

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER**



Jeffrey S. DeWitt
Chief Financial Officer

January 28, 2021

The Honorable Muriel Bowser
Mayor of the District of Columbia
1350 Pennsylvania Avenue, NW
Washington, DC 20004

Dear Mayor Bowser:

It is with great pride that I present the District of Columbia's Comprehensive Annual Financial Report (CAFR) for the fiscal year (FY) ended September 30, 2020. As you know, FY 2020 was filled with unprecedented changes and challenges due to the coronavirus (COVID-19) global pandemic. I am happy to report that despite the many hurdles faced, through the hard work and dedication of many across the city, we were able to successfully close the city's books, timely complete the financial audit, and produce a top-quality CAFR.

The FY 2020 CAFR audit was conducted by a new team of independent certified public accountants, McConnell & Jones, LLP, assisted by Regis & Associates, PC and UHY LLP. Based on the results of the audit procedures performed, the auditors issued an unmodified (clean) opinion on the District's FY 2020 financial statements. This opinion indicates that no material misstatements or errors were identified during the audit. This marks the 24th consecutive year in which the District has received such an opinion on its annual financial statements. In addition, for the sixth consecutive year, no findings categorized as material weaknesses or significant deficiencies were reported as a result of the audit. Receiving an unmodified opinion with no material weaknesses or significant deficiencies, especially during a year that presented so many obstacles, is no small accomplishment. District residents, government officials, and other stakeholders should be assured that the caliber of the city's financial operations has not declined during the pandemic and that the financial information presented in the CAFR is accurate and in compliance with required standards.

As the FY 2020 CAFR indicates, despite the severe impact the pandemic has had on the economy, the District has been able to "weather the storm" due to several factors. The District's economy received a significant boost from the federal relief payments provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the monetary policy actions implemented by the Federal Reserve. These programs provided support to businesses and individuals, lessening the impact of unemployment and increasing District income tax receipts. Federal Emergency Management Agency (FEMA) public assistance grants were also instrumental in supporting COVID-related operating costs in FY 2020. These additional resources, coupled with the District's prudent fiscal management practices over the years, including the build-up of strong reserves, allowed the city to provide much-needed assistance and services to District residents and businesses during this time of crisis.

Key economic data indicate that challenges will likely continue at least through the second and third quarters of FY 2021. Private sector employment, primarily in the leisure and hospitality sector, declined sharply in FY 2020 as a result of the pandemic. The unemployment rate rose to 8.7% in September 2020, up from 5.3% a year ago. Tourism was down in FY 2020 which negatively impacted business activity in the hospitality sector, primarily hotels, restaurants, entertainment, and other retail sales. These trends are not expected to reverse until wider distribution of the COVID vaccine is achieved. It should also be noted that the rate of population growth in the District has slowed in recent years. By the third quarter of 2020, the District's population had grown by less than 1% to 710,964 residents.

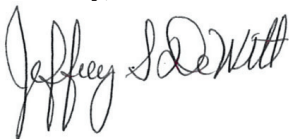
As outlined in prior years, the amount held in the District's reserves may be viewed as a gauge of the financial health of the city and whether the District is positioned financially to successfully meet its current and future needs. As of September 30, 2020, the District's liquidity funds (federally and locally mandated reserves) totaled \$1.481 billion. This level of reserves equates to 60 days of operating cash that can be used to meet the District's obligations and continue operations during an unforeseen emergency or crisis.

Review of the District's bond ratings also provides insight into the city's financial strength. In FY 2020, the city's bond ratings remained high despite the economic impact of the COVID-19 pandemic. The District's ratings were as follows: *General Obligation (GO) Bonds*: Fitch Ratings, AA+; Moody's Investors Service, Aaa; and S & P Global Ratings, AA+ and *Income Tax Secured (ITS) Revenue Bonds*: Fitch Ratings, AA+; Moody's Investors Service, Aa1; and S & P Global Ratings, AAA. Maintaining high ratings from the credit rating agencies allowed the District to access the markets and issue bonds at very low interest rates. During FY 2020, the District issued \$1.750 billion in income tax secured revenue bonds, the proceeds of which were used to finance economic development initiatives, infrastructure improvements, and other capital projects. The District also issued \$1.273 billion in income tax secured revenue refunding bonds to refund (refinance) outstanding bonds, which resulted in reduced debt service costs.

Through the continued partnership of the District's elected leadership and the Office of the Chief Financial Officer, the District overcame significant challenges in FY 2020. Now more than ever, it is important that we continue to use sound and proven financial management practices to ensure the District's ability to sustain operations while continuing to deal with the economic, social, and public health impacts of COVID-19. I am confident that we all remain firmly committed to successfully achieving this goal.

I would like to express my sincere gratitude to all program and financial staff across the District, as well as other partners who worked closely with us to manage and account for the District's financial resources. Without their dedication and commitment, the District would not have achieved positive financial results during FY 2020. Working together, despite the COVID-19 pandemic, we were able to operate within budgetary constraints, successfully close the District's books, prepare the District's FY 2020 CAFR, complete the annual financial audit, and issue the FY 2020 CAFR on time with an unmodified (clean) audit opinion. Congratulations to all on these significant achievements! They are proof that our city is innovative, resilient, and strong!

Sincerely,



Jeffrey S. DeWitt
Chief Financial Officer