

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



**Natwar M. Gandhi**  
Chief Financial Officer

APR - 4 2013

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

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

**SUBJECT: First Quarter FY 2013 Status Report on the Emergency and Contingency Cash Reserve Funds as of December 31, 2012**

Dear Mayor Gray and Chairman Mendelson:

Enclosed is the status report on the monthly activities and balances in the District of Columbia's Emergency and Contingency Cash Reserve Funds as of December 31, 2012. The numbers contained in this status report are preliminary and unaudited.

***Summary and Background***

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

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

The September year-end FY 2012 CAFR fund balances included \$110.0 million for the Emergency Cash Reserve Fund and \$229.1 million for the Contingency Cash Reserve Fund, for a combined total of \$339.1 million.

As of December 31, 2012, the first quarter FY 2013 reserve fund balances were as follows:

Emergency Reserve Fund	\$110.0 million
Contingency Reserve Fund	<u>181.3 million</u>
<b>Total</b>	<b>\$291.3 million</b>

Following is a discussion of activities for the first quarter ending December 31, 2012 and resulting balances in the Emergency and Contingency Cash Reserve Funds.

### ***Emergency Cash Reserve Fund***

The Emergency Cash Reserve FY 2012 CAFR fund balance of \$110.0 million increased by \$47,000 during the three month period to \$110.0 million as of December 31, 2012, due to investment earnings.

### ***Contingency Cash Reserve Fund***

The Contingency Cash Reserve FY 2012 CAFR fund balance of \$229.1 million decreased during the three month period by \$47.8 million, to \$181.3 million as of December 31, 2012. The net decrease was due to nine draws totaling \$47.9 million and investment earnings of \$65,000. The draws were as follows:

- Three draws totaling \$29.8 million were made for the Inaugural Expenses agency to cover Presidential Inaugural expenses that will be replenished from federal funds and the DC Emergency Planning and Security Fund in the current fiscal year.
- A draw for \$5.0 million was made in November for the Department of Health Care Finance to fund consulting services to the Not-For-Profit Hospital Corporation to develop a transition plan to manage the hospital.
- A draw of \$1.7 million was made in November for the Office of Contracting and Procurement to fund the costs of the super storm "Sandy" until reimbursed by the Federal Emergency Management Administration (FEMA).
- A draw of \$9.4 million was made in November for the D.C. Health Benefit Exchange Subsidy to fund the Health Benefit Exchange Authority (HBEA), a health care exchange created by recent legislation. The District of Columbia government established this new quasi-governmental District agency to implement the federal Affordable Care and Patient Protection Act in the District. The agency did not exist during the FY 2013 budget formulation process. Office of the Chief Financial Officer (OCFO) staff from the Department of Health Care Finance (DHCF) will manage finances for the agency initially. DHCF holds a federal grant that will be used to replenish the draw.
- In December a \$1.0 million draw was made for the Department of Small and Local Business Development (DSLBD) to initiate a Certified Business Enterprise compliance monitoring system. DSLBD has available-until-expended budget authority for certain funds in the FY 2012 fund balance, but the exact amount available for FY 2013 was not known until the Consolidated Annual Financial Report (CAFR) was published. Now that the CAFR is finalized, those funds will be used to repay the Contingency Reserve during the current fiscal year.



- In December a \$0.5 million draw was made for the Deputy Mayor for Public Safety and Justice to conduct a District-wide truancy program. The draw will be replenished by an FY 2013 reprogramming from the District's year-end surplus, if one materializes, or in the FY 2014 and FY 2015 budgets at 50 percent each year.
- Finally, a draw of \$0.5 million was made in December for the Office of the Deputy Mayor for Education to fund an adequacy study mandated by the Public Education Finance Reform Commission. Unspent funds are designated in the FY 2012 fund balance to be used in FY 2013 to complete the contract work. The funds do not have budget authority in FY 2013, but budget authority is expected to be obtained through a Supplemental Appropriation.

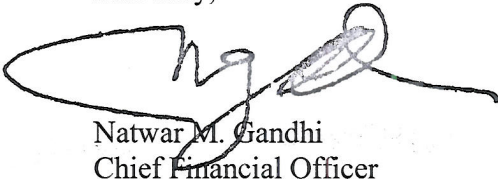
Three replenishments of FY 2012 draws that had been made in FY 2012 on a CAFR basis during the year-end close remain outstanding on a cash basis as of December 31, 2012. They are: \$6.0 million for the Department of General Services earthquake repair, \$7.7 million for the Not-For-Profit-Hospital Corporation Subsidy, and \$3.0 million for the Office of Contracting and Procurement for additional Derecho storm disaster funding. Thus, on a cash basis, the December 31, 2012 balance of the Contingency Cash Reserve fund was \$164.5 million, or \$16.7 less than on the CAFR basis presented here.

***December 31, 2012 Combined Balances***

In summary, the December 31, 2012, fund balances for the Emergency and Contingency Cash Reserve Funds were \$110.0 million and \$181.3 million, respectively. Their combined total was \$291.3 million.

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

Sincerely,



Natwar M. Gandhi  
Chief Financial Officer

Enclosures

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

**Fiscal Year 2013, Emergency Cash Reserve Report**  
**First Quarter Ending 12/31/2012**  
**as of 3/9/2013**

		(\$ in 000s)
Fiscal Month	Transactions/Balances	CAFR Basis Restricted Fund Balance
Sept, 2012	FY 2011 ending balances:	109,989
Oct	Investment earnings	37
Nov	Investment earnings	4
Dec	Investment earnings	6
Dec	First Quarter ending balances	110,036
	Investment earnings, October - December	47

**Fiscal Year 2013, Contingency Cash Reserve Report**  
**First Quarter Ending 12/31/2012**  
**as of 3/9/2013**

		(\$ in 000s)
Fiscal Month	Transactions/Balances	CAFR Basis Restricted Fund Balance (1)
Sept, 2012	FY 2011 ending balances:	229,113
Oct	Investment earnings	28
Oct	Draw: Inaugural Expenses (SB0)	(9,432)
Nov	Draw: Department of Health Care Finance (HT0), fund UMC RFP	(5,000)
Nov	Investment earnings	14
Nov	Draw: Inaugural Expenses (SB0)	(20,060)
Nov	Draw: Office of Contracting and Procurement (PO0), fund Hurricane Sandy	(1,731)
Dec	Draw: DC Health Benefit Exchange Subsidy (HE0), set up exchange	(9,362)
Dec	Draw: Dept. of Small and Local Business Development (EN0), initiate Certified Business Enterprise compliance monitoring system.	(1,028)
Dec	Draw: Deputy Mayor for Public Safety and Justice (FQ0), conduct truancy program	(495)
Dec	Draw: Office of the Deputy Mayor of Education (GW0), fund mandated adequacy study	(435)
Dec	Draw: Inaugural Expenses (SB0)	(351)
Dec	Investment earnings	23
Dec	First Quarter ending balances	181,284
	Investment earnings, October - December	65

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

1 This table reports budgetary uses of the reserve on a CAFR basis. The December 31, 2012 reserve balance is the same for the cash basis as the CAFR basis except for the replenishments shown below (for FY 2012 draws) that were made as of the end of December 31, 2012 on the CAFR basis, but on a cash basis have not been made through December 31, 2012. All three replenishments were done during the FY 2012 year-end close in January, 2013. There were also minor timing differences of draws and replenishments between the two bases:

. Department of General Services (AM0), continuing earthquake repair	6,000
. Not-For-Profit Hospital Corporation Subsidy (HX0), finance operations	7,700
. Office of Contracting and Procurement (PO0), derecho storm disaster	3,050
<b>Total</b>	<u><u>16,750</u></u>