ISSUED OCTOBER **2025**

DISTRICT OF COLUMBIA

# Long-Range Capital Financial Plan Report

## 2025 Updates

Produced by the Office of the Chief Financial Officer


GOVERNMENT OF THE
DISTRICT OF COLUMBIA

## PART I: 2025 UPDATES

### 1. Key Highlights

The Office of the Chief Financial Officer's 2025 Long-Range Capital Financial Plan Report assesses the condition of the District of Columbia's (the "District") current assets, future capital needs, and funding availability. The plan then optimizes resources to address all identified capital needs in the shortest possible time.

The District's asset management system, the Capital Asset Replacement Scheduling System (CARSS), contains a detailed inventory of all District-owned assets, including land, buildings, roads and streets, vehicles, and equipment. This system provides the basis for developing the District's capital improvements plan (CIP) as part of the annual budget process and determines the cost of deferred maintenance for current assets.

Key highlights of this year's report include:

- $16.70 billion of total capital needs identified; approximately $10.71 billion of those needs are funded in the FY 2026 - 2031 CIP.
- $5.98 billion of unfunded capital needs remain during the 6-year CIP period, up from $2.99 billion last year, of which approximately $2.44 billion is deferred maintenance.
- The increase in unmet capital needs is attributable to a net decrease in the size of the capital budget due to lower revenue forecasts compared to previous projections.
- The analysis shows that unmet capital needs can be funded as early as FY 2037, if the District commits 16.2% of its general fund budget to capital projects (12% to support debt service on borrowings and an average of 4.2% on pay-as-you-go cash funding) and no additional capital projects are added before addressing currently identified unmet needs.
- The District has a comparatively lower cost of borrowing compared to other cities and states due to strong bond ratings. The District's two main credits that are used to finance its Capital Improvements Plan are both very highly rated: General Obligation bonds (Aa1/AA+/AA+) and Income Tax Secured Revenue bonds (Aa1/AAA/AA+) by Moody's, S&P and Fitch, respectively.
- Challenges to executing this plan include economic uncertainty due to a variety of factors including persistent inflation, financial market volatility, and changes in federal trade, immigration and employment policies that could significantly affect the growth of the District's economy, particularly the continued contraction of the federal workforce.
- The nation's capital remains in a strong position compared to its peers to navigate these challenges and address its infrastructure needs due to prudent financial management policies (including strong reserves and highly funded pension and OPEB liabilities), a state-of-the-art asset management system, and a diverse local economy.

## 2. Executive Summary

*Introduction*

The District of Columbia – the nation's capital – faces significant challenges in maintaining its critical infrastructure, much like many other state and local governments across the country. Investing in existing and building new infrastructure are both crucial to the quality of life and economic prosperity of any jurisdiction. To that end, the District plans to fund approximately $10.71 billion of its highest-priority capital projects over the FY 2026-2031 capital planning period, with approximately $5.82 billion funded by the sale of municipal bonds (debt financing). However, the overall need for new facilities or asset maintenance in the District far exceeds this funding level. The District has limits on its borrowing capacity and other available resources and must strike an appropriate balance between funding its ongoing operations and investing in capital assets.

*Funding of Unmet Needs*

This Long-Range Capital Financial Plan report indicates that the District can address all deferred maintenance and unmet capital needs as early as 2037. To achieve this ambitious goal, the District must commit to borrowing up to its statutory maximum level of debt service, which is 12% of general fund expenditures and to maintaining pay-as-you-go (or cash) funding for capital to an amount averaging roughly 4.2% of general fund expenditures. Additionally, to meet this timeline, the District must commit to prioritizing funding of existing unmet capital needs over any additional new capital projects.

*CARSS*

The District is unique in its role as a city, state, county, and school district and has the responsibility to fund infrastructure for all these functions. A team of subject matter experts throughout the District developed a comprehensive asset management planning system to better understand the costs to maintain its assets in a state of good repair. The Capital Asset Replacement Scheduling System (CARSS) is an asset management planning solution that delivers a comprehensive view of the District's capital asset health and provides information on each project or asset. CARSS, coupled with the District's long-range financial forecasting model, was designed to answer four fundamental questions:

1. *What assets does the District own?*
2. *What is the condition of those assets?*
3. *How should the District prioritize its capital needs?*
4. *How much funding is available to address those needs?*

CARSS is now generally recognized as the most comprehensive and detailed capital asset management system of any city or state government in the country.

*Total Capital Funding Gap*

In addition to CARSS, the District developed a long-range financial forecasting model. This model can determine the optimal capital funding mix, within certain financial constraints, including debt capacity, pay-as-you-go (paygo) or cash funding, as well as federal or other grant funding. The model determines the amount of available funding for the 6-year Capital Improvements Plan (CIP) and helps to determine which capital projects the District cannot afford during that timeframe. In addition to analyzing traditional methods of funding, capital projects were also analyzed to determine where the private sector may assist in addressing future infrastructure challenges through non-traditional funding, such as public-private partnerships.

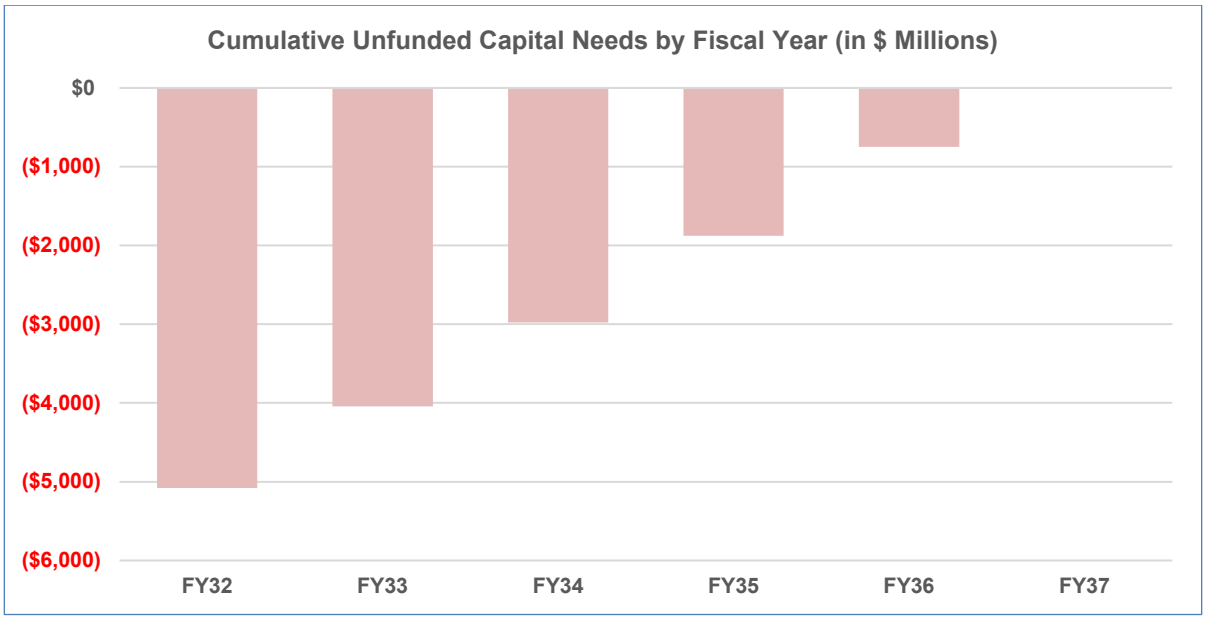
The District can fund roughly $10.71 billion of its highest priority capital needs in its FY 2026-2031 CIP. However, the CARSS analysis identified approximately $5.98 billion of unmet capital needs during that same period, which is higher than outlined in the 2024 report. The $5.98 billion equates to approximately $996 million per year on average, or roughly 8.3% of the District's FY 2026 Local Fund revenues. Over the last several years, the District has made significant progress in addressing its unmet capital and deferred maintenance needs. To that end, a greater emphasis has now been placed on investments in economic development initiatives to stimulate long-term growth.

As an example, among the capital needs that were addressed in last year's budget cycle, the Capital One Arena received $515 million in funding for a major revitalization of the asset. Additionally, during this year's budget cycle, redevelopment of the RFK Stadium and campus received funding of $733 million including $500 million for horizontal infrastructure related to the stadium, $156 million for campus redevelopment and another $77 million for a sports complex which will serve as a youth sports facility. Also, Nationals Ballpark, home of MLB's Washington Nationals, received $385 million in funding for a major renovation initiative as well.

Within unmet needs, the facilities category contributes by far the largest amount, $4.33 billion, to this year's funding gap, mainly driven by a new correctional facility ($786 million), the replacement of the Henry J. Daly building (headquarters of the Metropolitan Police Department, $340 million), and the redevelopment of the Poplar Point site ($242 million). Another category with a large increase of approximately $517 million of unmet needs is in horizontal infrastructure for roads and streets, including $203 million for safety purposes and $154 million for bridges.

*Long-Term Funding Solutions*

In Fiscal Year 2017, the District Council adopted legislation to increase the amount of paygo provided to support capital program needs as part of the FY 2018 Budget Support Act. Under this law, the amount of additional paygo funding for capital increases annually from a base year in 2020, until it eventually reaches a level equal to annual additions to total accumulated depreciation as reported in the District's Annual Comprehensive Financial Report. Over the 15-year period studied in this report, paygo transfers for capital, including those amounts dedicated to WMATA, would average approximately $546 million annually. Total funding received from the Infrastructure Investment and Jobs Act (IIJA) amounts to $698 billion in FY2026. Given the projected paygo funding and the full utilization of its borrowing capacity, coupled with a portion of federal funding, the District could fund all existing unmet capital needs and address all its deferred maintenance as early as 2037.



*Challenges and Risks*

There is currently a great deal of uncertainty in both the national and local economic outlooks that could affect the District's ability to address its unmet capital needs within the timeline outlined in this plan. Although the Federal Reserve has recently eased its monetary policy with a reduction in interest rates and is widely expected to do so again over the next several months, the prospect of an economic recession still exists. Additional risks include a cooling labor market, tighter trade and immigration policies, a federal government shutdown, uncertainty around federal tax and spending decisions, persistent inflation, corporate performance and financial market volatility, geopolitical turmoil and the risk of a potential US recession or stagflation. District-specific risks affecting especially the office real estate market and property values include changes to federal employment and office use patterns, a stalling population due to federal workforce reductions and tighter immigration policies, and declining tourism amid more restrictive trade and travel policies. These challenges could also create the need to provide additional programs and services to impacted residents. As budgets become more constrained due to slower growth in revenues, the District will have to carefully balance its commitment to increase paygo funding levels annually with increasing needs for funding operational requirements to support residents.

*Conclusion*

This report outlines a plan, that, if executed, would allow the District to meet all its unmet capital needs and deferred maintenance within 12 years. Simply stated, if the District commits approximately 16.2% of its general fund revenues to its capital needs (12% for debt service and 4.2% for paygo), and the remaining 83.8% to operations and programs, its infrastructure will be amongst the best maintained of any city or state in the nation.

### 3. Capital Funding Gap during the CIP Period

The CARSS model determined that the total capital infrastructure needs of the District, as established in the FY 2026-2031 CIP budget formulation, is approximately $16.70 billion. The District has identified approximately $10.71 billion of funding over the next six years, a mix of debt, paygo capital, federal loans and grants, and other resources, in its capital budget for the highest-priority capital projects. The remaining capital infrastructure funding shortfall of approximately $5.98 billion over the 6-year CIP period includes both capital projects as well as capital maintenance projects for existing assets.

The chart below shows the annual estimated funding needed, beyond what the District can afford during the current 6-year CIP, broken into the two categories of capital projects: capital maintenance projects (deferred maintenance) and new capital projects. The 6-year funding gap for capital maintenance projects averages $406 million annually and the funding gap for new capital projects is on average $590 million annually. Combined, the annual funding gap is approximately $996 million, equivalent to roughly 8.3% of total FY 2026 local fund revenues.

*Table 1*

**Total Unfunded Capital Needs During the 6-Year CIP Period**

(in $ Millions)

| Fiscal Year | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | 6-Year Total |
|---|---|---|---|---|---|---|---|
| Unfunded Capital Maintenance Projects | $464.2 | $461.8 | $423.6 | $388.3 | $362.8 | $335.1 | **$2,435.7** |
| Unfunded New Capital Projects | $466.0 | $598.2 | $606.2 | $653.4 | $688.5 | $529.5 | **$3,541.7** |
| **Total Unfunded Capital Needs** | **$930.3** | **$1,060.0** | **$1,029.8** | **$1,041.7** | **$1,051.2** | **$864.6** | **$5,977.5** |

As shown in the following chart, the total capital funding gap represents projects across key sectors of the District's capital infrastructure program. These amounts represent actual capital projects that cannot be delivered during the current 6-year CIP with current funding levels and sources. For example, the approximately $4.33 billion in unfunded facilities projects includes three very significant capital projects for the District: the construction of a New Correctional Facility for $786 million, the replacement of the Henry J. Daly building, which serves as the headquarters of the Metropolitan Police Department, for $340 million, and the redevelopment of the urban waterfront area Poplar Point for commercial purposes for $242 million.

The city's Road infrastructure category contributes to the funding gap with a total of around $517 million including Safety & Flood Mitigation projects of $203 million and diverse bridge projects of $154 million. The District Department of Transportation (DDOT) has been under new leadership since the previous CIP period and has revised the current CIP budget. The new budget aims to request all required local funds to eliminate any backlog with local streets repair and other initiatives. The much larger request will need further analysis to ensure that a proper spending plan, along with managing contract issues, traffic flow, and contractor capacity, is realistic and achievable within the 6-year CIP timeframe.

Other major projects contributing to the funding gap are physical safety and security improvement initiatives for the District's Public School System (DCPS) of approximately $242 million. In terms of the District's modernization efforts, the Fire and Emergency Medical Services Department (FEMS) reported a funding gap for the electrification of vehicles of around $115 million, mainly for medium and heavy-duty vehicles to form an EV fleet.

*Table 2*

**Annual Capital Funding Gap by Asset Type**
(in $ millions)

| Fiscal Year | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | Total |
|---|---|---|---|---|---|---|---|
| **IT Projects & Systems** | | | | | | | |
| Capital Maintenance Projects | 46.7 | 65.4 | 53.4 | 29.2 | 30.7 | 15.3 | **240.7** |
| New Capital Projects | - | - | - | - | - | - | **-** |
| **Total** | **46.7** | **65.4** | **53.4** | **29.2** | **30.7** | **15.3** | **240.7** |
| | | | | | | | |
| **Equipment & Regulatory** | | | | | | | |
| Capital Maintenance Projects | 56.5 | 12.6 | 8.7 | 9.4 | 6.9 | 4.9 | **99.0** |
| New Capital Projects | 4.9 | 1.6 | 0.5 | - | - | - | **7.0** |
| **Total** | **61.3** | **14.2** | **9.2** | **9.4** | **6.9** | **4.9** | **106.0** |
| | | | | | | | |
| **Fleet** | | | | | | | |
| Capital Maintenance Projects | 14.9 | 77.0 | 80.2 | 89.8 | 136.5 | 150.7 | **549.1** |
| New Capital Projects | - | - | - | - | - | - | **-** |
| **Total** | **14.9** | **77.0** | **80.2** | **89.8** | **136.5** | **150.7** | **549.1** |
| | | | | | | | |
| **Horizontal Infrastructure** | | | | | | | |
| Capital Maintenance Projects | 127.1 | 147.1 | 171.5 | 146.4 | 85.9 | 71.2 | **749.1** |
| New Capital Projects | - | - | - | - | - | - | **-** |
| **Total** | **127.1** | **147.1** | **171.5** | **146.4** | **85.9** | **71.2** | **749.1** |
| | | | | | | | |
| **Facilities** | | | | | | | |
| Capital Maintenance Projects | 219.1 | 159.6 | 109.9 | 113.6 | 102.8 | 92.9 | **798.0** |
| New Capital Projects | 461.2 | 596.6 | 605.7 | 653.4 | 688.5 | 529.5 | **3,534.7** |
| **Total** | **680.3** | **756.2** | **715.6** | **767.0** | **791.2** | **622.4** | **4,332.7** |
| **Grand Total** | **930.3** | **1,060.0** | **1,029.8** | **1,041.7** | **1,051.2** | **864.6** | **5,977.5** |

It is important to note that the Long-Range Capital Financial Plan analysis incorporates inflation assumptions in line with market expectations, especially in the short- and medium-terms. The costs of deferred capital projects beyond the 6-year CIP period continue to grow in the long-run at 3% annually until those projects are funded. In addition, CARSS incorporates cost curves for various assets in the database to measure the cost of repair or replacement more accurately as these assets deteriorate. For example, if potholes are not filled on a particular street segment in a timely manner, the asset deterioration curve for street and roads may cause CARSS to accelerate the timing of a more expensive repair event, such as a complete street scraping. Similarly, if vehicles are not replaced pursuant to the schedule established in CARSS based on the established metrics of useful life of those assets, CARSS inflates the purchase price of those vehicles to reflect the likely higher cost of purchasing those assets later than the time recommended in the model. Finally, operating costs are also incorporated into CARSS as part of the overall outlook of asset health. Hence, if capital maintenance or asset replacement is delayed beyond what is prescribed in CARSS, annual operating and maintenance costs for that asset are escalated in subsequent years until the repair or replacement is completed.

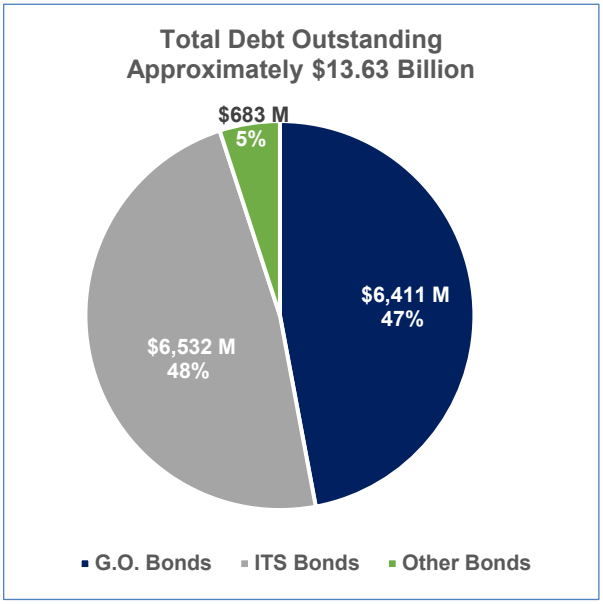
## 4. Funding Sources and Solutions

The District has traditionally relied on debt financing as the primary source of funding of capital infrastructure investments consistent with most other state and local governments throughout the nation. The District additionally incorporates a variety of other sources to finance its capital infrastructure program, including paygo financing, federal grants, local highway trust fund monies, local transportation funds, Grant Anticipation Revenue Vehicles (GARVEE bonds) from the Federal Highway Administration, and the sale of assets as well as other municipal sources of revenue.

*Outstanding Debt*

The District has utilized debt financing, primarily General Obligation (G.O.) bonds and Income Tax Secured Revenue (ITS) bonds, as the primary sources of funds for capital infrastructure investments. As of September 30, 2025, the District has approximately $13.63 billion of total outstanding debt, of which roughly $12.94 billion (or approximately 95%) are either G.O. bonds or ITS bonds.

*Figure 1*




While G.O. and ITS bonds will remain a key source of funds for infrastructure investments in the future, the District will need to continue to ensure that the total debt burden remains at a sustainable level. The District's debt must be structured in such a way as to maintain its strong credit ratings, thereby keeping the overall cost of borrowing as low as possible. The District's revenues have rebounded from the Covid-19 pandemic and, after several economic headwinds in FY2026, revenue growth is projected to grow slightly above or at the rate of inflation. At the same time, the District expects to increase its outstanding debt by approximately 43%, or an additional $5.82 billion in additional G.O. or ITS bonds over the next six years, to support its capital improvements plan.

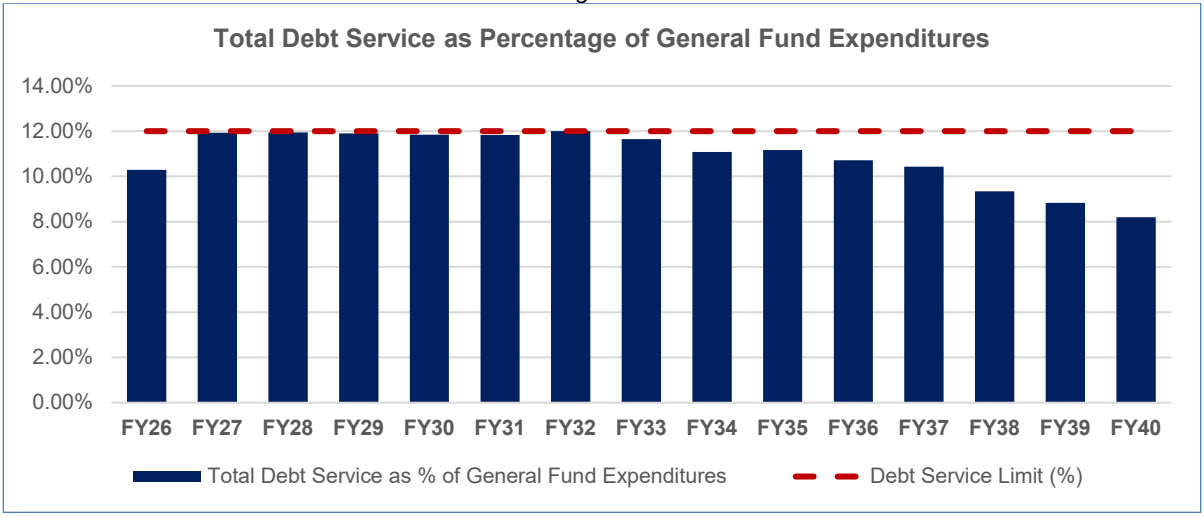
*Debt Capacity Limitations*

The District must operate within both federal and local statutory debt limits. Under the federal Home Rule Act, annual debt service on the District's General Obligation bonds must be no more than 17% of General Fund revenues. In 2009, the Council passed local legislation to further restrict the amount of debt outstanding. The local Debt Ceiling Act limits the annual debt service on all tax and fee supported debt to no more than 12% of the District's General Fund expenditures. This locally imposed limit is the true constraint under which the District's borrowing must operate. Compared to other state and local governments, the District has a relatively high debt per capita ratio. Staying below the 12% debt limit allows the District to maintain its very strong credit ratings on its General Obligation bonds (Aa1/AA+/AA+ from Moody's, S&P, and Fitch Ratings, respectively), as well as on its Income Tax Secured Revenue bonds (Aa1/AAA/AA+ from Moody's, S&P, and Fitch Ratings, respectively). Despite a downgrade of its credit ratings from Moody's in April 2025, the District's credit ratings remain amongst the highest of any state or local government in the country.

The OCFO calculates annual debt service as a percentage of projected general fund expenditures during the current CIP period, in compliance with the 12% locally mandated debt limit. The following graph illustrates the District's projected annual debt service percentages given the amount of debt projected to be issued to support the FY 2026-2031 CIP. It is important to note that the chart does not reflect the impact of future debt refinancings or restructurings, which are likely to lower the debt service reflected in the graph below and increase future borrowing capacity for the District.

While the 12% statutory debt limit is on the higher end as compared to other state and local governments across the country, it reflects our unique requirement to fund state, county, city, and school district infrastructure needs. This debt limit, which has been extensively discussed with the credit rating agencies, coupled with our strong reserve policies, provide the maximum borrowing capacity to fund infrastructure at the lowest possible cost.

*Figure 2*



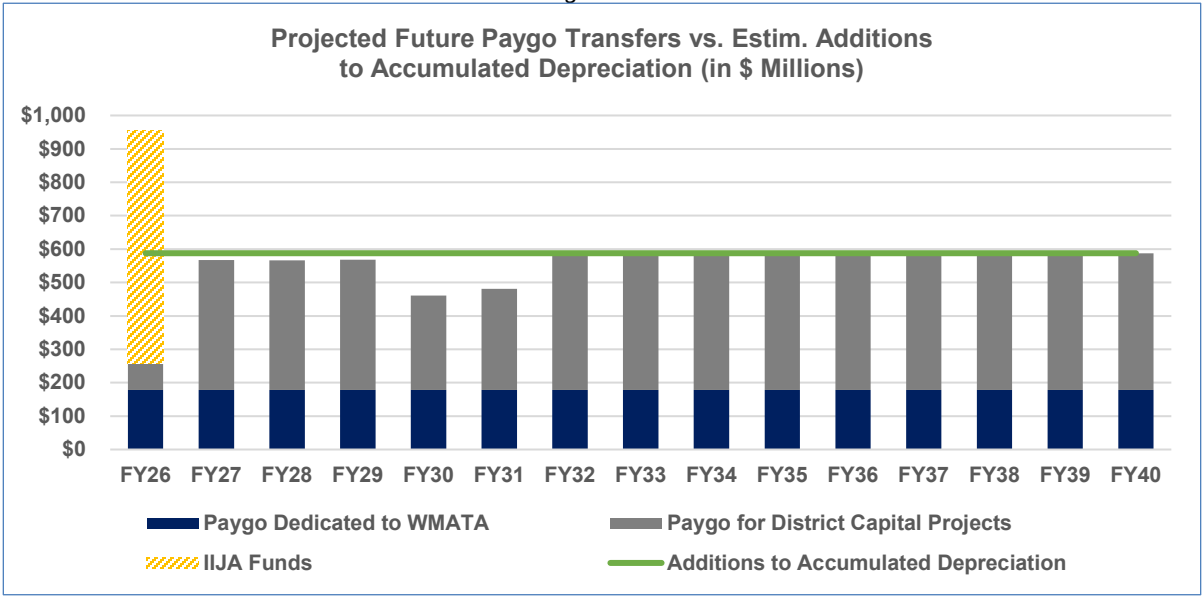

*Paygo Funding Mechanism Through Legislative Action*

The other key source of funding for the District's CIP is paygo funding, which is a transfer of cash from the operating to the capital budget. Given the statutory limits on the amount of debt that can be issued, these cash transfers from the General Fund to the CIP program are the most flexible source of funding for addressing the identified, unfunded capital needs.

The Budget Support Act of FY 2018 included a provision for the use of paygo as part of the Capital Infrastructure Preservation and Improvement Fund. The provision specified that for FY 2020, the financial plan shall include a minimum local funds total transfer of paygo to the CIP of $58,950,000, plus any associated special purpose revenues dedicated to capital. Then, beginning in FY 2021, and for each subsequent fiscal year thereafter, the financial plan shall include a minimum local fund transfer for paygo of the $58,950,000 (and any special purpose revenues dedicated to capital) plus 25% of the increase in local fund revenues over the FY 2020 base year. The amount of local fund revenues transferred to the CIP is capped, to not exceed annual additions to total accumulated depreciation as reported in the District's most recent Annual Comprehensive Financial Report (ACFR). The District receives funding from the Infrastructure Investment and Jobs Act (IIJA), enacted into law in 2021, of $698 million in FY 2026. This amount of additional federal funding for infrastructure is planned to be used to supplement local funds to further address the District's unmet capital needs. The adopted FY 2026 budget includes total paygo funding for capital, including amounts dedicated to WMATA, of roughly $258 million plus IIJA Funds of $698 million, for a total of $956 million in FY 2026 alone. Over the 6-year CIP period, projected paygo transfers to the capital budget total $2.90 billion excluding IIJA Funds.

As shown in the following graph, under the approved legislation, future local funds transfers to the CIP for paygo, including both the amounts dedicated to WMATA and the amounts for the District's capital projects, would be equivalent to additions to total accumulated depreciation by FY2032. At this point the calculation to determine future local funds transfers would be capped at the amount reported for additions to total accumulated depreciation of capital assets.

*Figure 3*[1,2]

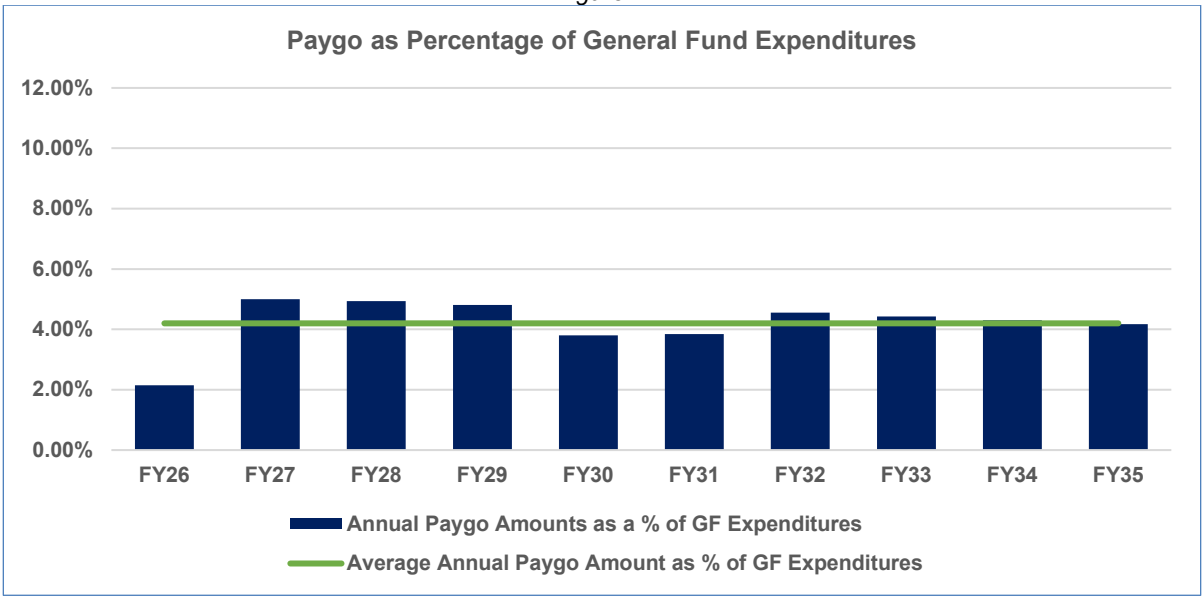



While the estimated increases in paygo from local funds represent significant portions of the projected local funds revenue growth of the District, and a substantial increase in funding for the capital program over prior year's amounts, it represents a relatively small part of the local funds portion of the District's general fund budget. As seen in the following graph, the annual amount of local funds transfers of paygo for capital averages 4.2% of the local funds portion of total general fund expenditures between fiscal year 2026 and fiscal year 2037, which is the earliest time by which all unmet capital needs could be funded.

[1] Estimates based on additions to total accumulated depreciation of capital assets as per the ACFR: $588M in FY2024. While GASB 87 includes amortization of capital leases in the calculation of total depreciation & amortization, District legislation only includes depreciation. Therefore, amortization of capital leases is excluded from the calculation of total depreciation for this purpose.

[2] Projected future paygo transfers in fiscal years 2027 – 2029 include unspent IIJA funds of prior fiscal years.

*Figure 4*




Allocating this level of additional paygo funding is not without challenges, as the growth of local revenues is not projected to increase at the pace of other programmatic needs. Capital projects compete for funding with programmatic priorities such as affordable housing, homeless services, and the general growth and expansion of services for residents. However, properly maintained equipment and facilities will, in the long term, result in lower life-cycle costs and increased resources for other District programs. Remaining federal funding from the IIJA should help to somewhat offset the slowing of local revenue growth and to address the District's unfunded capital needs over the next few years. As stated previously, the District expects to receive approximately $698 million in FY2026 from the Infrastructure Investment and Job Act. The additional fundings will help maintain and expand the existing asset base and cope with the increasing strains on the District's infrastructure.

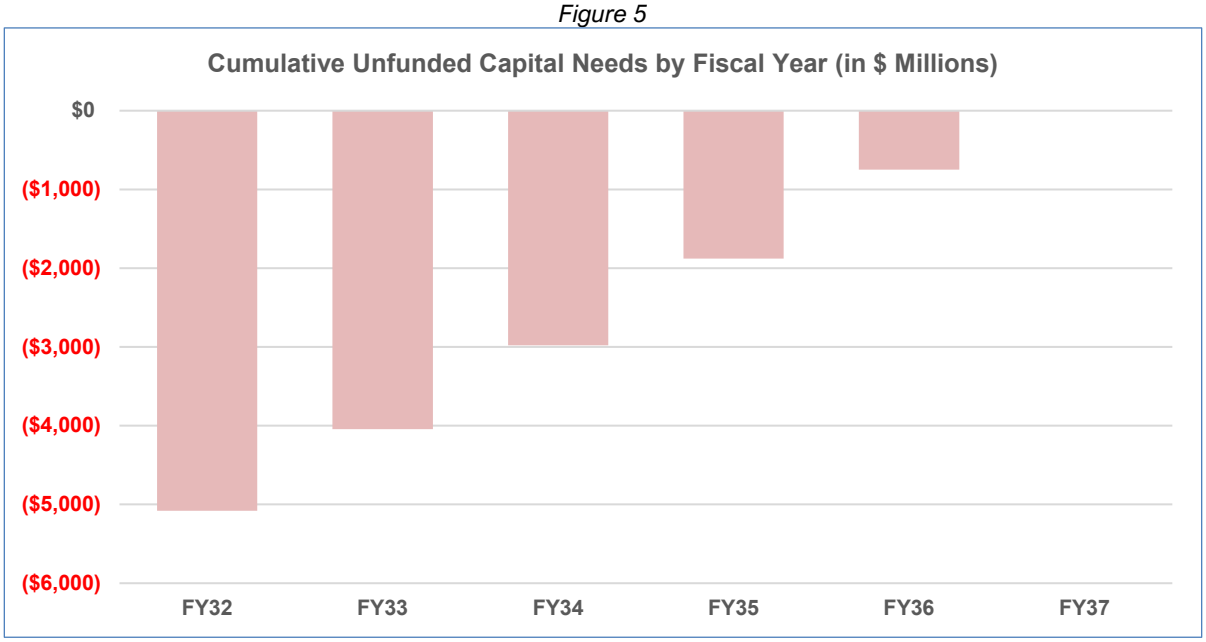
Also, District legislation requires that once the Emergency, Contingency, Fiscal Stabilization, and Cash Flow Reserves are fully funded, 50% of all surpluses in a given fiscal year are to be committed to paygo funding. This additional funding, if not reallocated, should further assist the District in achieving paygo levels that support ongoing capital asset maintenance.

*Funding Solutions*

The District's long-range financial planning model incorporated both the projected amounts of additional paygo funding, as discussed earlier, and maximized the amount of borrowing for capital, all while staying below the District's statutory debt limits. Given these projected amounts of paygo funding for capital, and maximizing the District's bonding capacity, the long-range capital financial model estimates that the District will be able to "catch up" and fund all existing unfunded capital projects identified in CARSS as early as FY 2037. This would allow all District assets in the general fund to reach a state of good repair, while also addressing new unfunded capital projects. In other words, the $5.98 billion of capital needs not funded in the 6-year CIP could be funded as early as 2037 with paygo levels increasing to 4.2% of the general fund budget and borrowing up to the 12% statutory debt capacity limit if no additional capital projects are added before addressing currently identified unmet needs. Funding of the gap could be further accelerated through additional resources, such as increased federal funding or greater use of non-traditional funding structures, such as public-private partnerships.

The following graph illustrates the unfunded capital needs, meaning those capital needs not funded as part of the FY 2026-2031 CIP, identified in this 2025 report. Those unmet capital needs, which grow to slightly more than $5.98 billion through FY 2031, begin to be paid down starting in FY 2032, assuming no new additional capital projects are added to the CIP before addressing these identified unmet needs. The analysis that supports unmet needs being funded as early as 2037 relies on two important assumptions: 1) unmet capital needs identified in this report are prioritized in the years beyond the current CIP period over the addition of new capital projects, and 2) that most of the bonding capacity available outside of the current CIP is targeted at funding these unmet capital needs. In FY2025, the District's capital budget was split roughly 41% to address existing capital needs, or deferred maintenance, and 59% to new capital projects to support growth. If the District were to maintain such a split in its future capital budgets outside of the current CIP, it would extend the time frame to "catch up" with all the identified unmet capital needs by several years. In addition, if revenues were to fall, or grow at a slower pace than currently anticipated, the time that it would take to fund all the District's unmet capital needs would likely be extended by several years as well.

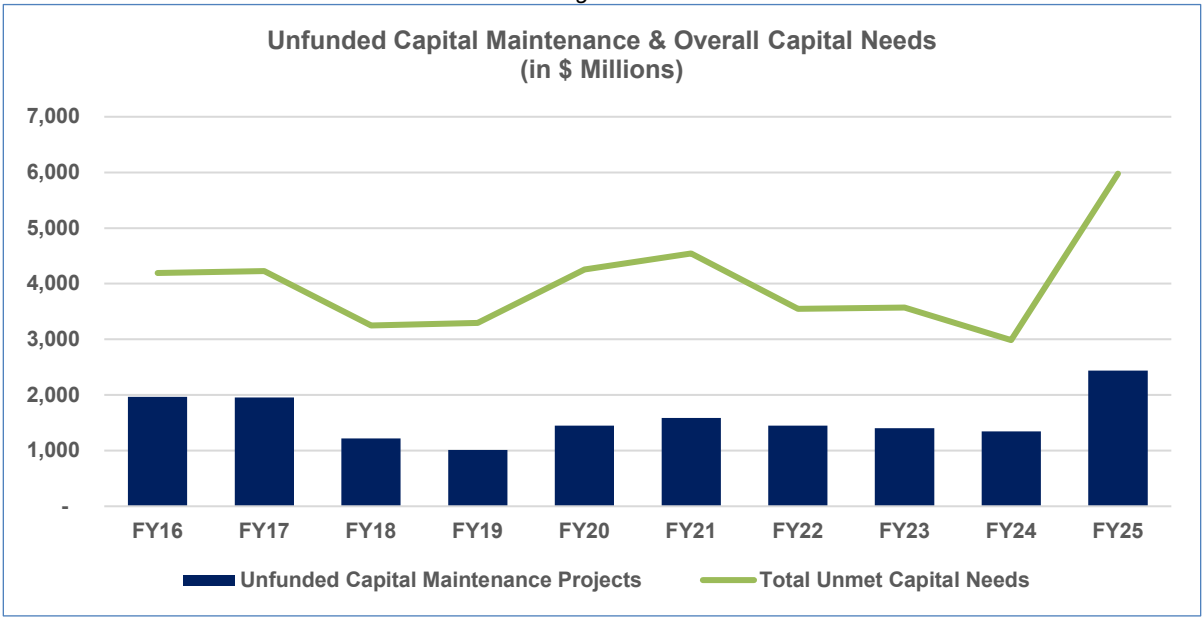
*Figure 5*




*Progress in Addressing Unfunded Capital Needs*

Since the first Long-Range Capital Financial Plan report was produced, the District's capital budgets have grown from approximately $6.30 billion in 2016 to roughly $10.71 billion in 2025, with an increasing focus on addressing unmet capital needs, especially deferred maintenance of existing assets. As can be seen in the following graph, the amount of identified unfunded capital needs steadily decreased until the onset of the recession in 2020 brought about by the coronavirus pandemic. This year's report identified total unmet capital funding needs of approximately $5.98 billion, an amount above the $2.99 billion identified in last year's report. The District can address these unfunded needs in a reasonable amount of time due to the diversity of the District's economy because of its comparatively low borrowing costs due to strong credit ratings, refinancing existing debt whenever possible, and utilizing the debt service savings for additional borrowing capacity to support the capital budget. These factors will allow the District to address its unmet capital needs within 12 years.

*Figure 6*




As illustrated in the chart above, unfunded capital maintenance needs, which serve as a proxy for deferred maintenance, had decreased since the first long-range capital financial plan report in 2016. In the 2016 report, unfunded capital maintenance needs were nearly $2 billion, or nearly half of total unmet capital needs. However, there was a much greater emphasis on addressing those unmet capital maintenance needs beginning with the 2018 CIP, and those amounts declined significantly to just slightly more than $1 billion in 2019. Unmet capital maintenance needs began to rise in 2020 and 2021 due to capital maintenance project delays caused by the coronavirus pandemic. Capital funding increased in 2022, which brought down the level of both unfunded capital maintenance needs and total unmet needs. As the District faces several economic headwinds combined with significantly larger maintenance and new capital needs, the funding gap increased in 2025 to a total of close to $6 billion which includes a capital maintenance need of $2.44 billion.

*Challenges to Achieving Timeline of Meeting Unfunded Capital Needs*

While the analysis described in this report indicates that the District could fund all its unmet capital needs as early as 2037, it is important to note that there are several challenges that may impact the viability of that timeline. The OCFO released its most recent quarterly revenue estimate on September 30, 2025, and the outlook for FY 2026 and beyond remains cautious due to a variety of risks that could affect the national and local economies including economic uncertainty related to tighter trade and immigration policies, uncertainty around federal tax and spending decisions, persistent inflation, and the risk of a potential US recession or stagflation.

While overall, the District's economy has remained somewhat resilient, revenue is expected to decrease slightly in FY2026. In the out-years, FY 2027 and beyond, strong projected revenue growth from higher corporate franchise and non-withholding income (including capital gains) tax revenue is further supported by the FY2026 Budget Support Act Revenue but also partly offset by the impact of the One Big Beautiful Bill Act. Due to lower commercial property values resulting from reduced federal and private sector demand for leased space, the District's revenue profile has generally shifted from previously more stable real property taxes to more volatile revenues from corporate earnings and stock market growth. Finally, an uncertain economic outlook, and the resulting volatility of revenues, may increase the inherent competition between programmatic and capital spending. Future decisions regarding these allocations could have a material impact on the District's ability to meet the timeline outlined in this report to fund all its deferred maintenance and unmet capital needs.

*Non-Traditional Funding Approaches (Public-Private Partnerships or P3s)*
The District continues to explore alternative funding methods, where appropriate, such as public-private partnerships (P3s). P3s potentially unlock additional private sources of funding that could supplement the District's more traditional tools for funding infrastructure. While P3s have their benefits and drawbacks, the fact that the District has a detailed asset registry and a thorough knowledge of all its assets, makes it possible to better assess which assets might be good candidates for utilizing a P3 structure. In attempting to assess which capital projects might be funded using P3s, the OCFO has held extensive discussions with the Office of the Deputy Mayor for Planning and Economic Development (DMPED), which now oversees the Office of Public Private Partnerships, over the past several years to identify projects better suited for this source of funding.

## 5. Summary and Conclusions

The District has made progress but also faces new challenges due to economic headwinds and a reassessment of capital needs. There is now an enhanced emphasis on investments in economic development initiatives to support long-term growth, and on safety and security as well as major technological upgrades. Key initiatives with secured funding include several sports stadium projects, major roads and bridge improvements as well as a plethora of school modernizations. Key contributors to the funding gap include a new correctional facility, major renovations to the Daly Building (MPD headquarters) and the Poplar Point redevelopment project.

The credit rating agencies have taken note of the District's aggressive approach to identifying and addressing its deferred maintenance and critical infrastructure needs and cited it as one of the key factors in respective ratings upgrades. It is, therefore, important to continue to make demonstrable progress in addressing the city's critical infrastructure needs. Potential use of non-traditional funding and project delivery approaches, such as public-private partnerships and asset recycling initiatives, should be prudently pursued to provide additional sources of funding for other critical capital projects that might be outside the scope of available funding in the District's CIP.

If the District commits to borrowing up to its statutory maximum level of 12% of general fund expenditures, as well as commits to contributing pay-as-you-go (or cash) funding for capital at an amount averaging 4.2% of the general fund budget, it can fund all deferred maintenance and new capital needs by as early as 2037. In other words, if 16.2% of the District's budget is committed to capital, with the remaining 83.8% spent on operations and programs, the District can have amongst the best funded and maintained infrastructure of any state or local government in the nation.

**GOVERNMENT OF THE**
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