



Washington, the District of Columbia

A Report to Our Citizens

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D.C.'s Vision

D.C. continues its quest to become a world-class city by focusing on (1) Education; (2) Public Safety; (3) Healthcare; (4) Human Services; (5) Infrastructure & Environment; and (6) Economic Development & Affordable Housing to better the life of our citizens.

Characteristics of Washington, D.C.

Founded in 1790, Washington, D.C. is the capital city of the United States of America. "D.C." is an abbreviation for the District of Columbia, the federal district coextensive with the city of Washington. The city has a total area of 68.3 square miles and is surrounded by the states of Maryland (on its southeast, northeast, and northwest sides) and Virginia (on its southwest side). Washington, D.C. is the site of numerous national landmarks, monuments and museums, and is a popular destination for tourists.

How the City Operates

The city is run by an elected Mayor and DC Council. The DC Council is composed of thirteen members: one elected from each of the eight wards and five members, including the chairman, elected at large. Although there is a municipal government and a Mayor, the United States Constitution gives Congress direct jurisdiction over Washington, D.C., which results in citizens having less self-governance than residents of other states.



Location of Washington, D.C. (shown in red) in relation to the states of Maryland & Virginia



Adrian M. Fenty
Mayor

Natwar M. Gandhi
Chief Financial Officer

Selected Demographic Information

	2007	2008
Population	587,868	591,833
Unemployment Rate	5.8%	6.3%
# of Full Time City Employees	27,831	28,531
Public School Students	52,945	46,208

How We Have Progressed

Progress in Fiscal Year 2008

D.C.'s Economy

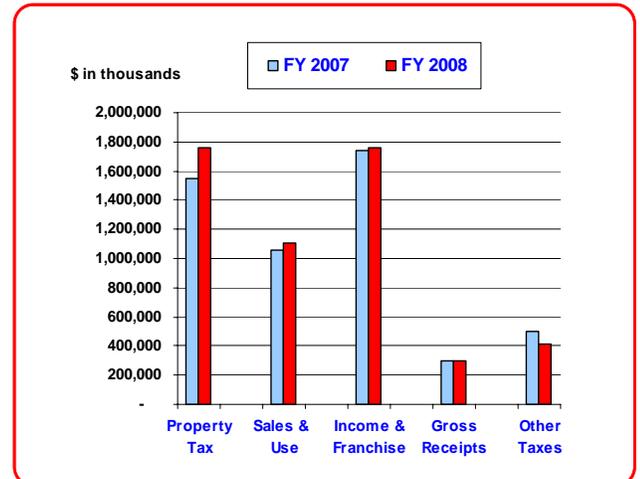
The national recession, now having lasted over a year, shows little sign of recovery. In some ways Washington, D.C.'s economy is doing better than the nation as a whole.

- Sales and use taxes collected were \$1.1 billion, a 5% increase over the \$1.06 billion collected in 2007.
- Property taxes collected were \$1.8 billion, a 20% increase over the \$1.5 billion collected in 2007.
- Total taxable property value was \$143.0 billion, a 14% increase over 2007.
- Hotel occupancy has remained level at 75% from 2007 to 2008.
- Unfortunately, the real property market continued to change in FY 2008:
 - Sales of single family houses declined by 15.6 %, the 4th year in a row of declining total sales.
 - Condominium sales decreased by 27.4%.
 - The amount of commercial office space increased by only 1% compared to 4% in 2007.
 - The vacancy rate increased from 5.8% in 2007 to 6.6% in 2008.
- Economic development in D.C. remains positive and well balanced. Construction is prevalent in each sector of the city.



Construction of the new Southwest Waterfront

A 2.5 million square feet office complex which will consolidate various D.C. Government Agencies and include retail, residential, office, and new public space.



Bond Rating History

Last Five Fiscal Years

	2004	2005	2006	2007	2008
S&P	A	A+	A+	A+	A+
Moody's	A2	A2	A2	A1	A1
Fitch	A-	A	A	A+	A+

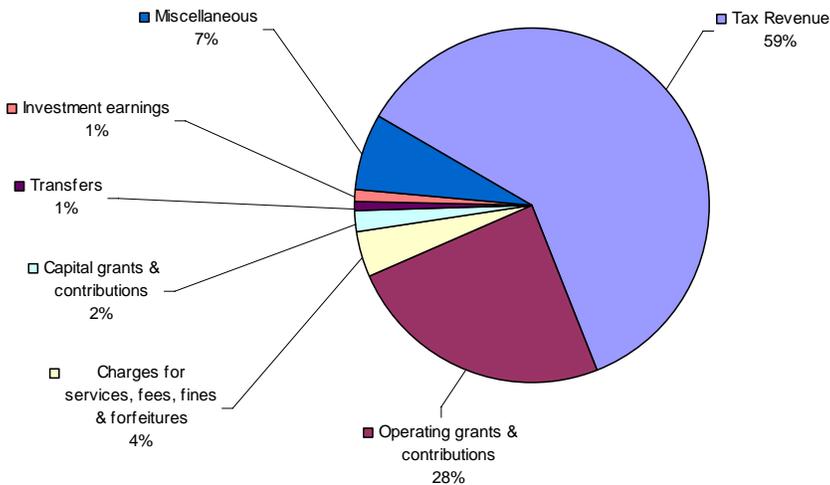
In FY 2008, D.C.'s bond ratings remained stable at: **A+** by Standard & Poor's; **A1** by Moody's; and **A+** by Fitch. These ratings are the highest ratings in the city's history and are representative of the improved and strong financial standing of D.C. The improved bond ratings allow D.C. to either refinance outstanding debt, or to issue new debt, at more favorable rates. Lower interest rates translate into lower debt service payments, resulting in a greater percentage of D.C.'s budget being available for the services and operations needed for its citizens.

The City's Budget

Revenues & Expenses

Primary Government Sources of Revenue

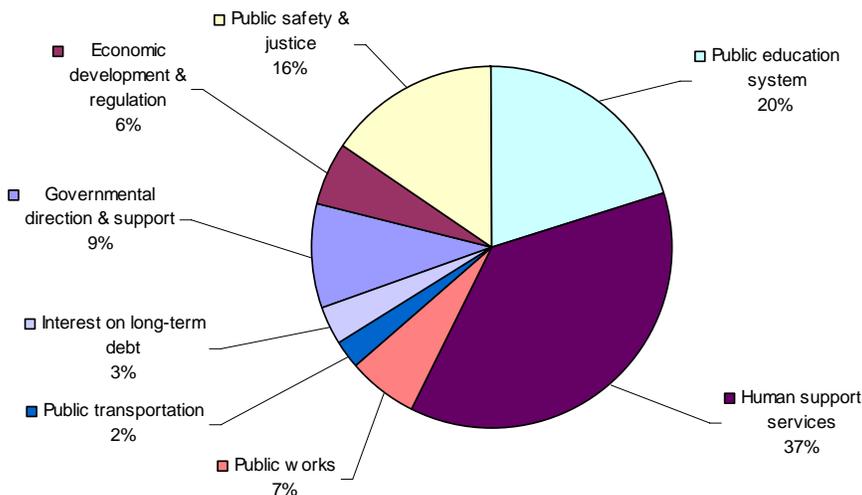
Revenue by Source FY 2008
(\$ in millions)



Revenue by Source (\$ in millions)	FY 2007	FY 2008
Tax revenue	5,139.5	5,361.5
Operating grants & contributions	2,309.5	2,178.3
Charges for services, fees, fines & forfeitures	335.0	379.1
Capital grants & contributions	130.6	175.8
Transfers	65.4	70.3
Investment earnings	124.4	95.8
Miscellaneous	447.6	612.0
Total Revenues:	8,552.0	8,872.8

Primary Government Functional Expenses

Expenses by Function FY 2008
(\$ in millions)



Expenses by Functions (\$ in millions)	FY 2007	FY 2008
Governmental direction & support	787.4	834.6
Economic development & regulation	509.9	499.6
Public safety & justice	1,264.7	1,384.5
Public education system	1,589.7	1,787.6
Human support services	2,992.8	3,285.3
Public works	481.7	586.6
Public transportation	198.5	214.9
Interest on long-term debt	281.9	293.3
Total Expenses:	8,106.6	8,886.4

An independent audit was conducted, resulting in a clean audit opinion.
Complete financial information is available at our website: www.cfo.dc.gov

What's Next?

Future Challenges & Economic Outlook

Outlook for 2009

Like most places in the United States, D.C. is being adversely affected by the national recession that started in December 2007. One measure of this is the rise in unemployment among District residents. D.C.'s economy, however, has much strength to help mitigate the impact of severe economic downturns.

- D.C., as a place to live, is increasingly desirable because of a relatively strong job market compared to other jurisdictions.
- Employment declines have been slower in D.C. than in the nation as a whole due to the major service sectors of D.C.'s economy (professional, health, education, and other services).
- D.C. is investing significantly to increase its housing stock.
- Federal government expenditures add stability to D.C.'s economy.
- Investments in economic development are attracting new retail establishments and influencing the development of "nightlife" in the downtown area.

"Getting the Job Done"

The District's Fiscal Year 2009 Proposed Budget & Financial Plan

This \$8.6 billion spending plan, including \$6.5 billion in General Fund resources, is the District of Columbia's thirteenth consecutive balanced budget. The budget remains balanced despite the fact that revenue growth has slowed considerably as a result of the increasing weaknesses in the national economy. This budget will strengthen critical services in the areas of education, public safety, healthcare and human services, infrastructure and the environment, economic development and affordable housing, and government operations and financing. To view the entire proposed financial plan, you may visit the *Mayor's Office* at www.dc.gov.

Education – Improving public education is the District's highest priority. The budget for the District of Columbia Public Schools (DCPS) focuses resources on the classroom, with a comprehensive staffing model for every school.

Infrastructure & Environment – The budget invests in infrastructure maintenance and improvements while also recognizing the importance of our environment, parks, and recreation facilities.

Public Safety – A safer city requires investing in personnel and technology. The budget includes salaries, benefits and equipment funding for the Metropolitan Police Department which will put more officers on the street.

Affordable Housing & Economic Development – The budget will preserve and expand affordable housing initiatives, despite the downturn in the regional housing market. We anticipate 500 more residents will achieve their dreams of owning a home in FY 2009 due to an infusion of \$19 million in local funds.

Healthcare & Human Services – The Department of Health plans new investments to combat HIV/AIDS, childhood obesity, substance abuse and diabetes. Our Child & Family Services Agency plans to spend \$4.5 million on kinship care, to help eligible relatives meet the needs of children for whom they provide – while keeping them out of the foster care system.

Government Operations & Finances – This budget includes a number of improvements in the way the District Government will operate in FY 2009. There are plans for dramatic cuts in the amount of paper documents used, reducing our impact on the environment.