09	61.71	43.09	1.37	0.51	1.16	5.87	98.65	**216.43**
DISBURSEMENTS	2.46	1.10	2.94	0.72	0.17	112.20	78.35	2.48	0.93	2.11	10.66	179.36	
Payroll	223.09	273.12	198.48	198.48	198.48	198.48	223.09	273.12	198.48	198.48	198.48	223.09	**2,604.89**
GO Debt Service Escrow	2.46	1.10	2.94	0.72	0.17	112.20	78.35	2.48	0.93	2.11	10.66	179.36	**393.50**
Income Tax Debt Service Escrow	-	-	-	-	-	-	119.51	119.51	119.51	-	-	-	**358.54**
Debt Service - Certificates of Participation	-	-	-	17.74	-	0.67	-	-	0.67	4.88	-	0.67	**24.62**
Debt Service - Master Lease Program	-	-	10.67	-	-	10.67	-	-	10.67	-	-	10.67	**42.68**
Charter Schools	212.08	-	-	122.07	-	-	128.23	-	-	151.66	2.47	-	**616.50**
Pension Contribution & Benefits	142.40	-	-	-	-	-	-	-	-	-	-	-	**142.40**
Public Assistance (TANF)	13.37	13.37	13.37	13.37	13.37	13.37	13.37	13.37	13.37	13.37	13.37	13.37	**160.43**
Public School (NPS) [6]	47.94	47.94	47.94	47.94	47.94	47.94	47.94	47.94	47.94	47.94	47.94	47.94	**575.32**
Foster Care (NPS)	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	**80.36**
Medicaid (NPS)	192.50	240.63	192.50	240.63	192.50	192.50	192.50	240.63	192.50	192.50	240.63	192.50	**2,502.56**
WMATA Operating Subsidy	60.49	-	-	60.49	-	-	60.49	-	-	60.49	-	-	**241.97**
Rents and Utilities	24.59	24.59	24.59	24.59	24.59	24.59	24.59	24.59	24.59	24.59	24.59	24.59	**295.10**
Various Agency Disbursements [7]	76.72	76.72	76.72	76.72	76.72	76.72	76.72	76.72	76.72	76.72	76.72	76.72	**920.67**
Various Agency Subsidies and Transfers [8]	76.73	76.73	76.73	76.73	76.73	76.73	76.73	76.73	76.73	76.73	76.73	76.73	**920.76**
Payments to Healthcare Safety Net (GSECH)	2.12	2.12	2.12	2.12	2.12	2.12	2.12	2.12	2.12	2.12	2.12	2.12	**25.47**
Deposit to Health Benefit Fund (OPEB)	-	-	-	-	-	-	-	-	-	-	-	107.80	**107.80**
Transfers From Dedicated Tax Revenues	24.68	24.68	24.68	24.68	24.68	24.68	24.68	24.68	24.68	24.68	24.68	24.68	**296.21**
TOTAL DISBURSEMENTS	**1,105.88**	**787.72**	**677.46**	**913.00**	**664.02**	**787.39**	**1,075.04**	**908.61**	**795.63**	**882.99**	**725.10**	**986.95**	**10,309.78**
NET OPERATING CASH FLOW	**($540.0)**	**(169.90)**	**30.03**	**(188.33)**	**(138.44)**	**395.81**	**78.63**	**(241.88)**	**2.52**	**(84.90)**	**29.42**	**859.01**	**31.97**
CAPITAL AND FINANCING ACTIVITIES													
Capital Disbursements	**94.52**	**89.22**	**107.19**	**192.05**	**52.62**	**55.55**	**188.12**	**129.11**	**130.05**	**98.90**	**89.94**	**153.96**	**1,381.24**
PayGo Capital	1.18	1.18	1.18	1.18	1.18	1.18	1.18	1.18	1.18	1.18	1.18	1.18	**14.14**
Long-Term Financing	74.27	70.06	84.35	151.87	40.93	43.26	148.75	101.79	102.54	77.76	70.62	121.57	**1,087.76**
Highway Trust Fund: Federal Grants	14.71	13.88	16.71	30.08	8.11	8.57	29.46	20.16	20.31	15.40	13.99	24.08	**215.45**
Highway Trust Fund: Motor Fuel Tax	3.17	2.99	3.60	6.48	1.75	1.85	6.35	4.35	4.38	3.32	3.02	5.19	**46.44**
Capital - Master Lease	1.19	1.12	1.35	2.44	0.66	0.69	2.39	1.63	1.65	1.25	1.13	1.95	**17.45**
Capital Reimbursements	129.42	94.52	89.22	107.19	192.05	52.62	55.55	188.12	129.11	130.05	98.90	89.94	**1,356.69**
Cash Flow from Capital Acivity	**34.90**	**5.30**	**(17.97)**	**(84.86)**	**139.42**	**(2.92)**	**(132.57)**	**59.02**	**(0.94)**	**31.14**	**8.97**	**(64.03)**	**(24.54)**
Financing Activities													
From (To) E/C/FS Reserve Funds [9]	-	-	-	-	-	-	-	-	-	-	-	-	**-**
From (To) CF Reserve Funds [10]													
Short-Term Borrowing (Repayment)	405.00	-	-	-	-	-	-	-	-	-	-	(407.00)	**(2.00)**
Net Cash Flow after Capital & Financing Activities	**($100.1)**	**(164.60)**	**12.07**	**(273.19)**	**0.98**	**392.88**	**(53.95)**	**(182.86)**	**1.58**	**(53.76)**	**38.39**	**387.99**	**5.43**
Ending Operating Cash Balance	**553.32**	**388.72**	**400.79**	**127.60**	**128.58**	**521.47**	**467.52**	**284.66**	**286.23**	**232.48**	**270.87**	**658.86**	
Ending CF Reserve Balance	**346.32**	**346.32**	**346.32**	**346.32**	**346.32**	**346.32**	**346.32**	**346.32**	**346.32**	**346.32**	**346.32**	**346.32**	
Ending Emergency Reserve Balance	**109.99**	**109.99**	**109.99**	**109.99**	**109.99**	**109.99**	**109.99**	**109.99**	**109.99**	**109.99**	**109.99**	**109.99**	
Ending Contingency Reserve Balance	**144.36**	**144.36**	**144.36**	**144.36**	**144.36**	**144.36**	**144.36**	**144.36**	**144.36**	**144.36**	**144.36**	**144.36**	
Ending E/C/FS Reserve Balance	**56.63**	**56.63**	**56.63**	**56.63**	**56.63**	**56.63**	**56.63**	**56.63**	**56.63**	**56.63**	**56.63**	**56.63**	
Total Cash Balance	**1,210.62**	**1,046.02**	**1,058.09**	**784.90**	**785.88**	**1,178.76**	**1,124.82**	**941.96**	**943.53**	**889.78**	**928.17**	**1,316.16**	

[1] Represents all receipts and disbursements that flow through the District's Operating Accounts.
[2] FY 2013 Beginning Operating Cash Balance is based on projected cash-on-hand as of Sept. 30, 2013
[3] Includes Dedicated Taxes
[4] Calculated generally at 70% of medicaid expenditure
[5] Calculated at 100% of Budget Authority.
[6] The Non-Personnel Services **(NPS)** line items do not include expenses for Payroll.
[7] Various Agency Disbursements include supplies and materials, contractual services, equipment and equipment rentals, other service charges and vendor payments
[8] Various Agency Subsidies and Transfers includes human support services including housing, health, youth and community programs of various types
[9] E/C/FS are Emergency, Contingency and Fiscal Stabilization reserve Funds
[10] CF is Cash Flow Reserve Fund

PART 2

of the

OFFICIAL STATEMENT

of the

DISTRICT OF COLUMBIA

relating to its

FISCAL YEAR 2014
GENERAL OBLIGATION TAX REVENUE
ANTICIPATION NOTES

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TABLE OF CONTENTS
FOR PART 2

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

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 District debt, 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 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 such as the TRANs, 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, personnel performing financial functions in the District's various agencies (including independent agencies) report to the CFO.

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 announced that he has nominated Jeffrey S. DeWitt as the District's new CFO. Currently, Mr. DeWitt is the CFO for the City of Phoenix, Arizona. Dr. Gandhi will remain as CFO until Mr. DeWitt's appointment is confirmed by the Council and takes effect after a 30-day review by the Committees on Appropriations of the Senate and the House, the Committee on Home Land Security and Governmental Affairs of the Senate and the Committee on Government Reform of the House.

The Home Rule Act requires the CFO to submit quarterly estimates of all revenues of the District to the Mayor and Council. Table 1 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. 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 only modest increases (less 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 1. 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	$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

All references herein to financial information or results for any year after Fiscal Year 2012 are preliminary, unaudited and subject to change.

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 is also 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 addition to the investigative audits conducted by the OIG, the District Auditor and the District's independent outside auditors, the CFO in 2003 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.

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 other subordinate managers. An amended report corrected the initial report to confirm that there was such an audit trail. The City 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 City Council adopted emergency legislation directing submission to the Mayor and City 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.

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 such as the TRANs, 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 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.

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 2 below and Exhibits 2-b and 2-d, and Notes 9 and 13 to the Fiscal Year 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 exact impact it had or will have on federal funds received by the District in Fiscal Year 2013 or the effect on Fiscal Year 2014. The District has estimated a potential reduction of about $40 million per year of federal grant revenues, and about $10 million of federal payments. The final effect on Fiscal Year 2013 might have been less because the sequestration took effect after the Fiscal Year began and some grants, especially education grants, were already 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 (collectively, the "District BABs"). The District issued its Income Tax Secured Revenue Bonds, Series 2010D as QSCBs (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 a BAB 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 currently existing procedures, the issuer of the BAB 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 may also issue “qualified school construction bonds” or “QSCBs,” which may be issued 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 part of the proceeds. QSCBs may be issued by a state or local government within the jurisdiction of 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 are approximately $20.2 million. The direct subsidy payments scheduled to be paid to the District in Fiscal Year 2014 are $20.0 million. Direct subsidy payments for Fiscal Year 2012 are not reflected in Table 2 below.

There can be no assurances 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 are also 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 may also have an effect on direct subsidy payments. According to the Office of Management and Budget, budget cuts related to sequestration amounted to a 7.6% reduction in direct subsidy payments in Fiscal Year 2013. Federal budget cuts in Fiscal Year 2014 related to sequestration could reduce the expected direct subsidy payments to the District by 7.2%.

Table 2. 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 Comprehensive Annual Financial Report ("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 2012.

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 in the amount 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 Community Development Block Grant ("CDBG") funds received by the Department of Housing and Community Development ("DHCD") over a nine-year period and potential legal settlements that exceed the budget for the District's Settlements and Judgments Fund. About $28.5 million of CDBG funds might be at issue, which represents less than 10% of total CDBG funds and associated program income that exceeded $390 million 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 might have to repay some or all of these funds, no request for such repayment has been made. If such a request were to be made, the District would have the right to appeal to reduce or eliminate any such amounts requested to be repaid.

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.

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 a budget, prepared on the basis that proposed expenditures do not exceed resources, to the Council at such time as the Council directs. 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 (including the TRANs).

Pursuant to the provisions of (i) the federal Anti-Deficiency Act, 31 U.S.C. §§ 1341, 1342, 1349-1351 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.

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 "Proposed Fiscal Year 2014 Budget"). The Council approved the budget on May 22, 2013. The Mayor submitted the Proposed 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 Proposed 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 will continue to be performed during a lapse in appropriations." The District government remained open and operating during the October 1 to October 16, 2013 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 commenced the process to replenish the total draws from the Contingency Reserve Fund during the period of October 1 to October 16, 2013, and the notice of the replenishment of $124.8 million (the amount used for payroll) was delivered to the Council on October 23, 2013. See "Historic Use of Cash Reserves" and "PROPOSED 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 of operating expenditures (16.67%). 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 any department, agency, or office of the District that is administered by a receiver, shortfalls in any projected expenditure reductions that are included in the budget proposed by the District, or 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.

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.

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.

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.

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.

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 3. 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			$50.0	$167.8		
2010	$100.0	$236.0			$100.0	$286.8		
2011	-0-	$236.8			-0-	$242.8		
2012	-0-	$52.1			-0-	$52.1		
2013	-0-	$284.6*	$39**		-0-	$273.6*	$39**	

* 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 Proposed FiscalYear 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 will also have to cover $10.2 million of write-offs per Section 103 Judgments 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 of the June and September 2013 revenue projections indicate that the Cash Flow Reserve Account balance may be increased to at least the balance shown in the Proposed 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 4. Cash Reserve Fund Balances(1), (2)
($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 (3)	N/A	152	346	347	347
Fiscal Stabilization Reserve Account (3)	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 Proposed Fiscal Year 2014 Budget.
(2) In addition to the amounts listed above, in Fiscal Year 2011, the District appropriated $40.0 million to an Operating Cash Reserve Account (referred to in the District's Fiscal Year 2010 and 2011 Budget and Financial Plans as the "Cash Reserve"). In Fiscal Year 2010, the District did not include the Cash Reserve in the original budget; however, in a supplemental budget, the District appropriated $10.3 million to the Cash Reserve. The reserve dollars were expended and obligated in accordance with directives of the CFO, the Council, the Mayor and Congress. The District has not funded this Operating Cash Reserve Account since Fiscal Year 2011.
(3) 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 include projected increments shown in the Proposed 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 4 above because (i) the District deposited the $20 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 4 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. These balances reflect the $10.0 million cash draw related to the August 2011 earthquake and $6.0 million of the draw related to the Not-for-Profit Hospital Corporation that were outstanding as of that date.

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. These balances reflect four Fiscal Year 2012 draws that, on a cash basis, were outstanding as of that date: (1) $6.0 million cash draw related to continuing earthquake repair; (2) $7.7 million to finance operations of the Not-for-Profit Hospital Corporation; (3) $1.0 million for a Department of Motor Vehicles ticket collection contract; and (4) $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 bring all District employees to work as well as 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 commenced the process to replenish the total draws from the Contingency Reserve Fund during the period of October 1 to October 16, 2013, and the notice of the replenishment of $124.8 million (the amount used for payroll) was delivered to the Council on October 23, 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 Fiscal Year 2012 Financial Statements), which explain the items presented in the main body of the financial statements.

D.C. Official Code Section 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 Fiscal Year 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 Fiscal Year 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 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.

General Fund. 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"), the Not-For-Profit Hospital Corporation 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.

The Federal and Private Resources Fund. 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.

General Capital Improvements Fund. 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"). 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 the Government Accounting Standards Board ("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*

Issued in December 2009, Statement No. 57 establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. In addition, this statement clarifies the requirements of Statements 43 and 45 related to the coordination of the timing and frequency of OPEB measurements by agent employers and the agent multiple-employer OPEB plans in which they participate.

The provisions of Statement No. 57 are not applicable to the District because the District's plan is a single-employer defined benefit plan administered jointly by the Department of Human Resources and the Office of Finance and Treasury.

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

Issued in December 2009, Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court approves a new payment plan.

The provisions of Statement No. 58 are not applicable to the District because the District government has not petitioned (and under the current law, cannot petition) for bankruptcy protection.

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 11 below, "FY 2012 - 2017 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.

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 balance 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 2012 with a budgetary surplus of $239.7 million. After considering fund balance 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 balance 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 5, "Major Tax Rates," below.

The rates for the major taxes imposed by the District are summarized in Table 5.

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 (including the TRANs) issued by the District under the Home Rule Act. In addition, the full faith and credit of the District is pledged for the payment of the TRANs.

The acts which provide for the issuance of general obligation bonds also 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 other than the TRANs, 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.

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Table 5. 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 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 6. 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

* Due to the District's policy change on the recognition of personal property tax revenues, Fiscal Year 2010 information has been adjusted.
** Corrected to reflect proper classification.

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.

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."

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 unincorporated businesses, the District taxes the annual gross income in excess of $12,000, after certain additional deductions, through an unincorporated business franchise tax. The rate of 9.975% applies to both business franchise taxes.

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.

Tax Levy. 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 which remain in effect until amended. The Council receives from the CFO an estimate of the assessment roll on or before September 15th before the beginning of the tax year. 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 (including the TRANs) 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. The TRANs are not secured by the Special Real Property Tax, which is set aside and irrevocably dedicated to the payment of the principal of and interest on the District's general obligation bonds.

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. In Fiscal Years 2009, 2010 and 2011, the percentages of real property tax collections that were dedicated to the payment of principal and interest on the District's outstanding general obligation bonds were 28%, 28%, and 20% respectively. For Fiscal Year 2012, such percentage has been established as 14%, and Special Real Property Tax revenues are expected to be approximately 1.18x the debt service on the District's general obligation bonds.

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 5 "Major Tax Rates" above 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 owner 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 1st 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 effect from July 30, 2013 through October 28, 2013. The 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 of Columbia, 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 7-9 provide information relating to the real property 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 7. 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 Sep 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 2002-2006 is not available in the format required.

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

Table 8. 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 percent 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. For 2008-2012, amounts listed are after deduction of homestead deduction for 2006-2012

(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 9. Principal Property Taxpayers
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 tax increment financings.

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).

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 10. 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, the Department of Health and the Department of Health Care Finance, 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 proposed 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 response to existing and anticipated future reductions in federal funding, in Fiscal Year 2012 UMC implemented a program to reduce operating expenses. That program, which will continue, is 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 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 that will 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 District subsidy, particularly because there is a need for additional capital improvements at the facility.

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 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 the D.C. Public Schools ("DCPS"), charter schools, special education programs, and the Office of the State Superintendent of Education, this category includes spending for the Teachers' Retirement Program, the Public Library System, non-public tuition assistance, and the subsidy to the University.

Also in this category is 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" (Bill 19-774). This agency was established to monitor and provide policy leadership and recommendations to the District's education.

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 represent approximately 24.4% of all General Fund expenditures. The Proposed Fiscal Year 2014 Budget includes General Fund public education expenditures of $1.64 billion, which represent 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 9 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 D.C. public education system also includes public charter schools, which are under the oversight of the District of Columbia Public Charter School Board. There were 56 public charter schools funded for 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.

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 2010 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 new Department of General Services ("DGS"). The new 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 Proposed 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 of the District of Columbia (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 Proposed 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 fire fighters.

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 Proposed 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. DDOT is responsible for snow removal and transportation-related operations such as street maintenance and repair. 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.

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 Proposed 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 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.

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 Proposed 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 22, 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 calls for expenditures totaling $6.65 billion, of which $5.91 billion is from local funds, $0.26 billion is from dedicated taxes, and $0.48 billion is from special purpose non-tax revenue funds. General Fund revenue totals $6.58 billion, of which $5.86 billion is from local funds, $0.26 billion is from dedicated taxes, and $0.46 billion is from special purpose non-tax revenue funds. These revenues include $0.12 billion of policy proposals impacting General Fund revenues of which $0.10 billion is from local funds, $0.01 billion is from dedicated taxes, and $0.01 billion in special purpose non-tax revenue funds.

Total General Fund resources are $6.65 billion, which consists of $6.58 billion of revenue, $0.05 billion of fund balance use, $0.01 billion of transfers from other funds, and $0.01 billion of bond proceeds for issuance costs.

The Fiscal Year 2013 approved budget uses $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 includes $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 is to be deposited into the Cash Flow Reserve Account and $0.2 million is to be deposited into the Fiscal Stabilization Reserve Account, leaving an Operating Margin, Budget Basis of $0.5 million.

The FY 2011 Budget Support Act of FY 2010 created a Pay-as-you-go Capital Account beginning in Fiscal Year 2012, which would be used for the purpose of reducing future District borrowing for capital purposes by using the funds in the Pay-as-you-go Capital Account in lieu of proposed borrowing. The annual amount of local funds deposited in the Pay-as-you-go Capital Account is 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%. Subtitle B of Title VII of the Fiscal Year 2012 Budget Support Act of 2011 (D.C. Law 19-0021, effective September 14, 2011) updated the base year to be the Fiscal Year 2012 local funds revenue in the Budget and Financial Plan approved May 24, 2011, or $5.627 billion, and made Fiscal Year 2013 the first year the requirement would take effect. Funding of the Pay-as-you-go Capital Account would not be required if the debt service expenditures on all General Fund tax-supported debt equals or is less than 5% of General Fund expenditures. The District's Fiscal Year 2013 Budget updates the base year for the Pay-as-you-go Capital Account requirement to be the Fiscal Year 2015 local funds revenue, and it makes Fiscal Year 2016 the first year the requirement would take effect. The Fiscal Year 2014 Budget Support Emergency Act of 2013 (D.C. Law 20-130, effective July 31, 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 Streetcar Project until the construction of the streetcar 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. D.C. 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 D.C. 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 DC Public Schools and DC 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 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 percent 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 DC Public Charter Schools. It was repaid by local funds after the Proposed 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.

The District is working with the U.S. Department of Housing and Urban Development to resolve issues with respect to Community Development Block Grant (CDBG) funds received by the Department of Housing and Community Development (DHCD) over a nine-year period. About $28.7 million of CDBG funds might be at issue, less than 10 percent of total CDBG funds and associated program income that exceeded $390 million over the relevant years. Documentation was forwarded to HUD to justify the expenditures, and the District is waiting for a final determination. While the possibility exists that the District might have to repay some or all of these funds, no request for payment has been made, and if such a request were to come, the District would be able to make an appeal to reduce or eliminate the amount. The District did not make any repayments related to this issue in Fiscal Year 2012.

PROPOSED FISCAL YEAR 2014 BUDGET

The Mayor submitted the Proposed 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 Proposed 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 Proposed 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 proposed budget calls for expenditures totaling $7.11 billion, of which $6.30 billion is from local funds, $0.29 billion is from dedicated taxes and $0.52 billion is from special purpose non-tax revenue funds. General Fund revenue totals $6.96 billion, of which $6.19 billion is from local funds, $0.30 billion is from dedicated taxes, and $0.47 billion is from special purpose non-tax revenue funds. These revenues include $0.08 billion of policy proposals impacting General Fund revenues, of which $0.06 billion is from local funds, $0.01 is from dedicated taxes, and $0.01 billion is from special purpose non-tax revenue funds. Total General Fund resources are $7.12 billion, which consists of $6.96 billion of revenue, $0.15 billion of fund balance use, no transfers from other funds, and $0.01 billion of bond proceeds for issuance costs.

The Proposed 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.

Table 11. 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**	**1447996**	**1454107**	**1306025**	**1297211**	**1296661**	**1,292,024**

(1) Numbers may not add due to rounding.

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

The table below summarizes the District's capital improvements plan for Fiscal Years 2014 through 2019, as set forth in the District's Proposed 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.

Table 12. Fiscal Years 2014-2019 Capital Improvements Plan Funding
(Budgetary Basis)
($000s)

FY 2014 - FY 2019 Planned Funding Sources

	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.

The table 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.

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 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. For Fiscal Year 2012, total debt service on the District's outstanding general obligation indebtedness was approximately 3% of District revenues. 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, income tax secured 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 9.58% in Fiscal Year 2013 (in relation to the 12% limit).

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.

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.

Income Tax Secured Revenue Bonds

The Income Tax Secured Bond Authorization Act of 2008, as amended (D.C. Law 17-254; D.C. Official Code §§ 47-340.26-36) (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 TRANs 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.

DC Water (formerly known as the District of Columbia Water and Sewer Authority) was created in 1996 and is statutorily required to transfer to the District amounts equal to the debt service payments on District general obligation bonds issued to finance certain capital expenditures made by the District for water and sewer purposes. The Home Rule Act and the Debt Ceiling Act exclude such debt from their respective debt limitation provisions, discussed above; however, there are no such obligations currently outstanding.

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 Secured 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 "Interest Rate Swaps – Summary Information" below for specific termination trigger events.

The following chart 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 13. Interest Rate Swaps - Summary Information (1)

1.	**Related Bond Series**	**Series 2001C, 2001D**	**Series 2004B**	**Series 2008C** (3)
2.	**Initial Notional Amount**	$278,080,000	$38,250,000	$224,300,000
3.	**Current Notional Amount as of October 24, 2013**	$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/A2/A+	A-/Baa1/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 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 are generally 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 14 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 14. TIF Bonds and PILOT Notes

Project Name	Initial Issuance Amount	Amount Outstanding as of October 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	$ 173,832
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	4,348,792	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	86,678,297	**0**
Authorized Under the Retail Incentive Act of 2004 (as amended)			
Downtown Retail Priority Area TIF Notes	18,473,210	10,911,510	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	5,833,104	0
Subtotal	**$ 34,407,941**	**$ 24,783,349**	**$ 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	**$ 708,907,941**	**$ 507,943,826**	**$ 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 5 (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

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 (5 to 10 years).

As of October 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; however, such obligations are subject to the Debt Ceiling.

The District is seeking to participate in the financing of undergrounding electric power lines, but repayment of the District's bonds issued to support this financing will not be paid from District funds; they will be repaid from increased electric rates charged to electric consumers by Pepco, approved by the District's Public Service Commission and collected by the public utility. 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, such as the TRANs, which must be repaid by the end of the applicable Fiscal Year, in order to finance its seasonal cash flow needs. The District issued tax revenue anticipation notes in Fiscal Years 2009-2013, as shown below. The tax revenue anticipation notes issued in Fiscal Years 2009-2013 were repaid at the end of each respective Fiscal Year. The District expects to repay the tax revenue anticipation notes issued in Fiscal Year 2013 by the end of September 2013.

Table 15. General Obligation Tax Revenue Anticipation Notes
Fiscal Years 2009-2013 ($000,000s)

	2009	2010	2011	2012	2013
Total Notes Issued	$400	$500	$700	$820	$675
Total Notes Issued as a Percentage of General Fund Revenues (1)	6.78%	8.83%	11.68%	12.45%	10.95%

(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 percentage for the Fiscal Year 2013 is based on the District's 2013 Revenue Estimate.

The following table indicates the District's Tax-Supported Debt per capita for Fiscal Years 2008-2012.

Table 16. Tax-Support 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, tax increment financing 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.

THE DISTRICT'S ECONOMIC RESOURCES

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 17 below sets forth the relative percentages of land in the District devoted to various taxable and tax-exempt uses.

Table 17. 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. The U.S. Census Bureau estimates as of July 1, 2013 are not expected to be available until December, 2013.

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 $74,773, compared to $43,735 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 18. 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 19. 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 in Table 19 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 20. 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.

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. More than a dozen 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. In June 2013, there were 410 single family home sales (completed contracts) (6.2% more than the year before) with an average price of $794,105 (22.1% higher than one year before) and

380 condo/co-op sales (completed contracts) (20.3% more than one year before) with an average price of $471,250 (8% higher than one year before) in the District of Columbia. For the quarter ending June 2013, the commercial office space vacancy rate in the District of Columbia was 9.3% (including sublet space).

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 is now 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 outlook is for gains in the private sector to continue to offset reductions that may occur in federal government employment.

Tables 21-24 below illustrate the growth and decline of various 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 21. 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 22. Top 10 Private Sector Employers in the District (1), (2)
(2012)

The George Washington University
Georgetown University
Washington Hospital Center
Children's National Hospital
Howard University
Georgetown University Hospital
American University
The Catholic University of America
Fannie Mae
Providence Hospital

(1) Ranked by size of workforce.
(2) Table 22 does not include the federal and local government as employers. Ranked by size of workforce. With the exception of Fannie Mae, all of the employers listed above are not-for-profit entities.

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

Table 23. 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
($000s)

	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 24. Unemployment Rates[1]

Calendar Year	District	U.S.
2008	6.6%	5.8%
2009	9.7%	9.3%
2010	10.0%	9.6%
2011	10.1%	8.9%
2012	8.9%	8.1%
June 2012	9.2%[2]	8.4%[2]
June 2013	8.9%[3][4]	7.8%[3][4]

(1) Not seasonally adjusted. Annual rates are an average of monthly rates for the given year.
(2) Monthly rate for June 2012.
(3) Monthly rate for June 2013.
(4) Preliminary, subject to change.

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

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