

Government of the District of Columbia



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Mr. Glen Lee
Chief Financial Officer

The Annual Comprehensive Financial Report (ACFR) of the Government of the District of Columbia (District) for the fiscal year ended September 30, 2022, is herewith submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the District. To the best of my knowledge and belief, the enclosed financial statements and schedules are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the District.

This report has been prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America for state and local governments as promulgated by the Governmental Accounting Standards Board (GASB) and includes all disclosures necessary for readers to gain an understanding of the financial activities of the District.

The ability to produce a timely and accurate ACFR depends upon the adequacy of the internal controls of the District. Internal control is defined as a process, effected by an entity's governing board, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) efficiency and effectiveness of operations; (b) reliability of financial reporting; and (c) compliance with applicable laws and regulations. Reasonable assurance is defined as a high, but not absolute, level of assurance about whether the financial statements are free of material misstatement. Management is responsible for establishing and maintaining adequate internal controls in the District. The greatest challenge in establishing and maintaining adequate internal controls is ensuring that the control framework developed by management is comprehensive and broad enough to achieve its intended purpose.

Due to certain inherent limitations, such as prohibitive costs, errors in judgment, or potential for management override and collusion, internal controls can only provide reasonable assurance that management's objectives will be achieved. However, routine periodic audits help management assess, on an ongoing basis, the adequacy of the internal controls of the District.

In accordance with DC Code § 47-119, independent public accountants audited the financial statements of the District for the year ended September 30, 2022. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. In addition to issuing an opinion on the financial statements of the District, the independent public accountants, McConnell & Jones LLP, issued a report in conjunction with the ACFR, which discussed the consideration by the independent public accountants of the internal controls of the District over financial reporting and the outcome of the tests performed by the auditors of the District's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other related requirements.

Moreover, an audit of compliance with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards issued by the United States Office of Management and Budget (OMB) is performed annually. A separate report, often referred to as the Single Audit Report, is issued by independent public accountants. The fiscal year 2022 Single Audit Report of the District will be issued later.

This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A), and therefore, does not discuss the financial operations and results of the District, which are fully discussed in the MD&A. For that reason, this letter should be read in conjunction with the MD&A in order to gain a better understanding of the financial condition of the District.

PROFILE OF THE GOVERNMENT

Overview: Historical Background of the District

President George Washington established Washington, D.C. (D.C., the District of Columbia, or the District) in 1791 from territory ceded by the State of Maryland (Maryland) and the Commonwealth of Virginia (Virginia). The United States Congress assumed jurisdiction over the District of Columbia until the District was granted Home Rule in 1973.

Although Congress passed the Home Rule Act in 1973, Congress retained and continues to retain the right to review and overturn the legislative acts of the Council

of the District of Columbia (the Council) if both houses of Congress vote within 30 legislative days to do so.

The Home Rule Act prohibits the taxing of federal property and the income of non-District residents who work in the District.

In 1983, it was determined that the District could legally issue its own debt. On October 15, 1984, the District issued municipal debt for the first time, in the form of Tax Revenue Anticipation Notes (TRANS).

Table T-1 presents a timeline of significant events in the history of the District of Columbia.

**Table T-1
Key Dates in the History of the District of Columbia**

1801	Congress enacted the Organic Act of 1801, thereby dividing the capital district into Washington County (former Maryland area) and Alexandria County (former Virginia area).
1846	Congress passed a law allowing the City of Alexandria and Alexandria County to be returned to the Commonwealth of Virginia.
1871	Congress consolidated Georgetown, Washington City, and Washington County into one territorial government. The President appointed a territorial governor and council and an elected House of Delegates was established. A non-voting delegate to Congress was also established.
1874	The territorial government of the District of Columbia was abolished and the provision for a non-voting delegate to Congress was eliminated.
1878	The power to elect a territorial governor and council was eliminated. Congress established a three-member Board of Commissioners to govern the District of Columbia.
1961	The 23rd Amendment to the U.S. Constitution was ratified. Citizens of the District of Columbia were granted the right to vote in presidential elections.
1967	President Lyndon B. Johnson appointed Walter E. Washington Mayor of the District of Columbia.
1970	Congress passed the District of Columbia Delegate Act, which granted District residents the right to elect a Member of Congress to represent them in the U.S. House of Representatives.
1971	Walter Fauntroy became the first Congressional Delegate to represent the District of Columbia.
1973	Congress passed the Home Rule Act, which provides for a popularly elected mayor and a 13-member Council.
1995	Congress passed the District of Columbia Financial Responsibility and Management Assistance Act and created the position of the Chief Financial Officer.
1997	Congress enacted the National Capital Revitalization and Self-Government Improvement Act of 1997 (the Revitalization Act), which changed the funding of the District pension plans and set the stage for major changes to the District criminal justice system.
2006	Congress passed the District of Columbia Omnibus Authorization Act, expanding the duties of the Office of the Chief Financial Officer.
2016	The Local Budget Autonomy Amendment Act of 2012, upheld by the Superior Court, granted the District budget autonomy for local funds.

Financial Reporting Entity

For financial reporting purposes, the reporting entity of the District consists of: (1) the primary government; (2) five discretely presented component units: Health Benefit Exchange Authority, Washington Convention and Sports Authority (t/a Events DC), District of Columbia Green Finance Authority, Housing Finance Agency, and University of the District of Columbia; and (3) two blended component units: District of Columbia Tobacco Settlement Financing Corporation and Not-for-Profit Hospital Corporation (d/b/a United Medical Center). The District of Columbia Housing Authority and the District of Columbia Water and Sewer Authority are considered related organizations because the District is not financially accountable for their operations.

The funds and accounts of all agencies, boards, commissions, foundations, and authorities that have been identified as part of the primary government or the component units have been included in the reporting entity. Further information on the reporting entity can be found in Note 1B, on page 72 of the Notes to the Basic Financial Statements.

The District and its component units provide a wide range of services to residents, including elementary, secondary, and postsecondary education; human support and welfare services; public safety and protection; fire and emergency medical services; and other general government services.

Budgetary Information

During the first quarter of each fiscal year, agencies begin the budget formulation process for the upcoming fiscal year. On or about March 30th of each year, consistent with Section 442 of the Home Rule Act, the Mayor submits a balanced operating budget and a multi-year capital improvements plan by project for the upcoming fiscal year to the Council for review and approval. The Council holds public hearings and adopts the operating budget and capital improvements plan through passage of a Local Budget Act and a Federal Portion Budget Request Act. The Mayor may not submit and the Council may not adopt any budget which presents expenditures and other financing uses that exceed revenues and other financing sources. After the Mayor approves the adopted budget, the Federal Portion Budget Request Act is forwarded to the President of the United States (the President) and then to Congress for approval. The Local Budget Act is forwarded by the Chairman of the Council to Congress. Consistent with the Local Budget Autonomy Amendment Act of 2012, upon expiration of a 30-day Congressional review period, the Local Budget Act becomes law. Congress enacts the federal portion of the budget for the District through passage of an appropriations bill, which is signed into law by the President.

The legally adopted budget is the Federal Portion Budget Request that is approved as part of the annual Appropriations Act passed by Congress and signed by the President, and the Local Budget Act that is passively approved by Congress. The Local Budget Act authorizes expenditures at the agency level and by appropriation title (function), such as Public Safety and Justice; Human Support Services; or Public Education System. To revise planned expenditures of local funds for any function, the Council must enact the appropriate legislation. However, the District may reallocate budgeted amounts using the reprogramming process of the District or other appropriation processes, in accordance with applicable legal requirements.

Budgetary Controls

The District utilizes budgetary controls designed to monitor compliance with expenditure limitations contained in the adopted budget. The automated and manual transaction level controls of the District and sound governance provide strong budgetary controls. The annual budget is assigned specific accounting attributes and is uploaded into the accounting system of record, thereby establishing the budget authority for each entity within the District. The budget authority established in the accounting system of record is then reconciled to the levels of funding authorized by the adopted budget. In addition, on an annual basis, independent public accountants audit the budgetary comparison statement to ensure compliance with approved amounts and to determine whether budget adjustments are properly documented and approved.

Consistent with the District of Columbia Anti-Deficiency Act of 2002, which became effective on April 4, 2003, agency heads and Agency Fiscal Officers are required to jointly submit a monthly spending plan for the fiscal year to the Chief Financial Officer (CFO) by October 1st of each fiscal year. District managers update the spending plan throughout the year by developing spending projections, by source of funds, on a monthly basis, which shows year-to-date spending, approved budget, year-end projected spending, explanations of variances greater than 5.00% or \$1 million, and planned corrective actions for instances of overspending. Summarized spending projections must be submitted to the CFO no later than 30 days after the end of each month. In addition, pursuant to DC Code § 47-355.05, the CFO is to submit quarterly reports to the Council and the Mayor that present actual expenditures, encumbrances, and commitments compared to the approved spending plan by agency and by source of funds. These reports are required to be accompanied by the observations made by the CFO regarding spending patterns and steps being taken to ensure that spending remains within the approved budget. The information in these reports is used by the Board of Review for Anti-Deficiency Violations to assess cases of overspending.

In addition, the District uses encumbrance accounting as a means of strengthening budgetary controls and financial reporting. Under this method of accounting, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in the accounting system for the District in order to reserve the portion of the related appropriation that will be needed for the expenditure. The recording of encumbrances is a valuable tool used by the District to ensure that expenditures are within budgeted amounts. Generally, encumbered amounts lapse at year-end in the General Fund but not in the Capital Projects Funds or the Special Revenue Funds.

Fund Balance Reserves

Mandated by U.S. Congress

Through Congressional mandate established by Section 450A of the Home Rule Act, the District is required to maintain cash reserves totaling 6.00% of the General Fund local expenditures less debt service cost for the previous fiscal year. The 6.00% is comprised of a contingency cash reserve of 4.00% and an emergency cash reserve of 2.00%. The contingency cash reserve may be used to provide for nonrecurring or unforeseen needs (e.g., severe weather or other natural disasters, and unexpected obligations created by federal law) that arise during the fiscal year or to cover revenue shortfalls experienced by the District for three consecutive months that are 5.00% or more below the budget forecast. The emergency cash reserve may be used to provide for unanticipated and nonrecurring extraordinary needs of an emergency nature (e.g., natural disaster or calamity) and may be used in the event that the Mayor declares a State of Emergency

in the District. Consistent with the requirements of applicable legislation, the District must replenish the contingency cash reserve and the emergency cash reserve for any amounts used.

Mandated by the District Council

Fiscal Stabilization Reserve

The fiscal stabilization reserve may be used by the Mayor for the same purposes for which the contingency cash reserve was established. Pursuant to DC Code § 47–392.02(j-1), as amended, the fiscal stabilization reserve account may be used by the CFO to cover cash flow needs, provided that the reserve account shall be replenished in the same fiscal year in which amounts were used. At full funding, for any given fiscal year, the fiscal stabilization reserve must equal 2.34% of the General Fund operating expenditures for that year.

Cash Flow Reserve

The CFO may use the cash flow reserve as needed to manage the cash flow of the District. Pursuant to DC Code § 47–392.02(j-2), when a portion of the reserve is used to meet cash flow needs, it must be replenished in the same fiscal year the amounts were used. At full funding, for any given fiscal year, the cash flow reserve must equal 8.33% of the General Fund operating budget for that fiscal year.

District Accounting and Financial System

Accounting System

The accounting system of the District is organized and maintained on a fund basis. A fund is a separate, distinct accounting entity that has its own assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, revenues, and expenditures/expenses. The District uses generally accepted accounting principles (GAAP) when determining the types of funds to be established and is guided by the “minimum number of funds principle” and sound financial management practices when determining the number of funds within each fund type.

Measurement Focus and Basis of Accounting

The financial statements for the District are prepared in accordance with GAAP. Accordingly, the measurement focus and basis of accounting applied in the preparation of the government-wide financial statements and fund financial statements are as follows:

- The government-wide financial statements focus on all of the economic resources of the District and are prepared using the full accrual basis of accounting.
- The governmental fund financial statements focus primarily on the sources, uses, and balances of current financial resources and are prepared using the modified accrual basis of accounting.
- Proprietary funds, pension trust funds, Other Employee Benefits Trust Funds, and other fiduciary funds are accounted for in the same manner as business enterprises, which use the full accrual basis of accounting.
- The budgetary basis of accounting is used to prepare the Budgetary Comparison Statement presented in Exhibit 2-d found on page 61. This basis of accounting differs from the GAAP basis as described below:
 - Basis differences arise when the basis of budgeting differs from the basis of accounting prescribed by GAAP. For example, to account for supplies inventory, the District uses the purchase method in the budgetary basis statements and the consumption method in GAAP basis statements. Under the purchase method, purchases of inventories are recognized as expenditures when the goods are received and the transaction is vouchered. Under the consumption method, an expenditure is recognized only when the inventory items are used rather than purchased.
 - Entity differences may occur between the basis of budgeting and GAAP and arise because: (1) the appropriated budget includes organizations, programs, activities, or functions that are not within the financial reporting entity as defined by GAAP; or (2) the appropriated budget excludes organizations, programs, activities or functions that are part of the financial reporting entity. The District does not have any significant entity differences.
 - Perspective differences may occur between the basis of budgeting and GAAP and result when the fund, organization, or program structure used for budgeting differs from that used for GAAP financial reporting. The District does not have any significant budgetary perspective differences.
 - Timing differences may occur between the basis of budgeting and GAAP and are noted when the period used for budgeting differs from the period used for GAAP reporting. The District has no significant timing differences between its budgetary practices and the GAAP presentation of its financial statements.

Transparency in Government Operations and Financial Reporting

The District has taken measures to make financial and non-financial information available to the general public. For instance, the Office of Open Government (OOG), an independent office operating under the Board of Ethics and Government Accountability, works to ensure that the operations of the District are transparent and open to the public, thereby promoting civic engagement. The OOG seeks to ensure city-wide compliance with the Open Meetings Act, which requires public bodies to take official action during public meetings and to provide proper notice and detailed records of meetings. The OOG advises public bodies on matters regarding compliance with the Open Meetings Act and conducts training and outreach on its requirements. In addition to enforcement of the DC Open Meetings Act, the OOG advocates for fair and efficient Freedom of Information Act (FOIA) processing and advises agencies seeking guidance on FOIA.

To further promote transparency in government, in June 2016, the Mayor established the Open Government Advisory Group which: (1) evaluates progress towards making the District government more open, transparent, participatory, and collaborative; and (2) makes specific recommendations for improving the openness and transparency of the operations of the District and the participatory and collaborative nature of its decision-making.

As the city and its residents continued to be impacted by COVID-19, District officials recognized the need for open communication with the general public. As part of its efforts to keep the public well informed while taking measures to return to normalcy, on a regular basis, the District provided guidance on how to reduce the spread of COVID-19. As required by circumstances faced, the Mayor and other District officials provided press briefings, press releases, and newsletters regarding case numbers, safety protocols, restrictions and policy changes, and modifications to government operations and services. In March 2022, the Mayor extended the public emergency for COVID-19 through April 16, 2022. The District is currently in Phase III of its opening plan which establishes the availability of therapeutics, vaccines and other protections prior to lifting all restrictions. Information regarding COVID-19 can be accessed via a separate website, <https://coronavirus.dc.gov>. This website includes a wealth of information for District residents and others regarding COVID-19. Some of the information presented includes health guidance, locations of vaccination clinics and testing sites, key metrics, and information on how to sign up for the DC COVID Alert Notice (DC CAN) app. The District also instituted a web-based portal, MyIR.dc.gov, for residents to securely access their vaccination records free of charge.

In furtherance of openness in government, the Office of the Chief Financial Officer (OCFO) continues to promote transparency in financial reporting. The

District continues to open its books to the public by posting online: the Annual Operating Budget and Capital Plan, the Annual Comprehensive Financial Report, and the Popular Annual Financial Report. In addition, the OCFO website (www.cfo.dc.gov) provides information that allows taxpayers to review and assess the financial status, programs, activities, and services of the District, and determine how their tax dollars are being used. This information includes: operating financial status reports; capital financial status reports; quarterly revenue estimates; monthly cash reports; monthly/annual economic indicators and other reports including press releases, newsletters and Council Hearing written testimonies; and links to other useful information, such as the Taxpayer Service Center, the D.C. College Savings Plan, and Unclaimed Property Division. Additional financial information for investors in the bonds of the District may be obtained from the investor information website at <https://dcbonds.com>.

ECONOMIC CONDITION AND OUTLOOK

The District continues to face challenges as it recovers from the negative economic impact of the coronavirus pandemic. Working with residents, retailers, and others in the business community, the city is committed to reverse the recent negative economic trends stemming from this public health crisis. Although office building usage and overall economic activity are below pre-pandemic levels, the District economy continues to show signs of improvement. To address the reduction in office building usage, many office buildings in the District have been converted to residential properties. In addition, the District has been soliciting feedback from residents and business leaders on ways to reduce office vacancy rates and address the potential reduction in commercial property tax assessments, which can lead to declining real property taxes.

Throughout fiscal year 2022, the District continued to exercise prudent fiscal management to ensure the ability to timely address any unforeseen needs related to the ongoing pandemic. Such practices, combined with the availability of strong reserves; the implementation of a hybrid work environment for District employees (combining telework and in-person service); and federal relief payments helped to sustain businesses and District government operations as well as the local economy.

For the year ended September 30, 2022, federal civilian employment accounted for 24.90% of all wage and salary jobs located in the District and 27.60% of wages and salaries generated in the city. Approximately 15.00% of employed District residents worked for the federal government. Furthermore, federal contracting accounted for additional jobs and income in the area, which also contributed to the tax base of the District. With such a dominant federal presence, as we look to the future, significant changes in federal spending can have a major impact on the economy and revenues of the District.

Population within the District and the surrounding metropolitan area also impacts the local economy and the city's revenues. Each year, the U.S. Census Bureau releases population estimates as of July 1st of the calendar year and officially revises such estimates annually. The annual population estimates are based on birth and death records, changes in tax return filings, and estimates of the number of immigrants who move in and out of the District each year. On a quarterly basis, the U.S. Bureau of Economic Analysis (BEA) releases population data based on information provided by the U.S. Census Bureau.

Highlights: The District Economy

Due to the ongoing COVID-19 pandemic in the first half of fiscal year 2022, jobs in the hospitality and business service sectors in the District had not recovered to pre-pandemic levels. Population has also declined and remote work has weakened the outlook for commercial property. Highlights of these and other recent trends in the District economy are presented below:

- In the three months ended September 2022, there were 19,167, or 2.60%, more wage and salary jobs located in the District than in the same period a year earlier. However, this level was almost 32,000 below the same period in 2019, before the pandemic. Hospitality and retail jobs, including amusement and recreation positions, have not recovered, growing by 14,100 jobs in September 2022 when compared to September 2021, but still about 15,333 below pre-COVID-19 levels. Of concern, federal jobs have started declining and in September 2022 were 3.80% below September 2021.
- District resident employment in the three months ended September 2022 was 1,437, or 0.40%, higher than a year earlier.
- As of September 2022, the unemployment rate within the District decreased to the seasonally adjusted rate of 4.70%, down from the September 2021 revised seasonally adjusted rate of 6.50%.
- Overall wages earned in the District grew 4.90% in the quarter ended September 30, 2022, compared to the same quarter a year ago, led by growth in the high-wage professional and management sector.
- Single family home sales for the three-month period ended September 2022 were down 12.20% from a year ago while the average selling price was 5.70% lower. Condominium sales decreased by 12.90%, and the average selling price was 3.60% higher than a year ago. The value of all home sale settled contracts for the three-month period ended September 2022 was 8.50% lower than a year ago.
- Commercial office base rents in the quarter ending September 2022 were essentially flat over the past year and average vacancy was 15.10%. Leased space in September 2022 was down by 0.40% from a year ago.
- Hotel room-days sold for the three months ended September 2022 were up 84.10% from the prior year and hotel room revenues almost tripled during that period. Room-days sold and room revenue still have not returned to pre-COVID-19 peaks. Hotels along with restaurants were most affected by the public health restrictions related to the COVID-19 pandemic. Hotel occupancy was 71.20% in September 2022, similar to pre-pandemic levels.

Key Factors in the District Economy

Population

Historically, continuous population growth has been important in increasing the income, property, and sales tax bases of the District, and has been one of the driving forces behind rising home values. However, population growth has slowed in recent years. According to data released by the Bureau of Economic Analysis (BEA), between 2016 and 2021, the population of the District declined by 18,785. Based on BEA's most recent data, the District's population was estimated to be 649,509 as of September 2022; however, this estimate is subject to change. Each year in December, the U.S. Census Bureau issues a revised population estimate as of July 1st of the same year and BEA issues population data based on that estimate. In December 2022, the U.S. Census Bureau issued an updated population estimate which shows that the District's population grew from 668,791 to 671,803, a net gain of 3,012, during the period July 2021 to July 2022. Revised BEA population data that is based on the most recent information released by the U.S. Census Bureau will not be available until later in calendar year 2023.

Chart T-1 presents the population trends of the District as of the third quarter of calendar years 2018 through 2022, using annually revised population data.

**Chart T-1
Population Trends - Number of Residents
District of Columbia Population as of the Third Quarter of Each Calendar Year (2018 - 2022)**



Note:
The population data reported by BEA was based on information provided by the U.S. Census Bureau. Annual estimates have been adjusted.

Source:
U.S. Bureau of Economic Analysis (BEA)

Income Trends

Despite the ongoing COVID-19 pandemic, income grew 4.90% in the District during fiscal year 2022. Most of the federal relief to address the pandemic was distributed in fiscal year 2021, increasing income on a one-time basis. Inflation, however, resulted in real income contracting in fiscal year 2022.

The distribution of income in the District differs from that of the nation, with larger portions of District residents in the higher and lower income brackets and a significantly smaller portion within the middle-income levels. Median household income data is not yet available for 2022; however, for 2021, the median household income within the District of \$93,547 was 35.50% above the U.S. average. The U.S. Census Bureau estimates that 16.50% of the population of the District was below the poverty line in 2021 as compared to 11.60% for the entire country.

Employment Trends

Total wage and salary employment in the Washington Metropolitan Area (Metropolitan Area) increased to approximately 3,315,200 (not in thousands) at the end of fiscal year 2022 from the revised 3,232,100 (not in thousands) for fiscal year 2021, representing a 2.57% increase. These numbers exclude the self-employed,

domestic workers, military, and foreign government personnel, which represent a significant portion of the total workforce of the region. Some of the references to the 2021 employment numbers may differ from those presented in the fiscal year 2021 ACFR because of updates and revisions.

Table T-2 presents a comparison of September 2022 and 2021 labor market data for the District and the surrounding Metropolitan Area.

Table T-2
Comparison of September 2022 and 2021 Labor Market Data for the District and Surrounding Metropolitan Area (000s)

	District of Columbia				Metropolitan Area			
	FY 2022 Level	FY 2021 Level	1 Year Change	1 Year Change %	FY 2022 Level	FY 2021 Level	1 Year Change	1 Year Change %
Employed residents	359.3	358.0	1.3	0.4	3,250.8	3,196.1	54.7	1.7
Labor force	376.5	383.0	(6.5)	(1.7)	3,354.1	3,344.0	10.1	0.3
Total wage and salary employment	768.5	752.8	15.7	2.1	3,315.2	3,232.1	83.1	2.6
Federal government	191.1	199.6	(8.5)	(4.3)	367.2	377.5	(10.3)	(2.7)
Local government	41.8	41.8	-	-	344.8	335.7	9.1	2.7
Leisure and hospitality	69.6	58.8	10.8	18.4	307.5	276.7	30.8	11.1
Trade	26.3	25.0	1.3	5.2	326.5	316.8	9.7	3.1
Education and health	123.8	120.5	3.3	2.7	438.6	425.0	13.6	3.2
Professional, business, and other services	175.5	167.6	7.9	4.7	802.1	782.8	19.3	2.5
Other private	140.4	139.5	0.9	0.6	728.5	717.6	10.9	1.5
Unemployed	17.2	25.1	(7.9)	(31.5)	103.3	147.9	(44.6)	(30.2)
New unemployment claims	0.9	22.3	(21.4)	(96.0)	(a)	(a)	(a)	(a)

Notes:

FY 2022 Level - Data presented is preliminary, not seasonally adjusted amounts for September 2022.

FY 2021 Level - Data presented is seasonally adjusted and will differ from those presented in the fiscal year 2021 ACFR.

1 Year Change - The calculation of the change in numbers is based on adjusted data of the prior year.

(a) New unemployment claims for the Metropolitan Area are not available.

Sources:

Office of Revenue Analysis

U.S. Bureau of Labor Statistics (BLS)

D.C. Department of Employment Services (DOES)

In September 2022, total wage and salary employment within the District was 23.18% of the total wage and salary employment for the Washington Metropolitan Area. As of September 2022, the unemployment rate within the District decreased to the seasonally adjusted rate of 4.70%, down from the September 2021 revised seasonally adjusted rate of 6.50%.

Total employment within the District increased to approximately 768,500 (not in thousands) as of September 2022 from the revised 752,800 (not in thousands) as of September 2021. The leisure and hospitality industry continued to improve and experienced growth of 18.37% during fiscal year 2022. Other sectors such as retail and wholesale trade, education and health, professional and business

services, and other private sectors also experienced growth in fiscal year 2022 compared to fiscal year 2021. As a result, the change in new unemployment insurance claims which was 218.57% in September 2021 went down to 95.96% in September 2022.

As the capital of the nation, Washington, DC is the seat of the federal government and headquarters for most federal departments and agencies. The total federal workforce during September 2022 in the Washington Metropolitan Area was 367,200 (not in thousands); with approximately 191,100 (not in thousands) federal employees located in Washington, D.C. and 176,100 (not in thousands) additional federal employees who worked elsewhere in the Washington Metropolitan Area.

Minimum Wage Rate

Beginning July 1, 2022, the minimum wage in the District of Columbia increased from \$15.20 per hour to \$16.10 per hour for all workers. The base minimum wage for tipped employees increased from \$5.05 per hour to \$5.35 per hour. These increases are due to provisions of the Fair Shot Minimum Wage Amendment Act of 2016 that tie the minimum wage of the District to the Consumer Price Index.

Living Wage Rate

Pursuant to the Living Wage Act of 2006, effective June 8, 2006 (DC Law 16-118; DC Code § 2-220.01 et seq.), District government contractors and recipients of government assistance (grants, loans, tax increment financing) in the amount of \$100,000 or more shall pay affiliated employees no less than the current living

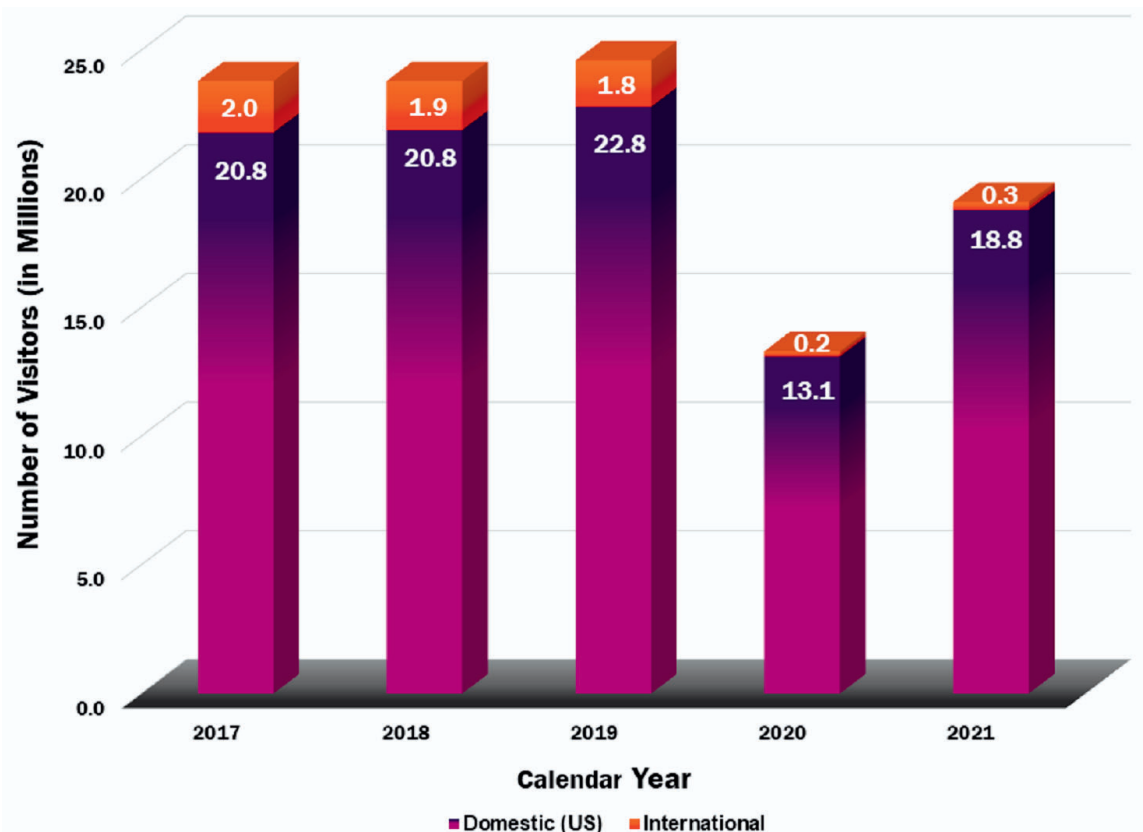
wage rate. Effective July 1, 2022, the living wage rate increased from \$15.50 per hour to \$16.10 per hour.

Tourism and Hospitality

Millions of U.S. citizens and international tourists visit the more than 400 museums, monuments, war memorials, and other historical landmarks each year in the District. The presence of foreign embassies, recognized diplomatic missions, and other international organizations help boost tourism in the District. In 2021, the District began to see a rise in visitors traveling to the nation’s capital following the decline in 2020 due to the COVID-19 pandemic. In calendar year 2021, there were approximately 19.1 million total visitors compared to 13.3 million total visitors in 2020. Out of the 19.1 million total visitors, 18.8 million were domestic visitors while only 300 thousand were international visitors that traveled to the District.

Chart T-2 presents the trends in tourism for calendar years 2017 through 2021.

**Chart T-2
Trends in District Tourism
Total Visitation to the District (2017 - 2021)**



Note:
Tourism data for calendar year 2022 was not available at the publication date.

Source:
Destination DC (formerly the Washington DC Convention and Tourism Corporation)

In 2021, the rise in visitors traveling to the District following the decline in 2020, positively affected visitor spending. Visitor spending totaled \$5.36 billion in 2021 compared to \$3.69 billion in 2020. A breakdown of visitor spending in 2021 is as follows: \$2.04 billion for lodging; \$1.59 billion for food and beverage; \$724.70 million for entertainment; \$585.10 million for retail; and \$428.00 million for transportation. Tourism also supported 57,933 jobs in the District. Hotel occupancy, which is historically at 75%, was at 41.30% occupancy in 2021.

Tourism data for calendar year 2022 was not available at the time of this report.

Construction

Commercial Office Space

Office space under construction as of September 30, 2022, totaled 1.76 million square feet in 12 buildings.

The office vacancy rate rose to 15.10% and the average base rent declined minimally by 0.10%. Occupancy increased slightly over the past year for Class A properties although it declined for Class B properties. The vacancy rate for Class A space was 16.00% in September 2022, up from 14.80% a year ago. The vacancy rate for Class B office space was slightly lower than that for Class A office space.

Housing Units

For the 12-month period ended September 30, 2022, 6,730 housing unit building permits were issued. This represents a 9.80% increase over the prior 12-month period.

In calendar year 2022, there were 221,016 apartment units and condominiums in the District. As of September 30, 2022, 16,242 apartment units and condominiums were under construction.

Table T-3 presents the number of apartment units and condominiums located in the District in 2018 through 2022.

**Table T-3
District Apartment Units and Condominiums (2018 - 2022)**

	2018	2019	2020	2021	2022
Inventory	188,626	194,061	199,373	209,351	221,016
Occupied Units	135,386	139,511	138,288	146,764	157,352

Note:
2019 through 2022 numbers for occupied units only include apartments because CoStar discontinued the reporting of occupied condominium numbers. Data for prior years is unadjusted.

Source:
CoStar

Housing Production Trust Fund

The Department of Housing and Community Development (DHCD) administers the Housing Production Trust Fund (HPTF), a special revenue fund which was established in 1988 to produce and preserve affordable housing in the District by providing various forms of assistance in support of housing production for low- and moderate-income households. The Housing Production Trust Fund is funded through a dedicated portion of the city's deed recordation and transfer tax revenues and the District's General Fund. In fiscal year 2022, dedicated tax revenues increased by approximately 24.00% as the impact of COVID-19 on overall real estate activity was mitigated.

In fiscal year 2022, HPTF financed 10 projects that produced or preserved 707 housing units in the District. The total amount of HPTF funding obligated in fiscal year 2022 was approximately \$129 million. The projects financed included four new construction projects, two substantial rehabilitation projects, two pre-development projects, one acquisition-only project, and a Faith-Based Development Initiative grant.

At the end of fiscal year 2022, DHCD had 44 additional housing projects in its underwriting pipeline that will produce or preserve approximately 4,283 housing units when completed. The total estimated amount of HPTF funding to be committed for these projects is approximately \$541 million. The 44 projects include 34 new construction projects, eight substantial rehabilitation projects, and two pre-development projects. The number of projects in the pipeline and the viability of those projects have not changed significantly due to the impact of COVID-19 on the economy. However, construction and financing costs have dramatically increased requiring larger contributions of gap financing for each project.

The District Bond Ratings

Rating agencies assess the credit quality of municipal issuers and assign credit ratings to issuers based on the outcome of their assessments. Consequently, rating agencies provide vital information to investors regarding the relative risks associated with rated bond issues. Attaining an acceptable credit rating facilitates access to the market and the possibility of realizing favorable financial mechanisms for an issuer. For the District, the general obligation debt is rated: (1) AA+ by Fitch Ratings, (2) Aaa by Moody's Investors Service, and (3) AA+ by Standard & Poor's Global Ratings. The ratings remained unchanged despite the unprecedented economic impact of the COVID-19 pandemic. Additional information about the bond ratings for the District may be obtained at <https://dcbonds.com>.

Table T-4 presents the ratings for District General Obligation Bonds and District Income Tax Secured Revenue Bonds over the past five years.

**Table T-4
Bond Rating History (2018 - 2022)**

	General Obligation Bonds				
	2018	2019	2020	2021	2022
Fitch Ratings	AA+	AA+	AA+	AA+	AA+
Moody's Investors Service	Aaa	Aaa	Aaa	Aaa	Aaa
Standard & Poor's Global Ratings	AA+	AA+	AA+	AA+	AA+

	Income Tax Secured Revenue Bonds				
	2018	2019	2020	2021	2022
Fitch Ratings	AA+	AA+	AA+	AA+	AA+
Moody's Investors Service	Aa1	Aa1	Aa1	Aa1	Aa1
Standard & Poor's Global Ratings	AAA	AAA	AAA	AAA	AAA

Long-Term Financial Planning

In 2022, the District faced significant challenges in maintaining its most vital infrastructure as the local economy began to recover from the negative economic impact of COVID-19. Due, in part, to the significant amount of federal funding received and its strong financial position prior to the onset of the pandemic, the city was in a far better position to address the economic contraction. While the economy of the District has improved, it still has not fully recovered. For the long-term, the District recognizes its internal and external challenges, such as a tightening monetary policy, supply chain disruptions, labor shortages, as well as geopolitical crises and the lingering after-effects of the COVID-19 pandemic. These, among other challenges, could negatively impact the continued growth in District revenues. Nevertheless, due to prudent financial management practices over the last twenty-plus years, the District has fully funded pensions, maintained strong reserves, and achieved high credit ratings. Consequently, the District has access to low-cost financing to fund and support its capital program.

Enhancements to Capital Planning Process

The OCFO released its 2022 Long-Range Capital Financial Plan Report in October 2022. This report is intended to assist the Mayor, Council, other policymakers, and the public in understanding the size, scope, and future capital needs related to the infrastructure of the District during the current Capital Improvements Plan (CIP) period and beyond. The development of the long-range capital financial plan also allows the District to have a truly data-driven and transparent CIP process.

The infrastructure needs of the District, which serves as a city, state, county, and school district, are significant. For that reason, the District continues to utilize the Capital Asset Replacement Scheduling System (CARSS), an asset management planning solution to manage its capital assets. CARSS delivers a comprehensive view of the health of the capital assets of the District and provides information on each project or asset. The Long-Range Capital Financial Plan Report provides updates on the detailed information captured in CARSS for individual assets.

Although the District continues to face challenges as the pandemic continues and the economy slowly improves, it will fund roughly \$10.9 billion of its highest-priority capital needs through 2028. However, the overall need for new or replacement facilities and maintenance of existing facilities far exceeds this funding level. CARSS analysis identified \$3.5 billion of additional unmet needs that cannot be funded during this CIP period, although the District has made significant progress in addressing its deferred maintenance needs. Like any other enterprise, the District has limits on how much it can borrow and must strike an appropriate balance between funding its ongoing operations (programs and services) and capital assets.

Major Initiatives

The following tables present some of the major initiatives and projects of the District which were completed (**Table T-5**) or in progress (**Table T-6**) as of September 30, 2022.

Table T-5
Projects Completed by Economic Sector

Project	Location	Square Footage/ Units	Estimated Value (\$000s)	Delivery Date (Calendar Year Basis)
Retail				
Eckington Yards	1611-1625 Eckington Place, NE	67,264	\$ 265,000	4th Qtr 2021
City Ridge	3900 Wisconsin Avenue, NW	196,000	715,000	2nd Qtr 2022
Skyland Town Center (Block 3)	Alabama Avenue & Naylor Road, SE	42,390	17,000	3rd Qtr 2022
NoMa CNTR	1005 1st Street, NE	39,900	Not available	3rd Qtr 2022
Office				
The Bank Building	699 14th Street, NW	138,209	Not available	4th Qtr 2021
The Mills Building	1700 Pennsylvania Avenue, NW	193,000	70,000	1st Qtr 2022
City Ridge	3900 Wisconsin Avenue, NW	196,000	715,000	2nd Qtr 2022
2100 Pennsylvania Avenue	2100 Pennsylvania Avenue, NW	467,000	360,000	2nd Qtr 2022
Residential				
Eckington Yards	1611-1625 Eckington Place, NE	67,264	265,000	4th Qtr 2021
City Ridge	3900 Wisconsin Avenue, NW	756 units	715,000	2nd Qtr 2022
Armature Works	1200 3rd Street, NE	635 units	400,000	2nd Qtr 2022
Illume	809 & 853 New Jersey Avenue, SE	500 units	Not available	2nd Qtr 2022
NoMa CNTR	1005 1st Street, NE	500 units	Not available	3rd Qtr 2022
Hospitality				
AC Marriott	867 New Jersey Avenue, SE	200 rooms	Not available	4th Qtr 2021
CitizenM Hotel	1222 1st Street, NE	296 rooms	Not available	2nd Qtr 2022
Armature Works - Morrow Hotel	1200 3rd Street, NE	203 rooms	400,000	2nd Qtr 2022
NoMa CNTR - Marriott Hotel	1005 1st Street, NE	235 rooms	Not available	3rd Qtr 2022
Education/Quality of Life				
Lamond Riggs Library	5401 South Dakota Avenue, NE	20,000	20,000	2nd Qtr 2022
School within School at Goding Modernization	920 F Street, NE	74,000	52,000	3rd Qtr 2022
Smothers Elementary School Modernization	4400 Brooks Street, NE	66,100	55,000	3rd Qtr 2022

Source:

Washington, DC Development Report 2021/2022 Edition, published by Washington DC Economic Partnership

**Table T-6
Projects Under Construction by Economic Sector**

Project	Location	Square Footage/ Units	Estimated Value (\$000s)	Estimated Delivery Date (Calendar Year Basis)
Retail				
Waterfront Station II	1000 4th Street, SW	29,000	\$ 179,000	4th Qtr 2023
Upton Place	4000 Wisconsin Avenue, NW	100,000	290,000	1st Qtr 2024
ART Place at Fort Totten (Phase II)	5300 South Dakota Avenue, NE	64,038	Not available	4th Qtr 2024
Saint Elizabeths East (Parcel 13)	Saint Elizabeths East Campus	21,000	Not available	4th Qtr 2024
Office				
20 Massachusetts Avenue	20 Massachusetts Avenue, NW	183,500	200,000	1st Qtr 2023
Reunion Square (Building 4)	Shannon Place & W Street, SE	224,610	Not available	3rd Qtr 2023
17xM	1700 M Street, NW	317,000	216,000	2nd Qtr 2024
Residential				
Waterfront Station II	1000 4th Street, SW	449 units	179,000	4th Qtr 2023
Upton Place	4000 Wisconsin Avenue, NW	689 units	290,000	1st Qtr 2024
The Hale	1150 First Street, NE	500 units	Not available	4th Qtr 2023
Hospitality				
Holiday Inn Express	303-317 K Street, NW	247 rooms	93,000	1st Qtr 2023
20 Massachusetts Avenue - Royal Sonesta Hotel	20 Massachusetts Avenue, NW	271 rooms	200,000	1st Qtr 2023
Milken Center for Advancing the American Dream	1501-1505 Pennsylvania Avenue, NW	70,000	Not available	2nd Qtr 2024
Education and Medical/Quality of Life				
Medstar Georgetown University Hospital Pavilion	3800 Reservoir Road, NW	497,000	560,000	1st Qtr 2023
Johns Hopkins University	555 Pennsylvania Avenue, NW	400,000	200,000	3rd Qtr 2023
Bard Early College High School	1351 Alabama Avenue, SE	108,200	90,000	3rd Qtr 2023
Raymond Elementary School Modernization	915 Spring Road, NW	85,000	62,000	3rd Qtr 2023

Source:

Washington, DC Development Report 2021/2022 Edition, published by Washington DC Economic Partnership

Office, Residential, Medical and Hospitality Projects

The Wharf Phase II

The opening of the Wharf in 2017 has reestablished Washington, DC as a waterfront city and destination. While the Wharf has become one of the most popular neighborhoods to live, work, eat, shop, and visit in the District, construction of the second and final phase of the Wharf is underway. The Wharf Phase II will deliver an additional 1.15 million square feet of mixed-use space to complete the mile-long waterfront experience on the Potomac River. New elements in Phase II will include:

- An expanded marina adding 100 new boat slips
- Two twin mirrored glass buildings occupied by a law firm
- A 170-unit apartment complex
- A curved luxury condominium building
- A 131-room European-inspired hotel
- A celebrity chef restaurant
- Parks and public spaces to the Southwest Waterfront

In October 2022, the Wharf developers hosted a grand opening to celebrate the substantial completion of Phase II and mark exactly five years after the opening of Phase I. Certain properties opened later in the year and some will open in 2023.

City Ridge

The former Fannie Mae Headquarters, located at 3900 Wisconsin Avenue, NW has been transformed into a new, vibrant walkable neighborhood with a mix of residential, commercial, and retail uses. The ten-acre site, now known as City Ridge, called for the repurposing of the historic 3900 Wisconsin Avenue building, which includes 100,000 square feet of office space, and the construction of six new buildings. These six buildings include 62,000 square feet of additional office space, four residential buildings, and 154,000 square feet of retail and hospitality space. The retail space includes an 82,000 square foot Wegman's grocery store, the first in Washington, DC, which opened in July 2022. City Ridge is expected to become fully operational beginning in the second quarter of 2022 through early 2023.

The Parks at Walter Reed

Construction is continuing in its fifth year at the former Walter Reed Army Medical Center campus located in the Northwest quadrant between 16th Street and Georgia Avenue. The Parks at Walter Reed is a redevelopment project of 66 acres of land acquired from the U.S. Army. When complete, the development will include more than 3.1 million square feet of new construction and adaptive reuse of historic structures.

Improvements to the infrastructure of the historic campus and the demolition of the 2.7 million square-foot antiquated hospital building have been completed. This prepared the site for the construction of a new Town Center, which will house The Hartley Apartments, the Kite House Condos, Aspen Square Townhomes, and a Whole Foods Market, all to be delivered in 2023. Completed and currently selling and leasing are The Brooks Condos, The Vale Apartments and assisted living units at Abrams Hall. The Parks at Walter Reed will be a dynamic community with over 2,200 distinctive residences, including apartments, townhomes, and condos. It is designed to provide social opportunities for an upscaled living experience. Construction will be phased over a 10 to 15 year period.

Cedar Hill Regional Medical Center, GW Health at St. Elizabeths East

In February 2022, city and health officials broke ground to build a new hospital located at the St. Elizabeths East Campus in Southeast, DC. Named after the nearby estate of abolitionist Frederick Douglass, Cedar Hill Regional Medical Center, GW Health will be the first inpatient facility to open in the District in over 20 years. The \$375 million project includes a state-of-the-art 136-bed full-service hospital with a level-three trauma center, a 500-car garage, and a helipad for emergency transports. Services at the new 365,000 square foot medical center will include:

- Newborn delivery with a neonatal intensive care unit
- Academic medicine and pediatric care
- Women's health services
- Adult and children emergency departments
- Behavioral and mental health
- Operating rooms
- Full range of specialty care

The new hospital is scheduled to open by the end of 2024 and will replace the United Medical Center located in Southeast, DC which will remain open until Cedar Hill Regional Medical Center, GW Health is completed.

Transportation and Other Projects

Transportation

The District Department of Transportation (DDOT) manages hundreds of projects across the city. Much of this work, spread across all eight wards, is federally funded which ensures the District's transportation network is properly maintained and improved on an ongoing basis.

South Capitol Street Corridor Project

DDOT is in the final phase of construction of the South Capitol Street Corridor Project which included replacing a 70-year-old bridge and reconstruction of the Suitland Parkway/I-295 interchange. In September 2021, the bridge deck opening of the new Frederick Douglass Memorial Bridge marked approximately 90 percent completion of the bridge and 75 percent completion of this phase of the project. Some key features that followed the bridge opening include:

- East and west traffic ovals are fully open to traffic
- Interstate 295 is in its final lane configuration
- Topsoil, trees, shrubs, and flowering plants are being installed throughout the project
- LED light fixtures were installed on the bridge which illuminate the arches at night

The South Capitol Street Corridor Project was completed in the Fall of 2022.

Rock Creek Park Multi-Use Trail Rehabilitation Project

Construction is continuing at the Rock Creek Trail to rehabilitate and build more than 3.7 miles of the paved multi-use trail. This project is designed to improve the overall condition and connectivity of the deteriorating Rock Creek Park multi-use trail system in order to enhance visitor use and experience and improve bicycle and pedestrian safety. The key features of the project are:

- Rehabilitation and expansion of existing trails
- Construction of new Rock Creek Park trails
- Creation of a new 110-foot pedestrian bridge
- Reconstruction of traffic signals
- Restoration of the stream bank and improvements to the storm drain
- Reconditioning of landscaping and preservation of trees

DDOT is working with the National Park Service (NPS) and the Federal Highway Administration (FHWA) on this project. Although the 2,896-acre Rock Creek Park is under the jurisdiction of the NPS, the project is managed by DDOT and funded by FHWA. Stage 5 of seven stages of construction began in June 2022;

the entire project is expected to be completed in the Spring 2023.

Additional information about these and other initiatives within the District may be obtained from the following locations and websites:

Office of the Deputy Mayor for Planning and Economic Development

John A. Wilson Building
1350 Pennsylvania Avenue, NW, Suite 317
Washington, DC 20004
Telephone: (202) 727-6365
Website: <https://dmped.dc.gov>

Office of Planning

1100 4th Street, SW, Suite 650 East
Washington, DC 20024
Telephone: (202) 442-7600
Website: <https://planning.dc.gov>

Office of Tax and Revenue

1101 4th Street, SW, Suite 270 West
Washington, DC 20024
Telephone: (202) 727-4829
Website: <https://otr.cfo.dc.gov>

Department of General Services

2000 14th Street, NW, 8th Floor
Washington, DC 20009
Telephone: (202) 727-2800
Website: <https://dgs.dc.gov>

Department of Housing and Community Development

1800 Martin Luther King Jr. Avenue, SE
Washington, DC 20020
Telephone: (202) 442-7200
Website: <https://dhcd.dc.gov>

Department of Parks and Recreation

1275 First Street, NE, 8th Floor
Washington, DC 20002
Telephone: (202) 673-7647
Website: <https://dpr.dc.gov>

District Department of Transportation

250 M Street, SE
Washington, DC 20003
Telephone: (202) 673-6813
Website: <https://ddot.dc.gov>

AWARDS AND ACKNOWLEDGMENTS

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District of Columbia for its Annual Comprehensive Financial Report for the fiscal year ended September 30, 2021. The District has received this award for 38 of the last 40 years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the fiscal year 2022 ACFR continues to meet the requirements of the Certificate of Achievement Program and we are submitting it to the GFOA to determine its eligibility for another certificate.

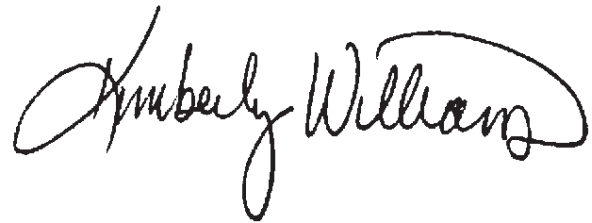
The District also earned an award from the GFOA for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the fiscal year ended September 30, 2021, for the nineteenth consecutive year. The PAFR presents the financial results of the District in a format and language that allows information to be more easily understood by the general public. The PAFR is not required to present the same level of detail as the ACFR. It contains very few financial statements, less technical language, and more graphics and photographs.

Like the Certificate of Achievement, the Award for Popular Annual Financial Reporting is valid for one year only. The District expects that the fiscal year 2022 PAFR, which will be issued within 30 days after the ACFR is completed, will conform to the Award for Popular Annual Financial Reporting Program requirements. It will also be submitted to the GFOA to determine its eligibility for another award.

Acknowledgments

I would like to express my sincere appreciation to all staff who contributed to this report, especially my immediate staff, *Diji Omisore, Cassandra Butler, Mulu Kahsay, Ranjan Raval, Randolph David, Temony McNeil, Cassandra Alexander, Vanessa Jackson*, and their respective teams who prepared and compiled this report. I commend them for their professionalism, hard work, and continued efforts to improve this report. Further, this report could not have been prepared without the full cooperation of the Component Units and the assistance and efficient administration of the District's financial operations by all District Agencies. I would also like to thank the Office of the Inspector General, and the District's independent public accountants, McConnell & Jones LLP, assisted by Regis & Associates, PC, and the WERS Group for their efforts throughout the audit engagement.

Respectfully submitted,



Kimberly Williams
Deputy Chief Financial Officer and Controller
Office of Financial Operations and Systems