

# Government of the District of Columbia



## Office of the Chief Financial Officer Office of Financial Operations and Systems

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January 24, 2024

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, 2023, 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) of 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, 2023. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and applicable guidance related to financial audits as presented 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 given by the independent public accountants to the internal controls over financial reporting used by the District. This report also presented the outcome of 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 2023 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**

<b>1801</b>	Congress enacted the Organic Act of 1801, thereby dividing the capital district into Washington County (former Maryland area) and Alexandria County (former Virginia area).
<b>1846</b>	Congress passed a law allowing the City of Alexandria and Alexandria County to be returned to the Commonwealth of Virginia.
<b>1871</b>	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.
<b>1874</b>	The territorial government of the District of Columbia was abolished and the provision for a non-voting delegate to Congress was eliminated.
<b>1878</b>	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.
<b>1961</b>	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.
<b>1967</b>	President Lyndon B. Johnson appointed Walter E. Washington Mayor of the District of Columbia.
<b>1970</b>	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.
<b>1971</b>	Walter Fauntroy became the first Congressional Delegate to represent the District of Columbia.
<b>1973</b>	Congress passed the Home Rule Act, which provides for a popularly elected mayor and a 13-member Council.
<b>1995</b>	Congress passed the District of Columbia Financial Responsibility and Management Assistance Act and created the position of the Chief Financial Officer.
<b>1997</b>	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's criminal justice system.
<b>2006</b>	Congress passed the District of Columbia Omnibus Authorization Act, expanding the duties of the Office of the Chief Financial Officer.
<b>2016</b>	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, which begins on page 70 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 59. 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-based 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-based reporting. The District has no significant timing differences between its budgetary practices and the GAAP-based 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, the District provided guidance on how to reduce the spread of COVID-19. With falling case counts and increased commercial availability of test kits, however, the District announced in February 2023, the suspension of self-service programs as well as several rapid test distribution centers, and in March 2023 permanently closed all COVID-19 centers. These measures fell in line with the end of the federal public health emergency which expired in May 2023. Information regarding COVID-19 can still be accessed via a separate website, <https://coronavirus.dc.gov/>. This website includes information for District residents and others regarding COVID-19 and provides information on how to sign up for the DC COVID Alert Notice (DC CAN) app. The District also instituted a web-based portal, <https://vaccinerecord.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) also promotes 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](http://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

For the year ended September 30, 2023, federal civilian employment accounted for 24.68% of all wage and salary jobs located in the District and 28.00%, seasonally adjusted, 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 1 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.

### Highlights: The District Economy

The District's economy continues to recover from the pandemic-induced recession of 2020 but is still trailing the national average in several key economic indicators. Though the leisure and hospitality sectors have demonstrated a continuous rebound from the pandemic, the industry's employment levels remain at 90 percent of those seen before the pandemic. Highlighting a positive trend, the District's population is rebounding, as evidenced by two consecutive years in which population increased, thereby reversing the population declines which occurred during COVID-19. According to the latest U.S. Census Bureau data, the District added 8,023 residents, representing a 1.20% increase from July 2022 to July 2023. As more people work from home, however, the District's transportation and office real estate sectors are likely to experience significant shifts. Highlights of these and other recent trends in the District economy are as follows:

- In the three months ended September 2023, there were 12,260, or 1.60%, more wage and salary jobs located in the District than in the same period a year earlier. However, this level was almost 30,300 below the pre-pandemic level for the same period in 2019. Hospitality and retail jobs, including amusement and recreation positions, have not recovered, growing by 6,700 jobs in September 2023 when compared to September 2022, but still about 7,230 below pre-COVID-19 levels. Of concern, federal jobs have started declining and in September 2023 were 1.24% below the September 2022 level.
- District resident employment in the three months ended September 2023 was 373,985 which was 585, or 0.20% lower than the same period in the prior year.
- As of September 2023, the unemployment rate within the District increased to the seasonally adjusted rate of 5.00%, up from the September 2022 revised seasonally adjusted rate of 4.10%.
- Overall wages earned in the District grew 5.00% in the quarter ended September 30, 2023, 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 2023 were down 11.93% from a year ago while the average selling price was 1.62% higher. Condominium sales decreased by 15.07%, and the average selling price was 2.20% higher than a year ago. The value of all home sale settled contracts for the three-month period ended September 2023 was 11.90% lower than a year ago.
- Commercial office base rents in the quarter ending September 2023 were up about 0.30% over the past year and average vacancy was 15.70%. Leased space in September 2023 was down by 1.20% from a year ago.
- Hotel room-days sold for the three months ended September 2023 were up 11.89% from the prior year and hotel room revenues increased by 16.86% during that period. While room revenue has surpassed the level for the same period in 2019, room-days sold 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. However, hotel occupancy has returned to pre-pandemic levels. In September 2023, hotel occupancy was 73.23%.

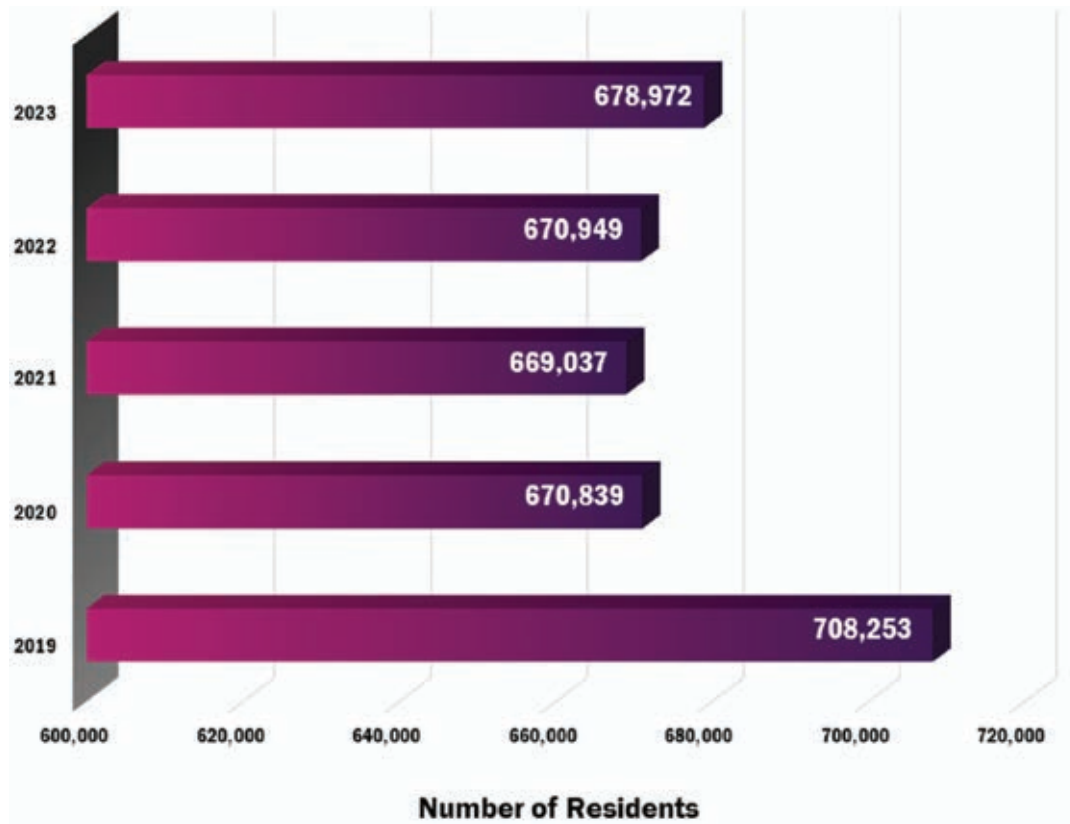
### Key Factors in the District Economy

#### 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. Recent migration data from the Internal Revenue Service reveals that between 2019 and 2021, a period which included the pandemic's peak period, the District of Columbia faced a net loss of over 31,000 residents. However, this negative trend began to reverse in 2022. In December 2022, the U.S. Census Bureau issued an updated population estimate which shows that the District's population, seasonally adjusted, grew from 669,037 to 670,949, a net gain of 1,912, during the period July 2021 to July 2022. According to the latest December 2023 U.S. Census Bureau data, the District added 8,023 residents, representing a 1.20% increase from July 2022 to July 2023.

Chart T-1 presents the population trends of the District as of July 1 of each year 2019 through 2023, using annually revised population data.

**Chart T-1**  
**Population Trends - Number of Residents**  
**District of Columbia Population as of July 1 of Each Year (2019 - 2023)**



Note:  
Presentation of prior years' data has been revised to reflect resident population of the District as of July 1 each year.

Source:  
U.S. Census Bureau

**Income Trends**

Despite the economic impacts of the COVID-19 pandemic, income grew 5.20% in the District during fiscal year 2023. Most of the federal relief to address the pandemic was distributed in fiscal year 2022, increasing income on a one-time basis. Inflation, however, cut the real income growth to 1.90% in fiscal year 2023.

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 2023; however, for 2022, the median household income within the District of \$101,054 was 35.20% above the U.S. average. The U.S. Census Bureau estimates that 13.30% of the population of the District was below the poverty line in 2022 as compared to 11.50% for the entire country.

## Employment Trends

Total wage and salary employment in the Washington Metropolitan Area (Metropolitan Area) increased to approximately 3,396,400 (not in thousands) at the end of fiscal year 2023 from the revised 3,318,400 (not in thousands) for fiscal year 2022, representing a 2.35% 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 2022 employment numbers may differ from those presented in the fiscal year 2022 ACFR because of updates and revisions.

**Table T-2** presents a comparison of September 2023 and 2022 labor market data for the District and the surrounding Metropolitan Area.

**Table T-2**  
**Comparison of September 2023 and 2022 Labor Market Data for the District and Surrounding Metropolitan Area (000s)**

	District of Columbia				Metropolitan Area			
	FY 2023 Level	FY 2022 Level	1 Year Change	1 Year Change %	FY 2023 Level	FY 2022 Level	1 Year Change	1 Year Change %
Employed residents	375.1	373.1	2.0	0.5	3,418.6	3,320.5	98.1	3.0
Labor force	394.8	389.0	5.8	1.5	3,510.8	3,418.5	92.3	2.7
Total wage and salary employment	780.0	767.6	12.4	1.6	3,396.4	3,318.4	78.0	2.4
Federal government	192.5	194.1	(1.6)	(0.8)	371.5	375.2	(3.7)	(1.0)
Local government	42.0	41.3	0.7	1.7	373.7	343.7	30.0	8.7
Leisure and hospitality	77.2	71.6	5.6	7.8	324.0	308.1	15.9	5.2
Trade	25.8	26.1	(0.3)	(1.1)	319.9	321.6	(1.7)	(0.5)
Education and health	124.5	123.0	1.5	1.2	461.5	441.0	20.5	4.6
Professional, business, and other services	175.9	175.3	0.6	0.3	810.4	804.1	6.3	0.8
Other private	142.1	136.2	5.9	4.3	735.4	724.7	10.7	1.5
Unemployed	19.6	15.9	3.7	23.3	92.2	98.0	(5.8)	(5.9)
New unemployment claims	2.0	0.6	1.4	233.3	(a)	(a)	(a)	(a)

**Notes:**

FY 2023 Level - Data presented is preliminary, not seasonally adjusted amounts for September 2023.

FY 2022 Level - Data presented is seasonally adjusted and will differ from those presented in the fiscal year 2022 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 2023, total wage and salary employment within the District was 22.97% of the total wage and salary employment for the Washington Metropolitan Area. As of September 2023, the unemployment rate within the District increased to the seasonally adjusted rate of 5.00%, up from the September 2022 revised seasonally adjusted rate of 4.10%.

Total employment within the District increased to approximately 780,000 (not in thousands) as of September 2023 from the revised 767,600 (not in thousands) as of September 2022. The leisure and hospitality industry continued to improve and experience growth during fiscal year 2023, accounting for the majority (80.00%) of the job growth. Other sectors such as retail and wholesale trade, education and health, professional and business services, and information and financial services also experienced

growth in fiscal year 2023 compared to fiscal year 2022. Despite the overall growth in the job market, unemployment claims are growing, which could mean that either more people are either looking for work as job prospects improve or some sectors are laying off workers.

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 2023 in the Washington Metropolitan Area was 371,500 (not in thousands); with approximately 192,500 (not in thousands) federal employees located in Washington, D.C. and 179,000 (not in thousands) additional federal employees who worked elsewhere in the Washington Metropolitan Area.



**Minimum Wage Rate**

Effective July 1, 2023, the minimum wage in the District increased from \$16.10 per hour to \$17.00 per hour for all workers. On May 1, 2023, the base minimum wage for tipped employees increased from \$5.35 to \$6.00 per hour and was further increased beginning July 1, 2023 to \$8.00 per hour. However, if an employee’s hourly tip earnings (averaged weekly) added to the base minimum wage do not equal the minimum wage as established by the District, the employer must pay the difference. These wage increases are due to provisions of the Fair Shot Minimum Wage Amendment Act of 2016 which further increases the minimum wage each successive year in proportion to the Consumer Price Index.

**Living Wage Rate**

Pursuant to the Living Wage Act of 2006 (DC Law 16-118; DC Code § 2-220.01 et seq), District government contractors and recipients of government assistance

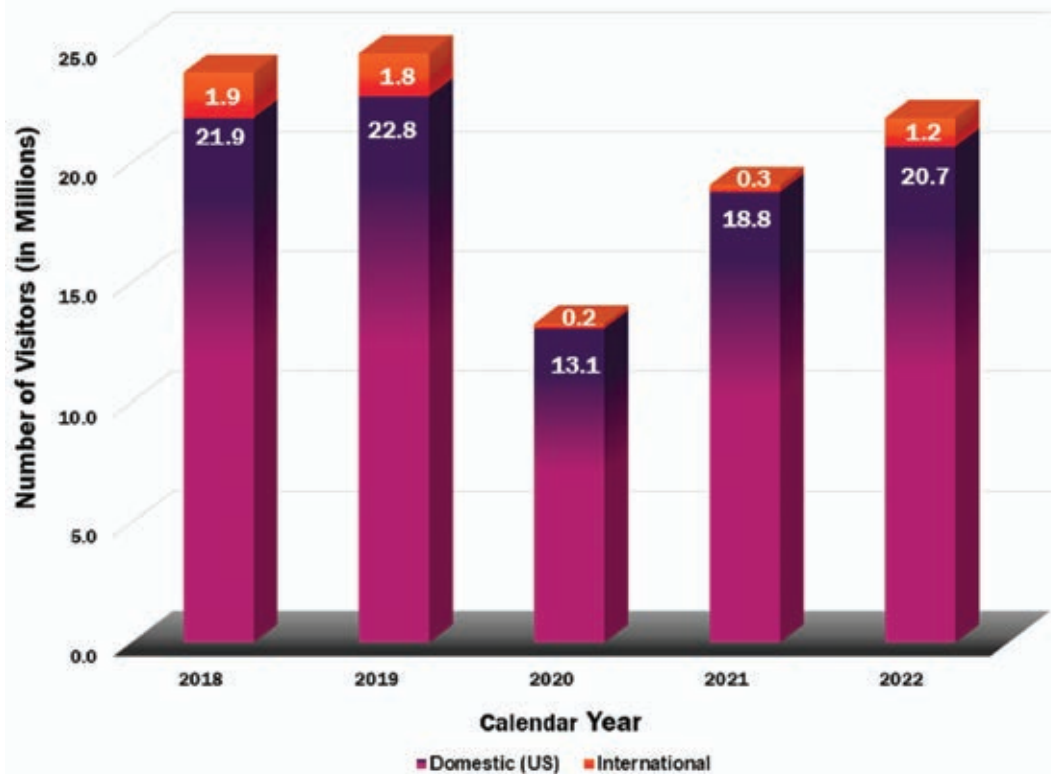
(grants, loans, tax increment financing) in the amount of \$100,000 or more shall pay affiliated employees no less than the current living wage rate. Effective January 1, 2023 until June 30, 2023, the living wage rate was increased from \$16.10 per hour to \$16.50 per hour. Effective July 1, 2023, the living wage rate in the District increased from \$16.50 per hour to \$17.00 per hour.

**Tourism and Hospitality**

Millions of U.S. citizens and international tourists visit the District’s more than 400 museums, monuments, war memorials, and other historical landmarks each year. Also, the presence of foreign embassies, recognized diplomatic missions, and other international organizations help boost tourism in the District. In calendar year 2022, there were approximately 21.9 million total visitors compared to 19.1 million total visitors in 2021. Of the 21.9 million total visitors, 20.7 million were domestic visitors while 1.2 million were international visitors that traveled to the District.

Chart T-2 presents the trends in tourism for calendar years 2018 through 2022.

**Chart T-2  
Trends in District Tourism  
Total Visitation to the District (2018 - 2022)**



Note:  
Tourism data for calendar year 2023 was not available at the publication date.

Source:  
Destination DC

The rise in visitors traveling to the nation’s capital positively affected visitor spending which totaled \$8.10 billion in 2022 compared to \$5.36 billion in 2021. A breakdown of visitor spending in 2022 is as follows: \$3.10 billion for lodging; \$2.20 billion for food and beverage; \$1.20 billion for entertainment; \$1.00 billion for retail; and \$0.60 billion for transportation. Tourism also supported 84,111 jobs in the District. Hotel occupancy which is historically at 75%, rose to 61.70% in 2022, compared to 41.30% occupancy in 2021.

Tourism data for the calendar year 2023 was not available at the time of this report.

**Construction**

**Commercial Office Space**

Office space under construction as of September 30, 2023, totaled 1.50 million square feet in nine buildings. The office vacancy rate rose to 16.80% and

the average base rent increased slightly by 0.30%. Occupancy decreased slightly over the past year for Class A and Class B properties. The vacancy rate for Class A space was 16.90% in September 2023, up from 16.00% a year ago. The vacancy rate for Class B office space was 19.10%, slightly higher than that for Class A office space.

**Housing Units**

For the 12-month period ended September 30, 2023, 5,172 housing unit building permits were issued. This represents a 23.15% decrease over the prior 12-month period.

In calendar year 2023, there were 214,604 apartment units and condominiums in the District. As of September 30, 2023, 14,445 apartment units and condominiums were under construction.

**Table T-3** presents the number of apartment units and condominiums located in the District in 2019 through 2023.

**Table T-3  
District Apartment Units and Condominiums (2019 - 2023)**

	2019	2020	2021	2022	2023
Inventory	194,061	199,373	209,351	221,016	214,604
Occupied Units	139,511	138,288	146,764	157,352	163,238

*Note:  
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 2023, dedicated tax revenues decreased by approximately 51.36% as higher interest rates and falling commercial property occupancy rates impacted deed recordation and transfer tax revenues.

In fiscal year 2023, HPTF financed 16 projects that produced or preserved 1,266 housing units in the District. The total amount of HPTF funding obligated in fiscal year 2023 was approximately \$286 million. The projects financed included 11 new construction projects, three substantial rehabilitation projects, and two pre-development projects.

At the end of fiscal year 2023, DHCD had 24 additional housing projects in its underwriting pipeline that will produce or preserve approximately 2,000 housing units when completed. The total estimated amount of HPTF funding to be committed for these projects is approximately \$390 million. The 24 projects include 20 new construction projects, three substantial rehabilitation projects, and one predevelopment 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 income tax secured revenue bonds of the District are rated: (1) AA+ by Fitch Ratings, (2) Aa1 by Moody's Investors Service, and (3) AAA by Standard & Poor's Global Ratings. These ratings have remained unchanged in recent years 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 (2019 - 2023)**

	General Obligation Bonds				
	2019	2020	2021	2022	2023
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				
	2019	2020	2021	2022	2023
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 2023, the District continued to face significant challenges in maintaining its critical infrastructure even as the District recovered from the economic downturn caused by the COVID-19 pandemic. While the District's economy has improved due to the significant amount of federal funding received and its strong financial position prior to the onset of the pandemic, the District continues to face a number of internal and external challenges. Some of these challenges are outside of the District's control and could negatively impact future growth in District revenues. Such challenges include the Federal Reserve's tight monetary policy, persistently elevated borrowing costs due to 'higher-for-longer' interest rates, high rates of remote work among the federal workforce, additional District funding needed to address WMATA's projected operational funding deficit, and a slowed rate of increase in population. Nevertheless, due to prudent financial management practices over the last twenty-plus years, the District has maintained strong reserves and strong 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 2023 Long-Range Capital Financial Plan Report in October 2023. 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, it will fund roughly \$10.51 billion of its highest-priority capital needs through 2029. However, the overall need for new or replacement facilities and maintenance of existing facilities far exceeds this funding level. CARSS analysis identified \$3.57 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, 2023.

**Table T-5**  
**Projects Completed by Economic Sector**

Project	Location	Square Footage/ Units/ Rooms	Estimated Value (\$000s)	Delivery Date (Calendar Year Basis)
<b>Retail</b>				
The Wharf (Phase II)	Southwest Waterfront	95,000 sq ft	\$ 1,150,000	4th Qtr 2022
The Hartley (Whole Foods Market)	7150 12th Street, NW	69,400 sq ft	147,000	2nd Qtr 2023
<b>Office</b>				
The Wharf (Phase II)	Southwest Waterfront	547,000 sq ft	1,150,000	4th Qtr 2022
Northeast Heights (DGS HQ)	3924 Minnesota Avenue, NE	260,000 sq ft	150,000	2nd Qtr 2023
<b>Residential</b>				
The Wharf (Phase II)	Southwest Waterfront	351 units	1,150,000	4th Qtr 2022
Alta 801	801 New Jersey Avenue, NW	327 units	69,000	4th Qtr 2022
Gallery 64	65 I Street, SW	492 units	200,000	1st Qtr 2023
Banner Lane (Phase I)	North Capitol Street, M Street, 1st Street, L Street, NW	561 units	226,000	1st Qtr 2023
The Hale	1150 First Street, NE	500 units	Not available	3rd Qtr 2023
<b>Hospitality</b>				
Pendry Hotel - The Wharf (Phase II)	Southwest Waterfront	131 rooms	1,150,000	4th Qtr 2022
Holiday Inn Express	303-317 K Street, NW	247 rooms	93,000	4th Qtr 2022
Gallery 64 (Rubell Museum DC)	65 I Street, SW	31,800 sq ft	200,000	4th Qtr 2022
The Royal Sonesta Hotel	20 Massachusetts Avenue, NW	271 rooms	200,000	3rd Qtr 2023
<b>Education/Quality of Life</b>				
Johns Hopkins University	555 Pennsylvania Avenue, NW	400,000 sq ft	200,000	3rd Qtr 2023
Raymond Elementary School Modernization	915 Spring Road, NW	93,000 sq ft	62,000	3rd Qtr 2023

*Source:*

Washington, DC Development Report 2022/2023 Edition, published by Washington DC Economic Partnership

*Note:*

Estimated Value for The Wharf and Gallery 64 represents the total estimated value including all components of the project.

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

Project	Location	Square Footage/Units/Rooms	Estimated Value (\$000s)	Estimated Delivery Date (Calendar Year Basis)
<b>Retail</b>				
Upton Place on Wisconsin	4000 Wisconsin Avenue, NW	110,394 sq ft	\$ 290,000	4th Qtr 2023
Waterfront Station II	1000 4th Street, SW	29,000 sq ft	179,000	1st Qtr 2024
McMillan Sand Filtration Site	North Capitol Street & Michigan Avenue, NW	80,000 sq ft	720,000	2nd Qtr 2024
ART Place at Fort Totten (Phase II)	5300 South Dakota Avenue, NE	64,038 sq ft	Not available	1st Qtr 2025
<b>Office</b>				
20 Massachusetts Avenue	20 Massachusetts Avenue, NW	324,000 sq ft	200,000	4th Qtr 2023
MLK Gateway II	1909 Martin L. King Jr. Avenue, SE	60,000 sq ft	71,000	1st Qtr 2024
Reunion Square (Building 4)	Shannon Place & W Street, SE	225,000 sq ft	Not available	1st Qtr 2024
17xM	1700 M Street, NW	317,000 sq ft	216,000	2nd Qtr 2024
The Milken Center for Advancing the American Dream	1501-1505 Pennsylvania Avenue, NW	132,000 sq ft	Not available	2nd Qtr 2024
<b>Residential</b>				
Upton Place on Wisconsin	4000 Wisconsin Avenue, NW	689 units	290,000	4th Qtr 2023
Waterfront Station II	1000 4th Street, SW	449 units	179,000	2nd Qtr 2024
McMillan Sand Filtration Site	North Capitol Street & Michigan Avenue, NW	660 units	720,000	2nd Qtr 2024
Vermeer	113 Potomac Avenue, SW	501 units	259,000	3rd Qtr 2024
The Bridge District (Phase I - The Douglass)	632 Howard Road, SE	758 units	366,000	4th Qtr 2024
<b>Hospitality</b>				
The Milken Center for Advancing the American Dream	1501-1505 Pennsylvania Avenue, NW	70,000 sq ft	Not available	2nd Qtr 2024
Arlo DC Hotel	333 G Street, NW	445 rooms	Not available	3rd Qtr 2024
<b>Education and Medical/Quality of Life</b>				
Medstar Georgetown University Hospital Pavilion	3800 Reservoir Road, NW	497,000 sq ft	560,000	4th Qtr 2023
McCourt School of Public Policy	125 E Street, NW	130,000 sq ft	Not available	3rd Qtr 2024
Conway School of Nursing	7th Street & Michigan Avenue, NE	102,000 sq ft	85,000	4th Qtr 2024
Cedar Hill Regional Medical Center	2730 Martin Luther King Jr. Avenue, SE	322,000 sq ft	375,000	1st Qtr 2025
11th Street Bridge Park	11th Street Bridge	Not available	95,000	4th Qtr 2025

Source:

Washington, DC Development Report 2022/2023 Edition, published by Washington DC Economic Partnership

Note:

Estimated Value for Upton Place on Wisconsin, Waterfront Station II, and McMillan Sand Filtration Site represent the total estimated value including all components of the project.

## Office, Residential, Medical and Hospitality Projects

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

Construction is continuing at Cedar Hill Regional Medical Center - GW Health, a new hospital located on the St. Elizabeths East Campus in Southeast, DC. On June 22, 2023, city and health officials celebrated the topping out of the new medical facility. The final steel beam was signed by the Mayor and guests and raised into place to mark a critical phase of project completion. Named after the 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 \$434.40 million full-service hospital will include: 136 beds; a verified trauma center; an adult and pediatric emergency services department; facilities for maternal health and delivery services; an ambulatory pavilion for physician offices, clinics, and a community space; a 500-car garage; and a helipad for emergency transports. The new hospital is expected to open by early 2025 and will replace the United Medical Center located in Southeast, DC.

### Art Place at Fort Totten (Phase II)

Art Place at Fort Totten is a two-million-square-foot, mixed-use development located at 5300 South Dakota Avenue NE which is currently in Phase II of construction. Phase I of Art Place was completed in 2017 and delivered The Modern, a 520-unit apartment building, and retail options including: a 40,000 square-foot OneLife Fitness and Sports Club; and a pharmacy, childcare center and dentistry and medical offices. In February 2022, a groundbreaking ceremony was held for Phase II, which promises to bring more culture to the community. Phase II will deliver: a new 35,000 square foot performance venue; Children's Museum Hub; a Maker Space for artists; neighborhood retail including a 25,000 square-foot Aldi grocery store; Food Collective space; and 294 residential units with 30 artist residences. Scheduled to be completed in 2025, Art Place at Fort Totten will help transform this section of DC into a creative and walkable destination.

### Reservoir District DC – The former McMillan Sand Filtration Site

The 25-acre former McMillan Reservoir Sand Filtration Site, located at North Capitol Street and Michigan Avenue NW is being redeveloped into a mixed-use development designed to bring new life to a national treasure. Built in 1905, the McMillan Reservoir Sand Filtration Plant was a public-health milestone for

Washington, D.C. It was the first large-scale water purification facility that featured an innovative system of sand-filled silos instead of chemicals to filter the city's water supply. This purification system was slow and became obsolete. As a result, it was replaced by a new rapid sand filter. However, operations at this water purification facility ended in 1986. The District Government purchased the site from the federal government for \$9.30 million in 1987 to facilitate development, but the property remained unused and closed to the public. Today, the long-awaited redevelopment project is being revitalized with a District investment of more than \$100.00 million to deliver a 17,000 square-foot community center with a pool and a 6.20 acre park. Two-thirds of the site is being developed with the assistance of a private developer and has been named Reservoir District. Upon completion, Reservoir District will deliver a full-service grocery store; restaurants and retail; 146 townhomes; 467 rental apartments; and over one million square feet of healthcare facility space. Plans also preserve many historical structures on the site including four regulator houses, 20 sand silos, sand bins, and two underground filter beds.

### Office to Residential Conversions

Cities across the country are struggling to fill the gap left by commuters who now come into the office a few days a week, if at all. These workers were patrons of downtown businesses and without them, offices are desolate, and businesses are shuttering. This has heightened the focus on office-to-residential conversions. The District's downtown area, where most of the city's office space is located, has become a top contender for conversion projects. Listed below are four past and present conversion projects:

- Riverpoint – The former 609,000 square-foot U.S. Coast Guard Headquarters building was converted into 481 apartment units and 70,400 square feet of restaurant/retail space in 2020.
- Watermark – The 629,000 square-foot office building, constructed in 1976 for use by federal government tenants, was converted to 453 residential units and 16,500 square feet of retail space in 2020.
- 1313 L Street – The former 72,300 square-foot home of the National Association for the Education of Young Children will be converted into a 222-unit residential property in 2024.
- 1425 New York Avenue – The 287,000 square-foot office building, formally anchored by the Department of Justice, will be redeveloped into a 255-unit apartment building by 2025.

## Transportation and Other Projects

### Transportation

The District Department of Transportation (DDOT) is the agency responsible for the management of transportation infrastructure and operations. DDOT manages hundreds of projects across the city and ensures that the District's roads are safe, reliable, and easy to navigate for the millions of residents, commuters, and visitors who use the transportation network each year.

#### Florida Avenue NE and New York Avenue NE Intersection Project

On July 19, 2023, city officials, DDOT, and the North of Massachusetts Avenue (NoMa) Business Improvement District (BID) kicked off the transformation of the former "Dave Thomas Circle". This \$41 million, long-awaited infrastructure project will significantly improve the Florida Avenue and New York Avenue NE intersection, which is positioned between some of the District's busiest neighborhoods, including Eckington, NoMa, Union Market, and Shaw. The project will deliver a safer and less frustrating intersection and upon completion in December 2024 it will:

- Realign and add two-way traffic to First Street NE
- Restore two-way traffic on Florida Avenue NE
- Include protected bicycle lanes and sidewalks
- Include three new public park spaces
- Install new traffic signals
- Update signage
- Deliver landscaping enhancements

On October 11, 2023, the new name for the public spaces at the intersection of Florida Avenue and New York Avenue NE (formerly known as Dave Thomas Circle) was announced. Following a community input process led by the NoMa BID, the redesigned intersection was renamed in honor of the first woman to pitch in the Negro League and longtime DC resident, Mamie 'Peanut' Johnson.

### PaveDC

PaveDC is an initiative undertaken by the Mayor to eliminate by 2024 all District roadways, alleys, and sidewalks that are in poor condition. To meet this goal, each year DDOT creates a paving plan based on pavement condition index rating, community requests, and planned utility repairs, among other criteria. This process occurs each winter when road conditions are most likely to deteriorate. Construction season typically begins in April and continues through November. Since the launch of PaveDC in 2018, DDOT has resurfaced roughly 500 miles of road. The plan for 2023 included roadway marking improvements, resurfacing 76 miles of roads, restoring 65 miles of sidewalk, and restoring 126 alleys. By the end of the last paving season, the

District was already at 88% of the PaveDC goal, putting DDOT on track to reach the 2024 goal. Keeping District roads in good condition provides maximum benefit to the traveling public by enhancing the safety of the roadways and improving the ride comfort of road surfaces.

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

3924 Minnesota Avenue, NE  
Washington, DC 20019  
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>



**ACKNOWLEDGMENTS**

I would like to express my sincere appreciation to all staff who contributed to this report, especially my immediate staff, *Diji Omisore, Belete Sitota, Mulu Kahsay, 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, extensive collaboration and coordination with the DIFS support center was required this fiscal year. I would be remiss without expressing my gratitude for their hard work, and dedication in helping with the financial system close. Finally, 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,

A handwritten signature in black ink that reads "Kimberly Williams". The signature is written in a cursive style with a large, sweeping flourish at the end of the name.

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