

**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 amount, accrual or receipt of interest on the TRANs. See “TAX MATTERS.”*

**\$250,000,000**  
**DISTRICT OF COLUMBIA**  
**(Washington, D.C.)**  
**FISCAL YEAR 2016**  
**GENERAL OBLIGATION TAX REVENUE**  
**ANTICIPATION NOTES**



**Dated: Date of Delivery**

**Due: September 30, 2016**

**CUSIP: 25476FQY7<sup>±</sup>**

**Interest Rate: 1.50%**

*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 2016 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, National Association, 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, 2016.**

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 offered on a competitive basis as described herein under “COMPETITIVE SALE OF TRANs” and pursuant to the Official Terms of Note Sale dated November 20, 2015 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 for the District of Columbia will deliver an opinion as to certain legal matters pertaining to the District. Bryant Miller Olive P.C., Washington, D.C., is serving as Disclosure Counsel to the District and will deliver an opinion regarding certain matters to the purchasers. 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 December 16, 2015.*

December 2, 2015

<sup>±</sup> Copyright 2015, American Bankers Association. CUSIP data is provided by Standard & Poor’s CUSIP Service Bureau, a division of The McGraw Hill Companies Inc. The CUSIP number listed above is being provided solely for the convenience of Noteholders only at the time of issuance of the TRANs and the District makes no representation with respect to such number and undertakes no responsibility for its accuracy now or at any time in the future. The CUSIP number is subject to being changed after the issuance of the TRANs as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the TRANs.

## **DISTRICT OF COLUMBIA**

**Muriel Bowser**

Mayor

### **EXECUTIVE OFFICERS**

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Jennifer C. Niles	Deputy Mayor for Education
Brian Kenner	Deputy Mayor for Planning and Economic Development
Brenda Donald	Deputy Mayor for Health and Human Services
Kevin Donahue	Deputy Mayor for Public Safety and Justice
Courtney Snowden	Deputy Mayor for Greater Economic Opportunity
Karl A. Racine	Attorney General
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Bill Slack	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

Anita Bonds	At Large	Mary M. Cheh	Ward 3
David Grosso	At Large	Brandon T. Todd	Ward 4
Vincent B. Orange, Sr.	At Large	Kenyan R. McDuffie	Ward 5
Elissa Silverman	At Large	Charles Allen	Ward 6
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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 WEBSITES: [HTTP://WWW.EMMA.MSRB.ORG/](http://www.emma.msrb.org/) OR AT [HTTP://WWW.MUNIOS.COM/](http://www.munios.com/). THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR IF IT IS PRINTED IN FULL DIRECTLY FROM SUCH WEBSITE.**

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

**\$250,000,000**

**FISCAL YEAR 2016  
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 \$250,000,000 aggregate principal amount of its Fiscal Year 2016 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 this Part 1 and Part 2 should be read in their entirety. This 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 general purpose financial statements of the District, which can be found in the District’s Comprehensive Annual Financial Report (“CAFR”) for the fiscal year (“Fiscal Year”) ended September 30, 2014. The following portion of the CAFR for Fiscal Year 2014 is incorporated herein by reference: the information under the heading “Financial Section,” from pages 21-159, inclusive (collectively, the “Fiscal Year 2014 Financial Statements”). The District’s CAFR for Fiscal Year 2014 and the Fiscal Year 2014 Financial Statements can be found on the District’s website at <http://cfo.dc.gov/node/995122>, on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system at <http://www.emma.msrb.org> or by registering with and logging onto the website of Digital Assurance Certification, L.L.C. (“DAC”) at [www.dacbond.com](http://www.dacbond.com). DAC is the disclosure dissemination agent for the District. All references to financial information or results for any year after Fiscal Year 2014 contained in this Part 1 and Part 2 of this Official Statement are preliminary, unaudited and subject to change. Audited information for Fiscal Year 2015 is not yet available.

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, or by e-mail at

[dcinvestorrelations@dc.gov](mailto:dcinvestorrelations@dc.gov). As disclosure dissemination agent for the District, DAC has agreed to promptly file with EMMA, 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](http://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. Periodically, the District updates its investor website ([www.buyDCbonds.com](http://www.buyDCbonds.com)) with information regarding prospective financings.

## 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 (D.C. Code §1-204.72). See Part 2, "INDEBTEDBESS - Summary of Statutory Debt Provisions". 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, 2015, the District's Chief Financial Officer (the "CFO") provided a revenue estimate for total non-dedicated Local Fund Revenues of \$6,878.8 million for Fiscal Year 2016, which reflects the estimated impact of all legislative changes set forth in the Fiscal Year 2015 Budget Support Act of 2015, including tax cut proposals triggered for Fiscal Year 2016 which are currently estimated to reduce District revenues by approximately \$28.7 million in Fiscal Year 2016. See Part 2, "FINANCIAL INFORMATION – Summary of General Fund Revenues – *Estimated Impact of Tax Reductions on Local General Fund Revenues and Conditional Tax Reductions*" for a further discussion of these tax reductions and changes. See APPENDIX E for the District's preliminary actual and projected cash flows in Fiscal Year 2015 (unaudited) and projected cash flows (including the TRANS) in Fiscal Year 2016. 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 2016 Tax Revenue Anticipation Notes Act of 2015, D.C. Act 21-196, effective November 7, 2015 (the "TRANS Act"), and the Note Issuance Certificate of the CFO.

Wilmington Trust, National Association, is the Escrow Agent, Paying Agent and Registrar for the TRANS. The District and Wilmington Trust, National Association, 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 2016.



## **Terms**

The TRANs will be dated the date of delivery thereof and will mature on September 30, 2016. 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, 2016, 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, 2016.

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, 2016.

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 2016 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 general obligation 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 general obligations notes, including the TRANs, 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 (D.C. Official Code §1-204.83). 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 derived from Special Real Property Taxes and held in a special tax fund (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 \$3.5 billion of fixed and variable rate General Obligation Bonds outstanding and approximately \$4.3 billion of fixed and variable rate Income Tax Bonds outstanding. The District expects to issue approximately \$95.5 million of Income Tax Secured Revenue Refunding Bonds (Adjusted SIFMA Rate)

by November 24, 2015. During Fiscal Year 2016, The District also expects to issue approximately \$500 million of General Obligation Bonds and/or Income Tax Bonds to fund the final phase of its Fiscal Year 2015 capital improvements plan and approximately \$600 million of General Obligation Bonds and/or Income Tax Bonds to fund the first phase of its Fiscal Year 2016 capital improvements plan.

**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 pursuant to 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 of 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, 2016, through September 30, 2016, 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.

<u>Date of Deposit</u>	<u>Amount of Deposit</u>
September 1, 2016	20% of the outstanding principal amount
September 21, 2016	60% of the outstanding principal amount
September 29, 2016	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<sup>th</sup> day of August 2016 and the 16<sup>th</sup> day of September 2016. 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, 2016, then the CFO is required to deposit, into the TRANs Escrow Account, the Receipts 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 for 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.

There is no litigation pending in any court, or to the knowledge of the Office of the Attorney General for the District of Columbia, threatened, which would have a material adverse impact on the District's ability to repay the TRANs or the District's long-term financial condition.

The District is a party to various litigation including, but not limited to, the following:

The District is named as a party in legal proceedings and investigations that occur in the normal course of governmental operations. Certain of such matters could have a programmatic or budgetary impact on the District, including, but not limited to, (i) the United Medical Center matter described in Part 2, "FINANCIAL INFORMATION – Summary of General Fund Expenditures – Human Support Services," (ii) the D.C. Association of Chartered Public Schools matter described in Part 2, "FINANCIAL

INFORMATION – Summary of General Fund Expenditures – Public Education,” and (iii) the firefighter overtime arbitration described in Part 2, “FINANCIAL INFORMATION – Summary of General Fund Expenditures – Public Safety and Justice.”

## **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 amounts treated as 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. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the TRANs to some extent for high-income individuals. 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**

Acacia Financial Group, Inc., Marlton, New Jersey, and Public Financial Management, Inc., Philadelphia, Pennsylvania (together, the "Financial Advisors"), serve as financial advisors to the District for debt management and certain other financial matters. The Financial Advisors have provided certain services to the District in connection with the issuance of the 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 made an independent verification of, and assume no 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 for the District of Columbia. Bryant Miller Olive P.C., Washington, D.C., Disclosure Counsel to the District, will deliver an opinion to the District and the Purchasers (as defined below) regarding certain matters.

## COMPETITIVE SALE OF TRANs

After competitive, electronic bidding on December 2, 2015, the TRANs were awarded by the District in the amounts, to the Purchasers 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:

<u>Amount</u>	<u>Purchaser</u>	<u>Purchase Price</u>	<u>Reoffering Yield</u>
\$150,000,000	PNC Capital Markets LLC	\$151,426,000	0.260%
50,000,000	Merrill Lynch, Pierce, Fenner & Smith Incorporated	50,456,500	0.330
25,000,000	RBC Capital Markets	25,227,750	0.340
<u>25,000,000</u>	Citigroup Global Markets	<u>25,226,500</u>	0.350
\$250,000,000		\$252,336,750	

The Official Terms of Note Sale of the District, dated November 20, 2015, pursuant to which the TRANs were offered for sale to the public are attached hereto as APPENDIX C.

## CONTINUING DISCLOSURE

The District will undertake in a Continuing Disclosure Agreement to assist the Purchasers 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. DAC is disclosure dissemination agent for the District. The District’s continuing disclosure filings since July 2009 are available at [www.emma.msrb.org](http://www.emma.msrb.org).

Other than as described below, the District has complied with its continuing disclosure undertakings in all material respects within the last five years.

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

On February 28, 2011, the District made a timely filing of its annual financial information and operating data for fiscal year 2010 (the “FY 2010 Filing”) for its Deed Tax Revenue Bonds (Housing Production Trust Fund – New Communities Project), Series 2007A (the “Series 2007A Bonds”), and its Deed Tax Revenue Bonds, Series 2010A, Deed Tax Revenue Bonds, Series 2010B, and Taxable Deed

Tax Revenue Bonds, Series 2010C (collectively, the “Series 2010 Bonds”). However, the FY 2010 Filing was not properly linked to the Series 2010 Bonds on EMMA. On July 27, 2015, the District corrected this error with respect to the Series 2010 Bonds.

The District filed a notice of a rating upgrade by Standard & Poor’s Ratings Services (“S&P”) of Assured Guaranty Ltd. (“Assured”) dated March 18, 2014, which affected the insured ratings on certain bonds issued by the District and insured by Assured, but failed to include the Mandarin Oriental Hotel Project Tax Increment Revenue Bonds, Series 2002 (the “Mandarin Hotel TIF Bonds”) among the bonds identified in the notice filing. The notice failure with respect to the Mandarin Hotel TIF Bonds insured by Assured was cured by the District on July 17, 2014.

## **RATINGS**

The TRANs have been rated “F1+,” “MIG 1” and “SP-1+” by Fitch, Moody’s Investors Service, Inc. (“Moody’s”) and S&P, respectively. The District’s long-term General Obligation Bonds are currently rated “AA” (stable outlook), “Aa1” (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/ Jeffrey S. DeWitt  
Jeffrey S. DeWitt  
Chief Financial Officer



**APPENDIX A**

**FORM OF BOND COUNSEL OPINION**

December 16, 2015

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

**\$250,000,000**  
**DISTRICT OF COLUMBIA**  
**FISCAL YEAR 2016 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 \$250,000,000 Fiscal Year 2016 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 2016 Tax Revenue Anticipation Notes Act of 2015, D.C. Act No. 21-196, effective November 7, 2015 (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 December 16, 2015 (the “Escrow Agreement”), by and between the District and Wilmington Trust, National Association, 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, receivership, 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), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, 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 amount, 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](http://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**

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**OFFICIAL TERMS OF NOTE SALE**

**\$250,000,000\***

**DISTRICT OF COLUMBIA  
FISCAL YEAR 2016 GENERAL OBLIGATION  
TAX REVENUE ANTICIPATION NOTES**

Notice is hereby given that sealed bids, defined to mean electronic bids via PARITY, for the \$250,000,000\* Fiscal Year 2016 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 December 2, 2015 (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.

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 electronic bids will be 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 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), or electronically via the internet at [www.i-dealprospectus.com](http://www.i-dealprospectus.com). 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 December 1, 2015. 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.

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\* Preliminary, subject to change.

**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.

**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, 2016 (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.

**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 December 2, 2015. 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. Adjustments after the bids will 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 December 1, 2015; 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, 2016.

**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, 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 December 16, 2015, 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:** Bryant Miller Olive, P.A., 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 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 November 20, 2015 (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 for the form of the Continuing Disclosure Agreement. Such annual information and material event notices will be provided to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) 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 2016 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 2016 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 \_\_\_\_\_, 2015 (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 Initial Public Offering Price of the Notes was determined by the Original Purchaser to represent its best estimation of the fair market value as of the Sale Date.

4. 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.

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: \_\_\_\_\_, 2015

[Successful Bidder]

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**OFFICIAL BID FORM**  
**PROPOSAL FOR THE PURCHASE OF**  
**\$250,000,000\***

**DISTRICT OF COLUMBIA**  
**FISCAL YEAR 2016 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 \$250,000,000\* principal amount, Fiscal Year 2016 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, 2016, 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, 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 November \_\_, 2015.

---

\* 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: \_\_\_\_\_

Date: \_\_\_\_\_

For: \_\_\_\_\_

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## APPENDIX D

### FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Agreement”) dated December 16, 2015, is executed and delivered by the District of Columbia (the “Issuer”) in connection with the issuance and sale of the Issuer’s \$250,000,000 aggregate principal amount Fiscal Year 2016 General Obligation Tax Revenue Anticipation Notes (the “TRANS”) pursuant to the Fiscal Year 2016 Tax Revenue Anticipation Notes Act of 2015 (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 Purchasers in complying with subsection (b)(5) of the Rule.

**Section 1.2. Annual Financial Information.** (a) Commencing with the fiscal year ending September 30, 2015, the Issuer shall provide to the MSRB no later than February 28, 2016, and no later than each succeeding February 28 thereafter, Annual Finance Information with respect to each fiscal year of the Issuer.

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

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

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

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

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

## ARTICLE II

### Operating Rules

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

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

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

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

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

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

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

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

## ARTICLE III

### Effective Date, Termination, Amendment and Enforcement

**Section 3.1. Effective Date; Termination.** (a) This Agreement shall be effective upon the issuance of the 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, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments to or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have received an opinion of Counsel to the same effect as set forth in clause (2) above, (4) the Issuer shall have received an opinion of Counsel or a determination by an entity, in each case unaffiliated with the Issuer (such as bond counsel or the Escrow Agent), to the effect that the amendment does not materially impair the interests of the holders of the TRANs, 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 Benefit; Third-Party Beneficiaries; Enforcement.** (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time

of the 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) Any failure by the Issuer to perform in accordance with this Agreement shall not constitute an event of default under the TRANs Act, and any rights and remedies provided by the TRANs Act upon the occurrence of an event of default shall not apply to any such failure.

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

## ARTICLE IV

### Definitions

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

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

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

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

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

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

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

information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) “Audited Financial Statements” means the annual financial statements, if any, of the Issuer, audited by such auditor as selected by the Inspector General or as shall otherwise then be required or permitted by the Issuer or federal law or the TRANs Act. 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.

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

(7) “Official Statement” means the Official Statement dated December 2, 2015 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 PROJECTION <sup>1</sup>  
FOR THE YEAR ENDING SEPTEMBER 30, 2015  
(\$ millions)**

Line No.	Projections												FY 2015 Projection Totals	
	October	November	December	January	February	March	April	May	June	July	August	September		
1	<b>Beginning Operating Cash Balance <sup>2</sup></b>	<b>640.90</b>	<b>26.70</b>	<b>345.16</b>	<b>434.56</b>	<b>161.83</b>	<b>153.45</b>	<b>490.71</b>	<b>741.99</b>	<b>377.62</b>	<b>252.25</b>	<b>138.01</b>	<b>114.98</b>	
2	<b>OPERATING ACTIVITIES</b>													
3	<b>RECEIPTS</b>													
4	<b>Tax Receipts</b>													
5	Individual Income Tax	120.91	140.67	147.67	214.27	63.83	80.38	145.36	216.55	146.52	137.79	135.76	230.50	1,780.19
6	Business Franchise Tax	13.55	26.58	85.85	28.56	0.90	78.10	65.21	16.21	79.33	4.95	3.37	92.18	494.80
7	Gross Receipts Tax	17.75	18.65	18.90	19.51	37.70	23.82	47.05	29.42	61.19	22.01	21.43	32.29	349.73
8	Real Property Tax	78.78	6.03	16.06	3.76	0.94	642.08	362.63	13.57	5.09	11.54	58.25	979.75	2,178.48
9	Personal Property Tax	1.29	0.20	0.21	0.51	0.15	-	0.37	0.09	0.28	24.86	27.37	1.66	56.97
10	General Sales Tax	127.49	125.73	142.86	98.68	74.75	56.28	92.08	91.26	106.86	112.01	115.21	93.88	1,237.08
11	Selective Sales Tax	5.77	5.44	6.89	5.95	5.61	5.76	11.07	7.39	5.31	9.24	10.41	31.43	110.28
12	Miscellaneous Tax Receipts	24.24	28.05	32.38	25.68	13.83	29.41	18.53	16.16	31.21	38.50	42.31	71.50	371.79
13	<b>Total Tax Receipts <sup>3</sup></b>	<b>389.78</b>	<b>351.35</b>	<b>450.81</b>	<b>396.91</b>	<b>197.71</b>	<b>915.83</b>	<b>742.30</b>	<b>390.65</b>	<b>435.78</b>	<b>360.89</b>	<b>414.10</b>	<b>1,533.19</b>	<b>6,579.31</b>
14	Non-Tax Receipts - General Purpose	10.49	39.00	42.17	43.29	36.01	50.10	34.66	26.99	29.53	43.10	39.00	58.76	453.12
15	Non-Tax Receipts - Special Purpose	46.37	47.85	42.05	29.86	58.80	41.43	68.86	39.66	49.66	56.62	36.53	30.36	548.04
16	Lottery/Interfund Transfer	6.35	5.08	5.08	6.35	5.08	5.08	5.08	6.35	5.08	6.35	5.08	5.08	66.00
17	Medicaid Reimbursement <sup>4</sup>	171.51	200.92	217.74	168.48	172.72	165.95	190.33	155.24	189.91	172.63	128.84	138.23	2,072.51
18	Federal Grants (less Medicaid Reimbursements) <sup>5</sup>	42.67	59.93	102.88	81.58	31.81	73.09	83.97	57.80	105.81	117.46	58.53	149.12	964.67
19	Federal Payments	-	-	15.92	4.19	46.93	-	-	-	-	-	-	-	16.76
20	Private and Other Funds	0.18	0.18	0.18	0.17	0.18	0.19	0.18	0.18	0.18	0.18	0.18	0.18	2.13
21	Transfer from Bond Escrow Fund	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Other Transfers and Receipts	15.67	15.67	15.67	14.93	15.67	16.42	15.67	15.67	15.67	15.67	15.67	15.67	188.09
23	<b>TOTAL RECEIPTS</b>	<b>683.01</b>	<b>719.98</b>	<b>892.50</b>	<b>745.76</b>	<b>564.92</b>	<b>1,268.10</b>	<b>1,141.05</b>	<b>692.54</b>	<b>831.61</b>	<b>772.90</b>	<b>697.94</b>	<b>1,947.35</b>	<b>10,957.66</b>
24														
25	<b>DISBURSEMENTS</b>													
26	Payroll	291.96	212.72	212.72	212.72	212.72	239.84	212.72	291.96	212.72	212.72	212.72	239.84	2,765.40
27	GO Debt Service Escrow	11.82	0.91	2.41	0.56	0.14	96.31	54.39	2.04	0.76	1.73	8.74	146.96	326.77
28	Income Tax Debt Service Escrow	-	-	-	-	-	-	100.00	100.00	100.00	-	-	-	300.00
29	Debt Service - Certificates of Participation	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Debt Service - Master Lease Program	-	-	12.89	-	-	12.89	-	-	12.89	-	-	12.89	51.55
31	Charter Schools	232.34	-	-	133.73	-	-	140.48	-	-	166.15	2.70	-	675.41
32	Pension Contribution & Benefits	150.84	-	-	-	-	-	-	-	-	-	-	-	150.84
33	Public Assistance (TANF)	13.94	13.94	13.94	13.28	13.94	14.60	13.94	13.94	13.94	13.94	13.94	13.94	167.29
34	Public School (NPS) <sup>6</sup>	47.92	47.92	47.92	45.64	47.92	50.20	47.92	47.92	47.92	47.92	47.92	47.92	575.03
35	Foster Care (NPS)	10.36	10.36	10.36	9.87	10.36	10.86	10.36	10.36	10.36	10.36	10.36	10.36	124.35
36	Medicaid (NPS)	255.55	204.44	204.44	255.55	204.44	204.44	204.44	255.55	204.44	252.56	204.44	204.44	2,654.69
37	WMATA Operating Subsidy	66.96	-	-	66.96	-	-	66.96	-	-	66.96	-	-	267.83
38	Rents and Utilities	30.71	30.71	30.71	29.24	30.71	32.17	30.71	30.71	30.71	30.71	30.71	30.71	368.46
39	Various Agency Disbursements <sup>7</sup>	77.36	77.36	77.36	73.67	77.36	81.04	77.36	77.36	77.36	77.36	77.36	77.36	928.27
40	Various Agency Subsidies and Transfers <sup>8</sup>	81.95	81.95	81.95	78.04	81.95	85.85	81.95	81.95	81.95	81.95	81.95	81.95	983.36
41	Payments to Healthcare Safety Net (GSECH)	2.25	2.25	2.25	2.14	2.25	2.35	2.25	2.25	2.25	2.25	2.25	2.25	26.94
42	Deposit to Health Benefit Fund (OPEB)	-	-	-	-	-	-	-	-	-	-	-	-	107.80
43	Transfers From Dedicated Tax Revenues	25.24	25.24	25.24	24.03	25.24	26.44	25.24	25.24	25.24	25.24	25.24	25.24	302.82
44	<b>TOTAL DISBURSEMENTS</b>	<b>1,299.18</b>	<b>707.78</b>	<b>722.17</b>	<b>945.44</b>	<b>707.01</b>	<b>856.99</b>	<b>1,068.71</b>	<b>939.25</b>	<b>820.52</b>	<b>989.84</b>	<b>718.31</b>	<b>1,001.64</b>	<b>10,776.82</b>
45														
46	<b>NET OPERATING CASH FLOW</b>	<b>(616.16)</b>	<b>12.21</b>	<b>170.34</b>	<b>(199.68)</b>	<b>(142.09)</b>	<b>411.11</b>	<b>72.35</b>	<b>(246.71)</b>	<b>11.09</b>	<b>(216.94)</b>	<b>(20.37)</b>	<b>945.71</b>	<b>180.84</b>
47														
48														
49														
50	<b>CAPITAL AND FINANCING ACTIVITIES</b>													
51	<b>Capital Disbursements</b>	<b>160.04</b>	<b>93.75</b>	<b>80.93</b>	<b>73.05</b>	<b>77.29</b>	<b>73.85</b>	<b>71.06</b>	<b>117.66</b>	<b>136.47</b>	<b>147.31</b>	<b>152.65</b>	<b>160.15</b>	<b>1,344.20</b>
52	PayGo Capital	0.75	0.75	0.75	0.32	0.32	0.32	0.32	0.32	0.32	0.75	0.75	0.75	6.45
53	Long-Term Financing	131.13	71.03	60.10	54.64	60.10	54.64	54.64	98.35	114.74	125.67	131.13	136.60	1,092.76
54	Highway Trust Fund: Federal Grants	23.06	17.45	15.58	11.84	13.71	15.58	13.71	13.71	15.58	15.58	15.58	15.58	186.94
55	Highway Trust Fund: Motor Fuel Tax	1.45	2.44	2.94	5.03	1.42	1.58	0.66	3.54	3.57	2.71	2.46	4.23	32.03
56	Capital - Master Lease	3.64	2.08	1.56	1.21	1.73	1.73	1.73	1.73	2.26	2.60	2.73	2.99	36.02
57	Capital Reimbursements	162.00	-	-	211.00	-	-	250.00	-	-	250.00	150.00	147.00	1,170.00
58	<b>Cash Flow from Capital Activity</b>	<b>1.96</b>	<b>(93.75)</b>	<b>(80.93)</b>	<b>(73.05)</b>	<b>133.71</b>	<b>(73.85)</b>	<b>178.94</b>	<b>(117.66)</b>	<b>(136.47)</b>	<b>102.69</b>	<b>(2.65)</b>	<b>(13.15)</b>	<b>(174.20)</b>
59	<b>Financing Activities</b>													
60	From (To) E/C/FS Reserve Funds <sup>9</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-
61	From (To) CF Reserve Funds <sup>10</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-
62	Short-Term Borrowing (Repayment)	-	400.00	-	-	-	-	-	-	-	-	-	(400.00)	(2.00)
63														
64	<b>Net Cash Flow after Capital &amp; Financing Activities</b>	<b>(614.20)</b>	<b>318.46</b>	<b>89.41</b>	<b>(272.73)</b>	<b>(8.39)</b>	<b>337.26</b>	<b>251.29</b>	<b>(364.37)</b>	<b>(125.37)</b>	<b>(114.24)</b>	<b>(23.02)</b>	<b>530.56</b>	<b>4.64</b>
65														
66	<b>Ending Operating Cash Balance</b>	<b>26.70</b>	<b>345.16</b>	<b>434.56</b>	<b>161.83</b>	<b>153.45</b>	<b>490.71</b>	<b>741.99</b>	<b>377.62</b>	<b>252.25</b>	<b>138.01</b>	<b>114.98</b>	<b>645.54</b>	
67	<b>Ending CF Reserve Balance</b>	<b>299.43</b>	<b>299.43</b>	<b>299.43</b>	<b>299.43</b>	<b>299.43</b>	<b>299.43</b>	<b>299.43</b>	<b>299.43</b>	<b>299.43</b>	<b>299.43</b>	<b>299.43</b>	<b>299.43</b>	
	<b>Ending Emergency Reserve Balance</b>	<b>112.07</b>	<b>112.07</b>	<b>112.07</b>	<b>112.07</b>	<b>112.07</b>	<b>112.07</b>	<b>112.07</b>	<b>112.07</b>	<b>112.07</b>	<b>112.07</b>	<b>112.07</b>	<b>112.07</b>	
	<b>Ending Contingency Reserve Balance</b>	<b>231.73</b>	<b>231.73</b>	<b>231.73</b>	<b>231.73</b>	<b>231.73</b>	<b>231.73</b>	<b>231.73</b>	<b>231.73</b>	<b>231.73</b>	<b>231.73</b>	<b>231.73</b>	<b>231.73</b>	
68	<b>Ending Fiscal Stabilization Reserve Balance</b>	<b>156.15</b>	<b>156.15</b>	<b>156.15</b>	<b>156.15</b>	<b>156.15</b>	<b>156.15</b>	<b>156.15</b>	<b>156.15</b>	<b>156.15</b>	<b>156.15</b>	<b>156.15</b>	<b>156.15</b>	
69	<b>Total Cash Balance</b>	<b>826.07</b>	<b>1,144.53</b>	<b>1,233.94</b>	<b>961.21</b>	<b>952.82</b>	<b>1,290.08</b>	<b>1,541.37</b>	<b>1,176.99</b>	<b>1,051.62</b>	<b>937.38</b>	<b>914.36</b>	<b>1,444.91</b>	

<sup>1</sup> Represents receipts and disbursements that flow through the District's Operating Accounts.

<sup>2</sup> FY 2015 Beginning Operating Cash Balance is based on cash-on-hand as of Sept. 30, 2014

<sup>3</sup> Includes Dedicated Taxes

<sup>4</sup> Calculated generally at 70% of Medicaid expenditure

<sup>5</sup> Calculated at 100% of Budget Authority.

<sup>6</sup> The Non-Personnel Services(NPS) line items do not include expenses for Payroll.

<sup>7</sup> Various Agency Disbursements include supplies and materials, contractual services, equipment and equipment rentals, other service charges and vendor payments

<sup>8</sup> Various Agency Subsidies and Transfers includes human support services including housing, health, youth and community programs of various types

<sup>9</sup> E/C/FS: Emergency, Contingency and Fiscal Stabilization Reserves

<sup>10</sup> CF: Cash Flow Reserve Fund

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
CONSOLIDATED OPERATING CASH FLOW PROJECTION<sup>1</sup>  
FOR THE YEAR ENDING SEPTEMBER 30, 2016  
(\$ millions)**

Line No.	Projections												FY 2016 Projection Totals
	October	November	December	January	February	March	April	May	June	July	August	September	
1	<b>Beginning Operating Cash Balance<sup>2</sup></b>												
1	1,444.40	447.25	401.61	617.93	381.67	45.01	503.25	573.41	549.57	503.14	83.87	(37.69)	
2	<b>OPERATING ACTIVITIES</b>												
3	<b>RECEIPTS</b>												
4	<b>Tax Receipts</b>												
5	126.47	147.13	154.45	224.12	66.77	84.07	152.05	226.51	153.25	144.13	142.00	241.10	1,862.04
6	12.13	23.80	76.87	25.58	0.81	69.94	58.39	14.51	71.04	4.43	3.02	82.54	443.07
7	16.96	17.82	18.06	18.64	36.02	22.76	44.95	28.11	58.46	21.03	20.47	30.85	334.14
8	83.88	6.43	17.10	4.00	1.00	683.68	386.13	14.45	5.42	12.29	62.03	1,043.24	2,319.64
9	1.28	0.20	0.21	0.50	0.14	-	0.36	0.09	0.28	24.66	27.15	1.64	56.53
10	134.46	132.61	150.67	104.07	78.84	59.36	97.11	96.25	112.70	118.13	121.51	99.01	1,304.71
11	5.89	5.55	7.03	6.07	5.73	5.88	11.30	7.54	5.42	9.43	10.62	32.07	112.52
12	27.87	32.25	37.23	29.52	15.90	33.82	21.30	18.58	35.88	44.27	48.64	82.21	427.48
13	<b>408.94</b>	<b>365.78</b>	<b>461.62</b>	<b>412.51</b>	<b>205.21</b>	<b>959.51</b>	<b>771.60</b>	<b>406.03</b>	<b>442.45</b>	<b>378.36</b>	<b>435.44</b>	<b>1,612.66</b>	<b>6,860.12</b>
14	8.89	33.05	35.74	36.68	30.52	42.46	29.37	22.87	25.03	36.53	33.05	49.80	383.99
15	45.14	46.58	40.93	29.07	57.24	40.33	67.04	38.60	48.34	55.11	35.56	29.55	533.50
16	6.01	4.81	6.01	4.81	4.81	4.81	6.01	4.81	4.81	6.01	4.81	4.81	62.50
17	177.94	208.45	225.89	174.79	179.19	172.17	197.46	161.06	197.02	179.10	133.66	143.41	2,150.12
18	44.77	62.89	107.95	85.61	33.38	76.70	88.11	60.66	111.03	123.26	61.42	156.48	1,012.27
19	-	-	-	-	-	-	-	38.78	38.78	-	-	38.78	116.35
20	0.13	0.13	0.13	0.12	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	1.50
21	-	-	-	-	-	-	-	-	-	-	-	-	-
22	10.28	10.28	10.28	9.79	10.28	10.77	10.28	10.28	10.28	10.28	10.28	10.28	123.35
23	<b>702.09</b>	<b>731.96</b>	<b>888.56</b>	<b>753.37</b>	<b>520.75</b>	<b>1,306.87</b>	<b>1,169.99</b>	<b>743.22</b>	<b>877.86</b>	<b>788.77</b>	<b>714.35</b>	<b>2,045.90</b>	<b>11,243.68</b>
24	<b>TOTAL RECEIPTS</b>												
25	<b>DISBURSEMENTS</b>												
26	315.73	230.04	345.06	230.04	230.04	230.04	230.04	259.37	230.04	315.73	230.04	144.35	2,990.52
27	13.00	1.00	2.65	0.62	0.16	105.97	59.85	2.24	0.84	1.90	9.61	161.70	359.54
28	-	-	-	-	-	-	100.00	100.00	100.00	-	-	-	300.00
29	-	-	-	-	-	-	-	-	-	-	-	-	-
30	-	-	12.10	-	-	12.10	-	-	12.10	-	-	12.10	48.41
31	235.84	-	-	149.92	-	-	149.92	-	-	149.92	-	-	685.59
32	180.58	-	-	-	-	-	-	-	-	-	-	-	180.58
33	10.62	10.62	10.62	10.12	10.62	11.13	10.62	10.62	10.62	10.62	10.62	10.62	127.49
34	46.79	46.79	46.79	44.56	46.79	49.02	46.79	46.79	46.79	46.79	46.79	46.79	561.50
35	2.81	2.81	2.81	2.68	2.81	2.95	2.81	2.81	2.81	2.81	2.81	2.81	33.77
36	277.40	221.92	248.69	221.92	221.92	221.92	221.92	221.92	221.92	277.40	221.92	277.40	2,856.29
37	93.30	-	-	93.30	-	-	93.30	-	-	93.30	-	-	373.21
38	14.61	14.61	14.61	13.91	14.61	15.30	14.61	14.61	14.61	14.61	14.61	14.61	175.27
39	62.90	62.90	62.90	59.91	62.90	65.90	62.90	62.90	62.90	62.90	62.90	62.90	754.84
40	75.36	75.36	75.36	71.77	75.36	78.94	75.36	75.36	75.36	75.36	75.36	75.36	904.28
41	4.26	4.26	4.26	4.06	4.26	4.47	4.26	4.26	4.26	4.26	4.26	4.26	51.15
42	-	-	-	-	95.40	-	-	-	-	-	-	-	95.40
43	26.70	26.70	26.70	25.43	26.70	27.97	26.70	26.70	26.70	26.70	26.70	26.70	320.37
44	<b>1,359.92</b>	<b>697.02</b>	<b>852.56</b>	<b>928.24</b>	<b>791.57</b>	<b>825.72</b>	<b>1,099.09</b>	<b>827.59</b>	<b>808.96</b>	<b>1,082.31</b>	<b>705.63</b>	<b>839.62</b>	<b>10,818.22</b>
45	<b>TOTAL DISBURSEMENTS</b>												
46	<b>NET OPERATING CASH FLOW</b>												
47	(657.83)	34.94	36.00	(174.86)	(270.83)	481.16	70.90	(84.37)	68.90	(293.55)	8.72	1206.28	425.46
48	<b>CAPITAL AND FINANCING ACTIVITIES</b>												
49	<b>Capital Disbursements</b>												
50	136.76	80.59	69.67	61.40	65.83	62.92	60.74	99.47	115.33	125.72	130.28	136.13	1,144.84
51	2.50	2.50	2.50	1.07	1.07	1.07	1.07	1.07	1.07	2.50	2.50	2.50	21.45
52	111.02	60.13	50.88	46.26	50.88	46.26	46.26	83.26	97.14	106.39	111.02	115.64	925.13
53	20.01	15.14	13.52	10.27	11.90	13.52	11.90	13.52	13.52	13.52	13.52	13.52	162.23
54	0.87	1.46	1.75	3.01	0.85	0.94	0.39	2.12	2.13	1.62	1.47	2.53	19.13
55	2.37	1.35	1.01	0.79	1.13	1.13	1.13	1.46	1.69	1.77	1.77	1.94	16.90
56	-	-	-	-	-	40.00	60.00	160.00	-	-	-	-	260.00
57	<b>(136.76)</b>	<b>(80.59)</b>	<b>(69.67)</b>	<b>(61.40)</b>	<b>(65.83)</b>	<b>(22.92)</b>	<b>(0.74)</b>	<b>60.53</b>	<b>(115.33)</b>	<b>(125.72)</b>	<b>(130.28)</b>	<b>(136.13)</b>	<b>(884.84)</b>
58	<b>Financing Activities</b>												
59	(186.38)	-	-	-	-	-	-	-	-	-	-	-	(186.38)
60	(16.18)	-	-	-	-	-	-	-	-	-	-	-	-
61	-	-	250.00	-	-	-	-	-	-	-	-	(252.50)	(2.50)
62	<b>(997.15)</b>	<b>(45.64)</b>	<b>216.33</b>	<b>(236.26)</b>	<b>(336.66)</b>	<b>458.24</b>	<b>70.16</b>	<b>(23.84)</b>	<b>(46.43)</b>	<b>(419.27)</b>	<b>(121.56)</b>	<b>817.65</b>	<b>(648.26)</b>
63	<b>Net Cash Flow after Capital &amp; Financing Activities</b>												
64	<b>447.25</b>	<b>401.61</b>	<b>617.93</b>	<b>381.67</b>	<b>45.01</b>	<b>503.25</b>	<b>573.41</b>	<b>549.57</b>	<b>503.14</b>	<b>83.87</b>	<b>(37.69)</b>	<b>779.96</b>	
65	<b>Ending Operating Cash Balance</b>												
66	343.62	343.62	343.62	343.62	343.62	343.62	343.62	343.62	343.62	343.62	343.62	343.62	343.62
67	121.76	121.76	121.76	121.76	121.76	121.76	121.76	121.76	121.76	121.76	121.76	121.76	121.76
68	216.16	216.16	216.16	216.16	216.16	216.16	216.16	216.16	216.16	216.16	216.16	216.16	216.16
69	164.57	164.57	164.57	164.57	164.57	164.57	164.57	164.57	164.57	164.57	164.57	164.57	164.57
70	<b>1,293.35</b>	<b>1,247.71</b>	<b>1,464.04</b>	<b>1,227.78</b>	<b>891.12</b>	<b>1,349.36</b>	<b>1,419.52</b>	<b>1,395.67</b>	<b>1,349.24</b>	<b>929.98</b>	<b>808.42</b>	<b>1,626.07</b>	
71	<b>Total Cash Balance</b>												

<sup>1</sup> Represents receipts and disbursements that flow through the District's Operating Accounts.

<sup>2</sup> FY 2016 Beginning Operating Cash Balance is based on cash-on-hand as Sept 30 2015

<sup>3</sup> Includes Dedicated Taxes

<sup>4</sup> Calculated generally at 70% of medicaid expenditure

<sup>5</sup> Calculated at 100% of Budget Authority.

<sup>6</sup> The Non-Personnel Services(NPS) line items do not include expenses for Payroll.

<sup>7</sup> Various Agency Disbursements include supplies and materials, contractual services, equipment and equipment rentals, other service charges and vendor payments

<sup>8</sup> Various Agency Subsidies and Transfers includes human support services including housing, health, youth and community programs of various types

<sup>9</sup> E/C/F/S: Emergency, Contingency and Fiscal Stabilization reserve Funds

<sup>10</sup> CF: Cash Flow Reserve Fund

**PART 2**

**of the**

**OFFICIAL STATEMENT**

**of the**

**DISTRICT OF COLUMBIA**

**relating to its**

**FISCAL YEAR 2016  
GENERAL OBLIGATION  
TAX REVENUE ANTICIPATION NOTES**

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FOR PART 2**

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# GOVERNMENT OF THE DISTRICT OF COLUMBIA

## LEGISLATIVE BRANCH

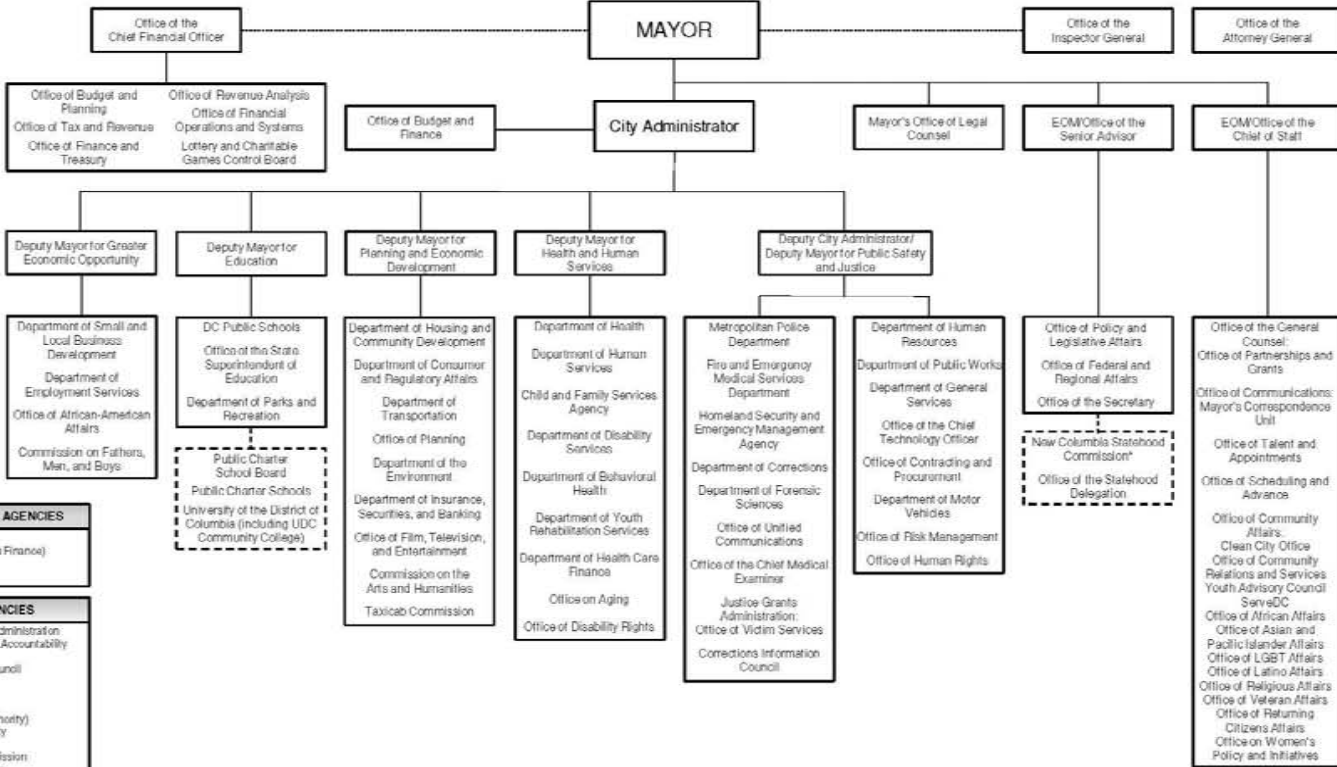
- Council of the District of Columbia
- DC Auditor
- Advisory Neighborhood Commissions

## RESIDENTS

## EXECUTIVE BRANCH

### MAYOR

### City Administrator



## JUDICIAL BRANCH

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

- ### CHARTER INDEPENDENT AGENCIES
- Board of Elections (including the Office of Campaign Finance)
  - Public Service Commission
  - Zoning Commission

- ### INDEPENDENT AGENCIES
- Alcoholic Beverages Regulation Administration
  - Board of Ethics and Government Accountability
  - Contract Appeals Board
  - Criminal Justice Coordinating Council
  - DC Housing Authority
  - DC Public Library
  - DC Retirement Board
  - DC Water (Water and Sewer Authority)
  - Health Benefit Exchange Authority
  - Housing Finance Agency
  - New Columbia Statehood Commission
  - Not-for-Profit Hospital Corporation
  - Office of Administrative Hearings
  - Office of Employee Appeals
  - Office of the People's Counsel
  - Office of the Statehood Delegation
  - Office of the Tenant Advocate
  - Office of Zoning
  - Public Charter School Board
  - Public Employee Relations Board
  - Real Property Tax Appeals Commission
  - State Board of Education
  - University of the District of Columbia (including UDC Community College)
  - Washington Convention and Sports Authority

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



NOTE: Agencies enclosed within dashed boxes are independent agencies.

\*The New Columbia Statehood Commission is co-chaired by the Mayor and the Council Chairman.

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## THE DISTRICT OF COLUMBIA

### Creation and Charter

The District of Columbia was created in 1791 by an 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. No. 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, a housing finance agency and a lottery.

### Organization of the District Government

**Legislative Branch.** The legislative powers granted to the District by the Home Rule Act are vested in the Council of the District of Columbia (the “Council”), which consists of 13 members elected on a staggered basis for four-year terms. The Chairman of the Council and four members are elected on an “at-large” basis and each of the eight wards of the District elects one member. Seven members of the Council, including the Chairman, were elected in the general election held on November 4, 2014. A special election was held on April 28, 2015 to fill the vacancies on the Council for Wards 4 and 8, and such Council members were sworn in on May 14, 2015.

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 described 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. Muriel Bowser was elected as Mayor in the general election held on November 4, 2014 and was sworn into office on January 2, 2015.

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, a Deputy Mayor for Public Safety and Justice, and a Deputy Mayor for Greater Economic Opportunity.

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 with no term limits. 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.

**The Attorney General for the District of Columbia.** The Attorney General for the District of Columbia (the “Attorney General”) is charged to conduct all law business of the District and handle all lawsuits instituted by and against the District government. The Attorney General is also responsible for upholding the public interest and may intervene in legal proceedings on behalf of the public interest. Until recently, the Attorney General was appointed by the Mayor and confirmed by the Council. Pursuant to an amendment to the Home Rule Act, the Attorney General has become an elected official. Karl A. Racine was elected as Attorney General in the general election held on November 4, 2014 and was sworn into office on January 2, 2015.

**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 supervises and assumes responsibility for financial transactions to ensure adequate control of revenues and resources and that appropriations are not exceeded, maintains systems of accounting and internal control, supervises and assumes responsibility for levying and collecting all taxes, fees and other revenues, maintains custody of all public funds and all investments and invested funds, and assists 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. Further, the CFO must prepare annual estimates of all revenues of the District which are binding on the Mayor and the Council for purposes of preparing and submitting the annual budget. The CFO also must prepare and submit to the Mayor and the Council, and make public, quarterly re-estimates of the revenues of the District during the year.

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

The 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.

Jeffrey S. DeWitt was sworn in as the District's CFO on January 2, 2014, and his term will expire on June 30, 2017. Mr. DeWitt's term is shorter than the statutory five-year term described above, as he is completing the remainder of the term of the District's prior CFO.

**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. On October 28, 2014, the Council approved the Mayor’s nomination of Daniel W. Lucas as the new Inspector General. He was sworn into office on November 17, 2014.

***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. Kathleen Patterson was sworn in as District Auditor on December 4, 2015, and her term will expire on February 25, 2017. Ms. Patterson’s term is shorter than the statutory six-year term described above, as she is completing the remainder of the term of the prior District Auditor.

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

## **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, however, has made revisions to the District's budget as adopted by the Council and generally has conditioned its approval of the District's budget on compliance by the District with a variety of Congressional mandates.

### **The Authority**

Pursuant to the District of Columbia Financial Responsibility and Management Assistance Act of 1995, Pub. L. No. 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 initial Control Period terminated on February 14, 2001 and the Authority 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 issued by the District; (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 unless Congress were to change the law.

### **Federal Funding**

*Overview.* 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 2014, the District directly received federal revenues in the total aggregate amount of approximately \$3.55 billion. See Table 1 herein.

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.

The implementation of certain provisions of the Budget Control Act of 2011 (Pub. L. No. 112-25) (the "Budget Control Act"), which was signed into law by the President on August 2, 2011, has adversely impacted the District, although the impact to date has been less than originally anticipated. 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 – was implemented beginning in Fiscal Year 2013, resulting in automatic cuts to federal spending for designated agencies and programs of \$1.2 trillion. These federal spending cuts are to

be spread evenly over Fiscal Years 2013 through 2021. Although sequestration reduces the availability of certain federal funds typically received annually by the District, portions of certain federal programs, including Medicaid and federal spending for highways, to the extent otherwise subject to obligation limitations, are currently exempt from sequestration. The District estimates the annual revenue reductions from the sequestration to be approximately \$20 to \$30 million for Fiscal Years 2014 and 2015. In addition, the District has estimated a potential annual reduction of approximately \$40 million of federal grant revenues, and \$10 million of federal payments for Fiscal Years 2013 through 2021. 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 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, and the resulting overall economic impact.

**Federal Payments.** The federal government provides the District with federal payments to pay for certain specified purposes, such as school improvements and the Tuition Assistance Grant program. The District received federal payment revenues of approximately \$151 million in Fiscal Year 2010, \$126 million in Fiscal Year 2011, \$74 million in Fiscal Year 2012, \$59 million in Fiscal Year 2013 and \$53 million in Fiscal Year 2014. In addition to these amounts, the federal government contributed funds for certain retirement programs for District employees, totaling approximately \$519 million in Fiscal Year 2010, \$492 million in Fiscal Year 2011, \$482 million in Fiscal Year 2012, \$496 million in Fiscal Year 2013, and \$467 million in Fiscal Year 2014, 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 certain increases within the American Recovery and Reinvestment Act of 2009 ("ARRA")) in the amount of approximately \$2.2 billion in Fiscal Year 2010, \$2.4 billion in Fiscal Year 2011, \$2.6 billion in Fiscal Year 2012, \$2.7 billion in Fiscal Year 2013 and \$2.8 billion in Fiscal Year 2014. Capital grants to the District, which are used to purchase or construct fixed assets, such as land, utility plants, buildings and equipment, totaled approximately \$244.3 million in Fiscal Year 2010, \$173.0 million in Fiscal Year 2011, \$261.4 million in Fiscal Year 2012, \$270.8 million in Fiscal Year 2013 and \$178.2 million in Fiscal Year 2014, the bulk of which were United States Highway Trust Fund moneys provided for public infrastructure improvements.

The District also receives Community Development Block Grant ("CDBG") funds from the U.S. Department of Housing and Urban Development ("HUD"), and the District's Department of Housing and Community Development ("DHCD") has been working with HUD to resolve an issue relating to approximately \$28.5 million of CDBG funds received by the District. On June 29, 2015, HUD officially notified DHCD that \$372,000 of the \$28.5 million CDBG grant fund received by the District must be returned to HUD to close this discussion. The District is in the process of returning the funds to HUD.

The District repaid the federal government in Fiscal Year 2015 for disallowances of \$57.6 million of Medicaid claims. These claims date back to Fiscal Years 2003 through 2006 in the Child and Family Services Agency and the District of Columbia Public Schools. Repayment of these claims to the federal government had been accrued as a liability in Fiscal Year 2008, in anticipation of a disallowance based on audited cost reports. This accrual negatively affected the District's fund balance as reported in the CAFR that year and in each subsequent year. As of Fiscal Year 2014, the federal government had not issued a disallowance letter, therefore the accrual had never been paid. Consequently, the accrual was moved out of the General Fund to long-term liabilities in Fiscal Year 2014, which had the effect of increasing the District's fund balance at the end of Fiscal Year 2014. In Fiscal Year 2015, the Centers for Medicare and

Medicaid Services issued the disallowances, and the District made the repayment from General Fund revenues.

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

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

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

Under the Code, an issuer also may issue “qualified school construction bonds” or “QSCBs,” the proceeds of which may be used to construct, rehabilitate or repair a public school facility, to acquire land, provided that the facility to be constructed with the same issue of QSCBs will be located on the land, and to acquire equipment or furniture provided that the equipment or furniture is to be used in the portion of the public school facility that is being constructed, rehabilitated or repaired with the proceeds of the QSCBs. These bonds may be issued by a state or local government within the jurisdiction in which the public school facility is located and bond proceeds are required to be spent for a facility located within the jurisdiction of the issuer. Issuers of QSCBs may elect to receive direct 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 paid to the District in Fiscal Year 2015 were \$18.4 million. The direct subsidy payments scheduled to be paid to the District (prior to any impact of sequestration) are approximately \$19.7 million in Fiscal Year 2016. Direct subsidy payments are not reflected in Table 1 herein.

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 of 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 federal government. Any such offset would occur as part of the Treasury’s Offset Program, which collects delinquent amounts due to federal agencies and

states in accordance with 26 U.S.C. §6402(d), 31 U.S.C. §3720A, and other applicable laws. From time to time payments of various amounts due to the District, including direct subsidy payments, have been delayed by the federal government pending resolution of a particular claim or dispute. In each case, the District has promptly resolved the matter.

Sequestration also affected the amount of direct subsidy payments received by the District. According to the Office of Management and Budget, budget cuts resulting from sequestration amounted to a 7.3% reduction in direct subsidy payments in Fiscal Year 2015. Federal budget cuts in Fiscal Year 2016 related to sequestration reduced the expected direct subsidy payments to the District by 6.8% or approximately \$1.3 million.

**Table 1. Federal Revenues, by Category**  
Fiscal Year 2014  
(\$ in thousands)

Pension Contributions <sup>(1)</sup>	\$467,290	
Federal Payments in the District's Budget, Operating	52,556	
Federal Payments in the District's Budget, Capital	<u>0</u>	
Federal Payments, Total		519,846
Federal Operating Grants		2,848,720
Federal Capital Grants		<u>178,217</u>
<b>Total</b>		<b><u>\$3,546,783</u></b>

<sup>(1)</sup> 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. No. 105-33.

Source: District's CAFR for Fiscal Year 2014.

## 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 prior actual experience and the approved current Fiscal Year budget and estimates for at least the four succeeding Fiscal Years.

For each Fiscal Year, the Mayor is required by the Home Rule Act to submit to the Council, at such time as the Council directs, a budget, prepared on the basis that proposed expenditures do not exceed resources. Upon approval by the 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 or authorization, 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. 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. See



Note 15 in the Fiscal Year 2014 Financial Statements. The Fiscal Year 2015 Appropriations Act (as defined herein), however, appropriates or authorizes spending of applicable funds as may be necessary for the payment of legal settlements or judgments that have been entered against the District.

Pursuant to the provisions of: (i) the federal Anti-Deficiency Act, 31 U.S.C. §§ 1341, 1342, 1349-1351 and 1511-1519 (the “Federal ADA”) and D.C. Official Code §§ 1-206.03(e) and 47-105; (ii) the District of Columbia Anti-Deficiency Act, D.C. Official Code §§ 47-355.01–355.08 (the “D.C. ADA” and the Federal ADA and D.C. ADA 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.

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 (“FSR”) is compiled to provide a “snapshot” of the District’s progress in executing the annual operating budget, as well as a quarterly FSR on capital spending. 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: 2010 – \$741,660,668 (10.85%); 2011 – \$691,308,978 (11.4%); 2012 – \$703,622,574 (10.2%); 2013 – \$719,846,375 (10.7%); and 2014 – \$705,940,260 (9.3%). 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 2014 approximately \$7,129,996 (1.01%) of expenditures by direct voucher did not fully conform with such guidelines.

***Local Budget Autonomy Legislation.*** The Local Budget Autonomy Amendment Act of 2012, adopted by the District Council on December 18, 2012, was subsequently approved by the District voters (the “Budget Autonomy Act”). The Budget Autonomy Act grants the District, effective January 1, 2014, the right to enact and appropriate its local funds budget without the need for approval by the United States Congress and to establish the District’s fiscal year. The legal validity of the Budget Autonomy Act was challenged in the U.S. District Court for the District of Columbia (the “District Court”), which issued a decision that the Budget Autonomy Act is unlawful and permanently enjoined enforcement of the act. The Council filed an appeal to the U.S. Court of Appeals for the District of Columbia (the “Appellate Court”), and on March 23, 2015, Mayor Muriel Bowser, the current Mayor for the District, filed a motion to dismiss the lawsuit, alleging, among other things, that the claims involved in the litigation are not ripe for judicial intervention. The Council and the CFO filed separate responses to the Mayor’s motion, reaffirming their respective positions and seeking judicial resolution. On May 27, 2015, the Appellate Court issued a summary order granting the Mayor’s motion, vacating the judgment from the District Court, and ordering the District Court to remand the case to the District of Columbia Superior Court (the “Superior Court”). The Appellate Court did not rule on the merits of the suit. The case was remanded to the Superior Court on June 23, 2015, which has set the briefing deadlines. On October 13, 2015, the Superior Court issued an order dismissing the Mayor as a named defendant and granting her motion to intervene as a named plaintiff in her official capacity as the Mayor, in this case. The Budget Autonomy Act has no effect on the Fiscal Year 2016 Adopted Budget, but further litigation on the merits of the Budget Autonomy Act is anticipated.

***Federal Appropriations for Fiscal Years 2015 and 2016.*** Generally, the District cannot obligate or expend District funds without a Congressional appropriation. On December 16, 2014, the President signed the Consolidated and Further Continuing Appropriations Act, 2015 (Pub. L. No. 113-235) (“FY15 Appropriations Act”), which provided appropriations for the District for Fiscal Year 2015, and further authorized the District to spend its local budget at the level set forth in the Fiscal Year 2016 Budget Request Act of 2015 (“FY16 BRA”) as submitted to Congress in the Fiscal Year 2016 Adopted Budget (as defined herein), as modified as of the beginning of a period in which neither a continuing resolution applicable to the District nor a Congressional appropriations bill for the District is in effect. On September 30, 2015, the President signed the Continuing Appropriations Act, 2016 (Pub. L. No. 114-53) (the “FY16 CR”) that provided appropriations for the federal government and the District (federal portion) through December 11, 2015, and further authorized the District to spend its local funds at the level set forth in the FY16 BRA as submitted to Congress, as modified as of the date of the FY16 CR. If Congress does not enact an appropriations act for Fiscal Year 2016 or another continuing resolution upon the expiration of the FY16 CR with respect to the District, during such lapse of Congressional appropriations, the District is still authorized to expend its local funds at the level of the FY16 BRA, as amended, pursuant to the FY15 Appropriations Act.

## 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 BSA (as defined herein) 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. The Cash Flow Reserve Account, the Fiscal Stabilization Reserve Account, the Emergency Reserve Fund, and the Contingency Reserve Fund are collectively referred to herein as the "Cash Reserves." See Table 2 herein for the balances of the Cash Reserves for Fiscal Years 2011-2015.

***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 that amount in cash necessary to bring the balance in such fund to 2% 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 by law to unanticipated and nonrecurring extraordinary needs of an emergency nature. Accordingly, the Emergency Reserve Fund may not be used to fund (i) any department, agency, or office of the District that is administered by a receiver, (ii) shortfalls in any projected expenditure reductions that are included in the budget proposed by the District, or (iii) settlements and judgments made by or against the District. Funds may be allocated from the Emergency Reserve Fund only after the CFO has prepared an analysis regarding the non-availability of other sources of funding to carry out the purposes of the allocation and the impact of such allocation on the balance and integrity of the Emergency Reserve Fund.

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

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

The CFO, in consultation with the Mayor, developed the District of Columbia Comprehensive Financial Management Policy (the "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. At September 30, 2014, which is the last audited report as represented in the Fiscal Year 2014 CAFR, the cash balance in the Cash Flow Reserve Account was \$343,528,000, which was approximately 4.7% of the General Fund operating budget as of that date. The District has not fully funded the Cash Flow Reserve Account as of the date of this Official Statement.

**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 certain purposes for which the Contingency Reserve Fund may be used, as specified in § 450A(b)(4) of the Home Rule Act, D.C. Official Code § 1-204.50a(b)(4), as certified by the CFO, with approval of the Council by act. At full funding, the Fiscal Stabilization Reserve Account will equal 2.34% of the District's General Fund operating expenditures for each Fiscal Year. At September 30, 2014, the cash balance in the Fiscal Stabilization Reserve Account was \$164,551,000, which was approximately 2.34% of the General Fund operating expenditures as of that date, representing full funding of the account. To date, the District has never withdrawn funds from the Fiscal Stabilization Reserve Account.

If either of the Cash Flow Reserve Account or the Fiscal Stabilization Reserve Account is 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.

**Cash Reserve Fund Balances.** In Fiscal Years 2011-2014, all withdrawals from the Emergency and Contingency Reserve Funds (which, by law, must be fully replenished over the two succeeding Fiscal Years), as well as the Cash Flow Reserve Account, were replenished by the close of the same Fiscal Year as the withdrawals. The District anticipates replenishing these reserves in the same way during the Fiscal Year 2015 close. There have been no withdrawals from the Fiscal Stabilization Reserve Account. All of the draws on the Cash Reserves were for authorized purposes, and the respective replenishments were made in compliance with the statutory deadlines.

**Table 2. Cash Reserve Fund Balances**  
(\$ in millions)

<u>Fiscal Year</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Emergency Reserve Fund	\$110	\$110	\$112	\$116	\$122
Contingency Reserve Fund	229	229	227	239	244
Cash Flow Reserve Account	152	346	295	344	395
Fiscal Stabilization Reserve Account	42	96	156	165	180

Sources: 2011-2014: the District's CAFRs for the applicable Fiscal Year.  
2015: the District's Fiscal Year 2016 Adopted Budget.

The Fiscal Year 2016 Adopted Budget projects the Fiscal Year 2016 Emergency Reserve Fund and the Contingency Reserve Fund balances to be \$129.8 million and \$259.6 million, respectively. The projection assumes that all draws made during the Fiscal Year will be replenished either during the Fiscal Year or during the Fiscal Year 2016 close.

## 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 2014 Financial Statements), which explain the items presented in the main body of the financial statements.

D.C. Official Code § 47-119 requires that the District's financial operations be audited each Fiscal Year by an independent auditor. The District selected KPMG, LLP as its independent auditor for Fiscal Year 2010 pursuant to a one-year contract that was subject to four annual renewals at the option of the District. District law provides that an audit contract with the same auditor cannot be extended past five years. The District has recently selected SB & Company, LLC as its independent auditor for Fiscal Year 2015, following the solicitation of proposals to provide such services.

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 2014 Financial Statements, which are included in the District's CAFR for Fiscal Year 2014, have been incorporated herein by reference. The District's CAFR for Fiscal Year 2014 and the Fiscal Year 2014 Financial Statements can be found on the District's website at <http://cfo.dc.gov/node/995122>, on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system at <http://www.emma.msrb.org> or by registering with and logging onto the website of Digital Assurance Certification, L.L.C. ("DAC") at [www.dacbond.com](http://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](mailto:dcinvestorrelations@dc.gov). The District did not require the independent auditor's consent to incorporate by reference herein the Fiscal Year 2014 Financial Statements. The independent auditor did not review or perform any procedures relating to this Official Statement. Further, the independent auditor has not been engaged to perform and has not performed, since the date of the CAFR for Fiscal Year 2014, any procedures on the financial statements addressed in its report as a part of the CAFR for Fiscal Year 2014.

***Revenue Estimates and Expenditure Projections.*** The Home Rule Act requires the CFO to submit quarterly estimates of all revenues of the District to the Mayor and Council. The most recent revenue estimates for the District for Fiscal Years 2015-2019 was submitted by the CFO on September 30, 2015 (the "September 2015 Revenue Estimate"). Forecasted revenues in the September 2015 Revenue Estimate, including legislative changes made in June 2015, increased by \$113.5 million in Fiscal Year 2015 and by \$2.7 million in Fiscal Year 2016 from the revenue estimate submitted by the CFO on June 30, 2015. Table 3 below shows the revenue estimates for the District for Fiscal Years 2015-2019, as included in the September 2015 Revenue Estimate.

**Table 3. Local Source, General Fund Revenue Estimates**

(\$ in millions)

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
September 2014 Revenue Estimate	\$6,660.9	\$6,869.3	\$7,091.0	\$7,311.2	\$ NA
December 2014 Revenue Estimate	6,577.6	6,829.8	7,047.3	7,332.7	NA
February 2015 Revenue Estimate	6,614.6	6,869.8	7,098.7	7,347.7	7,579.9
June 2015 Revenue Estimate	6,731.2	6,904.8	7,134.2	7,384.9	7,618.9
September 2015 Revenue Estimate <sup>(1)</sup>	6,844.7	6,907.5	7,137.9	7,388.6	7,622.6

<sup>(1)</sup> Includes June 2015 legislative changes, primarily attributable to taxation of vapor cigarette products and corporate tax reform related to tax havens. Does not include the effect of the Triggered Tax Cuts.

Sources: CFO's Revenue Estimates.

The higher September 2015 Revenue Estimate for Fiscal Year 2015 is largely attributable to an increase in sales tax revenue of \$73.6 million which is related to a one-time settlement payment the District received from on-line travel agencies for sales taxes owed in connection with hotel bookings which had not been reflected in previous revenue estimates because the timing and amount of the settlement were uncertain. In addition, local deed recordation and deed transfer taxes, as well as estate taxes, were increased by \$39.3 million. The moneys derived from the settlement payment have already been allocated to expenditures in the supplemental budget for Fiscal Year 2015 and, therefore, will not be available for allocation in the Fiscal Year 2016 Adopted Budget.

Table 3 does not reflect Triggered Tax Cuts for Fiscal Year 2016 pursuant to the BSA. The Triggered Tax Cuts are currently estimated to reduce District revenues by approximately \$28.7 million in Fiscal Year 2016, \$30 million in Fiscal Year 2017, \$31.5 million in Fiscal Year 2018 and \$32.6 million in Fiscal Year 2019. Modest year-over-year revenue increases in each of Fiscal Years 2016-2019 are expected to be realized, despite implementation of the Triggered Tax Cuts. Table 4 shows the revenue estimates for the District for Fiscal Years 2016-2019 including the Triggered Tax Cuts, as included in the September 2015 Revenue Estimate.

**Table 4. September Revenue Estimate Including Triggered Tax Cuts**

<b>Local Source, General Fund Revenue Estimate</b>	<b>Actual</b>		<b>Estimate</b>		<b>Projected</b>	
	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>FY 16 Adopted Budget</b> <i>(Based on the February revenue estimate and includes June legislative changes)</i>	\$6,307.4	\$6,614.6	\$6,869.8	\$7,098.7	\$7,347.7	\$7,579.9
<i>Additional revenue since February revenue estimate</i>		230.0 <sup>(1)</sup>	37.7	39.2	40.9	42.7
<i>Effect of the Triggered Tax Cuts<sup>(2)</sup></i>			(28.7)	(30.0)	(31.5)	(32.6)
<b>September Revenue Including the effect of the Triggered Tax Cuts</b>	<b>6,307.4</b>	<b>6,844.7</b>	<b>6,878.8</b>	<b>7,107.9</b>	<b>7,357.1</b>	<b>7,590.0</b>

<sup>(1)</sup> Fiscal Year 2015 additional revenues are one-time gains that have been already allocated.

<sup>(2)</sup> See Table 5 for more details regarding the tax categories contributing to the cumulative tax cuts reflected in this table.

Source: September 2015 Revenue Estimate.

The District’s revenue outlook is predicated on continuing improvement in the national economy, and assumes that growth in the District’s economy will also accelerate, adding both jobs and population over the period of the financial plan. Some significant measures to reduce federal spending are, however, expected to be in effect during the period of the financial plan, with the severity of their impact diminishing over time. Population growth has been a major factor in increasing the District’s income and sales tax bases, and is also a major driving force behind rising home values. In the last five years (2009 to 2014), the District’s population has grown by 66,665 (11.3%), an increase that has averaged more than 1,000 net new residents per month over this time.

The CFO notes that there has been little change in the outlook for the District’s economy since the June 30, 2015 Revenue Estimate (the “June 2015 Revenue Estimate”). With respect to the underlying economic assumptions, in the September 2015 Revenue Estimate, the Office of the CFO notes that such assumptions should be viewed (i) keeping in mind the possible adverse impact on the District’s economy of federal fiscal decisions in coming months, and (ii) as noted in the June 2015 Revenue Estimate, against a background of an improving national economy, federal spending constraints, and fairly strong employment and income gains over the past several months. The economic assumptions in the September 2015 Revenue Estimate include the following, among others assumptions:

- Job growth increasing from 0.8% in Fiscal Year 2014 to 1.5% in Fiscal Year 2015, and 1.1% in Fiscal Year 2016;
- Population growth continuing at a slightly slower pace (18,100 or 2.8% over Fiscal Years 2015 and 2016) with resident employment growing by 5.0% over that same period; and
- Personal income growth increasing from 2.5% in Fiscal Year 2014 to 4.4% in Fiscal Year 2015 and 4.6% in Fiscal Year 2016.

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") 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 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 2014, the District reports five discretely presented component units: WCSA, the University, the District of Columbia Housing Finance Agency, Not-For-Profit Hospital Corporation (d/b/a the "United Medical Center" or "UMC"), and the District of Columbia Health Benefit Exchange Authority. 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 GAAP for state and local governments as promulgated by the GASB. Accounting standards issued by GASB and applicable to the District are adopted and implemented periodically, as reflected in the presentation of financial information in the District's Financial Statements. Certain accounting standards issued in recent years by 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*, effective in December 2009 (alternative measurement method) or for fiscal periods beginning after June 15, 2011 (use of actuarial valuations); and
- GASB Statement No. 58: *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, effective for fiscal periods beginning after June 15, 2009.

### **District's General Fund: Fund Balance**

The District began Fiscal Year 2014 (October 1, 2013) with a General Fund balance of \$1.749 billion. The General Fund balance at the end of Fiscal Year 2014 (September 30, 2014) was \$1.874 billion. Based upon GAAP principles, the District ended Fiscal Year 2014 with an excess of revenues over expenditures of approximately \$146.6 million in the General Fund, which, when combined with other financing sources and uses in the General Fund of \$21.9 million for Fiscal Year 2014, resulted in a net change of \$124.7 million in the General Fund balance. See Exhibit 2-B in the Fiscal Year 2014 Financial Statements.

From time to time, the District budgets funds from the General Fund's fund balance for various expenditures. In Fiscal Year 2014, the District expended \$98.4 million of its General Fund balance.

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.

The following table sets forth the General Fund balance as detailed in the District's CAFRs from Fiscal Year 2010 through Fiscal Year 2014.

**Table 5. General Fund Balance, Fiscal Years 2010-2014**  
(\$ in millions)

	<u>Fiscal Years</u>				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Emergency & Contingency Cash Reserves <sup>(1)</sup>	\$337.9	\$ 338.6	\$ 339.1	\$ 339.5	\$ 355.4
Fiscal Stabilization & Cash Flow Reserves <sup>(1)</sup>	0.0	194.2	441.9	451.6	508.1
Bond Debt Service	288.3	345.3	388.3	488.2	437.8
Other Nonspendable, Restricted, Committed, Assigned or Unassigned	<u>304.5</u>	<u>226.8</u>	<u>337.2</u>	<u>469.6</u>	<u>572.4</u>
<b>Total</b>	<b><u>\$930.7</u></b>	<b><u>\$1,104.9</u></b>	<b><u>\$1,506.5</u></b>	<b><u>\$1,748.9</u></b>	<b><u>\$1,873.7</u></b>

<sup>(1)</sup> See “Cash Reserves” herein for more details on the reserve funds.

Source: Note 11 of each of the District’s CAFRs for the applicable Fiscal Years.

### **Management Discussion of Three Years Historical General Fund Operations**

The District experienced moderate improvement in its financial condition in Fiscal Years 2012 through 2014 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 2012 through 2014.

The results of the General Fund operations in Fiscal Years 2012-2014 are summarized below.

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

**Fiscal Year 2013.** The District’s General Fund ended Fiscal Year 2013 with a budgetary surplus of \$320.9 million. After considering fund balances released from restrictions, transfers or other financing sources and debt-related and other adjustments required by GAAP, the non-budgetary or GAAP surplus was \$242.4 million. Consequently, the accumulated General Fund fund balance was approximately \$1.749 billion at September 30, 2013, as compared to \$1.507 billion at September 30, 2012.

**Fiscal Year 2014.** The District’s General Fund ended Fiscal Year 2014 with a budgetary surplus of \$203.7 million. After considering fund balances released from restrictions, transfers or other financing sources and debt-related and other adjustments required by GAAP, the non-budgetary or GAAP surplus was \$124.7 million. Consequently, the accumulated General Fund fund balance was approximately \$1.874 billion at September 30, 2014, as compared to \$1.749 billion at September 30, 2013.

### **Summary of General Fund Revenues**

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

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

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

In addition to the Special Real Property Tax dedicated to the payment of general obligation bonds, other District taxes are dedicated to the payment of District obligations including: (i) a portion of certain sales and use taxes dedicated to paying debt service on revenue bonds issued by WCSA; (ii) portions of certain sales and use taxes, utility taxes and the Ballpark Fee dedicated to the payment of the Ballpark Bonds (as hereinafter defined); (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 hereinafter defined); 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 for Fiscal Year 2014.

**Table 6. Major Tax Rates**  
Fiscal Years 2012-2016

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Property<sup>(1)</sup></b>					
<b>Real</b>					
<b>Class 1</b>	0.85	0.85	0.85	0.85	0.85
<b>Class 2</b>	1.65/1.85 <sup>(2)</sup>	1.65/1.85 <sup>(2)</sup>	1.65/1.85 <sup>(2)</sup>	1.65/1.85 <sup>(2)</sup>	1.65/1.85 <sup>(2)</sup>
<b>Class 3</b>	5.00	5.00	5.00	5.00	5.00
<b>Class 4</b>	10.00	10.00	10.00	10.00	10.00
<b>Personal</b>	3.40	3.40	3.40	3.40	3.40
<b>Sales and Use<sup>(3)</sup></b>					
<b>General<sup>(4)</sup></b>	0.06	0.06	0.0575	0.0575	0.0575
<b>Selective</b>					
<b>Cigarettes<sup>(5)</sup></b>	2.86 <sup>(6)</sup>	2.86 <sup>(6)</sup>	2.86 <sup>(6)</sup>	2.90 <sup>(6)</sup>	2.90 <sup>(6)</sup>
<b>Motor Fuel<sup>(7)</sup></b>	0.235	0.235	0.235	0.235	0.235
<b>Income and Receipts<sup>(8)</sup></b>					
<b>Individual</b>	0.04-0.0895	0.04-0.0895	0.04-0.0895	0.04-0.0895	0.04-0.0895 <sup>(15)</sup>
<b>Business</b>	0.09975	0.09975	0.09975	0.0940	0.0920 <sup>(15)</sup>
<b>Gross Receipts</b>					
<b>Public Utility<sup>(9)</sup></b>					
<b>Residential Customers<sup>(10)</sup></b>	0.10	0.10	0.10	0.10	0.10
<b>Non-Residential Customers<sup>(11)</sup></b>	0.11	0.11	0.11	0.11	0.11
<b>Public Utility (Electrical)<sup>(12)</sup></b>					
<b>Residential Customers</b>	0.0070	0.0070	0.0070	0.0070	0.0070
<b>Non-Residential Customers<sup>(13)</sup></b>	0.0077	0.0077	0.0077	0.0077	0.0077
<b>Ballpark Fee<sup>(14)</sup></b>	\$5,500-16,500	\$5,500-16,500	\$5,500-16,500	\$5,500-16,500	\$5,500-16,500

<sup>(1)</sup> 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.

<sup>(2)</sup> \$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.

<sup>(3)</sup> 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 Washington Convention and Sports Authority ("WCSA") and its predecessor, the Washington Convention Center Authority ("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.

<sup>(4)</sup> Per \$1 of general sales. Does not include the additional 4.25% Ballpark Sales Tax (as defined below) 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.

<sup>(5)</sup> Dollars (\$) per pack.

<sup>(6)</sup> Beginning in Fiscal Year 2012, a wholesale surcharge of \$0.36 was added to the \$2.50 per pack stamp tax on cigarettes. This surcharge will be reviewed and adjusted as necessary annually in March. Beginning in Fiscal Year 2015, \$0.04 was added to the cigarette tax.

<sup>(7)</sup> Dollars (\$) per gallon.

<sup>(8)</sup> Per \$1 of taxable income.

<sup>(9)</sup> 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.

<sup>(10)</sup> 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.

<sup>(11)</sup> 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.

<sup>(12)</sup> \$0.007 per Kilowatt-hour of electricity delivered to end-users in the District.

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

<sup>(14)</sup> 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

<sup>(15)</sup> See further discussion of these tax rates applicable to Fiscal Year 2016 under the caption "FINANCIAL INFORMATION – Summary of General Fund Revenues – Estimated Impact of Tax Reductions on Local General Fund Revenues."

Source: District of Columbia Office of the Chief Financial Officer.

Table 7 shows tax revenues by source, as collected by the District over the last ten fiscal years and presented on a modified accrual basis.

**Table 7. Tax Revenues by Source, Governmental Funds**  
Last Ten Fiscal Years  
(modified accrual basis of accounting, \$ in thousands)

Fiscal Year	Property Tax			Sales and Use	Income and Franchise	Gross Receipts	Other Taxes	Total
	Real	Personal	Rental					
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
2013	1,940,169	54,878	45,450	1,247,374	2,094,179	345,852	400,308	6,128,210
2014	2,037,905	55,413	41,719	1,282,573	2,094,754	389,539	423,354	6,325,257

Source: District's CAFR for Fiscal Year 2014; 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 the Income Tax on individuals domiciled within the District of Columbia at any time during a tax year or who maintain a place of abode within the District of Columbia for an aggregate of 183 days or more during a tax year.

In July 2014, the Council of the District of Columbia (the "Council") adopted legislation reducing the marginal tax rate on individual income between \$40,000 and \$60,000 from 8.5% to 7.0%, while keeping the rate of 8.5% for income between \$60,000 and \$350,000 and establishing a top marginal rate of 8.95% for taxable income in excess of \$350,000, and made further tax cuts contingent on the availability of additional recurring revenues. Effective January 1, 2015, the marginal income tax rate is 4.0% on taxable income (less certain personal exemptions) less than \$10,000, 6.0% on taxable income from \$10,000 to \$40,000, 7.0% on taxable income from \$40,000 to \$60,000, 8.5% on taxable income from \$60,000 to \$350,000 and 8.95% on taxable income in excess of \$350,000. The Council adopted legislation in June 2015 that authorized the use of recurring revenues established in the September 2015 Revenue Estimate to implement further tax reductions in tax year 2016, reducing the marginal tax rate on income between \$40,000 and \$60,000 from 7.0% to 6.5%, and establishing a new tax rate of 8.75% percent for income between \$350,000 and \$1 million.

**Business Franchise Taxes.** The Business Franchise Tax consists of two taxes: the corporate franchise tax and the unincorporated business franchise tax. The District imposes a corporate franchise tax on income derived by corporations (including trusts, associations, and partnerships classified as corporations for purposes of federal income taxation) from sources within the District of Columbia, less certain tax credits. In July 2014, the Council adopted legislation that lowered the tax rate from 9.975% to 9.4%, effective January 1, 2015, and established triggers that would lower tax rates further based on the availability of additional recurring revenue. The Council adopted legislation in June 2015 that authorized the use of recurring revenues established in the September 2015 Revenue Estimate to implement further

tax reductions effective January 1, 2016, including further reducing the corporate franchise tax rate to 9.2%, effective for the tax year 2016.

For other nonexempt businesses having a gross income in excess of \$12,000, the District imposes an unincorporated business franchise tax on income from sources within the District of Columbia, less a \$5,000 annual deduction. Excluded businesses include those (i) that by law, customs, or ethics cannot be incorporated or can be incorporated only as a professional corporation under District law, (ii) in which more than 80% of the gross income is derived from the personal services actually rendered by the individuals or the members of the partnership or other entity in the conducting or the carrying on of a trade or a business and in which capital is not a material income-producing factor, (iii) that are engaged in by a blind person and (iv) certain qualified high technology companies, which are instead taxed at a rate of 6%.

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 above) imposed by the District. See “INDEBTEDNESS – Summary of Statutory Debt Provisions.”

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

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

*Real Property Tax.* The District levies a real property tax on approximately 65%-69% of the value of the District’s real property assessment base. The remaining 31%-35% of the value of the real property assessment base is classified as tax exempt and is used by the federal government, District government, foreign governments, nonprofits or other tax-exempt organizations. For information on the relative percentages of land in the District devoted to various taxable and tax-exempt uses, including the area of land encompassing tax-exempt federal government property, see Table 27.

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

Pursuant to D.C. Official Code § 47-812, the Council sets real property tax rates that remain in effect until amended annually. Pursuant to D.C. Official Code § 47-815, (i) the Council receives from the Mayor an estimate of the assessment roll before September 16 of each year, and (ii) if the Council establishes the real property tax rates and the Special Real Property Tax rates as a sum, the CFO will determine and publish a notice annually before September 16 of each preceding tax year the Special Real Property Tax rates to be applied during 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 issued by the District under the Home Rule Act. The Special Real Property Tax is collected at the same time as the real property tax.

Each Fiscal Year a certain percentage of real property tax collections (designated as the Special Real Property Tax) are dedicated to the payment of principal and interest on the District’s outstanding general obligation bonds. The percentages for Fiscal Years 2011 through 2016 are shown in Table 8.



**Table 8. Percent of Total Real Property Tax Dedicated to General Obligation Bond Debt Service<sup>(1)</sup>**  
(Fiscal Years 2011-2016)

<u>Fiscal Year</u>	<u>Dedicated Percentage</u>
2011	20.0%
2012	14.0
2013	11.0
2014	10.5
2015	13.5
2016	15.5

<sup>(1)</sup> The decreases in the dedicated percentage shown in Table 8 are, in part, due to the District’s issuance of Income Tax Bonds in lieu of General Obligation Bonds in recent Fiscal Years. See Table 24, which shows the District’s Outstanding Tax-Supported Debt with \$3.53 billion in General Obligation Bonds and \$4.33 billion in Income Tax Bonds outstanding following the issuance of the Bonds.

Source: Office of the Chief Financial Officer.

*Real Property Tax Rates.* The District has established four classes of real property: Class 1, which includes residential real property that is improved and whose legal use (or in the absence of use, its highest and best permitted legal use) is for nontransient residential dwelling purposes; Class 2, which consists of all real property not in Class 1, Class 3 or Class 4 (being principally commercial real property); Class 3 is comprised of all improved real property that appears on the list of registered vacant properties submitted semiannually by the Mayor to the Office of Tax and Revenue; and Class 4 is comprised of all improved real property that appears on the list of blighted vacant properties submitted semiannually by the Mayor to the Office of Tax and Revenue. See Table 6 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 \$127,100 are eligible for a 50% reduction in their real property taxes.

*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 tax year 2015, a property owner entitled to claim a homestead deduction for his or her property is allowed a \$71,400 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 \$71,400 homestead deduction is subject to annual adjustments upward by the annual increase in the Washington area consumer price index.

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

penalty thereon and file an appeal with the Superior Court on or before September 30 (the end of the tax year).

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

*Real Property Tax Sale.* Each year, the Office of Tax and Revenue mails tax sale notices to all delinquent real property owners. All delinquent real property tax accounts as of October 1 of the preceding year that continue to remain delinquent are advertised in at least two local newspapers to inform property owners of a tax sale auction that will occur with respect to such delinquent properties. The sale of delinquent tax year 2013 taxes was held July 14-15, 2014.

On December 13, 2013, the District Real Property Tax Sale Temporary Act of 2013 (the “Temporary Act”) became effective, which established a \$2,000 tax lien threshold for any real properties subject to the July 2014 tax sale. On May 28, 2014, the Residential Real Property Equity and Transparency Emergency Amendment Act of 2014 became effective (the “Emergency Act”). The Emergency Act requires a cap on attorney’s fees of \$1,500 (subject to escalations for protracted litigation), prohibiting the sale of homestead properties within 4 years from the last tax sale, posting a notice of tax sale on the property by the tax sale purchaser, turning over the equity to the former owner of a sold property that was a principal residence, stopping interest earned by the purchaser when the taxes are paid by the property owner, creating an equity share for formerly owner-occupied properties where the equity is returned to the former owner after a sale of the property (except the tax sale purchaser retains a premium of 10% or \$20,000, whichever is less), and additional measures to ensure “clean hands” of purchasers. The Emergency FY15 BSA and FY15 BSA (each as defined herein) provide further relief for homeowners that include limiting the threshold for going to tax sale to \$2,500 in delinquent tax for residential properties only, creating a forbearance of \$7,500 in delinquent tax for homestead properties, providing for mandatory pre-tax sale notices, and granting interest-free tax deferrals for low-income seniors who are also long-term homeowners in the District.

On September 17, 2013, the Council passed the Tax Lien Compensation and Relief Reporting Emergency Act of 2013 (the “Emergency Reporting Act”), and on October 1, 2013, the Council passed the Tax Lien Compensation and Relief Reporting Temporary Amendment Act of 2013 that became effective on December 13, 2013 (the “Temporary Reporting Act”). Both acts required the CFO to (i) review all residential real property tax liens sold between September 1, 2003 and September 1, 2013, (ii) consider whether certain real property tax liens, sales and foreclosures were the result of excusable neglect or other equitable circumstances that warrant relief, (iii) identify the amount of funds needed to compensate persons for whom an equitable remedy would provide substantial justice, and (iv) require a report on these matters to the Council by January 31, 2014. The Emergency Reporting Act expired on January 2, 2014. The Temporary Reporting Act expired on July 25, 2014. On January 31, 2014, OIO submitted its first report on the foregoing matters to the Council that included a review of all residential real property tax liens sold between September 1, 2003 and September 1, 2013 where the taxes due were less than \$2,500 and specifically addressed tax liens where the right of redemption was foreclosed by the Superior Court. OIO submitted its second report on the foregoing matters on October 2, 2014, which included a review of a larger set of properties redeemed from residential real property tax liens during the same period and not covered by the first report. The OIO reports did not include a determination of circumstances that would warrant relief nor the amount of funds necessary to provide equitable relief.

*Data Relating to Assessments, Collections and Valuations.* Tables 9-11 provide information relating to the real property tax levies and collections for the past Fiscal Years 2010-2014, the changes in the assessed value of residential, commercial and tax-exempt real property in the District over time and the principal property taxpayers. The real property tax levy for Fiscal Year 2015 is \$2,220,771.

**Table 9. Real Property Tax Levies and Collections (All Classes)<sup>(1)</sup>**  
 Last Five Fiscal Years  
 (\$ in thousands)

Fiscal Year Ended Sept. 30	Current Levy			Prior Years			Total		
	Levy	Collections	Percent Collected	Outstanding Balances Billed	Collections	Percent Collected	Billed	Collected	Total
2010	\$1,792,100	\$1,735,602 <sup>(2)</sup>	96.8%	\$144,883	\$ 94,683 <sup>(1)</sup>	65.4%	\$1,936,983	\$1,830,285	94.5%
2011	1,639,902	1,610,533	98.2	226,333	111,465	49.2	1,866,235	1,721,998	92.3
2012	1,814,958	1,784,196	98.3	152,954	78,989	51.6	1,967,912	1,863,185	94.7
2013	1,909,967	1,872,534	98.0	145,546	82,977	57.0	2,055,513	1,955,511	95.1
2014	2,000,814	1,969,905	98.5	139,400	80,076	57.4	2,140,214	2,049,981	95.8

<sup>(1)</sup> Table 9 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.

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

Source: District's CAFR for Fiscal Year 2014; Statistical Section, Exhibit S-2F.

**Table 10. Assessed Value of Taxable Property<sup>(1)</sup>**  
 Last Ten Fiscal Years  
 (\$ in thousands)

Fiscal Year	Estimated actual value		Total Taxable	Tax Exempt	Total Value	Total Direct Tax Rate <sup>(3)</sup>	Tax exempt as a % of total actual value
	Commercial Property	Residential Property <sup>(2)</sup>					
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
2013	70,337,945	81,406,777	151,744,722	84,690,034	236,434,756	1.23	35.8
2014	74,834,806	85,465,264	160,300,070	87,287,954	247,518,024	1.24	35.3

<sup>(1)</sup> Assessed value is 100% of estimated actual value.

<sup>(2)</sup> After deduction of homestead deduction and credits against tax for 2005-2007. Does not reflect: (i) the 2005 cap on increases in assessments of 12% for class 1 real properties with homestead deductions; or (ii) the 2006-2012 cap on increases in assessments of 10% for Class 1 real properties with homestead deductions. After homestead deductions for 2008-2014.

<sup>(3)</sup> 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 CAFR for Fiscal Year 2014; Statistical Section, Exhibit S-2A.

**Table 11. Principal Property Taxpayers**  
 Fiscal Year 2014  
 (\$ in thousands)

<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>% of Total Taxable Assessed Value</u>
CC OWNER LLC	\$725,843	0.453%
JBG/Federal Center LLC	636,508	0.397
555 12 <sup>TH</sup> REIT LLC	543,860	0.339
CARR CRHP PROPERTIES LLC	516,653	0.322
WASHINGTON SQUARE LIMITED PARTNERSHIP	476,951	0.298
UNITED BROTHERHOOD CRPT JNR AM NATL H S FD	446,115	0.278
WARNER INVESTMENTS LP	383,905	0.239
TWO CON LLC	362,687	0.226
SECOND ST HOLDING LLC	355,002	0.221
GEORGE WASHINGTON UNIVERSITY	346,553	0.216

Source: District's CAFR for Fiscal Year 2014; Statistical Section, Exhibit S-2D.

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

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

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

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

**Table 12. Ballpark Fee**

<u>Gross Receipts</u>	<u>Fee</u>
\$ 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 OF COLUMBIA – Federal Funding.”

***Estimated Impact of Tax Reductions on Local General Fund Revenues.*** As part of the Fiscal Year 2015 Approved Budget, the Council enacted certain tax cuts and changes set forth in the Fiscal Year 2015 Budget Support Emergency Act of 2014, enacted July 14, 2014 (D.C. Act 20-377) (the “Emergency FY15 BSA”) and the Fiscal Year 2015 Budget Support Act of 2014, effective February 26, 2015 (D.C. Law 20-155) (the “FY15 BSA”, together with the Emergency FY15 BSA, the “BSA”). The BSA sets forth tax cuts and changes that encompass real property taxes, individual and business income taxes and sales taxes. The BSA provides limited property tax exemptions to several properties in the District and allows eligible seniors over the age of 75 who have lived in the District for more than 25 years to defer payment of property taxes at reduced or no interest charge. The changes in the BSA to personal and business income taxes are broader. The BSA reduces the marginal tax rate on individual income of \$40,000 to \$60,000 from 8.5% to 7.0%, and reduces the incorporated and unincorporated business tax rate from 9.975% to 9.4%, effective January 1, 2015.

The BSA also provides tax relief for certain senior citizens based on specified factors, including age and gross income, establishes a single weighted sales apportionment factor for business income purposes, exempts certain entities that trade on their own accounts from the Unincorporated Business Franchise Tax, and institutes an income tax credit for conversion of vehicles to run on alternative fuels and installation of alternative fuel charging stations. In addition, the Fiscal Year 2015 Approved Budget provides for additional staffing at the Office of Tax and Revenue to strengthen and enhance tax collections (primarily income tax and business franchise tax). The BSA also broadens the sales tax base and modifies tobacco taxation. Net revenues are estimated to increase by approximately \$35.2 million in Fiscal Year 2018. The BSA also establishes certain tax reductions and changes that did not have a fiscal impact in Fiscal Year 2015.

***Conditional Tax Reductions.*** The BSA also directs additional tax cuts, including further reduction of individual income tax rates, further reduction of the business franchise tax rate, and an increase in standard deductions and personal exemptions (the “Additional Tax Cuts”) based on certain conditions and priorities, including recurring increases in projected revenues under certain circumstances. The BSA directed that the revenue estimate issued in February 2015 be used to determine whether any Additional Tax Cuts in Fiscal Year 2016 could be implemented. The February 2015 Revenue Estimate established that none of the conditions were met to implement any such tax cuts.

The Council adopted the Fiscal Year 2016 Budget Support Act of 2015, effective October 22, 2015 (L21-36) that authorized the September 2015 Revenue Estimate be used to determine whether the Additional Tax Cuts for 2016 were feasible. Based on the September 2015 Revenue Estimate, revenues are sufficient in Fiscal Years 2016 through 2019 to implement the following Additional Tax Cuts and the new tax rates will take effect on January 1, 2016 (the “Triggered Tax Cuts”).

**Table 13. Triggered Tax Cuts Effective in Tax Years Beginning  
After December 31, 2015<sup>(1)</sup>**

<u>Tax Changes Triggered</u>	<u>Estimated Revenue Reductions in Calendar Year 2016</u>
1) Reduce the rate on the new individual income tax middle bracket of \$40,000 to \$60,000 from 7.0% to 6.75%	\$ (7,116,476)
2) Create a new individual income tax bracket of \$350,000 to \$1 Million at 8.75%, income greater than \$1 Million remains at 8.95%	(4,734,236)
3) Reduce unincorporated and incorporated business franchise tax from 9.4% to 9.2%	(9,692,161)
4) Reduce the new individual income tax middle bracket of \$40,000 to \$60,000 from 6.75% to 6.5%(2)	<u>(7,116,330)</u>
<b>TOTAL</b>	<b><u>\$(28,659,203)</u></b>

<sup>(1)</sup> The BSA set forth a priority list to implement the Additional Tax Cuts. Based on the September 2015 Revenue Estimate, sufficient funds are estimated to be available to implement the Triggered Tax Cuts simultaneously.

<sup>(2)</sup> This was a second reduction in the same tax bracket triggered by the additional revenues as reflected in the September 2015 Revenue Estimate.

Source: District of Columbia Office of Revenue Analysis.

The full priority list may be found in a table accompanying the September 2015 Revenue Estimate.

Table 14 describes the estimated revenue reductions for Fiscal Years 2015 through 2019 upon implementation of the tax reductions and changes, and based on calculation methods applicable to each tax category. The actual changes in tax revenues could vary from these estimates. Table 13 does not include certain non-tax revenue reductions that are estimated to total approximately \$120,000 in each fiscal year through 2019.

**Table 14. Triggered Tax Cuts, Tax Changes and Estimated Revenue Reductions**  
 Fiscal Years 2015-2019  
 (\$ in thousands)

<u>Revenue Source</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Property Tax	\$ (4,872)	\$ (1,825)	\$ (1,777)	\$ (1,720)	\$ (1,720)
Income Tax					
Individual Income Tax	(55,008)	(75,259)	(78,892)	(82,094)	(85,449)
Business Income Taxes	(14,635)	(25,813)	(26,867)	(23,611)	(20,695)
Sales/Use Tax	16,200	17,379	17,561	75,399	75,399
Excise Tax	-	-	-	\$ 3,116	3,116
<b>TOTAL</b>	<b>\$(29,656)</b>	<b>\$(55,486)</b>	<b>\$(58,439)</b>	<b>\$ 3,698</b>	<b>\$ 4,368</b>

Source: District of Columbia Office of the Chief Financial Officer.

After the budget and financial plan for Fiscal Year 2016 has been approved or deemed approved by Congress, any recurring revenues in a quarterly revenue estimate preceding any subsequent fiscal year (net of the dedicated deposit to the Pay-as-you-go Capital Account pursuant to D.C. Official Code § 47-392.02(f)), that exceed the local revenue incorporated in the approved budget and financial plan for that fiscal year (the “Excess Revenues”), will be used to continue the implementation of the Additional Tax Cuts (assuming they had not otherwise already been fully implemented) beginning on January 1 of each applicable year in accordance with the priorities set forth in the BSA, and only to the extent that the Excess Revenues equal to or exceed the cost of the Additional Tax Cuts. The actual cost of the Additional Tax Cuts will be recalculated on an annual basis and reported in each applicable February revenue estimates issued by the CFO.

### Summary of General Fund Expenditures

The following are major categories of General Fund expenditures.

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

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

In Fiscal Year 2014, the human support services General Fund expenditures totaled \$1.73 billion, representing approximately 24.6% of all General Fund expenditures. The Fiscal Year 2015 Approved Budget includes human support services General Fund expenditures of \$1.89 billion, representing approximately 24.6% of all General Fund expenditures. The Fiscal Year 2016 Adopted Budget (as defined herein) includes human support services General Fund expenditures of \$1.89 billion, representing approximately 23.8% of all General Fund expenditures.



On July 9, 2010, through foreclosure, the District took possession of the United Medical Center (“UMC”), the only hospital in the District of Columbia east of the Anacostia River, and created an independent instrumentality of the District to operate UMC. From July 2010 through the end of Fiscal Year 2013, the District provided UMC with \$24.7 million of operating subsidies. During Fiscal Year 2014, the District provided UMC \$14.8 million, of which \$2.7 million was provided for operating activities, \$5.5 million for implementation of Meaningful Use required under the Affordable Care Act, and \$6.7 million for Routine Capital and Deferred Maintenance needs. UMC ended Fiscal Year 2014 with an audited \$2.1 million loss from operations, excluding the \$2.7 million operating subsidy provided by the District in Fiscal Year 2014. In Fiscal Year 2015, the District provided UMC with a \$7.0 million operating subsidy.

For the foreseeable future, UMC will not be able to internally fund all capital repairs and replacements, as well as additional capital improvements, without a District subsidy. The Mayor’s Fiscal Year 2016 Adopted Budget includes \$25.2 million of District funds for UMC’s capital improvements, but no funds for operating expenses, and it is anticipated that the District’s total contribution to UMC could cost an additional \$98.7 million in Fiscal Years 2017 through 2019.

In March 2013, the District retained Huron Consulting Services, LLC (“Huron”), to review UMC’s operations and to prepare a strategic plan to improve UMC’s financial and medical operations and to better prepare UMC for a transfer to, or a partnership with, another health care provider. The strategic plan was approved by UMC’s Board of Directors and the Mayor’s Office. A portion of Huron’s contract was extended seven months to run through the end of Fiscal Year 2015, at UMC’s expense.

In January 2015, UMC received a new three-year accreditation from the Joint Commission, an independent, not-for-profit organization that accredits and certifies health care organizations and programs in the United States.

The District is engaged in litigation with only two contractors/business partners of the former owners of UMC. This litigation is centered on allegations that the foreclosure of UMC was invalid and/or that the foreclosure resulted in financial loss to the plaintiffs. In one case, in April, 2014, the District of Columbia Superior Court (the “Superior Court”) granted a motion of summary judgment in favor of the District and UMC. The plaintiffs appealed, and oral arguments were held before the District of Columbia Court of Appeals on November 4, 2015. In the other case, the plaintiffs filed state law claims for wrongful foreclosure and federal due process claims in the Superior Court. The case was removed to the United States District Court (the “District Court”) and then remanded to the Superior Court, except for the federal claims which are held in abeyance in the District Court pending the outcome of the Superior Court action. The Superior Court dismissed the state law claims against the District and UMC. The plaintiffs appealed the decision to the Court of Appeals, which affirmed the Superior Court’s decision. The plaintiffs filed a motion in the District Court to add the state law claims that were dismissed in the Superior Court. The District and UMC opposed the motion to amend and filed a motion to dismiss. It is expected that the District Court will decide these motions in December 2015 or early 2016. The outcome of the litigation is unknown at this time and, therefore, the District cannot predict the potential liability to the District or UMC.

**Public Education.** On April 23, 2007, subsequent to its passage by the Council, the Mayor signed D.C. Law 17-9, the District of Columbia Public Education Reform Amendment Act of 2007 (the “School Reform Act”), which transfers significant control over the budget, operation and management of the D.C. Public Schools System (“DCPS”) from the school board to the Mayor. Following Congressional enactment of legislation amending the Home Rule Act, the School Reform Act became law.

In addition to DCPS, charter schools, special education programs, the Office of the State Superintendent of Education and the State Board of Education, the School Reform Act also affects

spending for the Teachers' Retirement Program, the Public Library System, non-public tuition assistance and the subsidy to the University of the District of Columbia (the "University").

Public education expenses also include the District of Columbia State Board of Education ("SBOE"), a newly established agency pursuant to the "District of Columbia Public Education Reform Amendment Act of 2007" (D.C. Law 17-9, effective June 12, 2007). This agency was established to monitor and provide policy recommendations regarding education in the District.

In Fiscal Year 2014, General Fund public education expenditures totaled \$1.74 billion, which equaled approximately 24.7% of all General Fund expenditures. The Fiscal Year 2015 Approved Budget includes General Fund public education expenditures of \$1.88 billion, totaling approximately 24.4% of all General Fund expenditures. The Fiscal Year 2016 Adopted Budget includes General Fund public education expenditures of \$1.91 billion, totaling approximately 24.0% of all General Fund expenditures.

During the 2013-2014 school year, DCPS operated 111 public schools and alternative and special education learning centers serving students from pre-kindergarten through high school. In the 2013-2014 school year, the audited enrollment for DCPS was 46,393 students. There were 112 DCPS public schools operating during the 2014-2015 school year.

In addition to traditional public schools, the District's public education system also includes public charter schools, which are under the oversight of the District of Columbia Public Charter School Board. There were 60 public charter schools operating during the 2013-2014 school year. Total public charter school audited enrollment for school year 2013-2014 was 36,565, an increase of 4.9 percent over the prior year. There were 61 public charter schools operating during the 2014-2015 school year.

Under the District's Uniform Per Student Funding Formula ("UPSFF") and Congressional mandates, the District generally must fund students at approved public charter schools at the same level as students that attend DCPS. 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, English language learners and at-risk students through add-on weights.

On July 30, 2014, the D.C. Association of Chartered Public Schools and two individual charter schools filed a lawsuit against the District seeking declaratory and injunctive relief to prohibit the District from using different methodologies for calculating enrollments and per pupil payments for DCPS and charter schools. The matter is in a preliminary stage. Oral arguments on the District's motion to dismiss were held on June 16, 2015. On October 15, 2015, the court issued an order granting in part and denying in part the District's motion to dismiss. The court also instructed the parties to file a proposed schedule for moving forward in the lawsuit. The District is unable to estimate the potential impact on public education expenditures as a result of this lawsuit.

The Department of General Services ("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 Fiscal Year 2015 Approved Budget included a six-year capital improvement plan for DCPS, which will be implemented by DGS, totaling \$1.60 billion in income tax secured revenue bond and/or general obligation bond funding. For Fiscal Year 2015 alone, \$434 million has been proposed for DCPS capital projects. The Fiscal Year 2016 Adopted Budget includes \$335 million for DCPS capital project spending in Fiscal Year 2016 alone.

According to the federally required October 6, 2014 Child Count, the District served 12,173 students with disabilities in the 2014-2015 school year. Of these 12,173 students, 11,170 were served in

District public school programs and 1,003 were served in non-public schools at the District's expense. No students were served by public schools in surrounding jurisdictions through tuition agreements. The 1,003 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, the Child and Family Services Agency, or the Department of Mental Health. Where appropriate and permissible under IDEA and local law, the District has set a goal to return children in non-public schools to public school facilities in the District.

The District also provides financial support to the University, a land-grant institution offering higher education to the public. In Fiscal Years 2013 and 2014, the District provided approximately \$65.6 million and \$66.7 million, respectively, to the University, or about 1% of total General Fund expenditures in each year. The Fiscal Year 2015 Approved Budget includes approximately \$72.5 million for the University, or about 0.9% of total General Fund expenditures. The Fiscal Year 2016 Adopted Budget includes \$67.4 million for the University, or about 0.9% of total General Fund expenditures.

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

In Fiscal Year 2014, General Fund public safety and justice expenditures totaled \$1.05 billion, representing approximately 14.9% of all General Fund expenditures. The Fiscal Year 2015 Approved Budget includes General Fund public safety and justice expenditures totaled \$1.06 billion, representing approximately 13.8% of all General Fund expenditures. The Fiscal Year 2016 Adopted Budget includes General Fund public safety and justice expenditures of \$1.15 billion, representing approximately 14.5% of all General Fund expenditures.

The Court of Appeals has affirmed an arbitrator's decision pursuant to the Fair Labor Standards Act to award the District's firefighters overtime pay adjustments estimated to be between \$43 and \$45 million in the aggregate. On October 24, 2015, the parties reached a settlement estimated to be \$45 million.

**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 Transit Authority ("WMATA"). DDOT is responsible for transportation-related operations such as street maintenance and repair and snow removal. DPW is responsible for trash collection, street cleaning and parking enforcement. DMV is responsible for driver, vehicle and adjudication services for District residents. DDOE is responsible for creating environmental protection, education and enforcement standards, providing natural resource conservation techniques and supplying energy assistance programs to District residents and businesses. WMATA is responsible for planning, developing, building, financing and operating a regional bus and rail transportation system.

In Fiscal Year 2014, General Fund public works expenditures totaled \$623 million, representing approximately 8.9% of all General Fund expenditures. The Fiscal Year 2015 Approved Budget includes General Fund public works expenditures of \$688 million, representing approximately 9.0% of all General Fund expenditures. The Fiscal Year 2016 Adopted Budget includes General Fund public works expenditures of \$732 million, representing approximately 9.2% of all General Fund expenditures.

**Employee Benefits.** District full-time employees receive pension benefits through the federally-administered Civil Service Retirement System (“CSRS”), the U.S. Social Security System (“Social Security”), 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. For more information on employee benefits provided to District employees, see “RETIREMENT PROGRAMS” and Notes 9 and 10 to the District’s CAFR for Fiscal Year 2014.

***The discussion below is based, in part, on projections and forward-looking statements related to Fiscal Year 2015. 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 contained under the caption “FISCAL YEAR 2015 BUDGET AND FINANCIAL PLAN” cannot be verified until after the close of 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 2015 BUDGET AND FINANCIAL PLAN

The Mayor submitted the proposed Fiscal Year 2015 Budget and Financial Plan, including both the operating and capital budgets, to the Council on April 3, 2014 (the “Fiscal Year 2015 Proposed Budget”). After Council markup and approval, the District transmitted the Fiscal Year 2015 Proposed Budget, including both the operating and capital budgets, to the President on August 7, 2014 for submission to Congress. The Fiscal Year 2015 Proposed Budget was approved by Congress as part of the FY 2015 Appropriations Act (the “Fiscal Year 2015 Approved Budget”). For a further discussion of congressional appropriations and the spending authorization in effect for Fiscal Year 2015, see “BUDGETING AND FINANCIAL PROCEDURES – General – *Federal Appropriations for Fiscal Years 2015 and 2016.*”

Since the original approval, the Mayor has submitted three supplemental budget requests to the Council. The Fiscal Year 2015 Revised Budget Request Emergency Adjustment Act of 2014 was submitted to the Council on December 15, 2014 (the “Fiscal Year 2015 First Supplemental Budget Request”); the Fiscal Year 2015 Second Revised Budget Request Emergency Adjustment Act was submitted to the Council on April 13, 2015 (the “Fiscal Year 2015 Second Supplemental Budget Request”); and the Fiscal Year 2015 and Fiscal Year 2016 Revised Budget Request Emergency Adjustment Act of 2015 was submitted to the Council on September 16, 2015 (the “Fiscal Year 2015 Third Supplemental Budget Request”, and together with the Fiscal Year 2015 First Supplemental Budget Request and the Fiscal Year 2015 Second Supplemental Budget Request, the “Fiscal Year 2015 Supplemental Budget Requests”). After review and amendment by the Council, the Fiscal Year 2015 First Supplemental Budget Request was approved by the Council on December 17, 2014 and signed by the Mayor on December 23, 2014; the Fiscal Year 2015 Second Supplemental Budget Request was approved by the Council on May 27, 2015 and signed by the Mayor on June 17, 2015; and the Fiscal Year 2015 Third Supplemental Budget Request was approved by the Council on September 22, 2015 and signed by the Mayor on October 6, 2015. The first two Fiscal Year 2015 Supplemental Budget Requests took effect after a 30-day review period by Congress, and the review period for the Fiscal Year 2015 Third Supplemental Budget Request is expected to end on November 15, 2015. Fiscal Year 2015 ended on September 30, 2015.

The Fiscal Year 2015 Approved Budget called for General Fund expenditures totaling approximately \$7.69 billion, of which \$6.80 billion is from local funds, \$304 million is from dedicated taxes, and \$585 million is from special purpose non-tax revenue funds. General Fund revenue totals \$7.51 billion, of which \$6.66 billion is from local funds, \$298 million is from dedicated taxes and \$552 million is from special purpose non-tax revenue funds. These revenues include a net increase of \$2 million of policy proposals impacting General Fund revenues, of which (i) \$30 million is a reduction from local funds; (ii) \$29 million is an increase from dedicated taxes, and (iii) \$3 million increase is from special purpose non-tax revenue funds. Total General Fund resources are \$7.70 billion, which consists of \$7.51 billion of revenue, \$149 million of fund balance use, \$31 million of transfers from other funds and \$6 million of bond proceeds for issuance costs.

Total Fiscal Year 2015 Gross Funds resources are \$12.6 billion, including the \$7.7 billion of General Fund resources, \$3.1 billion of federal resources, \$2 million of private resources, and \$1.8 billion of enterprise-type resources.

The total Fiscal Year 2015 Gross Funds expenditure budget of \$12.6 billion includes \$7.7 billion of General Fund budget, \$ 3.1 billion of federal resources budget, \$2 million of private resources budget, and \$1.8 billion of enterprise-type budgets.

The \$12.6 billion budget is composed of the following spending priorities: (i) \$4.4 billion for Human Support Services, (ii) \$2.2 billion for Public Education System, (iii) \$1.2 billion for Public Safety and Justice, (iv) \$1.1 billion for Financing and Other, (v) \$717 million for Public Works, (vi) \$761 million for Governmental Direction and Support, (vii) \$480 million for Economic Development and Regulation, and (viii) \$1.8 billion for the Enterprise and Other Funds .

The Fiscal Year 2015 Budget used \$148.6 million in General Fund balance, comprised of \$108.2 million of local fund balance, \$6.8 million of dedicated taxes fund balance and \$33.5 million of special purpose revenue fund balance. The local fund balance includes additional Fiscal Year 2014 revenue that was not budgeted but was held for Fiscal Year 2015 use.

### **The Fiscal Year 2015 First Supplemental Budget Request**

The Fiscal Year 2015 First Supplemental Budget Request included a net expenditure increase of \$14 million, the majority of which (\$13.5 million) was allocated to the Office of the Deputy Mayor for Planning and Economic Development. In addition, the capital construction of a portion of the DC United Soccer Stadium was authorized by the addition of the project to the Department of General Services capital outlay in the amount of \$106.5 million to be derived from the issuance of general obligation bonds, income tax secured revenue bonds or a combination of the two.

### **The Fiscal Year 2015 Second Supplemental Budget Request**

The Fiscal Year 2015 Second Supplemental Budget Request included \$43.0 million in debt service savings associated with restructuring of the District's long-term debt, including the refunding of the District's outstanding Certificates of Participation with Income Tax Bonds. Another \$25.2 million in savings was obtained in the Department of Health Care Finance from reduced costs associated with personal care aides. In 32 other agencies, a total of \$45.2 million of reductions were proposed. The Fiscal Year 2015 Second Supplemental Budget Request includes increases of \$9.9 million for a reserve fund for the Southwest Waterfront Tax Increment Financing project, \$3.5 million for repayment of the Contingency Reserve Fund, and \$0.2 million for the District Department of the Environment. The Fiscal Year 2015 Second Supplemental Budget Request resulted in a net expenditure reduction of \$99.8 million for the Local fund. The Fiscal Year 2015 Second Supplemental Budget Request also increased Dedicated

Taxes by \$0.1 million, Special Purpose Revenue funds by \$0.2 million, and the University of the District of Columbia by \$0.3 million.

### **The Fiscal Year 2015 Third Supplemental Budget Request**

The Fiscal Year 2015 Third Supplemental Budget Request included \$57.6 million for the purpose of covering Medicaid disallowances supported by additional revenue.

### **Fiscal Year 2015 Contingency Reserve Requests**

The following represent the current Mayoral requests for the use of a total of \$77.6 million from the Contingency Reserve Fund for the following purposes: (i) to various agencies for severance pay, leave payout, and other transitional activities related to the November election, (ii) to the Department of Public Works to fund snow removal, (iii) to the Board of Elections to fund the Ward 8 special election after the death of Councilmember Marion Barry, (iv) to the Office of the Mayor to fund funeral services for Councilmember Marion Barry, (v) to the Department of Employment Services to cover disallowed costs as a result of workers compensation audits, (vi) to the Fire and Emergency Medical Services to cover option year 2 transportation resource associates to provide guidance and assistance with a corrective action plan and remedial measures within the agency, (vii) to the Department of Forensic Sciences to assist with DNA testing, as well as the procurement of a consulting group to provide guidance and assistance with a corrective action plan and remedial measures within the agency, (viii) to the Department of Human Services for the new Lease on Life initiative, (ix) to the Department of Health Care Finance to cover past Medicaid disallowances, (x) to the Not-For-Profit Hospital Corporation Subsidy to support operations, vendor payments, the continued reduction of accounts payable backlog and certification of necessary contracts, (xi) to the Department of Human Services, and (xii) to the Office of Risk Management to ensure the continued payment and servicing of workers' compensation benefits and medical expenses of the District's Public Sector Workers' Compensation Program. The District plans to replenish any uses of the Contingency Reserve Fund in Fiscal Year 2015 by the close of the books for Fiscal Year 2015.

Preliminary results for Fiscal Year 2015 are not expected to be known until November, when estimated final revenues and expenditures will have been determined, including expected year-end adjustments and accruals.

*The discussion below is based, in part, on projections and forward-looking statements related to Fiscal Year 2016. 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 contained under the caption “FISCAL YEAR 2016 BUDGET AND FINANCIAL PLAN” cannot be verified until after the close of 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 2016 BUDGET AND FINANCIAL PLAN**

The Mayor submitted the proposed Fiscal Year 2016 Budget and Financial Plan, including both the operating and capital budgets, to the Council on April 2, 2015 (the “Fiscal Year 2016 Adopted Budget”). The proposed Fiscal Year 2016 Budget and Financial Plan, including both the operating and capital budgets, was approved by the Council, after markup, on May 27, 2015. After Council markup and approval, the Mayor transmitted the Fiscal Year 2016 Adopted Budget, including both the operating and capital budgets, to the President on July 8, 2015, for submission to Congress. For a detailed discussion on Congressional appropriations and the District’s spending authority for Fiscal Year 2016, see “BUDGETING AND FINANCIAL PROCEDURES– General – *Federal Appropriations for Fiscal Years 2015 and 2016.*”

The figures in the narrative describing the Fiscal Year 2016 Adopted Budget include certain policy proposals. Table 16 does not reflect such policy proposals by fund source, but groups them in the “Revenue Proposals” line (line 15). As a result, the figures in the narrative for each fund source could be higher or lower than the corresponding line item in Table 16.

Since the original approval, the Mayor has submitted a supplemental budget request to the Council. This request was included in the Fiscal Year 2015 and Fiscal Year 2016 Revised Budget Request Adjustment Emergency Act of 2015, referenced in the section entitled “FISCAL YEAR 2015 BUDGET AND FINANCIAL PLAN.”

The Fiscal Year 2016 Adopted Budget calls for General Fund expenditures totaling approximately \$7.94 billion, of which \$7.03 billion is from local funds, \$320.4 million is from dedicated taxes and \$587.3 million is from special purpose non-tax revenue funds. General Fund revenue totals \$7.77 billion, of which \$6.91 billion is from local funds, \$320.9 million is from dedicated taxes, and \$537.0 million is from special purpose non-tax revenue funds. Such revenues include an increase of (i) \$22.7 million of policy proposals impacting General Fund revenues, of which \$2.7 million is from local funds, (ii) \$16.4 million is from dedicated taxes, and (iii) \$3.5 million from special purpose non-tax revenue funds. Total General Fund resources are \$7.98 billion, which consists of \$7.77 billion of revenue, \$133.1 million of fund balance use, \$76.4 million of transfers from other funds and \$6 million of bond proceeds for issuance costs.

Total Fiscal Year 2016 Gross Funds resources are \$13.06 billion, including the \$7.98 billion of General Fund resources, \$3.27 billion of federal resources, \$1.5 million of private and \$1.80 billion of enterprise-type resources.

The total Fiscal Year 2016 Gross Funds expenditure budget of \$13.02 billion includes \$7.94 billion of General Fund budget, \$3.27 billion of federal budget, \$1.5 billion of private budget, and \$1.80 billion of enterprise-type budgets.

The \$13.02 billion proposed budget is composed of the following spending priorities: (i) \$4.50 billion for Human Support Services, (ii) \$2.23 billion for Public Education System, (iii) \$1.29 billion for Public Safety and Justice, (iv) \$1.09 billion for Financing and Other, (v) \$772.4 million for Public Works, (vi) \$786.5 million for Governmental Direction and Support, (vii) 4547.1 million for Economic Development and Regulation, and (viii) \$1.80 billion for the Enterprise Fund.

The Fiscal Year 2016 Adopted Budget uses \$133.1 million in General Fund balance, comprised of \$92.8 million of local fund balance, \$40,000 of dedicated taxes fund balance, and \$40.3 million of special purpose revenue fund balance. The local fund balance includes additional Fiscal Year 2015 revenue that was not budgeted in the Fiscal Year 2015 Approved Budget but was held for Fiscal Year 2016 use.

### **The Fiscal Year 2016 First Supplemental Budget Request**

The Fiscal Year 2015 and Fiscal 2016 Revised Budget Request Emergency Adjustment Act of 2015 included expenditure increases of \$28.3 for local funds, composed primarily of \$5.9 million for the Metropolitan Police Department, \$8.0 for the Department of Forensic Sciences, and \$5.0 million for the Convention Center Transfer – Dedicated Taxes. This budget request also included \$5.0 for the Washington Convention and Sports Authority.

### **Fiscal Year 2016 Contingency Reserve Request**

During Fiscal Year 2016, the Mayor requested the use of \$1.3 million from the Contingency Reserve fund for the Office of Risk Management to ensure the continued payment and servicing of workers' compensation benefits and medical expenses of the District's Public Sector Workers' Compensation Program.

### **Expenditures and Financial Plan**

The District's government is funded by a combination of local funds and other funds, including Enterprise Funds, Federal Payments, Special Purposes Revenues, Federal Grants and Medicaid, and Dedicated Taxes. Table 15 sets forth the Local funds portion of the budgets for Fiscal Years 2015 and 2016 as reflected in the Fiscal Year 2016 Proposed Budget and Financial Plan published July 17, 2015. The Fiscal Year 2015 Revised Budget includes changes to the budget as of that date, including the first two Fiscal Year 2015 Supplemental Budget Requests. Subsequent changes and/or proposed changes to these budgets are reflected in the paragraphs referencing the Contingency Reserve Requests and the Fiscal Year 2015 Third Supplemental Budget Request.



**Table 15. Local Funds Portion of Budgeted Expenditures**  
(Fiscal Years 2015-2016)  
(\$ in thousands)

<u>Appropriation Title</u>	<u>Fiscal Year 2015 Revised Budget</u>	<u>Fiscal Year 2016 Proposed Budget</u>	<u>Variance</u>
Governmental Direction and Support	\$ 677,124	\$ 687,151	1.5%
Economic Development and Regulation	227,749	253,662	11.4
Public Safety and Justice	1,005,913	1,087,295	8.1
Public Education System	1,839,391	1,887,478	2.6
Human Support Services	1,751,442	1,774,692	1.3
Public Works	475,174	513,761	8.1
Financing and Other	<u>810,504</u>	<u>830,635</u>	2.5
<b>Total</b>	<b>\$6,787,297</b>	<b>\$7,034,673</b>	<b>3.6%</b>

Note: Numbers may not add due to rounding.

Table 16 sets forth, among other things, the District's General Fund proposed revenues, expenditures, and fund balances for Fiscal Year 2014 (Actual), Fiscal Year 2015 (Revised Budget), Fiscal Year 2016 (Adopted Budget) and Fiscal Years 2017-2019 (Projected) as reflected in the Fiscal Year 2016 budget book published July 17, 2015. In addition, see tables 13 and 14 for the impact of tax cuts that were triggered by the September 30, 2015, Revenue Estimate; these tax cuts are not reflected in Table 16.

**Table 16. District's General Fund  
Fiscal Year 2014 (Actual), Fiscal Year 2015 (Revised Budget),  
Fiscal Year 2016 (Adopted Budget)  
and Fiscal Year 2017-2019 (Projected)  
(Budgetary Basis, \$ in thousands)**

	<b>FY 2014 Actual</b>	<b>FY 2015 Revised</b>	<b>FY2016 Adopted</b>	<b>FY 2017 Projected</b>	<b>FY 2018 Projected</b>	<b>FY 2019 Projected</b>
<b>1 Revenues</b>						
2 Taxes	\$5,835,310	\$6,273,748	\$6,458,336	\$6,689,031	\$6,938,057	\$7,174,691
3 Dedicated Taxes	297,539	297,857	304,467	310,962	317,641	322,247
4 General Purpose Non-Tax Revenues	417,720	402,467	383,988	382,205	382,853	379,711
5 Special Purpose (O-type) Revenues	463,735	544,874	533,496	524,408	531,678	533,161
6 Transfer from Lottery	54,967	54,967	62,500	63,000	64,000	64,500
7 Interfund transfer	0	0	0	0	0	0
<b>8 Subtotal, General Fund Revenues</b>	<b>\$7,069,271</b>	<b>\$7,573,913</b>	<b>\$7,742,787</b>	<b>\$7,969,606</b>	<b>\$8,234,230</b>	<b>\$8,474,309</b>
9 Bond Proceeds for Issuance Costs	584	6,000	6,000	6,000	6,000	6,000
10 Funds set aside from prior year	0	108,229	67,660	0	0	0
Interfund transfers from Local, O-type, and						
11 Dedicated Taxes Funds	0	10,079	47,175	40,046	1,389	0
12 Transfer from Federal and Private Resources	1,488	2,363	2,363	2,363	2,363	2,363
13 Transfer from Enterprise and Other Funds	66,048	58,479	26,872	12,483	13,641	14,734
14 Fund Balance Use	98,417	128,403	65,444	0	0	0
15 Revenue Proposals	0	574	22,668	14,049	13,900	14,100
<b>16 Total General Fund Resources</b>	<b>\$7,235,806</b>	<b>\$7,888,040</b>	<b>\$7,980,969</b>	<b>\$8,044,547</b>	<b>\$8,271,523</b>	<b>\$8,511,506</b>
<b>17</b>						
<b>18 Expenditures (by Appropriation Title)</b>						
19 Governmental Direction and Support	623,248	746,046	756,796	777,266	791,775	806,662
20 Economic Development and Regulation	338,198	416,591	435,545	366,426	374,432	377,293
21 Public Safety and Justice	1,050,891	1,059,701	1,143,971	1,152,037	1,169,980	1,187,586
22 Public Education System	1,737,859	1,863,747	1,908,452	1,929,616	1,951,569	1,974,561
23 Human Support Services	1,732,675	1,878,615	1,909,971	1,928,295	1,971,819	2,015,594
24 Public Works	623,031	708,822	735,087	734,291	749,984	765,788
25 Financing and Other - Selected Agencies	26,162	80,003	68,888	56,422	57,231	58,055
26 Bond Issuance Costs (ZB0)	983	6,000	6,000	6,000	6,000	6,000
27 Debt Service (DS0, CP0, SM0, DT0, EL0)	589,828	651,166	667,262	708,599	809,442	887,064
<b>28 Subtotal, Operating Expenditures</b>	<b>\$6,722,876</b>	<b>\$7,410,689</b>	<b>\$7,631,972</b>	<b>\$7,658,951</b>	<b>\$7,882,232</b>	<b>\$8,078,603</b>
29 Paygo Capital (PA0)	59,798	32,115	72,466	88,580	87,363	86,004
Transfer to Trust Fund for Post-Employment						
30 Benefits (RH0)	86,600	91,400	95,400	101,800	107,500	112,900
31 Repay Contingency Reserve Fund	0	3,455	0	0	0	0
32 Transfer to Enterprise Funds	162,816	163,311	142,558	150,752	156,668	161,028
33 Operating Impact of CIP	0	0	0	10,882	5,563	8,145
<b>34 Total Expenditures and Transfers</b>	<b>\$7,032,089</b>	<b>\$7,700,969</b>	<b>\$7,942,395</b>	<b>\$8,010,965</b>	<b>\$8,239,325</b>	<b>\$8,446,680</b>
<b>35 Operating Margin Before Reservations</b>	<b>203,716</b>	<b>187,071</b>	<b>38,574</b>	<b>33,582</b>	<b>32,198</b>	<b>64,827</b>
<b>36 Reserved for Subsequent Years' Expenditures</b>	<b>113,479</b>	<b>67,660</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>37 Operating Margin After Reservations</b>	<b>\$ 90,237</b>	<b>\$ 119,411</b>	<b>\$ 8,574</b>	<b>\$ 33,582</b>	<b>\$ 32,198</b>	<b>\$</b>
<b>38</b>						
<b>39 Beginning General Fund Balance</b>	<b>\$1,748,928</b>	<b>\$1,873,658</b>	<b>\$1,804,018</b>	<b>\$1,652,314</b>	<b>\$1,635,850</b>	<b>\$1,656,659</b>
40 Operating Margin before reservations	203,716	187,071	38,574	33,582	32,198	64,827
41 Projected GAAP Adjustments (Net)	19,431	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
42 Fund Balance Use (see lines 10, 11 and 14 above)	(98,417)	(246,711)	(180,279)	(40,046)	(1,389)	0
<b>43 Ending General Fund Balance</b>	<b>\$1,873,658</b>	<b>\$1,804,018</b>	<b>\$1,652,314</b>	<b>\$1,635,850</b>	<b>\$1,656,659</b>	<b>\$1,711,486</b>
<b>44</b>						
<b>45 Composition of Cash Reserves</b>						
46 Emergency Cash Reserve Balance	116,016	122,083	129,804	134,751	136,022	138,272
47 Contingency Cash Reserve Balance	239,401	244,166	259,609	269,503	272,045	276,543
48 Cash Flow Reserve Account	343,528	395,129	404,889	422,026	445,067	498,294
49 Fiscal Stabilization Reserve Account	164,551	180,203	185,852	187,457	192,800	197,652
<b>50 Total Cash Reserves</b>	<b>\$863,496</b>	<b>\$941,580</b>	<b>\$980,154</b>	<b>\$1,013,736</b>	<b>\$1,045,934</b>	<b>\$1,110,761</b>

Note: Numbers may not add due to rounding.

## Capital Budgeting and Financing

*The following describes the District's six-year capital improvements plan (for Fiscal Years 2016-2021) as set forth in the Fiscal Year 2016 Adopted Budget.*

The Mayor's proposed six-year capital improvements plan for Fiscal Years 2016-2021 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 \$6.3 billion of capital funds over the course of the six-year period.

The proposed six-year capital improvements plan assumes approximately \$925 million of income tax secured revenue bonds and/or general obligation bonds being issued to fund the District's capital improvements plan during Fiscal Year 2016 and approximately \$4.03 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 2016 through 2021.

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

Table 17 summarizes the District's proposed capital improvements plan for Fiscal Years 2016 through 2021, as set forth in the Fiscal Year 2016 Adopted 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 purposes.

**Table 17. Fiscal Years 2016-2021 Proposed Capital Improvements Plan Funding Sources**  
(Budgetary Basis)  
(\$ in thousands)

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2016– FY 2021 Total</u>
General Obligation/ Income Tax Bonds <sup>(1)</sup>	\$ 925,132	\$ 690,397	\$432,826	\$ 654,316	\$ 784,191	\$539,173	\$4,026,034
Master Equipment Lease/Purchase	16,900	6,500	-	25,000	25,000	-	73,400
Pay-As-You-Go	26,449	46,000	46,000	46,000	103,203	104,920	372,572
Sale of Assets	13,816	24,916	1,000	1,000	1,000	1,000	42,732
Private Grants	-	5,000	-	-	-	-	5,000
Federal Payments Local Transportation	6,000	-	50,000	50,000	-	-	106,000
Fund Revenue	46,017 <sup>(2)</sup>	42,580	41,363	40,004	38,791	38,791	247,546
GARVEE Bonds	-	-	185,500	64,100	-	-	249,600
Local Highway Trust Fund	22,504 <sup>(3)</sup>	25,716	26,710	27,848	28,842	28,626	160,246
Federal Grants	162,233	162,233	162,233	162,233	162,233	162,233	973,400
<b>Total Funding</b>	<b><u>\$ 1,219,051</u></b>	<b><u>\$1,003,341</u></b>	<b><u>\$945,631</u></b>	<b><u>\$1,070,501</u></b>	<b><u>\$1,143,261</u></b>	<b><u>\$874,743</u></b>	<b><u>\$6,256,529</u></b>

<sup>(1)</sup> Does not reflect additional borrowing required to repay the General Fund for capital expenditures prior to a project receiving financing. Planned borrowing for such repayments in Fiscal Years 2016 – 2021 exceeds new capital budget allotments by \$10 million in Fiscal Year 2017, \$12 million in Fiscal Year 2019, and \$20 million in Fiscal Year 2020.

<sup>(2)</sup> Includes local revenues from rights-of-way occupancy fees.

<sup>(3)</sup> Includes local revenues from motor fuel taxes.

Source: District of Columbia Office of the Chief Financial Officer.

Table 17 does not include the issuance of TIF Bonds, PILOT Notes or refunding bonds, all of which the District may issue from time to time. See “INDEBTEDNESS – Long-Term Obligations – *Economic Development Initiatives of the District*” herein.

Table 18 sets forth the major categories of expenditure in the District’s capital improvements plan for Fiscal Years 2016 through 2021.

**Table 18. Fiscal Years 2016-2021 Proposed Capital Improvements Plan Projected Expenditures**  
(\$ in millions)

<u>Category</u>	<u>Amount</u>
Department of Transportation	\$2,580
District of Columbia Public Schools	1,292
Washington Metropolitan Area Transit Authority	881
District of Columbia Public Library	263
Office of the Deputy Mayor for Planning and Economic Development	189
Department of General Services	153
Department of Parks and Recreation	141
Department of Health Care Finance	124
Other	<u>634</u>
<b>Total</b>	<b><u>\$6,257</u></b>

The Fiscal Year 2011 Budget Support Act of 2010 (D.C. Law 18-223, effective September 24, 2010) (the “Fiscal Year 2011 BSA”) created a Pay-as-you-go Capital Account to be used to reduce future District borrowing for capital purposes. The Pay-as-you-go Capital Account is codified in D.C. Official Code § 47-392.02(f) (the “Pay-as-you-go Capital Account Statute”).

Pursuant to the Pay-as-you-go Capital Account Statute, there is a base year in which the budget for such Fiscal Year, and each subsequent Fiscal Year, must include a Pay-as-you-go Capital Account. The annual amount of local funds to be deposited in the Pay-as-you-go Capital Account must equal the projected local funds revenue of each year, minus the local funds revenue in the budget approved in May of the previous year, multiplied by 25%. The base year described above has been modified by legislation several times. The Fiscal Year 2016 Budget Support Act of 2015, effective October 22, 2015 (L21-36) includes a change to the base year to the Fiscal Year 2019 budget.

## INDEBTEDNESS

### Summary of Statutory Debt Provisions

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

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

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

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

In 2009, the District passed the Limitation on Borrowing and Establishment of the Operating Cash Reserve Act of 2008, effective March 25, 2009, as amended (D.C. Law 17-360; D.C. Official Code §47-334 et seq.) (the “Debt Ceiling Act”) imposing a further limit on the issuance of any District general obligation bonds, Treasury capital-project loans, tax-supported revenue bonds, notes or other debt instruments secured by revenues derived from taxes, fees, or other general revenues of the District, or its agencies and authorities, pursuant to the District’s power to tax and impose fees, including TIF Bonds and PILOT Notes (as hereinafter defined), certificates of participation and lease purchase financing obligations (collectively, with the exceptions noted in the Debt Ceiling Act, “Tax-Supported Debt”), but excluding revenue bonds, notes, or other debt instruments issued for the purpose of funding water and sewer facilities, as described in section 490(a) of the Home Rule Act, and bonds, notes, or other debt instruments paid or secured by revenues from the Master Settlement Agreement with tobacco companies, federal grants, or revenues from the operation of public enterprises, so long as those enterprises are fully self-supporting, if such issuance would result in total debt service in the Fiscal Year of issuance, or any of the five succeeding Fiscal Years, on all outstanding Tax-Supported Debt exceeding 12% of annual District General Fund expenditures and transfers in any applicable Fiscal Year, as contained in the most recently enacted District budget (the “Debt Ceiling”).

The District currently has approximately \$9.6 billion of Tax-Supported Debt outstanding, the debt service on which produces a Debt Ceiling percentage of approximately 9.8%, which complies with the Debt Ceiling Act in Fiscal Year 2015.

The projected Debt Ceiling percentages for Fiscal Years 2016 through 2020 are set forth below. Such projections assume the issuance of the bonds, notes, or other obligations set forth in the District’s capital improvements plan for such Fiscal Years with an assumed interest rate of 5.5%. See “FISCAL YEAR 2016 BUDGET AND FINANCIAL PLAN – Capital Budgeting and Financing.”

**Table 19. Projected Annual Debt Ceiling Percentages\***

2016	9.77%
2017	10.26
2018	11.17
2019	11.78
2020	11.85

\* Debt Ceiling assumptions are preliminary, subject to change.

Source: District of Columbia Office of the Chief Financial Officer.

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

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

### **Long-Term Obligations**

**General Obligation Bonds.** The District currently has approximately \$3.53 billion of general obligation bonds outstanding. With the exception of approximately \$100 million of unhedged variable-rate debt (the Series 2014A Bonds and a small portion of the Series 2014B Bonds, as described in the following paragraph and Table 20), 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 interest rate swap to hedge against interest rate fluctuations.

**General Obligation Direct Purchase Bond Program.** On June 26, 2014, the District issued the Series 2014A Bonds in the aggregate principal amount of \$99.985 million and Series 2014B Bonds in the aggregate principal amount of \$224.315 million (together, the “Series 2014 Multimodal Bonds”). The Series 2014 Multimodal Bonds were sold on a direct purchase basis to Banc of America Preferred

Funding Corporation, and a portion of the proceeds of the bonds financed \$100 million of capital project expenditures in the District’s Fiscal Year 2014 capital improvements plan. The balance of the Series 2014 Multimodal Bonds were used to refund the \$224.3 million Series 2008C Bonds previously held by Wells Fargo Bank, N.A. The Series 2014 Multimodal Bonds are issued under a Master Trust Indenture dated as of December 1, 2004, as supplemented and amended, by and between the District and Wells Fargo Bank, N.A., as trustee. Table 20 provides summary information with respect to such direct purchase obligations.

**Table 20. General Obligation Direct Purchase Bonds**  
as of September 30, 2015

<u>Series</u>	<u>Par Outstanding</u>	<u>Final Maturity</u>	<u>Index</u>	<u>Reset Mode/Payment Frequency</u>	<u>Direct Purchase Bank</u>	<u>Direct Purchase Agreement Date</u>	<u>Direct Purchase Expiration Date</u>
2014A	\$99,985,000	6/1/2039	SIFMA	7-Day Reset / Monthly Pay	Banc of America Preferred Funding Corp.	6/26/2014	6/23/2017
2014B <sup>(1), (2), (3)</sup>	\$224,315,000	6/1/2027	LIBOR	Monthly Reset / Monthly Pay	Banc of America Preferred Funding Corp.	6/26/2014	6/23/2017
<b>Total</b>	<b><u>\$324,300,000</u></b>						

<sup>(1)</sup> The District’s Multimodal General Obligation Refunding Bonds (Variable Rate Demand Obligations), Series 2008C were refunded on June 26, 2014 by the refunding portion of the Series 2014B Bonds.

<sup>(2)</sup> The \$224,300,000 refunding portion of the Series 2014B Bonds, which are the subject of a swap agreement, is synthetically fixed where the District pays the associated fixed swap rate of 3.615% plus 0.42% representing the difference between the District’s receipt of 67% of LIBOR pursuant to the swap and the interest rate on the Series 2014B Bonds of 67% of LIBOR plus 0.42%.

<sup>(3)</sup> The \$15,000 new money portion of the Series 2014B Bonds is unhedged variable rate bonds issued in SIFMA Index mode.

Source: District of Columbia Office of the Chief Financial Officer.

**Income Tax Secured Revenue Bonds.** The Income Tax Secured Bond Authorization Act of 2008 (D.C. Law 17-254; D.C. Official Code §§ 47-340.26-36), as amended (the “Income Tax Bond Act”) authorized the District to issue income tax secured revenue bonds (the “Income Tax Bonds”) to finance some or all of the capital projects in the District’s on-going capital improvements program. Income Tax Bonds are secured by a pledge of the revenues generated by the individual income tax and business franchise taxes imposed by the District (the “Income Tax Revenues”), which are generally paid directly to and collected by a collection agent. After transfers in April, May and June of each year by the collection agent to the trustee for the Income Tax Bonds of amounts needed in the upcoming Fiscal Year to pay debt service on such bonds, all remaining income tax proceeds are released to the District. The holders of any Income Tax Bonds have a first lien on and a pledge of Income Tax Revenues superior to that of the holders of the Bonds and general obligation bonds of the District. See “Security and Sources of Payment for the TRANSs” in Part 1.

The District has approximately \$4.3 billion of Income Tax Bonds outstanding, including \$221.8 million of variable-rate bonds.

**Other Long-Term Obligations.** For accounting and reporting purposes, the District’s CAFR for Fiscal Year 2014 treats the 20-year lease between the District and S/C 225 Virginia Avenue, LLC as a financing agreement, reports it as Other Loans Payable in the District’s long-term liabilities and includes it in the Debt Ceiling calculations.

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 \$115.6 million. Based on the Fiscal Year Budget Support Technical Clarification Amendment Act of 2014 (D.C. Law 20-117), beginning in Fiscal Year 2014, 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 Income Tax Bonds.

In Fiscal Year 2011, the District issued \$82.6 million of GARVEE bonds to finance a portion of the East Washington Traffic Initiative (the 11th Street SE Bridge project). In Fiscal Year 2013, the District issued \$42.9 million of additional GARVEE bonds for the 11th Street SE Bridge project. The District currently has approximately \$104.4 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 from moneys available in the Highway Transportation Fund. 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), or revenue bonds (including TIF Bonds and PILOT Notes (as hereinafter defined) for special projects, 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 entered into agreements only with counterparties that had 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 can elect to terminate a swap, but the counterparty does not have an option to terminate the transactions, and the counterparty is expected to perform through the transaction's maturity. 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. The District is not required to post collateral support under the swap agreements, and in the event a termination payment is payable by the District, it is payable from the general funds of the District, subject to appropriation. See Table 21 for specific termination trigger events.

The following table provides a brief description of the principal features of each interest rate swap agreement to which the District is a party as of September 30, 2015. For a description of the underlying obligations to which the swap agreements described below relate, see Note 8 to the Fiscal Year 2014 Financial Statements.

**Table 21. Interest Rate Swaps - Summary Information<sup>(1)</sup>  
as of September 30, 2015**

1.	Related Bond Series	General Obligation Bonds Series 2001C, 2001D	General Obligation Bonds Series 2004B	Multimodal General Obligation Bonds Series 2014B <sup>(2)</sup>
2.	<b>Initial Notional Amount</b>	\$278,080,000	\$19,525,000	\$224,300,000
3.	<b>Current Notional Amount</b>	\$166,770,000	\$19,525,000	\$224,300,000
4.	<b>Fair Value</b>	\$604,863	(\$1,274,185)	(\$45,075,946)
5.	<b>Termination Date</b>	June 1, 2029	Two portions terminating with associated bond maturities on June 1, 2016, and 2020	June 1, 2027
6.	<b>Type of Swap</b>	Floating-to-Floating	Floating-to-Fixed	Floating-to-Fixed
7.	<b>Rate Paid by Counterparty</b>	60 to 90% of LIBOR, based on LIBOR rate on reset date	1.65% and 1.81% plus CPI-U rate	67% of LIBOR
8.	<b>Rate Paid by District</b>	67% of LIBOR	4.794%, and 5.121%	3.615%
9.	<b>Counterparty</b>	JP Morgan Chase Bank, N.A.	JP Morgan Chase Bank & Co.	Morgan Stanley Capital Services LLC
10.	<b>Counterparty Rating (S&amp;P/Moody's/Fitch)</b>	A+/Aa3/AA-	A/A3/A+	A-/A3/A
11.	<b>Collateral/Credit Support</b>	None	Assured Guaranty Ltd., insurance for swap payments by District; Guarantee of counterparty by parent	None
12.	<b>Priority of Payments</b>			
	<b>a. interest payments</b>	General obligation of the District	General obligation of the District	General obligation of the District
	<b>b. termination payments</b>	General funds of the District, subject to appropriation	General funds of the District, subject to appropriation	General funds of the District, subject to appropriation
13.	<b>Additional Termination Events</b>	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

<sup>(1)</sup> **AWC Agreement.** In addition to the swaps summarized in this table, in connection with the issuance of the Anacostia Waterfront Corporation (AWC) PILOT Revenue Bonds issued in September 2007 (the "AWC Bonds"), 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.

<sup>(2)</sup> **The Series 2014B Bonds.** The Series 2014B Bonds were issued to refund the District's Series 2008C Bonds, which were issued to refund the District's Series 2002B Bonds. The swap agreement was originally entered into by the District in connection with the Series 2002B Bonds.

Source: District of Columbia Office of the Chief Financial Officer. • •

***Economic Development Initiatives of the District.*** The District finances a portion of the costs of certain privately owned, economic development projects and public infrastructure projects through the issuance of tax increment bonds or notes (“TIF Bonds”) and Payment In Lieu of Taxes revenue bonds and notes (“PILOT Notes”). TIF Bonds generally are payable from incremental increases in certain dedicated real property and sales tax revenues generated from the respective project TIF Areas. Some TIF Bonds and PILOT Notes are additionally secured by the Downtown TIF Area. The Downtown TIF Area is located substantially in the northwest quadrant of the District of Columbia and covers a substantial portion of the downtown area of the District of Columbia (the “Downtown TIF Area”). TIF Bonds and PILOT Notes are not general obligation debt of the District, and do not involve a pledge of the full faith and credit of the District.

Table 22 lists all outstanding TIF Bonds and PILOT Notes of the District, as well as additional debt that has been authorized but remains unissued.

**Table 22. TIF Bonds and PILOT Notes<sup>1</sup>**

<b>Project Name</b>	<b>Initial Issuance Amount</b>	<b>Amount Outstanding as of September 30, 2015</b>	<b>Authorization Remaining</b>
<i>Authorized Under the Tax Increment Financing Authorization Act of 1998 (as amended)</i>			
Gallery Place TIF	\$ 52,365,000	\$ 46,730,000	\$ 0
Mandarin Oriental Hotel TIF	45,995,387	15,515,047	0
<b>Subtotal</b>	<b>\$ 98,360,387</b>	<b>\$ 62,245,047</b>	<b>\$ 0</b>
<i>Authorized Under the Retail Incentive Act of 2004 (as amended)</i>			
Downtown Retail Priority Area TIF Notes	\$ 13,757,076	\$ 7,078,491	0
Fort Lincoln Retail Priority Area TIF Note	10,000,000	3,300,000	0
Great Streets Retail Priority Area TIF Notes	5,934,731	5,045,618	0
<b>Subtotal</b>	<b>\$ 29,691,807</b>	<b>\$ 15,424,109</b>	<b>\$ 0</b>
<i>Authorized Under the Payment In Lieu of Taxes Act of 2004 (as amended)</i>			
Anacostia Waterfront Corporation PILOT Revenue Bonds	\$111,550,000	\$ 62,520,000	\$ 0
Rhode Island PILOT Note	7,200,000	5,568,116	0
Southeast Federal Center PILOT Notes <sup>2</sup>	40,460,000	38,289,370	49,540,000
<b>Subtotal</b>	<b>\$159,210,000</b>	<b>\$106,107,486</b>	<b>\$ 49,540,000</b>
<i>Authorized Under Other Acts</i>			
Convention Center Hotel TIF/Revenue Bonds	\$176,380,000	\$175,300,000	0
O Street Market TIF	38,650,000	38,650,000	\$ 3,000,000
Verizon Center Sales Tax Revenue Notes	50,000,000	49,695,000	0
Southwest Waterfront TIF/PILOT	145,445,000	145,445,000	52,555,000
Skyland TIF	0	0	40,000,000
<b>Subtotal</b>	<b>\$410,475,000</b>	<b>\$409,090,000</b>	<b>\$ 95,555,000</b>
<b>TOTAL</b>	<b>\$697,737,194</b>	<b>\$592,866,642</b>	<b>\$ 145,095,000</b>

<sup>1</sup> The Downtown TIF Area is pledged as credit enhancement on seven projects should the footprint tax increment be insufficient to pay debt service: (i) Gallery Place, (ii) Mandarin Oriental Hotel, (iii) Howard Theatre (through the Great Streets Retail Priority Area program), (iv) O Street Market, (v) Verizon Center, (vi) Southwest Waterfront, and (vii) Skyland. Of this group, in the past five years, only the Howard Theatre project has required a contribution from the Downtown TIF Area increment to make debt service payments.

<sup>2</sup> The District is authorized to issue up to \$90 million in Southeast Federal Center PILOT Note(s) of which a \$5.66 million Foundry Lofts PILOT Note and a \$34.8 million Yards PILOT Note have been issued. As of September 30, 2015, the current outstanding balances on these two Notes are \$5,259,799 and \$33,029,571 respectively.

Source: District of Columbia Office of the Chief Financial Officer.

**Energy Efficiency Initiative.** The District finances the energy efficiency initiative (“PACE Program”) through a special assessment imposed on voluntarily participating real property pursuant to the Energy Efficiency Financing Act of 2010, effective May 27, 2010 (D.C. Law 18-183) (“Energy Efficiency Act”). If an owner of real property located in the District wishes to participate in the PACE Program and meets the qualifications for the program, the Energy Efficiency Act authorizes the District to issue debt for the energy efficiency improvements on the participating property. The debt issued by the District is a special obligation of the District paid solely from the voluntary special assessment imposed on the property based on the amount of the debt issued to finance the energy efficiency improvements and the projected energy savings. Currently, there are three outstanding notes issued by the District under the PACE Program, a \$340,000 note issued to EagleBank with the maturity date of June 1, 2033; a \$156,886 note issued to United Bank with the maturity date of August 5, 2033 and a \$723,192 note issued to Amalgamated Bank with the maturity date of September 30, 2030. The District expects to issue additional notes under the PACE Program in the future, but there are no definite plans for future issuances. If there is sufficient participation at some point in the future, the District may bundle outstanding notes into a single offering.

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

The Ballpark Revenue Fund is pledged as the source of payment for the District’s Ballpark Revenue Bonds, which were issued in the amount of \$534.8 million in May 2006, to fund the Ballpark Project. The Ballpark Revenue Bonds were originally issued as Taxable Series 2006A-1, Taxable Series 2006A-2, Series 2006B-1 and Series 2006B-2 (Auction Rate Certificates) (collectively, the “Ballpark Bonds”). In May 2008, the Series 2006B-2 Bonds were converted to variable-rate demand obligations with credit enhancement in the form of a direct-pay letter of credit provided by Bank of America, N.A. In July 2011, a portion of the Series 2006B-2 Bonds, totaling approximately \$22.7 million, was privately placed with PNC Bank, N.A. at a variable rate of interest for a term of three years. In July 2014, the District repaid in full the \$21 million of outstanding Series 2006B-2 Bonds from excess pledged revenues.

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

## **Other Capital Funding**

***Master Equipment Lease/Purchase Program.*** The District began a Master Equipment Lease/Purchase Program (the “Program”) in 1998 to provide tax-exempt financing for projects with short-term to intermediate-term useful lives. As a result, rolling stock such as police, emergency and public works vehicles has been acquired on a relatively short-term lease/purchase basis rather than with the proceeds of long-term bonds. This Program has enabled the District to improve its asset/liability management by matching the useful life of the asset being financed to the amortization of the liability (5 to 10 years).

As of September 30, 2015, the District had financed approximately \$526 million of its capital equipment needs through the Program since its inception, and there was approximately \$87 million in principal outstanding. Lease payment obligations are payable subject to appropriation, and are neither debt nor general obligations of the District; such obligations, however, are subject to the Debt Ceiling.

***Underground Electric Power Lines.*** The District expects to participate in the financing of undergrounding of a portion of the electric power lines located in the District of Columbia. The electric power line undergrounding bonds are authorized to be issued in a par amount not to exceed \$375 million. The electric power line undergrounding bonds will not be paid from District funds, but, instead, from revenues generated from a nonbypassable electric surcharge (the “Charge”) billed to and collected from electric customers by the public utility (currently Pepco Holdings Inc. (“Pepco”)), as servicing agent to the District. The Charge must be approved by the District’s Public Service Commission (“PSC”) through a financing order (“Financing Order”) prior to billing and collection. As such, the obligations arising from this financing are not the District’s debt and will not be subject to the Debt Ceiling. On November 24, 2014, the PSC issued the Financing Order that, among other things, approved the power line undergrounding plan, the Charge, and the allocation of the Charge to different classes of Pepco’s customers. Subsequently, the Apartment & Office Building Association (“AOBA”) filed an appeal in the D.C. Court of Appeals contesting the Charge and the plan. There is no indication at this time as to when the court will decide this case, or a date certain to commence the debt issue to finance the undergrounding of the power lines because of the pending appeal. On April 30, 2014, the Chicago-based Exelon Corporation (“Exelon”) announced its preliminary agreement to purchase Pepco. In September 2014, Pepco shareholders voted to approve the acquisition by Exelon. However, in August 2015, the District’s PSC rejected Exelon’s initial bid to acquire Pepco. On October 6, 2015, the Mayor and Exelon reached agreement as to certain concessions that Exelon would make for the benefit of the District and its residents in order to garner approval of the Pepco acquisition (the “Settlement Agreement”). The District of Columbia PSC will consider the settlement agreement as a part of the application to approve the acquisition of Pepco by Exelon. There is no indication from Pepco or Exelon that the transaction will impact the undergrounding project. On June 24, 2015, the Commissioner of the GSA Public Buildings Service of the United States General Services Administration (the “GSA”) notified the District’s Treasurer that the GSA viewed the Charge as a tax on the end users of Pepco from which the federal government is immune and, accordingly, the GSA would not pay the Charge. The District disagrees with this legal analysis and is considering what steps to take in light of this development.

## **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 Fiscal Year in which they are issued, in order to finance its seasonal cash flow needs. The District issued tax revenue anticipation notes in Fiscal Years 2011-

2015, as shown below. All tax revenue anticipation notes issued in Fiscal Years 2011-2015 were repaid at the end of each respective Fiscal Year.

**Table 23. General Obligation Tax Revenue Anticipation Notes**  
Fiscal Years 2011-2015  
(\$ in millions)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Total Notes Issued	\$700	\$820	\$675	\$405	\$400
Percentage of General Fund Revenues <sup>(1)</sup>	11.68%	12.45%	9.85%	5.71%	5.84%

<sup>(1)</sup> 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 2011-2014. The percentage for Fiscal Year 2015 is based on the District's September 2015 Revenue Estimate.

Table 24 shows the District's outstanding Tax-Supported Debt.

**Table 24. Outstanding Tax-Supported Debt as of September 30, 2015**

<u>Security</u>	<u>Par Outstanding</u>	<u>Percentage<sup>(1)</sup></u>
General Obligation Bonds	\$3,530,770,000	36.48%
Income Tax Secured Revenue Bonds	4,327,855,000	44.71
TIFs & PILOTS <sup>(2)</sup>	426,531,642	4.41
Capital & Master Leases	184,718,101	1.91
Ballpark Revenue Bonds	467,360,000	4.83
HPTF Bonds	115,565,000	1.19
Convention Center Bonds <sup>(3)</sup>	621,800,000	6.42
Qualified Zone Academy Bonds	<u>4,790,567</u>	<u>0.05</u>
<b>TOTAL</b>	<b>\$9,679,390,310</b>	<b>100.00%</b>

<sup>(1)</sup> Numbers may not add due to rounding.

<sup>(2)</sup> Excludes the TIF financing for the convention center hotel in the outstanding principal amount of \$175,300,000; includes the PILOT financing for the Oyster School in the outstanding principal amount of \$8,965,000.

<sup>(3)</sup> Includes the TIF financing for the convention center hotel in the outstanding principal amount of \$175,300,000.

Source: District of Columbia Office of the Chief Financial Officer.

Tables 25 and 26 show the District’s Tax-Supported Debt for Fiscal Years 2010-2014 on a per capita basis and as a percent of assessed value.

**Table 25. Tax-Supported Debt Per Capita**  
Fiscal Years 2010-2014

Fiscal Year	Tax-Supported Debt <sup>(1)</sup>	Tax-Supported Debt Per Capita <sup>(2)</sup>
2010	\$6,955,944,000	\$11,495
2011	7,624,392,000	12,305
2012	7,831,218,000	12,363
2013	8,393,885,000	12,985
2014	8,676,082,000	13,168

<sup>(1)</sup> The debt calculation stated in Table 25 is different from and does not necessarily reflect the Tax-Supported Debt for Debt Ceiling purposes.

<sup>(2)</sup> The prior per capita amounts have been updated to reflect revised census population estimates.

Sources: District’s CAFR for Fiscal Year 2014; Statistical Section; Convention Center debt was obtained from the District’s Notes to Financial Statements from CAFRs for prior Fiscal Years.

**Table 26. Tax-Supported Debt and Assessed Value of Taxable Property**

Fiscal Year	Estimated Actual Values <sup>(1)</sup>	Tax Supported Debt	Debt / Estimated Actual Value <sup>(2)</sup>
2010	\$150,117,289,000	\$6,955,944,000	4.6%
2011	139,287,502,000	7,624,392,000	5.5
2012	146,501,957,000	7,831,218,000	5.3
2013	151,744,722,000	8,393,885,000	5.5
2014	160,300,070,000	8,676,082,000	5.4

<sup>(1)</sup> Assessed value is 100% of estimated actual value.

<sup>(2)</sup> Median debt to value percentage for Moody’s Aa rated municipalities is 3.02%.

Source: District’s CAFR for Fiscal Year 2014; Statistical Section.

## THE DISTRICT’S ECONOMIC RESOURCES

### Overview

Although the District of Columbia 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 of Columbia covers approximately 61 square miles and had a resident population of 658,893 as of July 1, 2014 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 of Columbia 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.



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 of Columbia 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.

### **Recent Economic Development**

Economic development in the District continues to be strong. Currently, there are 9 hotels under construction (representing 1,661 rooms) and six hotels are expected to break ground over the next 12 months (representing an additional 1,456 rooms). Multi-family housing construction grew over the past year. In the second quarter of calendar year 2015, construction was started on 4,448 new market rate apartment units, compared to 3,554 units over the prior 12-month period. At the CityCenter DC Project, 20 luxury retailers are now open; three more are expected to open before the close of calendar year 2015. Walmart has also opened three stores in the District, with two others planned to break ground in the next 18 months.

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

**Table 27. Land Uses by Tax Classification for Tax Year 2014**

<u>USE</u>	<u>AREA</u>
<u>Tax Exempt</u>	
Federal tax-exempt	36%
Other tax-exempt	13
District government	7
<u>Taxable</u>	
Residential	36
Commercial	8
Vacant	<u>0</u>
<b>TOTAL</b>	<b>100%</b>

Source: District of Columbia Office of Tax and Revenue.

## Population

The U.S. Census Bureau estimated that the District of Columbia's population was 658,893 as of July 1, 2014, which is an increase of 9,782 or 1.5%, as compared to July 1, 2013. From April 1, 2009 to July 1, 2014, the District of Columbia experienced a higher rate of population growth (11.3%) than the average rate for the United States (3.3%).

Per capita personal income in the District of Columbia has been consistently higher than all of the 50 states. In 2014, per capita personal income in the District of Columbia was \$69,828 compared to \$46,043 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 2009 through 2013, median household income over that period for District of Columbia residents was \$65,830, compared to \$53,046 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 2.20 persons based upon data collected by the U.S. Census Bureau from 2013), and a large percentage of college graduates employed in highly-skilled occupations. The District of Columbia has a significant number of lower-income residents, with an average of 18.6% of the population below the poverty line in 2013. Based upon data collected by the U.S. Census Bureau from 2009 through 2013, an average of 88.4% of District of Columbia residents age 25 or older are high school graduates, compared to 86.0% nationwide; 52.4% of District of Columbia residents in the same age group had earned a bachelor's degree (or higher), compared to 28.8% nationwide.

**Table 28. Demographic Statistics**

<u>Year</u>	<u>Population</u>	<u>Median Age (Years)</u>	<u>Per Capita Personal Income</u>		
	<u>D.C.</u>	<u>D.C.</u>	<u>D.C.</u>	<u>U.S.</u>	<u>Ratio of D.C. to U.S.</u>
2010	605,125	33.8	\$63,704	\$40,271	158.2%
2011	619,624	33.7	67,354	42,446	158.7
2012	633,427	33.6	68,966	44,257	155.8
2013	646,449	33.8	68,652	44,431	154.5
2014		N/A	69,828	46,043	151.7

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

**Table 29. Sources of Income of District Residents<sup>(1)</sup>**

<u>Source of Income</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net earnings	70.1%	69.7%	68.8%	68.6%	68.2%	68.4%
Dividends, interest, and rents	17.1	16.2	17.3	18.4	18.4	18.6
Transfer payments <sup>(2)</sup>	12.8	14.1	13.9	13.0	13.4	13.0

<sup>(1)</sup> Each of the years listed is a calendar year.

<sup>(2)</sup> 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 30. Personal Income Tax Filers and Liability by Income Level (2014)**

<u>Income Level</u>	<u>Number of Filers</u>	<u>Percentage of Total Filers</u>	<u>Percentage of Total Income Taxes</u>
\$100,001 and higher	61,740	17.0%	72.1%
\$75,001 - \$100,000	29,385	8.0	9.0
\$50,001- \$75,000	49,504	13.6	9.5
\$25,001- \$50,000	83,056	22.7	7.5
\$10,001 - \$25,000	69,113	18.9	1.8
\$10,000 and lower	<u>72,295</u>	<u>19.8</u>	<u>0.1</u>
	<b>365,093</b>	<b>100.0%</b>	<b>100.0%</b>

Source: District's Fiscal Year 2014 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 September 2015, total resident employment in the PMSA was approximately 3,121,294 (preliminary), and total resident employment in the District of Columbia was approximately 357,733 (preliminary), which is 11.5% of the PMSA total.

District residence employment, as measured by the 3-month moving average, was up 10,079, or 2.9%, in September 2015 as compared to September 2014. The District's large service sector accounted for 748,800 (preliminary) jobs located in the District of Columbia as of September 2015. Public sector employment in the District of Columbia helped stabilize District employment during the U.S. economic recession that began in December 2007. As of September 2015, there were 234,900 government employees in the District of Columbia, up 0.043% as compared to September 2014.

**Income.** Wage and salary employment in the District of Columbia, as measured by the three-month moving average, was up 12,933, or 1.7%, in September 2015 as compared to September 2014. In the quarter ended June 2015, District of Columbia personal income grew by 4.2% and estimated wages and salaries of District of Columbia residents grew 4.2%, as compared to the same period one year earlier. The personal income gain was slightly lower than the 4.1% gain experienced by the United States as a whole. For the quarter ended June 2015, wages and salaries earned in the District grew by 4.8%. The increase in wages and salaries earned in the District was largely due to growth in the private sector.

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

The Walter E. Washington 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 703,000 square feet of exhibit space, 198,000 square feet for meeting space divisible into 77 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 in the Mid-Atlantic region.

With the opening of the Marriott Marquis Hotel (the "Hotel") in 2014, the District has further capabilities for citywide conferences and events with 1,175 hotel rooms, 49 suites and an additional 100,000 square feet of meeting space at the Hotel. A pedestrian connector joins the Convention Center and the Hotel.

In 2014, approximately 18.3 million domestic visitors and 1.9 million international visitors traveled to the District. The District was the eighth most visited destination in the U.S. for international travelers in 2014. 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 of Columbia. In 2014, total visitor spending in the District of Columbia was approximately \$6.81 billion, an increase of approximately \$120 million over 2013.

The District's tourism statistics for 2015 are expected to be released in the summer of 2016 by Destination DC, a private, non-profit corporation that supports the District's travel and tourism sector.

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

**Real Estate.** In the month of August 2015, there were 333 single family home sales (completed contracts) (2.3% less than the year before) with an average price of \$778,061 (15.6% more than one year before) and 353 condo/co-op sales (completed contracts) (8.6% more than one year before) with an average price of \$482,216 (0.7% less than one year before) in the District of Columbia. For the quarter ending June 2015, the commercial office space vacancy rate in the District of Columbia was 6.9% (excluding sublet space), up from 6.8% for the prior quarter.

**Outlook.** Federal government employment and contracting provide a solid foundation for the District’s economic base. Over the past year, the District’s private sector continued to add jobs and the number of private sector jobs in [December 2014] is about [61,200] greater than when the U.S. recession began in December 2007, with the largest gains occurring in education, health and hospitality. The current outlook is for gains in the private sector to continue, offsetting reductions that could occur in government employment.

Tables 31 through 34 illustrate the growth and decline of various District of Columbia employment sectors over time, the largest private and non-profit employers in the District and the change in employment over time for the District, the PMSA and the nation.

**Table 31. Employment in the District of Columbia By Industry**  
**(Annual Average Data)<sup>(1), (2), (3), (4)</sup>**  
 (in thousands)

<u>Calendar Year</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015<sup>(5)</sup></u>
Federal Government	210.6	212.2	208.3	204.7	197.0	198.5
District Government	32.5	31.1	30.8	30.7	32.7	35.9
Public Transportation	3.8	3.8	4.0	4.3	4.3	4.6
Trade, Trans. & Utilities	27.3	27.4	28.1	29.0	26.3	26.6
Financial Activities	26.9	27.6	28.2	28.7	30.3	31.0
Professional & Business Services	147.7	150.4	154.1	155.6	157.9	163.0
Other private	259.5	269.9	277.3	288.0	304.8	306.7
<b>Total Service-Providing</b>	<b><u>700.4</u></b>	<b><u>713.0</u></b>	<b><u>720.2</u></b>	<b><u>730.4</u></b>	<b><u>738.1</u></b>	<b><u>750.4</u></b>
<b>Total Goods-Producing</b>	<b><u>11.7</u></b>	<b><u>13.2</u></b>	<b><u>14.6</u></b>	<b><u>14.8</u></b>	<b><u>15.3</u></b>	<b><u>16.0</u></b>
<b>Total Non-Farm</b>	<b><u>712.1</u></b>	<b><u>726.2</u></b>	<b><u>734.8</u></b>	<b><u>745.2</u></b>	<b><u>753.4</u></b>	<b><u>766.4</u></b>

<sup>(1)</sup> Reflects place of employment, not place of residence.

<sup>(2)</sup> Not seasonally adjusted. Data may not equal totals due to independent rounding. Industry classification is based on the North American Industry Classification System (“NAICS”).

<sup>(3)</sup> 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.

<sup>(4)</sup> Proprietors, self-employed individuals, unpaid family and volunteer workers, military personnel, internationally stationed workers, and private household workers are excluded.

<sup>(5)</sup> 2015 data represents seasonally adjusted data as of September 2015.

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

**Table 32. Top 10 Private Sector Employers in the District<sup>(1), (2)</sup>**  
(2014)

<b>Employer</b>	<b>Rank<sup>(3)</sup></b>
Georgetown University	1
Washington Hospital Center	2
George Washington University	3
Children's National Medical Center	4
American University	5
Georgetown University Hospital	6
Howard University	7
Fannie Mae	8
Booz Allen & Hamilton Inc.	9
Allied Barton Security Services LLC	10

- <sup>(1)</sup> This data is produced through the Quarterly Covered Employment and Wage Program, a Bureau of Labor Statistics federal/state cooperative statistical program. Release of data under this program is subject to the Confidential Information Protection and Statistical Efficiency Act of 2002. The District cannot release company specific employment information without the written consent of each of the companies that are included in the release of such data. As a result, only rank information for the top ten principal employers is presented.
- <sup>(2)</sup> Table 32 does not include the federal and local government as employers. With the exception of Booz Allen & Hamilton Inc. and Fannie Mae, all of the employers listed above are not-for-profit entities.
- <sup>(3)</sup> Ranked by size of workforce.

Source: District's CAFR for Fiscal Year 2014; Statistical Section, Exhibit S-4B.

**Table 33. 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.**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Labor Force	346,065	350,842	365,025	373,495	377,448
Number Employed	313,508	315,159	332,013	341,753	348,049
Number Unemployed	32,557	35,683	33,012	31,742	29,399
Unemployment Rate	9.4%	10.2%	9.0%	8.5%	7.8%

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

**Washington, PMSA**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Labor Force	3,150,740	3,198,176	3,237,000	3,258,140	3,262,248
Number Employed	2,950,673	3,003,103	3,050,759	3,078,147	3,098,615
Number Unemployed	200,067	195,073	186,241	179,993	163,633
Unemployment Rate	6.3%	6.1%	5.8%	5.5%	5.0%

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

**United States**

(in thousands, other than unemployment rate)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Labor Force	153,889	153,617	154,975	155,389	155,922
Number Employed	139,064	139,869	142,469	143,929	146,305
Number Unemployed	14,825	13,747	12,506	11,460	9,617
Unemployment Rate	9.6%	8.9%	8.1%	7.4%	6.2%

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

**Table 34. Unemployment Rates<sup>(1)</sup>**

<u>Calendar Year</u>	<u>District</u>	<u>Washington, PMSA</u>	<u>U.S.</u>
2010	9.4%	6.3%	9.6%
2011	10.2%	6.1%	8.9%
2012	9.0%	5.8%	8.1%
2013	8.5%	5.5%	7.4%
2014	7.8%	5.0%	6.2%
August 2014	7.8% <sup>(2)</sup>	5.3% <sup>(2a)</sup>	6.1% <sup>(2)</sup>
August 2015	6.8% <sup>(3)</sup>	4.3% <sup>(3a)(4)</sup>	5.1 % <sup>(3)</sup>

<sup>(1)</sup> Annual rates are an average of monthly rates for the given year.

<sup>(2)</sup> Seasonally adjusted monthly rate for August 2014.

<sup>(2a)</sup> Not seasonally adjusted monthly rate for August 2014.

<sup>(3)</sup> Seasonally adjusted monthly rate for August 2015.

<sup>(3a)</sup> Not seasonally adjusted monthly rate for August 2015.

<sup>(4)</sup> Preliminary.

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



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