December 2020 Revenue Estimate

December 30, 2020
Revenue Estimate Overview

• April revenue estimate significantly lowered and formed the basis for the approved budget

• Revenues decreased further in September for FY 2021 to FY 2024

• In December, revenues revised upward but still $461.8 million below approved budget for FY 2021 to FY 2024

• FY 2020 revenue stronger than expected largely due to stronger income and property taxes
December 2020 Local Fund Revenue

<table>
<thead>
<tr>
<th>Local Source, General Fund Revenue Estimate</th>
<th>Actual FY 2019</th>
<th>Estimated FY 2021</th>
<th>Projected FY 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2021 BUDGETED REVENUE</td>
<td>8,314.9</td>
<td>8,037.7</td>
<td>8,762.2</td>
</tr>
<tr>
<td>September revision to estimate</td>
<td>222.1</td>
<td>-209.7</td>
<td>-170.4</td>
</tr>
<tr>
<td>December revision to estimate</td>
<td>171.1</td>
<td>56.9</td>
<td>93.2</td>
</tr>
<tr>
<td>Total revisions to budgeted revenue</td>
<td>393.2*</td>
<td>-152.8</td>
<td>-77.2</td>
</tr>
</tbody>
</table>

| December 2020 Revenue Estimate             | 8,151.6       | 8,338.2           | 8,992.2           |

| Revenue Change From Previous Year          |               |                   |                   |
| Amount                                     | 556.5         | (257.3)           | 335.7             |
| Year-Over Year Percent Change              | 7.2%          | -3.2%             | 4.0%              |

* FY 2020 subject to change with final CAFR
December Revision to September Estimate

FY 2020: +$171.1 million

Stronger than expected …
- Withholding in September
- Capital gains for high net-worth individuals
- Corporate final returns in October
- Real property collections (2\textsuperscript{nd} half payment with lower delinquencies than expected)

More than offset …
- Weaker September sales taxes than estimated
- Weaker September deed taxes
December Revision to September Estimate

FY 2021 – FY 2024: +$320.1 million

Faster recovery…
- Earlier recovery than previously estimated in hospitality due to vaccine progress
- Recently enacted federal relief
- Resident wages outlook stronger
- Stock market significantly better

But..
- Large office and multifamily sales slow
### Re-open Assumptions Key to Stronger Forecast

<table>
<thead>
<tr>
<th>PHASE II</th>
<th>PHASE III</th>
<th>PHASE IV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continues Until Spring 2021</td>
<td>Spring/Summer 2021</td>
<td>Fall 2021</td>
</tr>
<tr>
<td>- Business capacity restricted</td>
<td>- Business capacity 75% (10ppl per 1000sqft)</td>
<td>- Return to normal</td>
</tr>
<tr>
<td>- Restaurants: no indoor dining</td>
<td>- Restaurants: indoor dining allowed 50%</td>
<td></td>
</tr>
<tr>
<td>- Groups &lt; 25ppl</td>
<td>- Bars/nightclubs: 50% (5 ppl per 1000sqft)</td>
<td></td>
</tr>
<tr>
<td>- Significant restrictions on businesses</td>
<td>- Libraries open with safeguards</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Groups &lt; 250 ppl</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Offices: telework encouraged but in office up to 50%</td>
<td></td>
</tr>
</tbody>
</table>
Effects of the COVID Recession
Divergence in two major taxes

General sales tax and Individual income tax withholding

Withholding 5%
Sales -45%

% change annual (3-mo moving sum)

Divergence in industry employment

Net job loss in DC from February to November: 53,700 (6.7%)

- Higher wage government and professional service sectors gained 5,400 jobs or 1.5 percent

- Two thirds of all losses occurred in lower wage hospitality and business services
Job losses concentrated in lower wage sectors

Average annual wages:

Government and professional $110,300 (49% of Nov. District employment)
Hospitality and business services $ 43,400 (12% of Nov. District employment)
Other $ 64,400 (39% of Nov. District employment)
Questions?