

Appendix A:

**D.C.**

**Comprehensive**

**Financial**

**Management**

**Policy**



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# District of Columbia Comprehensive Financial Management Policy

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## Introduction

In accordance with requirements set forth in the District of Columbia Home Rule Act, approved December 24, 1973 (Pub. L. No. 93-198; 87 Stat. 774; D.C. Official Code §§1-201.01 et seq.) (Home Rule Act), this Comprehensive Financial Management Policy provides a framework for fiscal decision-making for the Office of the Chief Financial Officer (OCFO) and the Government of the District of Columbia (“District government” or “District”). The intent of this document is to establish policies that ensure the availability of financial resources to meet the present and future needs of the citizens of the District of Columbia. This document establishes the District government’s policies in the following areas:

- Debt Management
- Financial Asset Management
- Capital Asset Management
- Reserve Management
- Fiscal Management
- Economic Development

These financial management policies were established by the OCFO subject to continuing review and comment by the Mayor of the District of Columbia (Mayor) and the Council of the District of Columbia. The OCFO will consider amendments to this document on a continuing basis using the established review and approval process.

## Debt Management Policy

The District government will maintain, at all times, debt management policies that are fiscally prudent, consistent with District and federal laws, and reflect the District’s unique municipal status and limitations.

## Credit Ratings

The District will do everything in its power to attain and maintain the highest possible credit ratings for its outstanding bonds, including producing balanced budgets and financial statements with “clean” audit opinions annually, implementing and maintaining sound financial and debt management policies and practices, and maintaining regular communications with the major rating agencies.

## Long-Term Debt Capacity

The District will stay within its statutorily mandated debt limits of (a) 12 percent (annual debt service to total adjusted General Fund expenditures) for all debt supported by taxes, fees, or other general revenues, and

(b) 17 percent (maximum annual debt service to total General Fund revenues) for general obligation bonds (and by local District laws, income tax secured revenue bonds). Also, the District will maintain other debt ratios and practices that are prudent in light of industry standards, rating agencies' benchmarks and the District's long-term financial health. The District will seek to balance the need for improvements to its capital infrastructure with the need to maintain reasonable debt ratios and debt service expense levels.

### **Timing and Amount of Long-Term Borrowing**

When the District engages in annual long-term borrowing for its capital projects, it shall do so in amounts that are planned and reasonably expected to be spent up to two years after the date of such borrowing. Such borrowing amounts will be determined in the context of an ongoing effort to balance the need for continuing development and refurbishment of the District's infrastructure with the need to prudently manage the District's debt obligations.

### **Method of Bond Sale**

The District shall monitor and evaluate market conditions in consideration of the respective credit, prior to coming to market, to determine which method of sale, competitive or negotiated, is optimal for issuance. Determination will be made by the OCFO, supported by a recommendation of the Treasurer, to proceed with the sale method that is likely to yield a more favorable result for the District.

### **Composition of Debt Portfolio**

The District shall issue general obligation bonds, income tax secured bonds, or tax-supported revenue bonds, depending on a determination by the Chief Financial Officer (CFO) regarding the type of bond issuance that is most favorable for the District. The District shall issue tax-exempt bonds, except under circumstances in which the nature of the project(s) being financed (or some portion thereof) require the issuance of taxable bonds, or circumstances in which taxable bonds are deemed to provide a more favorable result (for example, the issuance of Build America Bonds pursuant to the American Recovery and Reinvestment Act). The District shall issue fixed-rate debt, except that not more than 10 to 20 percent of its outstanding debt may be variable-rate bonds. This policy allows the District to take advantage of the generally lower interest rates associated with variable-rate debt without over-exposing itself to higher levels of risk associated with such debt. In addition, with every issuance of debt, the District shall evaluate whether or not it is financially beneficial to issue the debt with bond insurance or some other form of credit enhancement, and shall structure the issuance accordingly. The District will regularly examine its financing structures and the financial marketplace to determine what form of debt is most beneficial to issue (e.g. income tax secured revenue bonds, general obligation bonds, other revenue bonds, or master lease/purchase financing) to fund certain governmental projects.

### **Timely Debt Service Payments**

The District shall escrow funds received from its Special Real Property Tax levy in amounts sufficient to ensure timely payment of all principal and interest due on its outstanding general obligation bonds, and shall set aside income tax revenues in amounts sufficient to ensure timely payment of all principal and interest due on its outstanding income tax secured revenue bonds, as required by the relevant debt statutes, bond indentures, and covenants.

### **Compliance with Arbitrage Regulations**

The District shall contract with a reputable firm to perform annual analyses of the District's investment and expenditure of bond proceeds in order to ensure compliance with federal arbitrage regulations.

### **Refunding of Outstanding Debt**

The District will regularly monitor its outstanding debt for optimal opportunities and timing to refund (refinance) such debt at lower interest rates to produce debt service savings to the District.

## **Selection of Financial Consultants and Service Providers**

To assist with issuing its bonds in the most efficient and effective manner, and to ensure compliance with all applicable legal requirements, the District selects Bond Counsel, Disclosure Counsel, and Financial Advisors, and does so on a competitive basis through a Request for Proposals (RFP) process in general. However, this process does not preclude the District from engaging bond counsel or disclosure counsel or Financial Advisors without the competitive process where a unique or emergency situation warrants such engagement as permitted by law, and the District will document the situation in writing.

## **Equipment Financing Program**

The District maintains a program to finance (on a tax-exempt basis) the acquisition of agency capital equipment with estimated useful lives of five to ten years. This program is part of the District's policy of seeking to match the useful lives of its capital assets with the duration of the debt that finances such assets, identifying competitive cost of financing, as well as managing agency operating costs associated with equipment lease financing.

## **Independent Agency/Instrumentality Debt Issuance**

The CFO shall determine whether or not it is advisable for certain independent agencies/instrumentalities of the District that have segregated revenue streams to pursue issuing bonds supported by such revenue streams. If the CFO determines that such a transaction is advisable, the CFO shall, through the Mayor, submit a written request to the District Council for enactment of the necessary authorizing legislation. The CFO must approve the ultimate structure of any such transaction, and must approve the transaction itself. In the event of such a financing, the independent agency/instrumentality shall provide pertinent information and documents to the CFO related to such financing (including the project or program financed) on an ongoing basis and upon request.

## **Short-Term Borrowing**

The District's policy is to issue short-term debt in the form of Tax Revenue Anticipation Notes (TRANS) to finance any intra-year seasonal cash flow needs. TRANS must be repaid by the end of the fiscal year in which they are issued. A long-term policy goal is for the District to obtain and maintain sufficient operating cash balances in order to minimize or eliminate the need for short-term.

The District may utilize additional short-term financing vehicles including Bond Anticipation Notes, Commercial Paper, and others to meet interim capital funding needs. Bond Anticipation Notes and Commercial Paper may be rolled or redeemed with the issuance of long-term debt.

## **Financial Asset Management Policy**

### **Authorization and Responsibility**

The CFO, established by the District of Columbia Financial Responsibility and Management Assistance Act of 1995, approved April 17, 1995 (Pub.L. No. 104-8, §302(a), 109 Stat 142, D.C. Official Code §1-204.24a), is responsible for maintaining custody of all public funds belonging to or under the control of the District government and depositing all amounts paid in such depositories and under such terms and conditions as may be designated by the District Council pursuant to Section 424 of the Home Rule Act. Except where prescribed by law, the CFO has delegated this responsibility to the Treasurer of the District of Columbia (Treasurer).

The Treasurer, on behalf of the CFO, actually maintains custody of all public funds belonging to or under the control of the District government or its agencies and deposits all funds in depositories pursuant to D.C. Official Code §1-204.24d(11). The Treasurer is responsible for the administration and supervision of the Office of Finance and Treasury (OFT), which includes the responsibility for the collection and deposit of all receipts. The Treasurer shall also specify operational procedures and standards to be used for all depository intake facilities.

## **Deposit of Cash Receipts Policy**

All District government agencies and instrumentalities, including component units, boards, commissions and other public entities, are subject to D.C. Official Code §§47-351 et seq. and shall deposit all cash, checks and other negotiable instruments received within two business days after collection or receipt of such monies. Items deposited pursuant to D.C. Official Code §§47-351 et seq. shall be properly posted in the District's accounting system of record within two business days of receipt. If cash needs to be collected by an agency, OFT cashiers must either collect the actual cash or have oversight of the collection process.

**Background:** The timely deposit of monies received provides several benefits. The most important benefit is effective and efficient control of these funds, which reduces the risk of loss due to errors, carelessness or theft. In addition, the timely deposit of funds helps to maximize cash flow for interest earnings; lowers borrowing needs, and lessens the risk of returned checks due to non-sufficient funds or account closure. It also provides a responsive service to the payers who would otherwise be uncertain whether their checks were received.

## **Disbursement of Public Funds Policy**

All disbursements from District depository accounts shall be made by check, electronic transfer or pay cards. All District agencies shall comply with the OCFO's Financial Management and Control Orders No. 08-008 and No. 07-004A, which establishes guidelines of authority, indicates required documentation, and requires expediency in the processing of payment vouchers. All District agencies and employees shall comply with the OCFO's Financial Management and Control Order No. 12-24, which governs the establishment, control and maintenance of bank accounts, checks and signature authority to prevent fraud, abuse or other irregularities. Likewise, all District agencies shall also comply with the provisions in the District's Quick Payment Act, which ensures the timely payment of public funds to vendors, suppliers, and contractors.

**Background:** The OFT recognizes the financial risks associated with the issuance of checks. The prevalence of check fraud demands that the District take measures to safeguard the District's funds, including the use of a single state check design. Checks issued by the District government use a controlled paper stock with numerous security features and a background design that makes all District government checks easily recognizable as official, legal payment instruments of the District government. In addition, the District uses banking services and policies that prevent fraud by requiring that the District's banking institutions only honor checks that the District has previously identified as being validly issued. To further reduce costs and risks, the District has and will continue to reduce its use of checks as a predominant means of disbursement.

## **Collateralization Policy**

It is the policy of the OFT to ensure that at all times the District's funds held at financial institutions are fully federally insured or, at a minimum, collateralized at 102 percent in compliance with the Financial Institution Deposit and Investment Amendment Act of 1997 (the Depository Act), D.C. Law 12-56, §§47-351. The responsibility for monitoring financial institutions' compliance with the District's collateral requirements on a daily basis is delegated to the OFT Banking Services Unit.

## **Banking Services Policy**

It is the policy of the District government to procure banking services and establish bank accounts pursuant to competitive award practices consistent with the Financial Institutions Deposit and Investment Act, as amended (D.C. Official Code 12-56; §§47-351 et seq.), and the OCFO's standard contracting processes. The OFT shall routinely monitor bank performance using predetermined performance standards and assess penalties for failure to perform. Bank accounts shall only be opened by OFT. Agencies cannot open bank accounts independently.

## **Electronic Benefit Payment Policy**

The OFT, in conjunction with the Department of Human Services, shall administer the District's Electronic Benefit Transfer (EBT) Program in compliance with the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, approved August 6, 1996 (Pub. L. No. 104-193; 110 Stat. 2105) (Welfare Reform Act) and provide necessary training to eligible District of Columbia residents on who participate in the EBT Program.

**Background:** The Welfare Reform Act of 1996 mandated that all states and the District of Columbia establish an electronic delivery system for the distribution of food stamp benefits (Supplemental Nutrition Assistance Program, or SNAP) by October 2002. As a result, the District's EBT system was implemented in 1998. The system electronically delivers both SNAP and cash assistance (Temporary Assistance for Needy Families, or TANF) benefits to District recipients. EBT is a special application of electronic funds transfer (EFT) technology, which allows both TANF and SNAP benefits to be loaded directly to a pay card eliminating the former costly and cumbersome processes surrounding paper food stamps and check writing. Also, it provides access to mainstream payment methods for District citizens, provides food retailers with point-of-sale methods of accepting SNAP payments, enhances methods used to account for SNAP benefits, and facilitates more efficient payments to individual merchants with funds from the U.S. Department of Agriculture.

## **Internal Control Policy Related to Financial Assets**

The District government shall maintain sound internal control policies and practices to ensure: (a) compliance with applicable laws, guidelines, regulations, and professional standards; and (b) adequate safeguarding of cash under the control of agencies, component units, boards and commissions. Therefore, agencies must adhere to the following policies and prescribed practices:

- Employees who handle cash, checks, credit cards, pay cards or any other negotiable instruments should be bonded as a condition of employment and should not record the related transactions in the general ledger nor maintain accounting records;
- Cash shall not be accepted or received directly by any District agencies, only OFT. Exceptions to this policy must be approved in advance and oversight provided by the OFT;
- Check payments received shall be restrictively endorsed payable to the D. C. Treasurer, not to an agency or a District employee;
- Cash receipts shall be reconciled daily and discrepancies shall be investigated promptly by the designated authorized personnel;
- Access to cash shall be restricted to OFT cashiers and secured when not in use; and
- Any site that secures cash, checks, pay cards or other negotiable financial instruments shall maintain them securely in a vault under dual control for access or removal. Dual control requires two people to cooperate in maintaining and confirming assets, with the work of one employee being verified or approved by a second employee. Both are equally accountable for the protection of asset.

## **Investment Priorities**

The District will invest cash not needed for immediate disbursement in a manner consistent with applicable District law and policy, and in doing so will (a) provide for the safekeeping of principal amounts invested, (b) maintain adequate liquidity to fund the District's operations and other funding needs, and (c) maximize earnings on invested funds, in that order of priority. The maximization of earnings will be accomplished by analyzing up-to-date cash flow projections documenting the amounts and timing of the District's operating cash needs over the course of a given fiscal year, as well as the general investment environment and the respective earnings (interest) rates available to the District from the various permissible investment instruments. Based on these factors, the appropriate investment decision will be made.

### **Investment of Operating Cash Balances**

Each business day, using same-day data from banks (check/ACH/wire clearings), OFT will determine if the District has excess cash on hand for that particular day and factor in a cushion for unexpected disbursements. Any excess cash will be invested in one or more of the permissible investment instruments in accordance with the policy described in the “Investment Priorities” section above.

### **Investment of Additional Bank Account Balances**

The District government will strive to ensure that no cash balances sit idle without being invested. The majority of the District’s operating bank accounts are structured such that all funds not utilized in collection or disbursement accounts at the end of a given day will be consolidated to the pooled cash account and invested or will be used to generate credit to offset bank fees.

### **Investment of Bond Escrow and Note Escrow Funds**

The District government will invest bond escrow and note escrow balances (funds set aside for the payment of principal and/or interest on outstanding District bonds or notes) in accordance with the same general policy guidelines described in the “Investment Priorities” section above, except that the maximum duration of such investments (the liquidity aspect referenced above) will be determined by the principal and/or interest payment due dates on the bonds or notes as opposed to operating cash flow projections as well as any other requirements contained in the respective bond or note documents.

### **Investment of Bond and Note Proceeds**

Proceeds from the sale of District bonds and notes shall be invested in allowable investments in accordance with applicable federal and District laws, stipulations in the respective bond or note documents as to how such funds are to be invested, federal arbitrage regulations regarding the investment of bond and note proceeds (both of which may be more restrictive than District law), and pre-determined payout schedules (or estimates) for such proceeds (based on the purpose and manner of use of such Funds).

### **Investment of Debt Service Reserve Funds**

Debt service reserve funds established either from the proceeds from the sale of District bonds and notes or other sources shall be invested in allowable investments in accordance with applicable federal and District laws, stipulations in the respective bond or note documents as to how such funds are to be invested, federal arbitrage regulations regarding the investment of bond and note proceeds (both of which may be more restrictive than District law), and pre-determined payout schedules (or estimates) for such proceeds (based on the purpose and manner of use of such Funds) as well as any other requirements contained in the respective bond or note documents.

### **Investment of Bond and Note Related Accounts**

Investment of Bond and Note related accounts shall be invested in allowable investments in accordance with applicable federal and District laws, stipulations in the respective bond or note documents as to how such funds are to be invested, federal arbitrage regulations regarding the investment of bond and note proceeds (both of which may be more restrictive than District law), and pre-determined payout schedules (or estimates) for such proceeds (based on the purpose and manner of use of such Funds), as well as any other requirements contained in the respective bond or note documents.

### **Investment of Statutory Reserve Funds**

Investment of statutory reserve funds (see Reserve Management Policy section) of the District shall be invested in permitted investments in accordance with District law and policy.



## Limits on Placement of Funds

In accordance with applicable law, the District will not deposit/invest more than 25 percent of its funds on hand with any one financial institution and/or product, and will not deposit/invest an amount with any one financial institution and/or product that amounts to more than 25 percent of the assets of such institution.

## Capital Asset Management Policy

### Policy for Defining Capital Assets

Capital assets are long-lived items that provide a benefit for a number of future periods. They are either classified as “capitalized assets,” subject to the District’s standard depreciation rules, or “controllable property,” which are neither capitalized nor depreciated for financial reporting purposes.

Proper accounting for capital assets requires the capitalization of appropriate expenditures for each of the following asset categories:

- **Land** - non-expendable, real property, for which title is held by the District;
- **Land Improvements** - including the cost of permanent attachments, other than buildings, which add value to land;
- **Buildings** - all real estate, excluding land and land improvements, used for shelter, dwelling, and other similar purpose;
- **Equipment/Furniture/Vehicles** - tangible personal property that is: a) complete in itself; b) does not lose identity or become a component of the building where it resides; c) of a durable nature with an expected service life of three or more years;
- **Intangible Assets** – assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period, including, for example, easements, water rights, patents, trademarks, and computer software;
- **Construction-in-Progress (CIP)** - includes the costs incurred when constructing long-lived assets (e.g., buildings and other improvements); CIP represents the costs associated with incomplete projects; and
- **Infrastructure Assets** - long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets and that are normally stationary in nature. Examples of infrastructure assets include roads, sidewalks, bridges, tunnels, drainage systems, water and sewer systems, dams, street lighting systems and transit subway systems.

### General Fixed Asset Policy

Capital assets must be properly authorized, classified, valued and adequately safeguarded. Physical and accounting control policies and procedures established by the Office of Financial Operations and Systems (OFOS) must be followed by each agency. Each agency must implement the following policies:

- All capital assets that have been capitalized or are a part of controllable inventory shall be included on the agency’s capital asset listing;
- All capitalized or controllable assets shall be reported in the Fixed Assets Subsystem (FAS) of the System of Accounting and Reporting (SOAR) maintained by OFOS;
- Each agency shall designate an individual who will be responsible for accounting for capital assets and ensuring that all divisions within the agency comply with District requirements;
- All agencies shall adhere to the capitalization and controllable inventory policies and procedures established by OFOS;
- All acquisitions and disposals of capital assets shall be properly authorized by applicable laws and approved by the agency director or designee. In addition to the agency director, some acquisitions and disposals may require the approval of the appropriate regulating bodies; and

- All agencies shall maintain documentation related to the acquisition, use, and disposal of capital assets. Such documentation is to be retained throughout the life of each capital asset and for a specified period of time after disposal, consistent with the OCFO's and the District's records retention policies. Where bond proceeds are used to acquire or improve the property, all agencies shall work with the Mayor and the OCFO to ensure that the acquisition, use, transfer or disposition of the property is in compliance with the applicable laws.

### **Capitalization Policy**

- All land, land improvements and building additions must be capitalized regardless of cost.
- Capital improvements shall be capitalized if the total project cost is \$5,000 or more, and the improvements increase the utility of the asset or significantly extend its useful life by 2 years or more. Expenditures for improvements that do not increase the service utility of the asset or significantly extend its life should be classified as repairs and maintenance and not capitalized.
- Furniture, vehicles, and equipment shall be capitalized if the aggregate cost is \$5,000 or more and the useful life of the asset is three years or greater. Costs pertaining to computers include amounts incurred for monitors, cables, battery packs or any additional accessories needed for the equipment to function. Capitalizable computer costs do not include printers because printing functions can be spooled to a central printer, allowing several computers to utilize it.
- Computer software system costs shall be capitalized if the total cost including purchase, installation, and testing is \$5,000 or more. Training that is directly related to installation and testing should be capitalized. The cost of training after the system has been placed in service should be expensed as incurred. Upgrades and enhancements should only be capitalized if such costs significantly increase the life or functionality of the system by 2 years or more.
- Computer hardware system costs shall be capitalized if the total cost including acquisition, installation, and testing is \$5,000 or more. The cost of each component of a computer hardware system should be initially recorded as controllable inventory in the FAS. When the hardware system is ready for its intended use, the inventoried costs should be grouped and capitalized as one unit of property in the FAS. Upgrades and enhancements should only be capitalized if such costs significantly increase the life or functionality of the system by 2 years or more.
- Betterments shall be capitalized if the cost is \$5,000 or more and the addition made to the fixed asset is expected to prolong its life or increase its efficiency over and above that resulting from repairs or maintenance. The cost of the betterment is added to the book value of the asset. Betterments do not include building improvements. Betterments that cost less than \$5,000 should be classified as expenses and charged against the operating budget.
- Equipment with a unit cost of less than \$5,000 shall be identified as controllable equipment of the agency. The minimum unit cost level required to be identified as controllable equipment of the agency is \$1,000, except certain items. Equipment below \$1,000 may be tagged with a property identification number and recorded on a supplementary listing for stewardship and sensitivity reasons.
- Agencies may account for and record items under \$5,000 in the FAS. Agencies shall record and maintain a supplementary listing internally on the agency FAS or in the OFOS FAS for those items that are between \$1,000 and \$5,000. The agency shall also maintain records for items less than \$1,000 that are considered sensitive or at high risk of theft, such as weapons, computer components, and cellular equipment.
- Agencies shall recognize intangible assets if they: (a) are separable (capable of being separated or divided from the District government and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, asset, or liability); or (b) arise from contractual or other legal rights, regardless of whether those rights are transferable or separable from the District government or from other rights and obligations.
- The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period to which the service capacity of the asset is limited by contractual or legal provisions. An intangible asset should be considered to have an indefinite useful life if there are no legal, contractual, regulatory, technological, or other factors that limit the useful life of the asset.

### **Controllable Property Policy**

Controllable property is non-capitalized tangible property that is considered valuable and/or sensitive with a high risk of theft with a value of less than \$5,000 and/or with an expected life of less than three years. Similar to capitalized property, controllable property is subject to the requirements of this Comprehensive Financial Management Policy regarding security, stewardship, maintenance, and utilization. These assets shall be excluded from depreciation calculations and financial reports. They shall, however, appear on other management information reports and capital assets records. Each agency director shall designate an individual to account for capital assets and ensure that all divisions within the agency comply with the District's accounting policy.

To ensure that personal property capital assets are properly safeguarded and accounted for, the OFOS shall conduct a physical inventory of personal property capital assets on a biennial basis. The inventory shall be conducted based upon the assets listed in the FAS as of a given date. Each agency shall be responsible for making sure that the proper personnel are available to guide the agency designated staff to the location of the assets. The physical inventory shall be properly managed and supervised by the individual who is responsible for the agency's property management function to ensure that the inventory process is effective and efficient. OFOS shall oversee reconciliations and adjustments to the detailed accounting records resulting from the physical inventory.

### **Acquisition Policy**

Capital assets shall be initially recorded at historical cost, which is defined as the cash or cash equivalent price of obtaining the asset and bringing it to the location and condition necessary for its intended use.

Donated assets shall be recorded at fair market value at the date of acquisition, generally defined as "consideration given or consideration received, whichever is more clearly determinable."

Construction-in-progress represents capitalization of labor, material, and overhead costs of a capital project. When the project is completed, costs in the construction-in-progress balance sheet account shall be reclassified to one or more of the property and equipment accounts.

### **Valuation Policy**

The most desired method of valuation is original cost (historical). Such data can be determined by retrieving original invoices, purchase orders, check copies, contracts, minutes, or auditor's work papers. However, if the original cost cannot be established, estimated historical cost data may be used.

### **Stewardship Policy**

Capital assets comprise the majority of the District's total assets. Extreme care shall be used in safeguarding and accounting for all capital assets. Persons provided with capital assets (e.g., cellular telephones, iPads and laptop computers) for their direct official use shall be held responsible and liable for the asset(s) assigned to them. Such assets shall be returned to the agency whenever an individual's employment with the agency terminates.

### **Document Retention Policy**

Documents related to the acquisition, use, and disposal of capital assets shall be retained throughout the life of the capital asset and for a minimum of three years following the disposal of the capital asset or as required by applicable laws and regulations.

### **Depreciation Policy**

The FAS automatically calculates and posts depreciation for capital assets. Depreciation expense shall be calculated using the straight-line method based on the useful life of the capital assets.

### **Property Control Policy**

Each agency fiscal officer (or designee) shall identify an individual who will be responsible for accounting for capital assets and ensure that all divisions within the agency comply with the District's accounting and inventory policy.

## **Disposal Policy**

All disposals of capital assets shall be properly authorized by applicable laws and approved by the agency director or designee. In addition to the agency director, appropriate regulatory bodies shall approve some disposals. All proceeds from the sale of District government property shall be dedicated for use by the government for the construction and rehabilitation of its facilities, unless the District Council approves an exception. Where bond proceeds are used to acquire or improve the property, all agencies shall work with the Mayor and the OCFO to ensure that the disposition of the property is in compliance with the applicable laws.

## **Reserve Management Policy**

### **Emergency Reserve Fund Management**

It is the policy of the District government to comply with D.C. Official Code §1-204.50a for the establishment, deposit, maintenance, use and replenishment of the District of Columbia's Emergency Reserve Fund. Any modifications to these requirements shall be implemented when the law changes and reflected in the Policy.

The Emergency Reserve Fund may only be used for unanticipated and nonrecurring extraordinary needs of an emergency nature, including a natural disaster or calamity as defined by section 102 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Pub. L. 100-707, effective November 23, 1988) or unexpected liability created by Federal Law. The Fund may not be used to fund any department, agency, or office of the District government administered by a receiver or other official appointed by a court, shortfalls in any projected reductions included in the budget proposed by the District government for the fiscal year, or settlements and judgments made by or against the District of Columbia government. Funds may only be allocated after an analysis has been prepared by the CFO and only after a projection by the CFO that the entire Contingency Reserve Fund (see next section) will be completely exhausted at the time of the allocation. Interest earned on the Emergency Reserve Fund shall remain in the account for permitted uses pursuant to D.C. Official Code §1-204.50a.

For purposes of cash flow management, the CFO or his/her designee may borrow from the Emergency Reserve Fund as long as the amount borrowed does not exceed 50 percent of the total balance in both the Emergency and Contingency Reserve Funds and neither fund is depleted by more than 50 percent. The amount borrowed shall be replenished to the fund by the earlier of 9 months after the date the money was borrowed or the end of the fiscal year in which the money was borrowed. If, after a cash flow management borrowing, the amounts in the funds are later depleted below the 50 percent threshold as a result of qualified emergency or contingency fund expenditure, the District shall restore the funds to the 50 percent level within 60 days.

The District shall budget and deposit sufficient funds in each fiscal year to maintain or replenish the Emergency Reserve Fund as required by D.C. Official Code §1-204.50a or move unassigned fund balance into the Fund as needed. Replenishment of an allocation may also be made within the same fiscal year through a reprogramming of budget authority or a Supplemental Appropriation.

The District government will invest Emergency Reserve Fund account balances in accordance with the same general policy guidelines described in the "Investment Priorities" section above.

**Background:** The District is required to maintain an Emergency Reserve Fund equaling a minimum of 2 percent of the qualified operating expenditures based on the applicable Comprehensive Annual Financial Report (CAFR) pursuant to D.C. Official Code §1-204.50a.

### **Contingency Reserve Fund Management**

It is the policy of the District of Columbia to comply with D.C. Official Code §1-204.50a for the establishment, deposit, maintenance, use and replenishment of the District of Columbia's Contingency Reserve Fund. Any modifications to these requirements shall be implemented when the law changes and reflected in the Policy.

The Contingency Reserve Fund may be used only for nonrecurring or unforeseen needs that arise during a fiscal year, including expenses associated with unforeseen weather or other natural disasters, unexpected obligations

created by Federal law or new public safety or health needs or requirements that have been identified after the budget process has occurred, or opportunities to achieve cost savings. The Fund may also be used, if needed, to cover revenue shortfalls experienced by the District government for 3 consecutive months (based on a two-month rolling average) that are 5 percent or more below the budget forecast. The Contingency Reserve Fund may not be used to fund any shortfalls in any projected reductions that are included in the budget proposed by the District government for the fiscal year. Funds may only be allocated after an analysis has been prepared by the CFO and all other surplus funds available to the District have been completely exhausted. Interest earned on the Contingency Reserve Fund shall remain in the account for permitted uses pursuant to D.C. Official Code §1-204.50a.

For purposes of cash flow management, the CFO or his/her designee may borrow from the Contingency Reserve Fund as long as the amount borrowed does not exceed 50 percent of the total balance in both the Emergency and Contingency Reserve Funds and neither fund is depleted by more than 50 percent. The amount borrowed shall be replenished to the fund(s) by the earlier of 9 months after the date the money was borrowed or the end of the fiscal year in which the money was borrowed. If, after a cash flow management borrowing, the amount in the fund is later depleted below the 50 percent threshold as a result of qualified emergency or contingency fund expenditure, the District shall restore the funds to the 50 percent level within 60 days.

The District shall budget and deposit sufficient funds in each fiscal year to maintain or replenish the Contingency Reserve Fund as required by D.C. Official Code §1-204.50a or move unassigned fund balance into the Fund as needed. Replenishment of an allocation may also be made within the same fiscal year through a reprogramming of budget authority or a Supplemental Appropriation.

The District government will invest Contingency Reserve Fund account balances in accordance with the same general policy guidelines described in the “Investment Priorities” section above.

**Background:** The District is required to maintain a Contingency Reserve Fund equaling a minimum of 4 percent of the qualified operating expenditures based on the applicable CAFR pursuant to D.C. Official Code §1-204.50a.

### **Fiscal Stabilization Reserve and Cash Flow Reserve Funds**

It is the policy of the District government to comply with current requirements for building and maintaining the District of Columbia’s Fiscal Stabilization and Cash Flow Reserve Funds as defined by D.C. Official Code §47-392.02. Any modifications to these requirements shall be implemented when the law changes and shall be reflected in the Policy.

The District government will invest fiscal stabilization and cash flow reserve account balances in accordance with the same general policy guidelines described in the “Investment Priorities” section above.

**Background:** The Fiscal Stabilization Reserve Fund may be used by the Mayor for the same purposes for which the Contingency Reserve Fund was established (except for cash flow management purposes), as certified by the CFO, with approval of the Council by act. At full funding, this reserve must equal 2.34 percent of the District’s General Fund operating expenditures for each fiscal year. The Cash Flow Reserve may be used by the CFO or his/her designee to cover cash flow needs. When amounts are used, the Cash Flow Reserve must be replenished in the same fiscal year of use. At full funding, this reserve must equal 8.33 percent of the General Fund operating budget for each fiscal year.

If either the Fiscal Stabilization Reserve or the Cash Flow Reserve is below full funding upon issuance of the CAFR, the CFO must commit 50 percent of the unassigned end-of-year fund balance to each reserve, or 100 percent of the end-of-year fund balance to the remaining reserve that has not reached full capacity, to fully fund the reserves to the extent allowed by the end-of-year fund balance. Moreover, if the amount required for the Contingency Reserve or Emergency Reserve is reduced, the amount required to be retained in the Fiscal Stabilization Reserve is to be increased by the same amount.

## Fiscal Management Policy

### Revenues

The District shall strive to maintain a balanced and diversified revenue system to protect against adverse fluctuations in any one source of revenue, which may result from changes in local and/or national economic conditions.

Quarterly Revenue Adjustments: The OCFO shall make revised quarterly adjustments to the revenue estimated for the year in progress as required by law (D.C. Official Code §1-204.24d(5)(B)). These adjustments, as certified by the CFO, will be submitted to the Mayor and the District Council. They shall serve as the basis for determining whether revenues are in balance with anticipated expenditures. In addition, the CFO's certified revenue estimates shall be used as the basis for any request for supplemental appropriations submitted to the U.S. Congress that would increase the total amount of General Fund revenue appropriated to the District.

### General Fund Balance

In FY 2011, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Consistent with the requirements of that Statement, the District's General Fund balance is comprised of five components: non-spendable, restricted, committed, assigned, and unassigned, which are described more fully below.

- **Non-spendable** – resources which cannot be spent because they are either: (a) not in spendable form; or (b) legally or contractually required to be maintained intact.
- **Restricted** – resources with use constraints which are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed** – resources which can only be used for specific purposes pursuant to limitations imposed by formal action of the District government's highest level of decision-making authority (the Mayor and the District Council). Amounts in this category may be redeployed for other purposes with the appropriate due process. Committed amounts cannot be used for any other purpose unless the District government removes or changes the specified use by taking the same type of action it used to previously commit the amounts.
- **Assigned** – resources neither restricted nor committed, for which the District has a stated intended use as established by the Mayor, District Council, or a body or official to which the Mayor or District Council has delegated the authority to assign amounts for specific purposes. These are resources where the constraints/restrictions are less binding than that for committed resources.
- **Unassigned** – resources which cannot be classified in one of the other four categories. The General Fund is the only fund which may report a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, negative unassigned fund balance may be reported.

Fund balance appropriated for the current fiscal year's operating budget shall be used only to the extent needed, if any, to balance the current fiscal year's actual revenues to actual expenditures. In a given year, actual revenues may exceed projected and appropriated revenues. When this occurs, the District shall first apply the excess revenues before it applies any appropriated fund balance. Under no circumstances shall the District apply more fund balance than has been duly appropriated.

Moreover, it is the policy of the District to use restricted resources first, followed by committed resources and then assigned resources, when expenses are incurred for purposes for which any of these resources are available.

The portion of the fund balance of the General Fund that is restricted or committed shall be maintained for its specific purpose, unless modified by subsequent legislation. The District strives to maintain within its restricted and/or committed fund balance components an amount up to the level that would result in sufficient working cash to reduce the need for short-term borrowing to finance operations of the subsequent year.

**Background:** The fund balance of the General Fund represents the difference between the Fund's assets and its liabilities at the end of a fiscal year, or September 30th. The ending fund balance of a fiscal year is also the beginning fund balance of the ensuing fiscal year. Positive differences between revenues and expenditures, or surpluses, increase the fund balance. Negative differences, or deficits, decrease the fund balance.

An ever-growing fund balance that is inaccessible is not advantageous to the District because it restricts the District's ability to allocate resources among priorities. The amount of the fund balance is not indicative of funds that may be used for any purpose in the future. Rather, unassigned fund balance would represent an amount that may be used for District priorities after approval by both the District Council and the U.S. Congress.

### **Expenditure Reporting**

The District shall make expenditures only in accordance with federal appropriations law and the District's budget approved by Congress and the District Council. Financial statements will accurately reflect these expenditures. The District's CAFR shall reflect expenditures in the relevant appropriations titles.

### **Accrual Accounting**

The District shall prepare financial statements using both the modified accrual and the full accrual bases of accounting in accordance with GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

**Background:** The District implemented the requirements of GASB Statements Nos. 34, 35, 36, 37, and 38 during FY 2002 as required by GASB. As a result of this implementation, in FY 2002 the District began issuing two full accrual financial statements (Statement of Net Assets and a Statement of Activities) and including a Management's Discussion and Analysis section in its CAFR. Accrual accounting reports all of the revenues and costs of providing services each year. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting helps the District meet the following important objectives of financial reporting.

- Assess the finances of the government in its entirety, including the year's operating results;
- Determine whether the government's overall financial position has improved or deteriorated;
- Evaluate whether the government's current-year revenues are sufficient to pay for current-year services;
- Assess the government's cost of providing services to its citizenry;
- Assess how the government finances its programs – through user fees and other program revenues versus general tax revenues;
- Understand the extent to which the government has invested in capital assets, including roads, bridges, and other infrastructure assets; and
- Make better comparisons between governments.

### **Tax Expenditure Budget**

The CFO is required by law to prepare a biennial tax expenditure budget that estimates the revenue loss to the District government resulting from tax expenditures during the current fiscal year and the next three fiscal years.

### **Special Purpose Revenues**

Special Purpose Revenues are program revenues that are generated from fees, fines, special assessments, charges for services, and reimbursements that are set aside for a specific purpose for the District agency that collects the revenues to cover the cost of performing the related function. Special Purpose Revenues are classified as General Fund revenues.

Program revenues are defined as revenues that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry as a whole; they reduce the net cost of the function to be financed from the government's general revenues.

An agency may have more than one fund within the Special Purpose Revenue category. Revenues will be estimated for each agency's funds on a quarterly basis consistent with all general fund revenues.

It is the policy of the District government that all program revenues generated by any agency belong to the District as a whole, unless otherwise required by law. As a general rule, all revenues should be allocated through the budget and appropriations process. Dedicated funds limit the use of the District's general fund revenue by earmarking a portion of the revenue for special purposes.

In certain limited cases, Special Purpose Revenue fund accounts are necessary to support a particular program or activity. In such limited cases of need, the agency fund account must be created through the normal legislative process and adhere to requirements to be recommended by the CFO and adopted by the Mayor and District Council. Since program revenues are reported in a governmental fund, they should therefore be accounted for under the modified accrual basis of accounting in fund financial statements.

The District could commit or assign in fund balance unspent program revenues in accordance with the criteria established by generally accepted accounting principles and make available for use in subsequent years if permitted by the authorizing legislation that established the fund. The function of restricted or committed fund balance is simply to isolate the portion of fund balance that is restricted by external entities or enabling legislation, or committed through the actions of both the legislative and executive branches of the District. Assigned fund balance represents management's intended use of resources and generally should reflect actual plans approved by the District. District agencies must have budget authority to expend Special Purpose Revenues, as with other revenue sources. Budget authority is backed by certified revenue estimates, planned use of certified amounts set aside in the fund balance, or a combination of these two sources. Unassigned fund balance represents residual resources after the allocation of resources to all other classifications.

Expenditures are limited to the lesser of budget authority or available resources, which is the sum of realized revenues and available fund balance.

Special Purpose Revenue budgets may be modified in accordance with federal appropriations law. Reprogramming of budget authority from one agency fund to another is also permissible pursuant to reprogramming statutes. The CFO shall have discretion to reduce budget authority for agency funds where revenue falls short of estimates.

Any existing Special Purpose Revenue fund accounts that are not supported by legislative authority may be converted to local revenue. In addition, when required to cover a revenue shortfall, such revenue may also be converted to local revenue.

## **Grants**

The District depends on Federal and Private Grant Funds to support a wide range of services and programs for the citizens of the District. This section sets forth the District's policies related to resource development, grants administration and reporting, budget authority for grants, and fairness in awarding grants.

**Resource Development:** To better serve District residents, all District agencies shall pursue to the maximum extent possible federal and other funding opportunities that enhance their ability to carry out the Mayor's strategic plan and initiatives and address the needs of the residents of this city, without binding the District to unrealistic financial commitments.

**Background:** For the last decade, grants have comprised approximately one-fourth of the District's annual budget, and as such, have contributed significantly to the District's ability to meet the needs of its citizens. The District's policy is to continue and, to the extent possible, increase its use of funds from other sources to maximize delivery of services to residents.



**Grant Administration and Reporting:** The District of Columbia government, by accepting grant funds, and when designating subgrantees, agrees to administer and report on them in strict adherence to the grantors' programmatic and financial rules and regulations, the District's Grants Policies and Procedures Manual, and applicable federal and District laws.

**Budget Authority for Grants:** District agencies will spend grant funds for allowable costs only at such time as a grant award has been received, and to the extent they have budget authority to do so. Budget authority applies to a particular fiscal year. If a grant covers multiple fiscal years, the sum of the budget authority across those fiscal years should not exceed the grant award amount. Changes in budget authority will be made only in accordance with the District's policies and procedures regarding budget modifications (increases or decreases in overall budget authority for a grant) or reprogrammings (increases or decreases in particular line items within a grant that leaves the overall budget authority unchanged). Spending grant funds without budget authority is a violation of the Anti-Deficiency Act. Agency updates to the spending plans required by the Anti-Deficiency Act should reflect all changes to grant budget authority.

**Background:** Many of the grants that the District receives have performance year(s) different from the District's fiscal year. The timing differences between the grant year(s) and the District's fiscal year impact the budgeting for grants. Through the budget modification process, the CFO submits documentation to the District Council requesting the establishment of budget authority for new grant awards received during the fiscal year or grant budget authority not included in the congressionally approved budget for the fiscal year. This process is unique among the District's funding types and is mainly due to the nature of grants in comparison to the District's fiscal year requirements. All government officials work together to ensure that this administrative process is as efficient as possible. The efficiency of the process can play a critical role in grants management.

**Fairness in Awarding Grants:** It is the intent of the District to have a fair and open competitive process for the awarding of grant funds. To that end, the following procedures shall be followed:

- A Notice of Funds Availability (NOFA) shall be prepared and published in the D.C. Register.
- The agency administering the grant shall prepare the Request for Applications (RFA).
- For the purpose of awarding grants, District government agencies shall hold fair and open competitions that comply with the D.C. Grants Policies and Procedures Manual and the Notice of Final Rule making, Chapter 50: Subgrants to Private and Public Agencies.

The only exception to the above procedures occurs when an organization merits a targeted grant, and the awarding of this targeted grant becomes transparent and is justified through the budget formulation process.

After the NOFA has been published and the RFA released, the District government agency appoints a neutral and objective review panel. The panel is comprised of a minimum of 3 individuals with knowledge and expertise in the objectives of the grant and RFA, as well as in the standard administrative requirements mandated by the source of funds. The review panel scores the submitted applications and makes recommendations on which applications should be funded. The head of the District agency administering the grant makes final decisions on awards and amounts. After this review and before the agency issues the award documents, the Agency Fiscal Officer shall certify that the award funds are in place and available for distribution.

**Background:** The receipt of grant funds triggers many requirements including, but not limited to, spending and reporting requirements. Grant awards typically mandate the terms and conditions governing grants and incorporate the relevant regulations and statutes. Funds that are awarded to private and public agencies by District agencies, as subgrants, are bound by the appropriate U.S. Office of Management and Budget (OMB) Circular and Cost Principles as well as any policy guidelines issued by the grantor. Subgrants to other District agencies are generally awarded through the Memorandum of Understanding process. Grants to parties outside the District

government generally are awarded through a grant agreement that specifies the performance obligations of the grantee. In the case of grant awards from general funds, grantees must comply with both the appropriate OMB Circular and Cost Principles and any other policy guidance included in the grant agreement. The CFO will meet the District's reporting requirements by publishing the Congressional Grant Budget and Activity report sent to Congress and the District Council, which provides grant-level information; and monthly financial status reports, which provide summaries at the agency level.

### **Donated Funds Monitoring Policy**

Donated funds shall be authorized and monitored pursuant to D.C. Official Code § 1-329.01, Mayor's Order 2010-167, effective October 15, 2010, and the related donation agreement with the respective donor. All donated funds shall be used for the specific purpose expressed in the respective donation agreement, deposited into the appropriate account, and shall be available for the intended purpose of the donation until expended or unless the donor, for valid reasons, requests a refund. The Office of the City Administrator (OCA) or a designee and the respective District agency or entity that receives the donation shall be responsible for monitoring the expenditure of the donated funds, in accordance with the applicable rules and regulations.

### **Capital**

Prior to recommending or approving new projects, the District must ensure that the budget for all capital expenditures, including any planned acquisitions and any necessary replacement of assets, does not exceed designated revenue streams and available debt service capacity. The annualized cost of any proposed changes is compared to the approved budget totals from the prior 6-year Capital Improvements Program (CIP) period for each fiscal year. New projects may be approved only insofar as the designated revenue streams are not exceeded and long-term financing cost of the CIP stays within available funding limits, which require that debt service costs not exceed a cap of 12 percent of the District's General Fund expenditures, as detailed in the Debt Management Policy.

### **Anti-Deficiency Act**

District officials and employees must comply with: (a) the federal Anti-Deficiency Act, 31 U.S.C. §§1341, 1342, 1349 through 1351, 1511 through 1519 and D.C. Official Code §§ 1-206.03(e) and 47-105 (the "Federal ADA"); and (b) the District Anti-Deficiency Act, D.C. Official Code §§47-355.01 et seq. (the "D.C. ADA", and (a) and (b) together, as amended from time to time, the "Anti-Deficiency Acts"). Among other provisions, the D.C. ADA requires agency heads and agency fiscal officers to submit a spending plan and a position roster (Schedule A) at the beginning of each fiscal year to the CFO. Managers must submit, on a quarterly basis, projections of year-end spending to the agency head and agency fiscal officer, with summarized reports being forwarded to the District's CFO no more than 30 days after the end of each quarter. Employees are prohibited from:

- Making or authorizing an expenditure or obligation exceeding an amount available in an appropriation for an agency or fund;
- Obligating the District for the payment of money before an appropriation is made or before a certification of the availability of funds is made, unless authorized by law;
- Approving a disbursement without appropriate authorization;
- Allowing an expenditure or obligation to exceed apportioned amounts;
- Deferring recording a transaction incurred in the current fiscal year to a future fiscal year;
- Submitting a required plan or projection in an untimely manner;
- Knowingly reporting incorrectly on spending to date or on projected total annual spending;
- Failing to adhere to a spending plan through overspending that is greater than 5 percent of the agency's budget, or \$1 million; or
- Making or authorizing an expenditure or obligation for one capital project from another capital project.

A review board was established, consistent with the Act and implementing regulations, to review potential violations referred to the board, determine culpability, and recommend penalties for violations. The CFO submits

quarterly reports to the Mayor and the District Council on actual expenditures and obligations compared to planned levels. The CFO also is required to develop the quarterly apportionment of funds, by source of funds, for each agency based on the spending plans submitted by the agency heads and fiscal officers.

**Background:** District officials and employees are bound by the Anti-Deficiency Acts, which bar them from obligating funds except in accordance with appropriations. Further, the D.C. ADA establishes a greater level of control than does the Federal ADA, and it provides specific penalties for violations. Spending plans are one of the D.C. ADA's key requirements to ensure that appropriations are not exceeded.

## **Economic Development Policy**

### **Real Property Tax Exemptions**

The Office of Tax and Revenue (OTR) implements real property tax exemptions in accordance with applicable law. Except for property exempted by specific legislation or immune from taxation by the District, real property is taxable unless an administrative exemption with respect to such property has been granted. As a general matter, owners of property for which an exemption is sought must apply to OTR. The applicable requirements for exemption are generally set forth in section D.C. Official Code § 47-1002 and the regulations promulgated thereunder. OTR reviews each application and determines whether the requirements for the applicable category of exemption, including those pertaining to ownership and use of the property, have been met. A property cannot qualify for exemption simply because its owner is exempt from federal income tax or other taxes. Once granted, the exemption remains in effect as long as the property continues to meet the applicable requirements and the owner files the required annual use reports. If ownership of the property changes, the categorical exemption terminates.

### **Analysis of Proposed Tax Exemptions and Abatements**

Per the Exemptions and Abatements Information Requirement Act of 2011, effective September 14, 2011 (D.C. Law 19-21; D.C. Official Code § 47-4701 et seq.), new tax abatements and exemptions proposed under Title 47 of the D.C. Official Code are subject to OCFO analysis prior to consideration by the District Council. The advisory analysis includes a determination of whether or not the abatement is needed to (a) meet the fiscal needs of the specific existing building, entity, or persons receiving the abatement, (b) cause a specific development project to go forward, or (c) achieve the policy goal of the abatement if the abatement broadly applies to a category of taxpayers. It also includes the estimated cost of the proposed tax abatement. Finally, the District's fiscal impact analysis procedures require that the District budget incorporate any reductions in revenue that result from newly authorized tax abatements, prior to such abatements taking effect.

### **Debt Financing Tools**

The District may provide public-sector financing of economic development to qualified projects pursuant to the District laws and subject to the District's laws on borrowing limitations (D.C. Official Code §47-334 et seq., the Cap Act). The OCFO works with the executive branch of the District government in the review, consideration, and approval of the financing of qualified projects.

The primary economic development debt financing instruments used are:

- Tax Increment Financing bonds or notes, in which incremental tax revenues from a project area are pledged to pay debt service on tax increment financing bonds or notes to finance a portion of a qualified project; and
- Payment In-Lieu-of-Taxes (PILOT) Financing bonds and notes, in which the PILOT payments from a project area are pledged to pay debt service on PILOT bonds or notes to finance a portion of a qualified project. PILOT bonds or notes are used only for projects located on parcels that were previously exempt from the payment of real property taxes.

In addition, the District assists private entities, primarily nonprofit organizations and owners of rental apartment complexes, by issuing private activity revenue bonds on their behalf. The District's Revenue Bond Program is administered by the Office of the Deputy Mayor for Planning and Economic Development, and housing development related bonds are issued by the District of Columbia Housing Finance Agency. The debt service on these bonds is payable solely from the revenue of the private entity and is not the District's obligation.