GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer

November 19, 2012

The Honorable Vincent C. Gray
Mayor of the District of Columbia
1350 Pennsylvania Avenue, N.W., Suite 600
Washington, D.C. 20004

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue, N.W., Suite 504
Washington, D.C. 20004

SUBJECT: **Third Quarter, FY 2012, Status Report on the Emergency and Contingency Cash Reserve Funds as of June 30, 2012**

Dear Mayor Gray and Chairman Mendelson:

Enclosed is the status report on the monthly activities and balances in the Emergency and Contingency Cash Reserve Funds as of June 30, 2012. The numbers contained in this status report are preliminary and unaudited.

Summary and Background

The Emergency Cash Reserve Fund may be used for unanticipated and nonrecurring extraordinary needs of an emergency nature, including a natural disaster or calamity and unexpected obligations created by federal law. The Contingency Cash Reserve Fund may be used for nonrecurring or unforeseen needs that arise during the fiscal year, including natural disasters, unexpected obligations created by federal law, new public safety or health needs identified after the budget process has occurred, and revenue shortfalls experienced by the District for three consecutive months that are 5 percent or more below the budget forecast. Both funds may be used for cash flow management purposes.

The District is required to maintain minimum balances (including required replenishment of permitted draws) in the Emergency and Contingency Cash Reserve Funds of 2 percent and 4 percent, respectively, of Local Fund operating expenditures less repayment of bonds and interest, for which a separate fund is already established. The minimum levels are based on the operating expenditures contained in the most recently published CAFR of the District for the fiscal year immediately preceding the current fiscal year.

The September year-end FY 2011 CAFR fund balances included $109.9 million for the Emergency Cash Reserve Fund and $228.7 million for the Contingency Cash Reserve Fund, for a combined total of $338.6 million.

As of June 30, 2012, the Third Quarter FY 2012 reserve fund balances were as follows:

Emergency Reserve Fund	$109.9 million
Contingency Reserve Fund	200.0 million
Total	**$309.9 million**

Following is a discussion of activities for the nine months ending June 30 2012 and resulting balances in the Emergency and Contingency Cash Reserve Funds.

Emergency Cash Reserve Fund

The Emergency Cash Reserve FY 2011 CAFR fund balance of $109.9 million increased by $84,000, to $109.9 million, during the nine months, due to investment earnings.

Contingency Cash Reserve Fund

The Contingency Cash Reserve FY 2011 CAFR fund balance of $228.7 million decreased during the nine months by $28.7 million, to $200.0 million, due to a net of 12 draws totaling $44.0 million, replenishments of $15.0 million, and investment earnings of $257,000.

The first draw, for $6.0 million, was made in October to fund costs of earthquake repairs. The District experienced a 5.8 magnitude earthquake on August 23, 2011, and the District drew an initial $0.9 million for repair costs in FY 2011. The Mayor requested the additional $6.0 million to fund repair costs incurred in FY 2012, to be implemented by the Department of General Services.

A draw for $1.3 million was made in December for the Department of Motor Vehicles (DMV), for the nonrecurring and unforeseen costs required to continue the ticket collection contract within the Department. This contract expired on June 30, 2012, and if it were not renewed immediately the Department would not be able to continue to collect revenue related to all tickets processed through the current vendor. In May, another draw was made for DMV for $1.0 million to cover additional ticket collection costs. Both DMV draws are expected to be reimbursed by year-end.

A withdrawal of $50 million was made for cash flow purposes in February. It was replaced in April.

In April and May, three draws were made as advances of the Fiscal Year 2012 Revised Budget Request Adjustment Emergency Act of 2012. A $7.0 million draw was made for D.C. Public Charter Schools and two draws, $3.5 million in April and $4.5 million in May, were made for the Unemployment Compensation Fund. All were replenished in June, upon the approval of the supplemental budget action.

Two more draws were made in May for D.C. Public Charter Schools, to fund both increased summer school enrollment and an increased number of special education students. The first draw was for $1.2 million and the second was for $4.9 million. The draws are expected to be replenished by year-end. A final May draw was for $4.0 million for the Not-For-Profit Hospital Corporation Subsidy to resolve short-term cash flow issues of the United Medical Center, caused in part by the recently re-calculated Disproportionate Share Hospital (DSH) federal payment. It is expected to be replenished by year-end.
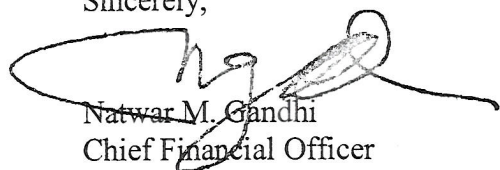
In June, $4.2 million was drawn for the Department of Healthcare Finance. Funding was needed to extend the existing contract with the Managed Care Organizations (MCOs) that provide health care to individuals enrolled in the DC Alliance programs. The draw is expected to be replenished by the FY 2012 Second Revised Budget Request Emergency Adjustment Act of 2012. $3.3 million was drawn for the Washington Metro Area Transit Authority to fund its Fourth Quarter payment to the Metro Transit Authority. The draw is expected to be replenished by year-end. Finally in June, $3.0 million was drawn for the Department of Transportation to fund nonrecurring and unforeseen costs required to award the parking meter maintenance contract by June 30. The draw is expected to be replenished by year-end.

June 30, 2012 Combined Balances

In summary, the June 2012 fund balances for the Emergency and Contingency Cash Reserve Funds were $109.9 million and $200.0 million, respectively. Their combined total was $309.9 million.

If you have any questions or need additional information, please contact Gordon McDonald, Deputy Chief Financial Officer for Budget and Planning, at 727-1239.

Sincerely,

Natwar M. Gandhi
Chief Financial Officer

Enclosures

cc: Allen Y. Lew, City Administrator
        Eric Goulet, Deputy Chief of Staff and Budget Director, Mayor's Office of Budget and
            Finance
        Jennifer Budoff, Budget Director, Council of the District of Columbia
        Angell Jacobs, Chief of Staff, Office of the Chief Financial Officer
        David Tseng, General Counsel, Office of the Chief Financial Officer
        Gordon McDonald, Deputy Chief Financial Officer, Office of Budget and Planning
        Jeffrey Barnette, Deputy Chief Financial Officer and Treasurer, Office of Finance and
            Treasury
        Anthony F. Pompa, Deputy Chief Financial Officer, Office of Financial Operations and
            Systems

Fiscal Year 2012, Contingency Cash Reserve Report
Third Quarter Ending 6/30/2012
as of 11/15/2012

Fiscal Month	Transactions/Balances		($ in 000s) CAFR Basis Restricted Fund Balance (1)
Sept, 2011	FY 2011 ending balances:		228,729
Oct	Draw: Dept. of Real Estate Services (AM0), earthquake repair		(6,000)
Oct	Investment earnings		76
Nov	Investment earnings		1
Dec	Draw: Department of Motor Vehicles (KV0), costs required to continue ticket collection		(1,300)
Dec	Investment earnings		1
Dec	First Quarter ending balances		221,507
Jan, 2012	Investment earnings		1
Jan	Deposit to increase balance to the new required level		0
Feb	Investment earnings		66
Mar	Investment earnings		23
Mar	Second Quarter ending balances		221,597
Apr	Investment earnings		74
Apr	Draw: DC Charter Schools (GC0), advance of Supplemental Budget Request Act		(6,971)
Apr	Draw: Unemployment Compensation Fund (BH0), advance of Supplemental Budget Request Act		(3,500)
May	Draw: Unemployment Compensation Fund (BH0), advance of Supplemental Budget Request Act		(4,500)
May	Draw: Charter Schools (GC0), enrollment pressures by English Language Learner students		(1,215)
May	Draw: Charter Schools (GC0), enrollment pressures by English Language Learner students		(4,888)
May	Draw: Not-For-Profit Hospital Corp. subsidy (HX0), finance operations, including payroll		(4,000)
May	Draw: Dept of Motor Vehicles (KV0),unforeseen ticket collection costs		(1,000)
May	Investment earnings		7
Jun	Draw: Dept of Health Care Finance (HT0), extend MCO contracts in DC Alliance programs		(4,227)
Jun	Draw: Mass Transit Subsidies (KE0), pay Metro for 4th Quarter, FY 2012		(3,330)
Jun	Draw: Dept of Transportation (KA0), new costs to award parking meter maintenance contract		(3,000)
Jun	Replenishment: DC Charter Schools (GC0), from Supplemental BRA		6,971
Jun	Replenishment: Unemployment Compensation Fund (BH0), from Supplemental BRA		8,000
Jun	Investment earnings		8
Jun	Third Quarter ending balances		200,026
	Investment earnings, October - June		257

(Investment earnings are calculated based on whole numbers and may not add due to rounding.)

1 This table reports budgetary uses of the Reserve. It does not reflect a $50 million draw in February (replenished in April) because that was for cash flow purposes only and not a budgetary use of the Reserve.

Fiscal Year 2012, Emergency Cash Reserve Report
Third Quarter Ending 6/30/2012
as of 11/15/2012

			($ in 000s)
			CAFR Basis Restricted Fund Balance
Fiscal Month	**Transactions/Balances**		
Sept, 2011	FY 2011 ending balances:		109,853
Oct	Investment earnings		3
Nov	Investment earnings		3
Dec	Investment earnings		5
Dec	First Quarter ending balances		109,865
Jan, 2012	Investment earnings		4
Jan	Deposit to increase balance to the new required level		0
Feb	Investment earnings		31
Mar	Investment earnings		20
Mar	Second Quarter ending balances		109,920
Apr	Investment earnings		10
May	Investment earnings		4
Jun	Investment earnings		4
Jun	Third Quarter ending balances		109,938
	Investment earnings, October - June		84

(Investment earnings are calculated based on whole numbers and may not add due to rounding.)