

Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

September 16, 2011

The Honorable Vincent C. Gray
Mayor of the District of Columbia
1350 Pennsylvania Avenue, NW – 6th Floor
Washington, DC 20004

The Honorable Kwame R. Brown
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue, NW – Suite 504
Washington, DC 20004

Dear Mayor Gray and Chairman Brown:

On May 24, 2011, I sent you a letter cautioning against inclusion of a provision in the FY 2012 Budget Request Act which automatically triggers certain increases in appropriations, or reductions in revenue initiatives, based on revised June and September revenue estimates. That provision established a contingent budget, which falls outside of the traditional formulation and amendment process, and limits budget flexibility. In the current uncertain economic environment, it is especially important to maintain maximum flexibility to respond to any sudden changes to the District's fiscal position. As my office releases the September revenue estimate, I want to reiterate my concerns regarding the use of this budget mechanism.

The revised September revenue estimate forecasts an increase in FY 2011 revenues of \$89 million over the June estimate. Despite the positive news for FY 2011, the FY 2012 outlook is less optimistic and more uncertain than previously forecasted. In particular, the potential for severe federal cutbacks and the crisis in the European debt markets could have significant negative effects on the District's economy.

During our most recent visit to Wall Street, the rating agencies again expressed concerns about the depletion of District reserves and our overall lack of liquidity. These concerns coupled with the increasing uncertainty in the District and national economies could result in a negative outlook or even a downgrade in the District's General Obligation bond ratings.

In light of these factors, I urge you to consider setting aside the contingent budgeting mechanism and to use the additional FY 2011 revenues as a first step to replenish the District's fund balance.

Sincerely,

A handwritten signature in black ink, appearing to read 'Natwar M. Gandhi', written over a faint circular stamp.

Natwar M. Gandhi

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