

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



**Natwar M. Gandhi**  
Chief Financial Officer

August 23, 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: Third Quarter FY 2013 Status Report on the Emergency and Contingency Cash Reserve Funds as of June 30, 2013**

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 June 30, 2013. 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 June 30, 2013, the third quarter FY 2013 reserve fund balances were as follows:

Emergency Reserve Fund	\$110.1 million
Contingency Reserve Fund	<u>164.0 million</u>
<b>Total</b>	<b>\$274.1 million</b>

Following is a discussion of activities for the fiscal year through June 30, 2013 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 \$100,000 during the nine-month period to \$110.1 million as of June 30, 2013, because of investment earnings.

***Contingency Cash Reserve Fund***

The Contingency Cash Reserve FY 2012 CAFR fund balance of \$229.1 million decreased during the nine-month period by \$65.1 million, to \$164.0 million as of June 30, 2013. The net decrease was the result of draws totaling \$65.3 million and investment earnings of \$221,000. The draws were as follows:

- 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 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 December 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. 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 Comprehensive 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 the FY 2013 Supplemental Appropriation.
- A draw of \$0.4 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 draw will be replenished by the FY 2013 Supplemental Appropriation.
- In March, an \$11.0 million draw was made for the Not-for-Profit Hospital Corporation Subsidy to enable the hospital to meet operating cash flow needs.
- In April, a \$6.5 million draw was made for the Metropolitan Police Department to fund a District of Columbia Public Schools security contract that was required for the safety of the students and staff.
- In April, a \$19.0 million draw was made for the DC Public Charter Schools to meet the required quarterly payment. The full amount was replenished the same month upon approval of a reprogramming to cover the need.

***June 3, 2013 Combined Balances***

In summary, the June 30, 2013 fund balances for the Emergency and Contingency Cash Reserve Funds were \$110.1 million and \$164.0 million, respectively. Their combined total was \$274.1 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, Deputy Chief Financial Officer and 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  
Bert Molina, Deputy Chief Financial Officer, Office of Financial Operations and Systems

**Fiscal Year 2013, Emergency Cash Reserve Report**  
**Third Quarter Ending June 30, 2013**  
as of 8/13/2013

		(\$ 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
Jan, 2013	Investment earnings	3
Jan	Deposit to increase balance to the new required level	0
Feb	Investment earnings	18
Mar	Investment earnings	17
Mar	Second Quarter ending balances	110,074
Apr	Investment earnings	11
May	Investment earnings	2
Jun	Investment earnings	2
Jun	Third Quarter ending balances	110,089
	Investment earnings, October - June	100

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

**Fiscal Year 2013, Contingency Cash Reserve Report**  
**Third Quarter Ending June 30, 2013**  
as of 8/13/2013

		(\$ in 000s)
Fiscal Month	Transactions/Balances	CAFR Basis Restricted Fund Balance (1)
Sept, 2012	FY 2012 ending balances:	229,113
Oct	Investment earnings	28
Oct	Draw: Inaugural Expenses (SB0)	(9,432)
Nov	Dept. 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
Jan, 2013	Investment earnings	10
Feb	Investment earnings	7
Mar	Draw: Not-For-Profit Hospital Corporation Subsidy (HX0), enables the hospital to meet minimal operating requirements during the remainder of FY 2013	(11,000)
Mar	Investment earnings	21
Mar	Second Quarter ending balances	170,321
Apr	Draw: MPD (FA0), funds DCPS security contract, required for safety of students and staff	(6,451)
Apr	Draw: Public Charter Schools (GC0), advance payment	(19,000)
Apr	Replenishment: Public Charter Schools (GC0), advance payment	19,000
Apr	Investment earnings	74
May	Investment earnings	4
Jun	Investment earnings	39
Mar	Third Quarter ending balances	163,988
	Investment earnings, October - June	221

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

1 This table reports budgetary uses and replenishments of the reserve on a CAFR basis. Cash balances may differ.