Government of the District of Columbia

FY 2008 Proposed Budget and Financial Plan

"Moving Forward Faster"

Special Studies

Submitted
to the
Council of the District of Columbia

by

Adrian M. Fenty, Mayor
Government of the District of Columbia

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Budget Presentation to the District of Columbia for its annual and capital budget for the fiscal year beginning October 1, 2006.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria of a policy document, a financial plan, an operational guide and a communications device.

The award is the seventh in the history of the District of Columbia. The Office of Budget and Planning will submit this FY 2008 Budget and Financial Plan for consideration by GFOA, and believes the FY 2008 Proposed Budget and Financial Plan continues to conform to the GFOA's requirements.

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FY 2008 Proposed Budget and Financial Plan

Special Studies

Table of Contents

Introduction

The FY 2008 Proposed Budget and Financial Plan includes several special studies of topics that add detail and context to information presented in the primary budget volume. These chapters summarize work done by the Office of Budget and Planning, and other offices in the Office of the Chief Financial Officer, as part of their efforts to provide decision-makers with better information upon which to make budget and management decisions regarding the District's finances.

This volume presents four studies:

- **Baseball in the District of Columbia** - This chapter describes legislation related to the financing of the new baseball stadium, highlights certain terms of the lease agreement, describes how baseball revenues and expenditures are budgeted and accounted for, and provides updated budget and expenditure figures for the stadium project

- **Benchmarking** - This study presents benchmark data from 28 agencies and totals 72 benchmarks. The performance data from various programs across the District are presented as compared to various jurisdictions around the country.

- **Capital Fund Deficit: An Update** - The accumulated deficit in the District's capital fund, which persisted from FY 2001 through FY 2005, became an accumulated surplus in FY 2006. This chapter summarizes the causes of the deficit, describes the turnaround in FY 2006, and cautions that the District must continue its careful management of the capital fund's long-term balance.

- **Fixed Costs** - Fixed costs expenditures are a major cost driver of the District's overall expenditures. If fixed costs were budgeted as a separate agency, that agency would be one of the largest in District government. This study describes the methodology for estimating fixed costs, the challenges in developing estimates, and how changes in fixed costs are made a part of the District's budget.

Baseball in the District of Columbia

Baseball in the District of Columbia

The Washington Nationals have now played two seasons in their temporary home at a renovated RFK stadium. The District is currently building a permanent home for the Nationals along the Anacostia River in Southeast DC. This new stadium will be ready for the 2008 season, and construction is currently on-time and on-budget.

Background

In September 2004, the Mayor, representatives of the District of Columbia Sports and Entertainment Commission (SEC), and Major League Baseball signed the Baseball Stadium Agreement (BSA), which established a baseball franchise in the District.

In December 2004, the Council passed the Ballpark Omnibus Financing and Revenue Act of 2004. The legislation created the Ballpark Revenue Fund within the General Fund as a special non-lapsing account to pay for the costs of development, construction, or renovation of a stadium that has as its primary purpose the hosting of professional athletic events in the District of Columbia. Deposits to this Fund can be used for no other purposes.

The Act also authorized the issuance of up to $534.8 million in par amount of bonds to be repaid from the following fees and taxes deposited into the Ballpark Revenue Fund:

- A sales tax of 10 percent on the purchase of tickets to certain events at the Ballpark,
- A 10 percent tax on sales of tangible personal property and services at the Ballpark,
- A sales tax of 9 percent on food and beverage purchases,
- A 12 percent tax on parking at the Ballpark,
- Rents from the new ballpark estimated at between $3.5 million and $8.5 million per year,
- A ballpark fee paid by businesses with gross receipts of more than $5 million, and
- Utility taxes collected from non-residential users which yield approximately $12-14 million annually.

In February 2006, the Council passed the Ballpark Hard and Soft Costs Cap and Ballpark Lease Conditional

Approval Emergency Act of 2006 ("cost cap legislation"), which was based on the February 3, 2006 budget of $630.8 million provided to the Council by the SEC. The legislation imposed caps on the District's contribution to the project budget for hard and soft costs. The bill also approved the lease agreement between the SEC and MLB. Any amount of hard and soft costs in excess of the caps must be paid by the team, savings realized from value engineering, or federal, private, or other non-District government funds, except that District government non-General Fund funds may be used if required by the bond indenture to finance the Ballpark project.

On March 7th 2006, the Council passed permanent legislation approving the lease, as well as the Construction Administration Agreement between the SEC and the Clark/Hunt/Smoot construction team (CHS) comprised of Clark Construction, Hunt Construction Group and Smoot Construction. The Council is currently considering the permanent legislation authorizing the Ballpark Hard and Soft Costs Cap.

The CFO issued the baseball stadium bonds in May 2006. The District sold $380.0 million in tax-exempt, fixed-rate bonds and $154.8 million in taxable bonds.

The official groundbreaking for the new stadium took place on May 4, 2006.

Notable Provisions in Lease Agreement

Section 2.5: All stadium revenues belong to the team except for up to 18 days a year when the commission has the right to use the Stadium.

Section 5.6(a): The team has the right to reserve up to 300 parking spaces at all times to be made available to authorized parkers at no charge.

Section 5.6(d): Fifteen times per year, the team is entitled to issue up to 100 vouchers for free parking during designated public parking times.

Section 6.3: The commission bears the cost of all necessary capital improvements and shares the cost of upgrade improvements.

Section 6.4: The commission must establish a capital reserve fund and deposit $1.5 million annually into the fund.

Section 6.5: The commission must deposit $5 million into a contingency reserve fund on or before the 5th anniversary of the lease commencement.

Section 11.3: The commission must carry property, business interruption, workers compensation and automobile liability insurance naming the team as an additional insured.

Budgeting for Baseball Costs

The District of Columbia will own the new stadium, and the stadium is a capital project for the District. Two implementing agencies manage most of the baseball project for the District.

- The D.C. Sports and Entertainment Commission (SEC), a component unit[1] of the District, manages the stadium construction. The SEC operates RFK Stadium and also manages the renovations to that stadium. In addition, the team has the right to issue team-directed change orders as long as it funds any additional costs that may arise as a result of the request. Since the SEC manages the construction contract, any team-directed activities will be administered by the SEC.

- The Office of Property Management (OPM) acquired the land for the new stadium.

Other District agencies have a role in managing the overall project, although these are not construction-related roles:

- The Deputy Mayor for Planning and Economic Development (DMPED) helps coordinate the District government's role in the development.
- The Office of the Attorney General (OAG) assists with the land acquisition process.
- The Office of the Chief Financial Officer (OCFO) issued the bonds, makes debt service payments, collects taxes, and distributes them to appropriate accounts. In addition, the OCFO established and monitors budget authority, accounts for all flows of funds, and estimates potential revenue streams from development of the stadium and any additional development surrounding the stadium.

Table 1-1 shows costs as adopted in the Cost Cap Legislation and expenditures through December 2006, as well as sources of funds for the total project cost.

Table 1-1

Baseball Stadium Construction: Projected Costs by Agency and Source of Funds

(dollars in millions)

Agency	**Component**	**Est. Budget March 2006**	**Est. Budget December 2006**	**Expenditures, December 2006**
D.C. Sports and Entertainment Commission (SEC)	RFK Renovation	$24.0	$24.0	$23.5
SEC	Ballpark Hard Cost	$320.0	$320.0	$62.5
SEC and District Agencies	Ballpark Soft Costs (1)	$144.9	$169.1	$77.8
Office of Property Management	Land Acquisition	$101.7	$102.4	$99.4
SEC	Demolition	$1.5	$1.5	$1.3
SEC	Environmental Remediation	$8.5	$13.8	$12.5
District Agencies	Infrastructure	$0.0	$0.0	$0.0
	Team directed changes (2)	$0.0	$30.0	$0.0
	Subtotal, Baseball Project	**$600.5**	**$660.8**	**$277.1**
	Bond Issuance and Reserves	$30.3	included in soft costs	included in soft costs
	Total Project Cost	**$630.8**	**$660.8**	**$277.1**
	Sources of Funds:			
	Borrowing	$534.8	$534.8	
	FY 2005 Baseball Taxes	$37.0	$39.0	
	Construction Interest	$30.0	$28.7	
	Bond Premium	$9.0	$8.3	
	Subtotal, District of Columbia Funds	**$610.8**	**$610.8**	
	Major League Baseball Contribution	$20.0	$50.0	
	Total Project Cost	**$630.8**	**$660.8**	

Notes:

(1) Ballpark soft costs includes parking and project contingency

(2) The Team has the right to request changes to the project as long as it provides funding for any additional costs that may arise as a result of the change

A financing agency, the Ballpark Revenue Fund (BRF), has been created to account for the flows of funds related to the baseball project. These flows include both capital budget and operating budget dollars. The entire expenditure budget for stadium construction is established as a series of capital projects in the BRF. Implementing agencies will be able to access these funds in two ways:

- Component unit (SEC): The SEC has budget authority for the entirety of their portion of the project. It obligates funds and pays bills. The District reviews all contracts and invoices related to the project. The District advances cash from the BRF to the SEC periodically to allow it to make approved payments. The SEC will also have budget authority for any team-directed change orders. The team will provide funds directly to the SEC to allow it to make approved payments.
- District agencies (OPM, others): Agencies within the District government charge the BRF directly for their obligations and expenditures. The individual agencies do not have their own budget authority.

Operating budget funds also flow through the BRF. The team's rent payments, as well as dedicated tax revenues, flow into the BRF. The BRF pays debt service, insurance premiums on the stadium, and an annual $1.5 million payment to a capital improvements fund. Figure 1-1 shows the flows of funds related to the baseball project.

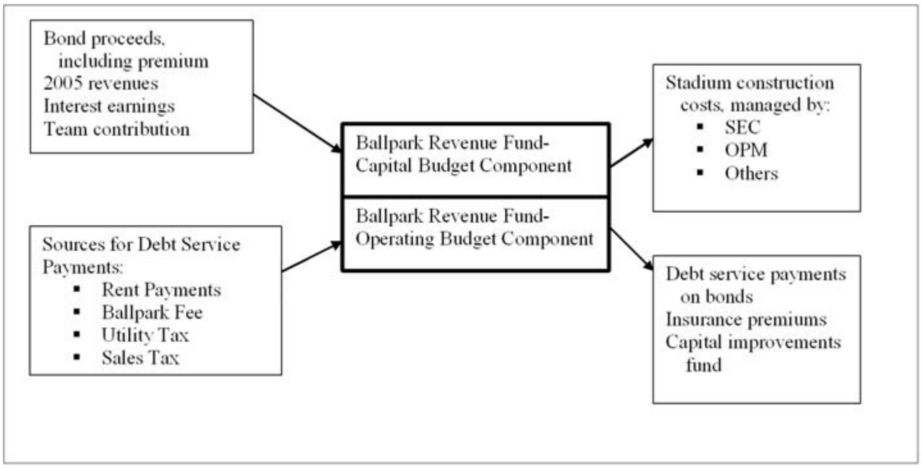
Timing of the Costs

The Washington Nationals will continue to play in RFK Stadium through the 2007 baseball season, and begin play in the new stadium in 2008.

The District needed to begin paying a portion of the overall costs for RFK stadium renovations and preliminary work on the new stadium before the issuance of the bonds. During FY 2005, the District allocated funds from the Contingency Reserve Fund to several agencies. Any amounts that were actually spent on project-related activities have been or will be repaid to the Contingency Reserve Fund from bond proceeds and revenues from the taxes that were collected in 2005.

Figure 1-1

Flows of Funds Related to Baseball Project



Benchmarking

Benchmarking

Since FY 2005, the Office of Budget and Planning (OBP) has worked with a wide range of government agencies to complete benchmarking studies for areas of interest and opportunities for performance improvement. In FY 2008, 28 agencies provided a total of 72 benchmarks.

Background

As the nation's capital, the District of Columbia is committed to ensuring that the city's residents and visitors receive the best services in the country. One critical component of achieving this goal is consistently comparing, or benchmarking, the District's performance with other similar and high-performing jurisdictions. Benchmarking gives District leaders, agency management, and other stakeholders an opportunity to assess how the District compares with other jurisdictions providing the same services and to develop strategies for operational improvements and efficiencies.

The lack of available comparison data and existing resources prevents the District from benchmarking all of its performance measures; however, agencies have selected key indicators for comparison. The compilation of these key benchmarks presents a picture of the District's performance in relation to other jurisdictions. The benchmarks provide objective data on operations, funding, and service delivery, highlighting both the city's achievements and its challenges. District leaders and community stakeholders can use this data to foster continued improvement in city services.

Comparison Jurisdictions

The District of Columbia's unique blend of service delivery makes finding comparable jurisdictions difficult. The District provides services at the special district, city, county, and state levels of government, and it supports the nation's headquarters for federal and foreign operations. Since no other jurisdiction in the country has the same responsibilities, none of the benchmarks will be a perfect comparison. However, many jurisdictions do have enough similar characteristics to make comparisons to the District meaningful. Factors used to determine comparison include the type of government, community demographics, geography, proximity to the District, and recognized leaders in the respective fields.

Fiscal Year 2008 Agency Benchmarks

The Office of Budget and Planning, in partnership with the Office of the City Administrator, coordinated agency benchmarking for performance-based budgeting agencies. There are 72 benchmarks from 28 agencies in this publication. Like the format of the District's budget book, the benchmarks are presented by appropriation title and organized alphabetically by agency code. Each benchmark is presented with a description, graph, and analysis tied to its related program. The majority of the benchmarks use a simple comparison of data from the District and other jurisdictions over time, thus you can compare each period of time and observe the trend (if any) of the data. Several benchmarks use pure trend charts for that particular measure and thus the comparison is the historical data for that agency shown over time.

Data was collected by contacting benchmarking jurisdictions and requesting the data or by collecting it from an open data source, such as a published report. If possible, data for the analysis was collected from the International City/County Management Association (ICMA) Center for Performance Measurement web site. This association has over 200 member jurisdictions that share performance data in order to identify and share best practices.

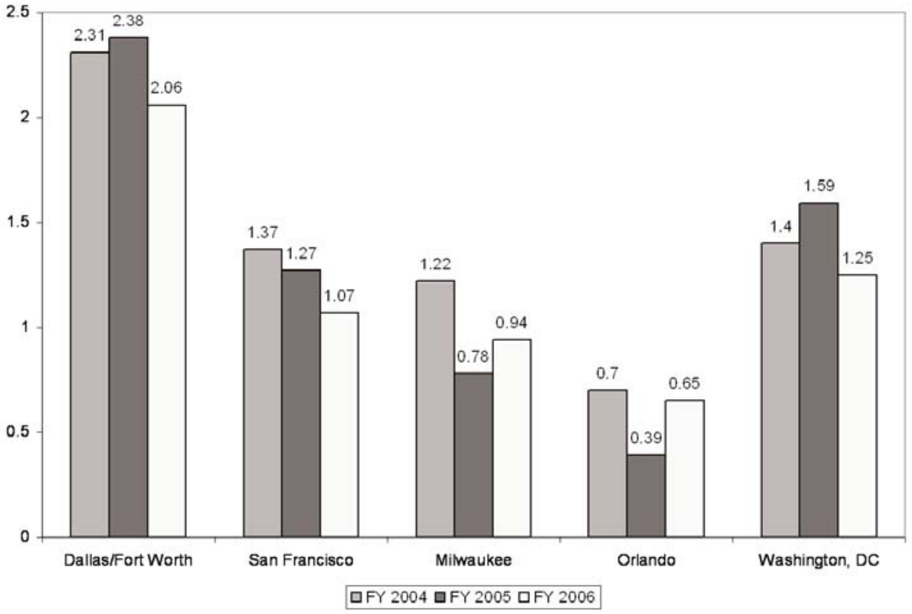
Governmental Direction and Support

Office of the Inspector General (AD0)

Program: Accountability, Control, and Compliance

One of the key benchmark measures for the Office of the Inspector General's (OIG) Accountability, Control, and Compliance program is the average number of final reports issued per auditor. The accompanying table illustrates the OIG's performance with benchmark jurisdictions.

Average Number of Reports Issued Per Auditor



Note: The Office of the Inspector General provided all benchmark data.

The OIG is an executive branch agency of the District of Columbia government that conducts audits, inspections, and investigations of government programs and operations. The OIG's mission is to promote economy, efficiency, and effectiveness, and to detect and deter fraud, waste and mismanagement throughout the government.

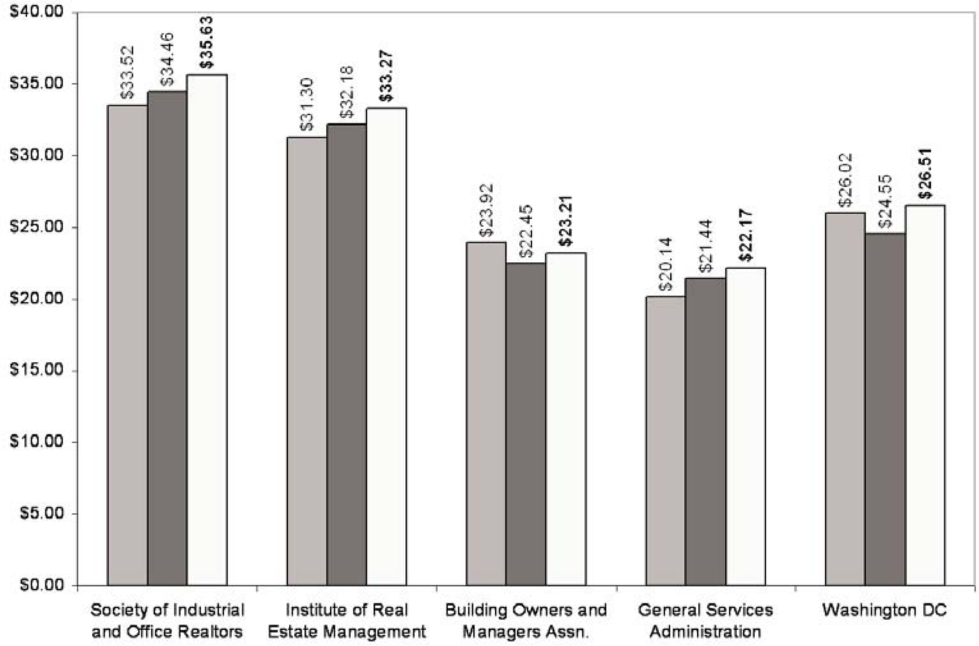
According to the OIG, the District performed well in relation to the comparison jurisdictions. The District's OIG issued more reports per auditor than three comparison jurisdictions and fewer reports than the fourth. Audit reports vary greatly in terms of scope and complexity and this comparisons takes a high level view of each jurisdictions output. This benchmark is an important tool for the OIG to compare the productivity of its staff to those of other comparable jurisdictions.

Office of Property Management (AM0)

Program: Facilities Operations/FacilityManagement

One of the key benchmark measures for the Office of Property Management's (OPM) Facilities Management Activity is the cost per square foot for leased full-service properties. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Cost Per Square Foot: Leased Full-Service Properties



Note: The Office of Property Management provided all benchmark data. The data shown (less DC) came from real estate cost studies authored by the various entities, some of which was adjusted by the Consumer Price Index.

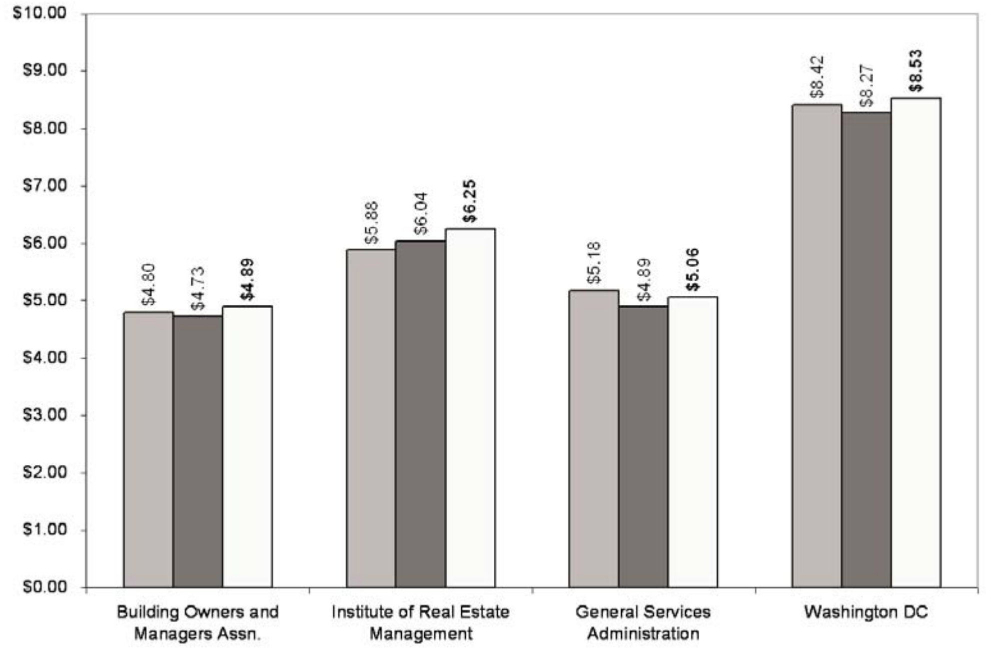
The Office of Property Management (OPM) was created as part of the District of Columbia's initiative to reform the management of real property government assets. The OPM's mission is to maximize the value of the District's real property assets, and to create a wholesome environment for the District's customers, workforce, and all other facility users. The OPM uses coordination, strategic planning, financial management, business process improvement, and client outreach initiatives to meet these goals

Overall the District's cost of leased property is on par with the comparison rates. Given that District property is concentrated in an urban environment, it makes sense that the per unit cost is slightly higher than the GSA, as the GSA cost factor also includes buildings in lower cost areas.

Program: Facilities Operations/FacilityManagement

One of the key benchmark measures for the Office of Property Management's (OPM) Facilities Management activity is the operating and maintenance costs per square foot owned. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Operating Costs per Square Foot Owned



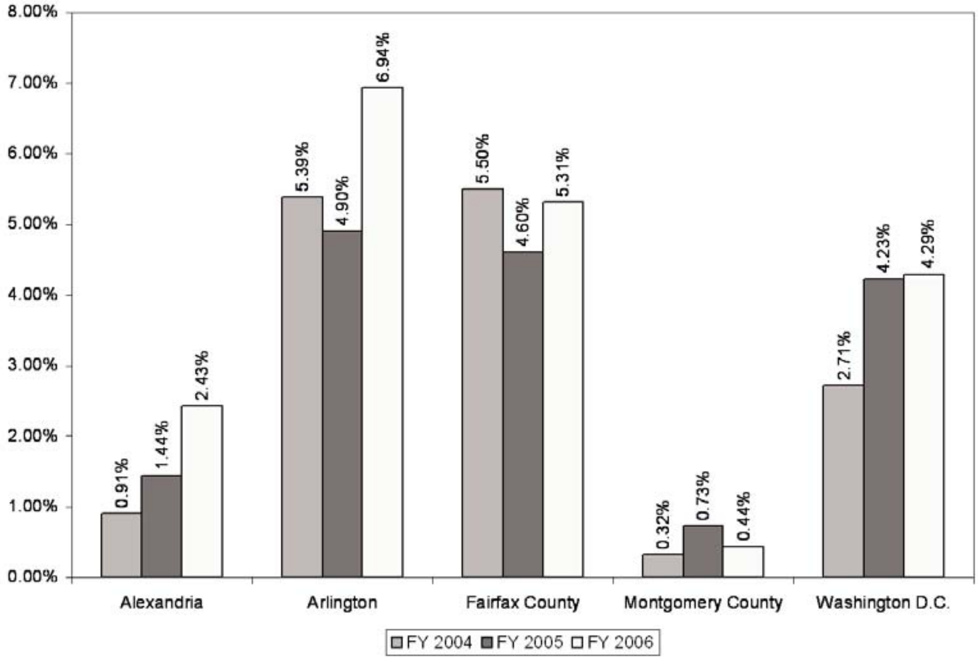
Note: The Office of Property Management provided all benchmark data. The data shown (less DC) came from real estate cost studies authored by the various entities, some of which was adjusted by the Consumer Price Index.

The District's operating cost per square foot of owned property is higher than comparison benchmarks. Some of this can be attributed to the urban area which the District government resides and operates. There are many factors that contribute to the cost per square foot rate, and these include the age of the building, maintenance status, degree of wear based on usage and other attributes.

Office of the Chief Financial Officer (AT0)

Program: Budget Development and Execution
One of the key benchmark measures for the Office of the Chief Financial Officer's (OCFO) Budget Development and Execution program is the percent variance between the revised General Fund budget and actual expenditures. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Percent Variance in General Fund Revised Expenditures vs. Actual Expenditures



Note: The Office of the Chief Financial Officer provided all benchmark data.

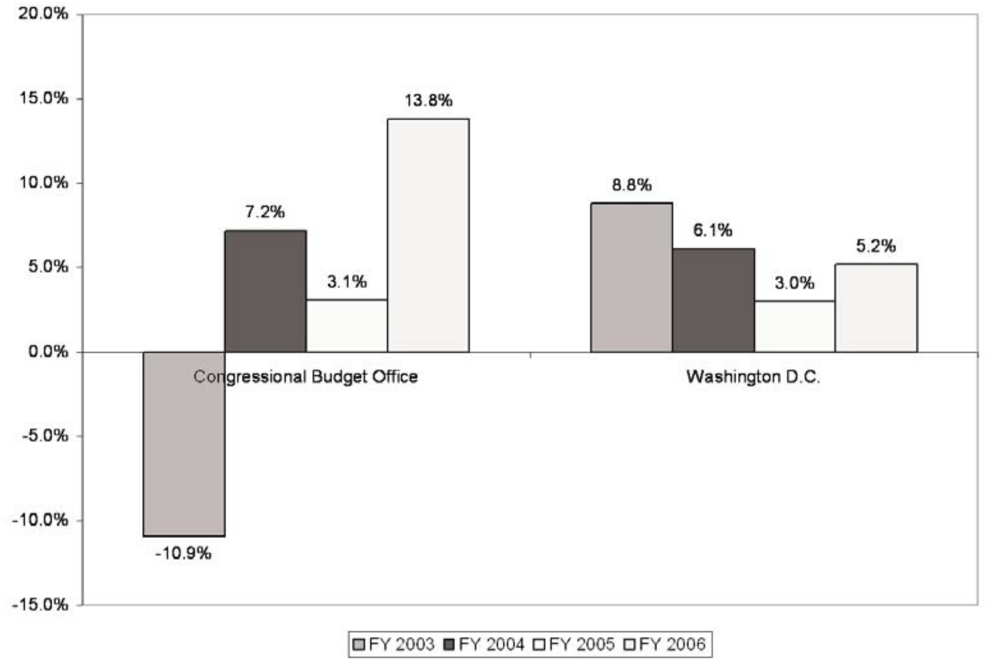
The mission of the Office of the Chief Financial Officer (OCFO) is to enhance the fiscal and financial stability, accountability and integrity of the Government of the District of Columbia. Within the CFO, the Office of Budget and Planning, prepares, monitors, analyzes, and executes the District's budget, including operating, capital and enterprise funds, in a manner that ensures fiscal integrity and maximizes service to taxpayers.

According to the OCFO, the District generally places in the middle of our neighboring jurisdictions when it comes to forecasting and controlling general fund expenditures. A small variance can be an indicator that a jurisdiction performs well at estimating expenditures and is successful in controlling expenditures throughout the fiscal year. Additionally, a positive variance is considered better than a negative variance, as a negative variance indicates spending exceeded budget authority.

Program: Revenue and Analysis

One of the key benchmark measures for the Office of the Chief Financial Officer's (OCFO) Revenue and Analysis program is the percent variance between the estimated and actual revenues in the General Fund. This measure ties to the The accompanying table illustrates the District's performance with benchmark jurisdictions.

Percent Variance of Estimated vs. Actual Revenue



Note: : The Office of the Chief Financial Officer provided all benchmark data. The comparison jurisdiction for the District is the Federal budget, as reported through the Congressional Budget Office.

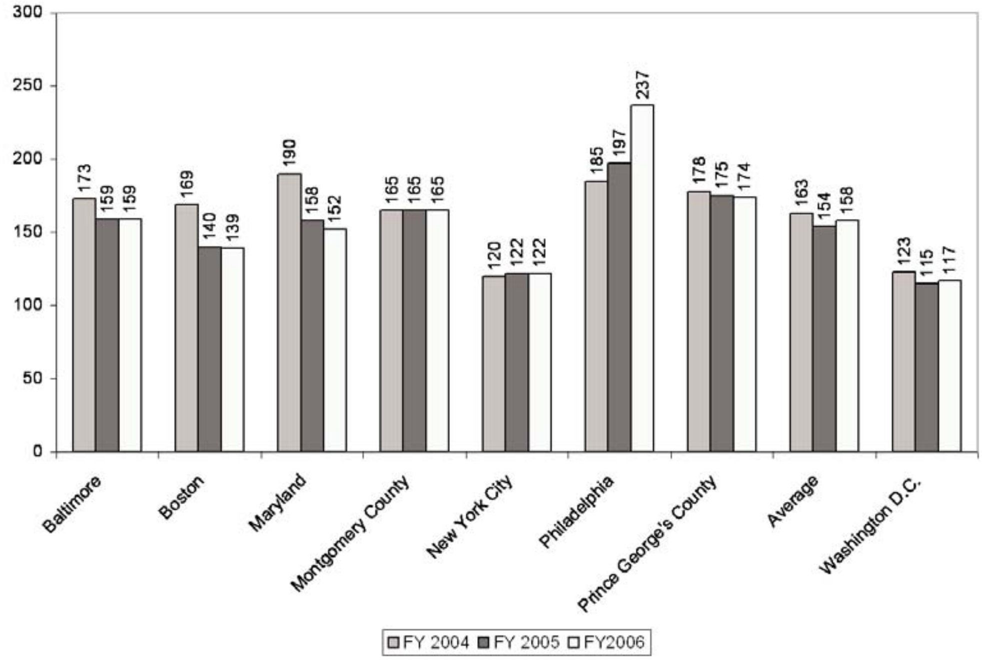
The mission of the Office of Revenue Analysis (ORA) is to perform economic research. The ORA forecasts revenue for the District government, develops fiscal impact statements for proposed legislation, and performs tax expenditure analysis

According to the ORA, the District had a positive variance in all the FY's shown. A positive variance means that the actual revenue for the District was higher than the projected revenue. For a municipal government, a small, positive variance is helpful as it prevents the local government from overspending, which would occur through the issuance of budget authority to the executing agencies that is not funded by a revenue source. If the variance was negative then the District would be forced to reduce budget in the year of execution, tap into reserves or generate additional operating capital. These actions could potentially destabilize programs and adversely impact our customers, the citizens of the District of Columbia.

Program: Financial Operations and Systems

One of the key benchmark measures for the Office of the Chief Financial Officer's (OCFO), Office of Financial Operations and Systems program is the number of days from the end of the fiscal year to issuance of the Comprehensive Annual Financial Report (CAFR). The accompanying table illustrates the District's performance with benchmark jurisdictions.

Number of Days to Publish the CAFR



Note: The Office of the Chief Financial Officer provided all benchmark data.

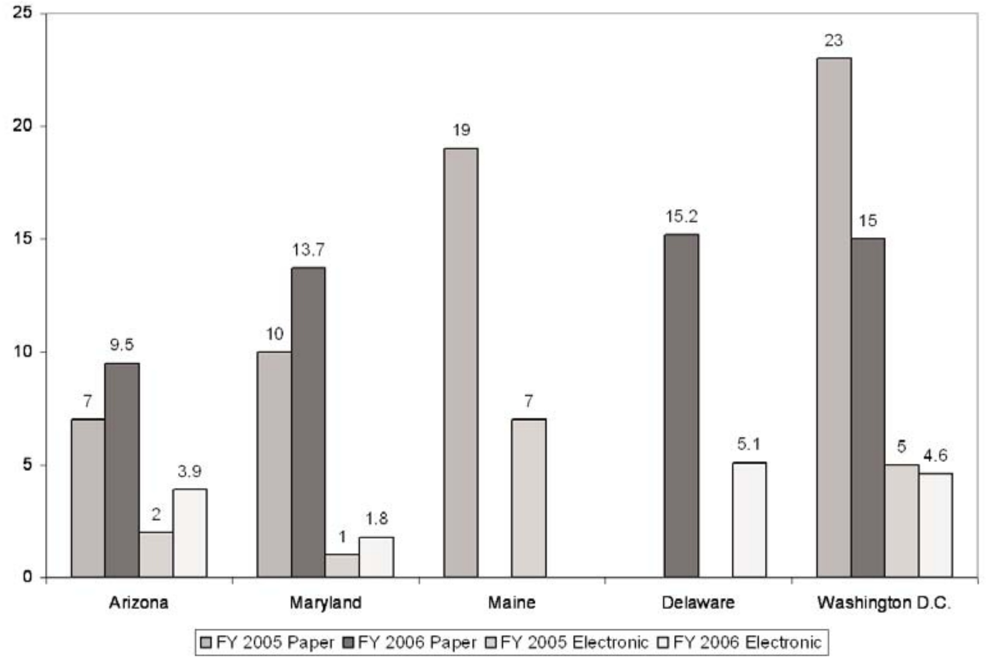
The Office of Financial Operations and Systems (OFOS) brings fiscal accountability, discipline and integrity to the District's financial processes by ensuring that standardized accounting practices, policies, procedures, systems, and internal controls are embedded throughout centralized and agency-level financial operations.

This data shows that the District had the shortest number of days from the end of the fiscal year to the issue date of the CAFR for every fiscal year and comparison jurisdiction shown. This measure gauges the effectiveness of the District's accounting systems and employees and their ability to produce timely, auditable financial reports.

Program: Tax Administration

One of the key benchmark measures for the Office of the Chief Financial Officer's (OCFO) Tax Administration program is the average number of days to process a tax refund (electronic and paper) in FY 2005 (tax year 2004) and FY 2006 (tax year 2005). The accompanying table illustrates the District's performance with benchmark jurisdictions.

Average Number of Days to Process Tax Returns



Note: The Office of the Chief Financial Officer provided all benchmark data.

The Office of Tax and Revenue's (OTR) mission is to collect the proper amount of tax due to the District government and correctly account for all revenue, while minimizing the burden on taxpayers and cost to the government

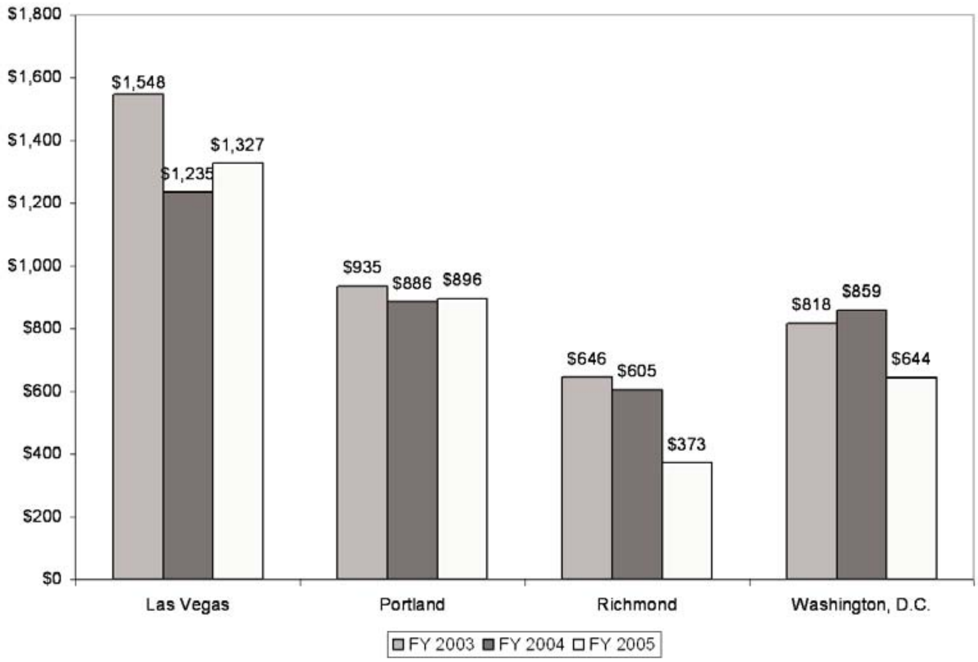
According to the OCFO, the Office of Tax and Revenue has greatly improved its refund processing time for paper returns by reducing the processing time by 8 days, or 35%, and is now closely on par with the comparison jurisdictions. The processing time for electronic returns also improved. At publication time, we did not have the FY 2006 data for Maine but included the FY 2006 data for Delaware.

D.C. Department of Human Resources (BE0) (Formerly the D.C. Office of Personnel)

Program: Management Services

One of the key benchmark measures for the D.C. Department of Human Resources (DCHR) Management Services program is the Human Resources (HR) cost per Full Time Equivalent (FTE) processed by DCHR. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Human Resources Cost per Full Time Equivalent



Note: The D.C. Department of Human Resources provided all benchmark data.

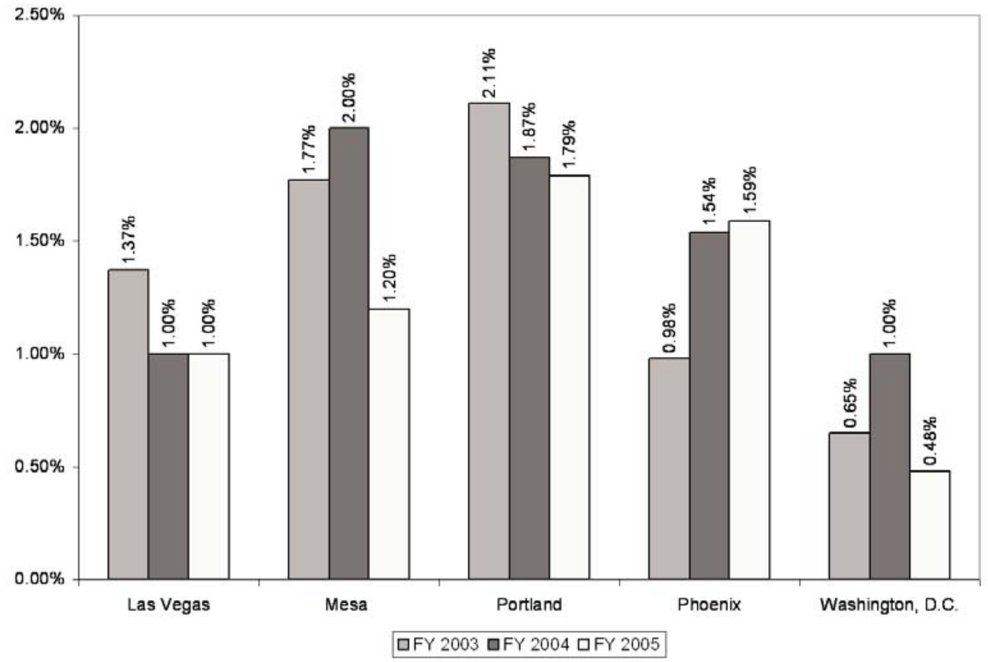
The DC Department of Human Resources (DCHR) provides human resource management services that strengthen individual and organizational performance and enable the District government to attract, develop and retain a well-qualified, diverse workforce.

According to DCHR, their FY 2005 average HR expenditures per FTE are $644. On average, DCHR's expenditures per FTE served place them in the middle-lower range of the comparison jurisdictions.

Program: Agency Management

One of the key benchmark measures for the D.C. Department of Human Resource (DCHR) Agency Management program is the HR budget as a percentage of the operating budget. The accompanying table illustrates the District's performance with benchmark jurisdictions.

HR Budget as percent of Total Operating Budget



Note: For the District, only agencies under the authority of the Mayor were included in the Total Operating Budget. Independent agencies that perform their own HR functions have budgets within their independent agencies. By only including the budgets of the agencies that have their HR functions handled through the BE0 budget, one gets a more valid data point.

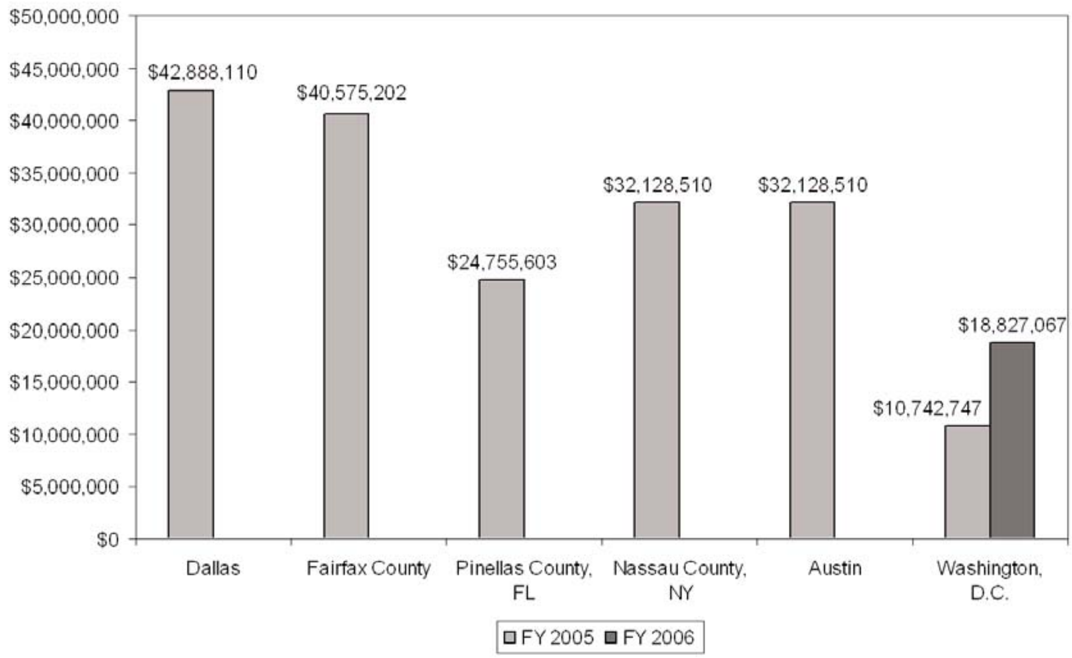
As compared to total budget, the District of Columbia continues to maintain the lowest human resource staff costs of the comparison jurisdictions.

Office of Contracting and Procurement (PO0)

Program: Contracting

One of the key benchmark measures for the Office of Contracting and Procurement (OCP) Contracting program is the total purchase dollars per FTE purchasing employee. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Total Purchase Dollars Per FTE Purchasing Employee



Note: The Office of Contracting and Procurement provided all benchmark data.

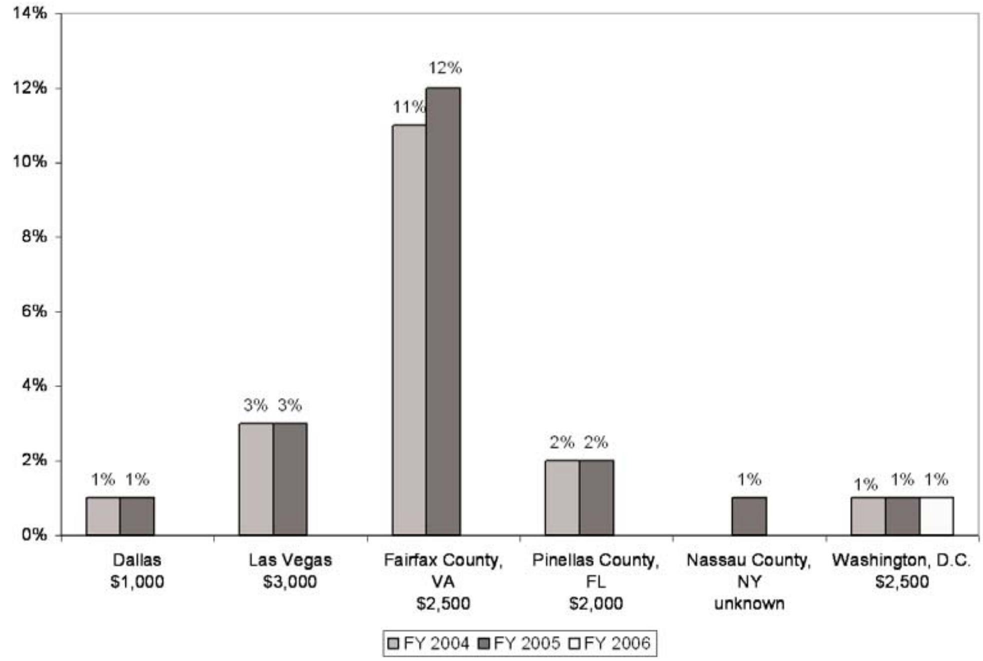
The mission of the Office of Contracting and Procurement (OCP) is to provide contracting and procurement services and personal property management to District agencies so they can have the quality goods and services they need to accomplish their missions in a timely and cost-effective manner.

This year's data for the benchmark of total purchase dollars per FTE purchasing employee shows comparison jurisdiction data for FY 2005 and District of Columbia data for FY 2005 and FY 2006 as the comparison jurisdictions' data was not yet available at the time of publication. The Office of Contracting and Procurement was able to increase their per FTE purchasing employee amount by 75%.

Program: Contracting

One of the key benchmark measures for the Office of Contracting and Procurement (OCP) Contracting program is the percent of purchases processed via purchase card. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Percent of Purchases Processed via Purchase Card



Note: The Office of Contracting and Procurement provided all benchmark data.

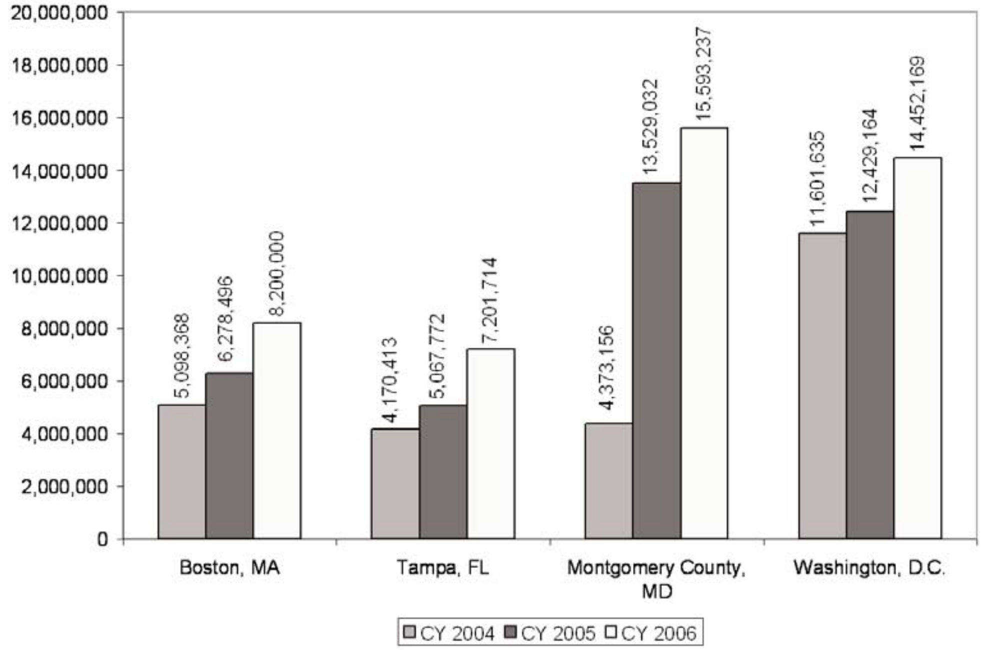
According to OCP, purchase card purchases accounted for approximately 1 percent of the agency's total purchases by dollar value in FY 2004. Credit card purchases totaled $6,261,430 while purchases processed by OCP personnel totaled $1,088,436,355. The dollar volume of purchase card usage in the District is less than 1 percent, compared to a range of 1 percent to 3 percent in other jurisdictions. This benchmark indicates that OCP should consider increasing purchase card usage among customer agencies.

Office of the Chief Technology Officer (TO0)

Program: Enterprise Systems

One of the key benchmark measures for the Office of the Chief Technology Officer's (OCTO) Enterprise Systems' program is the number of visits to the city website portal.

Number of Visits to City Website Portal



Note: One of the key benchmark measures for the Office of the Chief Technology Officer's (OCTO) E-government Public Outreach and Education program is the number of visits to the city website portal. This measure ties to the District's citywide priority of Operations: Making Government Responsive, Accountable, Transparent and Efficient (RATE).

The Office of the Chief Technology Officer plans, develops and implements the use of new technology for District agencies to improve delivery of services.

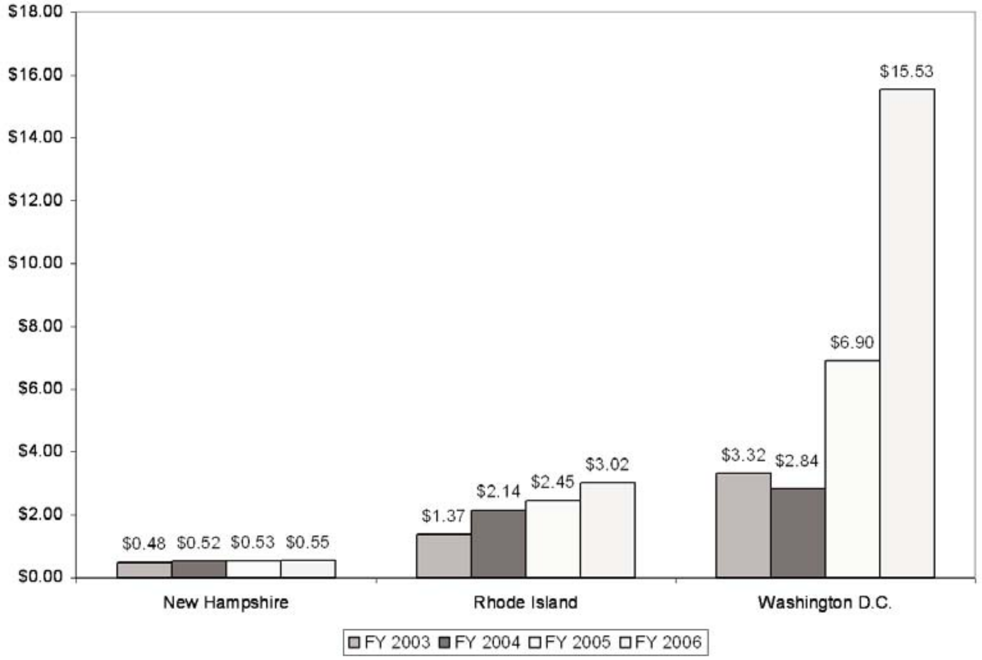
The increase in the number of visits to the city website more than doubled in 2006 compared to the previous year (16.73% versus 7.13%). The DC government website has twice been named by The Center for Digital Government as the best municipal web portal in the country. Additionally, in 2006 the International Quality and Productivity Center (IQPC) selected dc.gov as the best in class website. The District's portal was judged to be the top website in both private and public sectors, prevailing over Fortune 500 company websites. The award-winning dc.gov website offers over two hundred online services – more than any other municipal website in the nation. While the Montgomery County web page received more visitors, the county also has approximately 200,000 (35%) more residents than the District. A comparison based on a visitor-to-population ratio shows that the District has 2.5 web page visits per population count and Montgomery County 2.4 visits. Collectively, these figures show the increasing presence of municipal governments on the World Wide Web and acceptance by users in the Washington DC metro area.

Commission on the Arts and Humanities (BXO)

Program: Art Building Communities

One of the key benchmark measures for the Commission on the Arts and Humanities' (DCCAH) Art Building Communities program is the per capita spending on the arts by designated state arts agencies. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Per Capita Spending on the Arts



Note: The Commission on the Arts and Humanities provided all benchmark data. Data source is the National Assembly of State Art Agencies Legislative Appropriations Annual Survey.

The mission of the DCCAH is to provide grants, programs and education activities that encourage diverse artistic expressions and learning opportunities so that all District of Columbia residents and visitors can experience the rich culture of our city. In partnership with the community, DCCAH promotes excellence in the arts by initiating and supporting programs, activities, and policies that inspire, nurture, and reflect the multiethnic character and cultural diversity of the District.

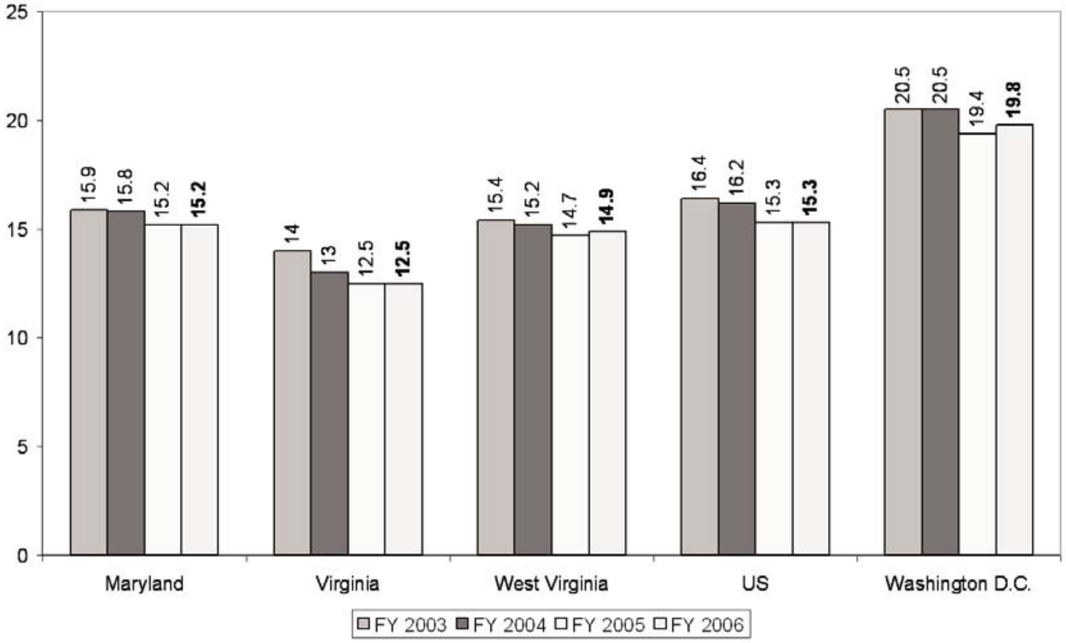
According to the Commission on the Arts and Humanities, this benchmark shows that the District spends significantly more on the arts than the other peer jurisdictions. In the rankings prepared by the National Assembly of State Arts Agencies, the District of Columbia ranked highest on a per capita spending basis as compared to the 50 states. The per capita spending increase in FY 2006 is reflective of an overall budget increase, most of which supported new initiatives. The FY 2006 budget contains programmatic details, but highlights include a $1M increase to fund small and midsize arts organizations, $1M to the Washington Ballet and $670k to the Dance Institute of Washington. The District of Columbia has ranked in the top ten in per capita spending for the past 6 years.

Department of Employment Services (CFO)

Program: Unemployment Insurance (UI)

One of the key benchmark measures for the Department of Employment Services (DOES) Unemployment Insurance program is the average duration (measured in weeks) that unemployment insurance claimants collect benefits. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Duration (in weeks) Unemployment Insurance Claimants Collect Benefits



Note: The source of this data is the *UI Data Summary*, which is published by the United States Department of Labor, and was provided to the CFO by the DOES.

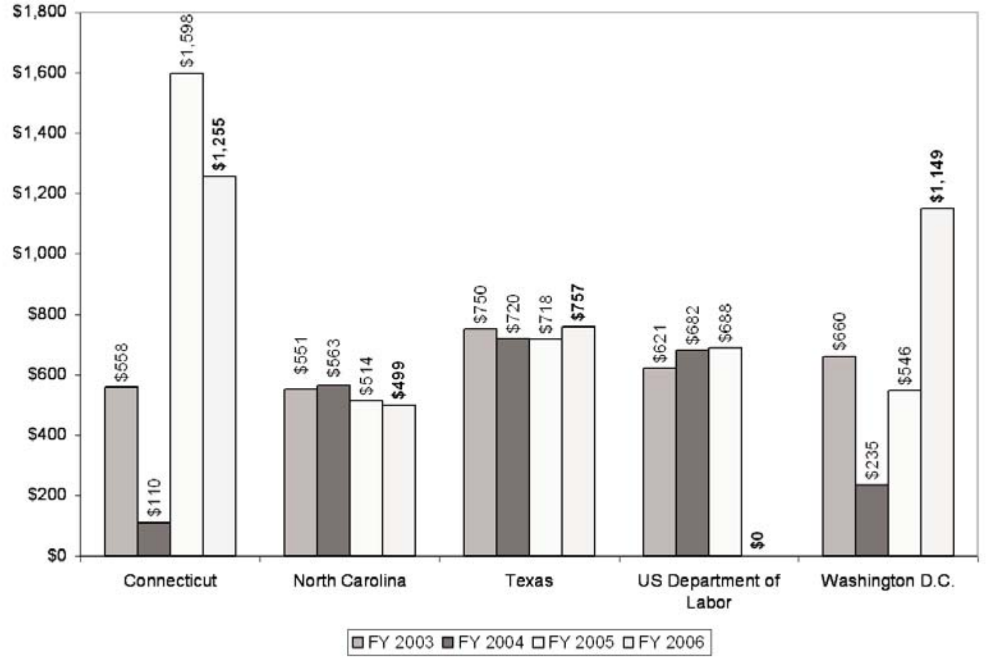
The mission of the Department of Employment Services is to plan, develop and administer employment-related services to all segments of the Washington, DC metropolitan population.

This is a District program administered by DOES which provides temporary weekly benefits to workers who are unemployed through no fault of their own. The maximum collection duration is 26 weeks. Normally the Unemployment Compensation Program is administered at the state level, thus the District is unique in that it is the only city that operates its own program. Therefore benchmarking is with those states that neighbor the District and the U.S average is included. The city's Average Duration (AD) has been historically high. Several factors have contributed to the District's high AD rate. The city has a comparatively small manufacturing sector; the District does not have in its pool of recipients those individuals who collect for only a few weeks due to temporary layoffs (e.g., a plant shutdown for retooling); and the regional workforce population differences, job skill/job readiness levels, and other social barriers to reemployment. Unemployment benefits are intended as a stop-gap income replacement until the worker is able to secure reemployment. Therefore, the barriers to employment of the District's workforce must be addressed in order to decrease the length of time UI recipients remain unemployed. To expedite the return to work, DOES under the Profiling Program mandated by USDOL, provides enhanced employment services to approximately 25 claimants weekly who have been profiled as most likely to exhaust all their benefits. For the past two years, DOES has also received a competitive grant from U.S. Department of Labor for a Reemployment and Eligibility Assessment (REA) Program, which should further assist claimants' return to work.

Program: Labor Standards

One of the key benchmark measures for the Department of Employment Services (DOES) Office of Wage and Hour program is the average collection per aggrieved employee. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Back Wages Collected Per Aggrieved Employee



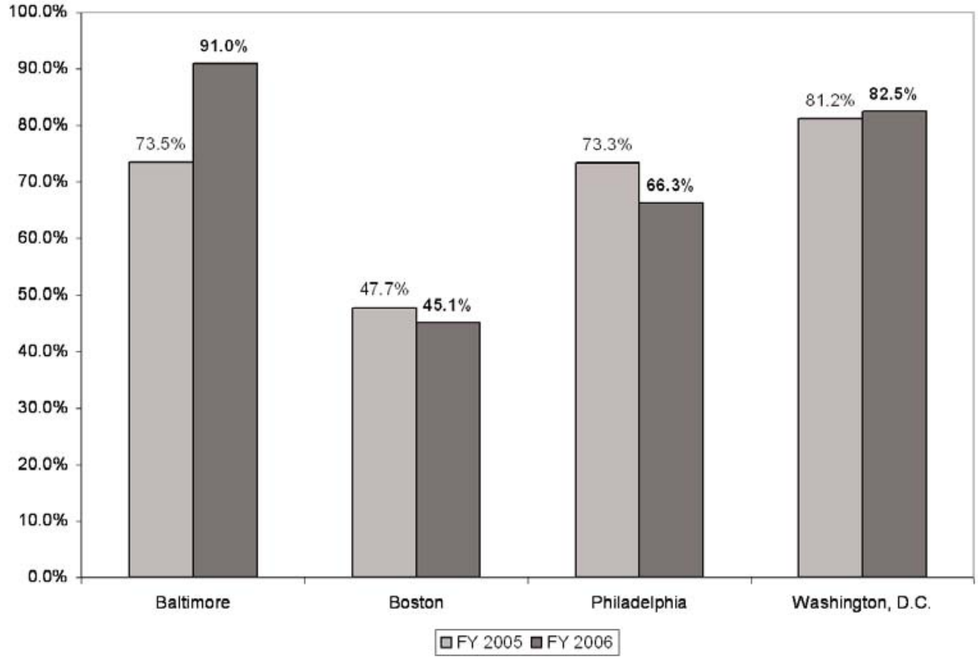
Note: The source of the data is the applicable state wage-hour office and was provided to the CFO by the DOES.

The District's average collections per aggrieved employee has been on an upward trend since FY 2004, and for FY 2006 the District was barely outpaced by Connecticut. The 2006 U.S. Department of Labor data was not available at the time this information was collected; however, historically and on average, the District's per aggrieved employee collections have been competitive. Comparisons between the District and other jurisdictions can be difficult, however, as the District contains a large population of federal employees not served by DOES and many of the other positions are white collar or service level jobs. What the data shows is that DOES is fulfilling its mandate to serve aggrieved employees by properly collecting due back wages. In FY 2006 the DOES full-time workforce that administers the program was increased, which should result in improved results.

Program: Workforce Development

One of the key benchmark measures for the Department of Employment Services (DOES) Workforce Development program is the percent of summer youth employment applicants who become enrolled. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Percent of Applicants Enrolled in Summer Youth Employment



Note: The Department of Consumer and Regulatory Affairs provided all benchmark data. The District of Columbia's business license fee is $35.00 for two years, which equates to $17.50 per year. The fees of other benchmark jurisdictions are for one year.

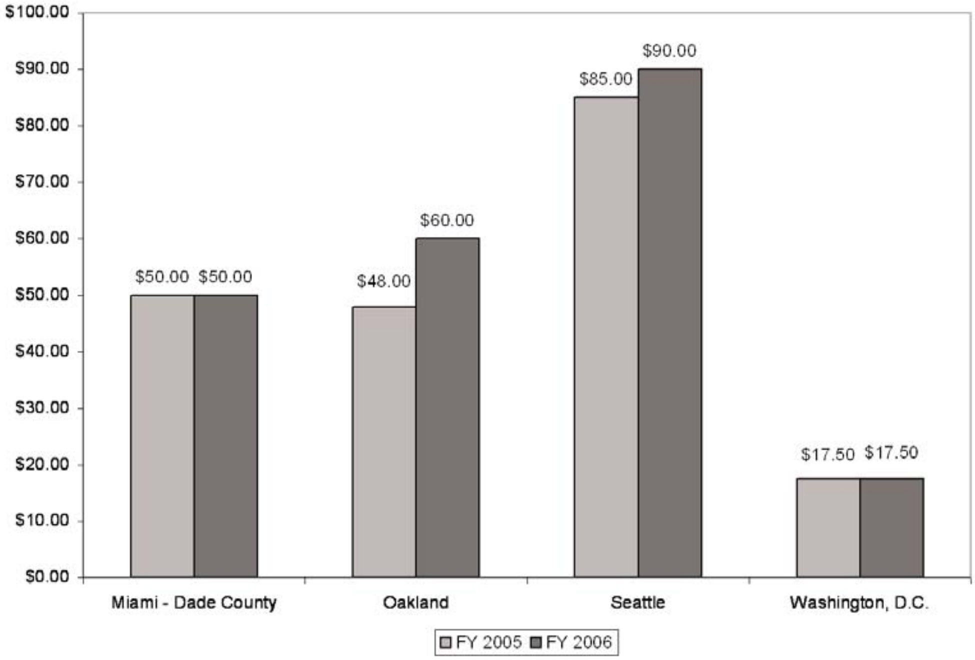
This benchmark represents the percentage of youth that apply to the summer employment program that are actually employed. The benchmark was chosen because of the District's continued focus on the expansion and enhancement of services to youth. The summer program, along with most of the agency's youth initiatives, targets youth residing in areas of high unemployment who face multiple barriers to employment. An analysis of the data indicates that funding is the primary contributing factor to the number of youth who can apply/register as well as the number of youth employed. For example, the District registered a higher number of youth than Baltimore (5,545), Boston (6,880), or Philadelphia (10,151). From the group registered in the District (12,991), 82.5% were employed. Baltimore, with a commendable 91% employment rate, registered the lowest number of youth in the last three years. With additional funding and staff, jurisdictions could increase their registration efforts, thus securing a more accurate picture of the number of youth that would want employment if it were readily available. However, considering city-by-city funding restrictions, employment goals are often tied to available funds. With the implementation of the Workforce Investment Act, federal dollars were no longer available to states for stand-alone summer programs. States and the District of Columbia were required to utilize funding for year-round youth services including a summer jobs component. With increased local funding commitments, jurisdictions can increase the number of youth actually registered and employed and broaden the menu of services offered.

Department of Consumer and Regulatory Affairs (CR0)

Program: Basic Licensing

One of the key benchmark measures for the Department of Consumer and Regulatory Affairs Licensing and Permitting program is the business licensing registration fee, which is considered a function of the cost of issuing business licenses. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Basic Business Licensing Fee



Note: The Department of Consumer and Regulatory Affairs provided all benchmark data. The District of Columbia's business license fee is $35.00 for two years, which equates to $17.50 per year. The fees of other benchmark jurisdictions are for one year

The mission of the Department of Consumer and Regulatory Affairs is to protect the health, safety, economic interests, and quality of life of residents, businesses, and visitors in the District of Columbia by issuing licenses and permits, conducting inspections, enforcing building, housing, and safety codes, regulating land use and development, and providing consumer education and advocacy services.

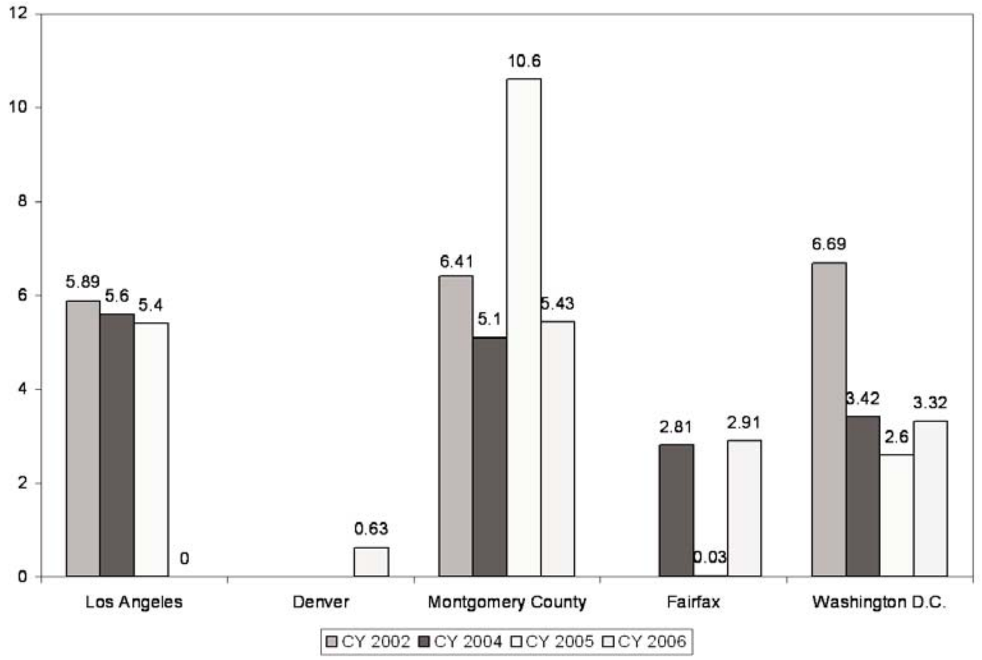
According to the Department of Consumer and Regulatory Affairs, this benchmark indicates that the District's fee for a basic business license continues to remain low and thus advantageous to the commercial sector. Since the fee is considered a function of the costs of issuing the licenses, the data suggest that of all the benchmark jurisdictions, the District has the lowest cost for processing business licenses. Oakland and Seattle increased their fees while the District and Miami-Dade County stayed constant.

Office of Cable Television and Telecommunications (CT0)

Program: Regulatory

One of the key benchmark measures for the Office of Cable Television and Telecommunications' (OCTT) Regulatory program is the number of complaints per 1,000 cable television subscribers. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Number of Complaints Per 1,000 Cable Television Subscribers



Note: The Office of Cable Television and Telecommunications (OCCT) provided all benchmark data. Benchmark data was not provided for Los Angeles. Denver was added this year. Data for CY 2003 is not availablea.

The Office of Cable Television & Telecommunications (OCCT) is the District agency that negotiates with, regulates and audits cable TV companies.

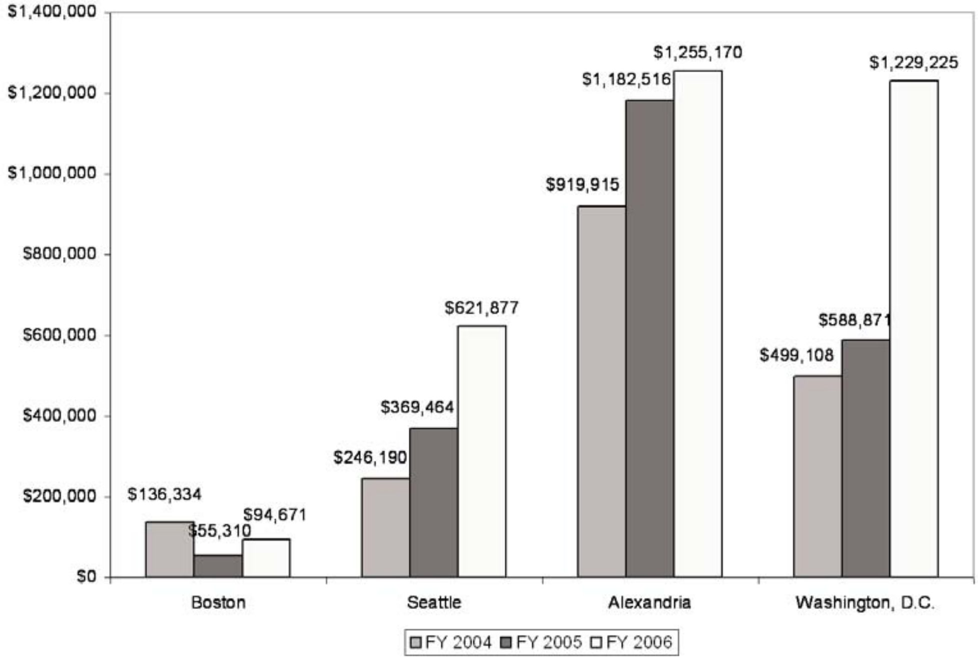
According to the OCTT, the number of complaints per 1,000 television subscribers has declined and held steady since CY 2002. The OCTT's number of complaints trends below or is on par with the majority of the comparison jurisdictions.

Department of Housing and Community Development (DB0)

Program: Home Purchase Assistance

One of the key benchmark measures for the Department of Housing and Community Development (DHCD) Home Purchase Assistance program is the amount of loan funds expended per 100,000 population. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Home Assistance Loan Funds Expended Per 100,000 Population



Note: The Department of Housing and Community Development provided all benchmark data.

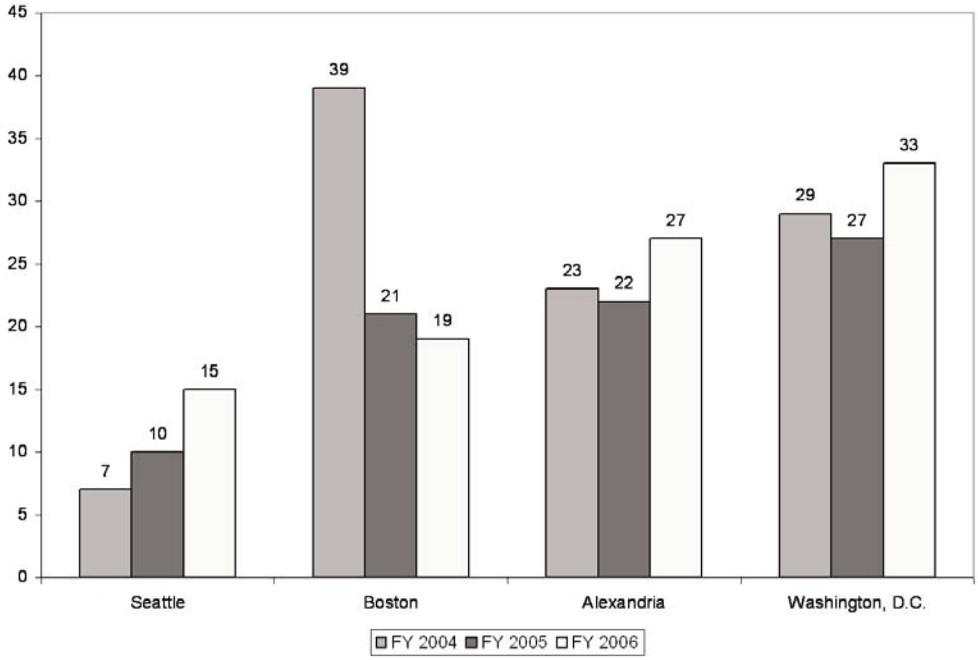
The Department of Housing and Community Development (DHCD) facilitates the production and preservation of housing, community, and economic development opportunities.

According to DHCD, the benchmark provides a context for determining how successful the District's program is in terms of improving opportunities for low-income residents to become first-time homebuyers. In FY 2006, DHCD initiated sweeping changes to the Home Purchase Assistance Program, which served to dramatically reform assistance levels relative to household income, to make the District's homebuyer assistance programs more viable in today's real estate market. Graduated levels of assistance are calculated for each thousand dollars of household income with the intent to enable program participants to achieve a "purchasing power" reflective of actual residential real estate market prices. Those changes were implemented on July 1, 2006, and data for 4Q06 reflect a dramatic increase in program effectiveness. Although the District's total loan funds per 100,000 across all of FY 2006 were slightly exceeded by those of Alexandria, VA, the District's loan funds disbursed per 100,000 in 4Q06 (and anticipated for future periods) greatly exceeded those of all three benchmark jurisdictions.

Program: Home Purchase Assistance

One of the key benchmark measures for the Department of Housing and Community Development (DHCD) Home Purchase Assistance program is the number of loans closed per 100,000 population. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Number of Home Assistance Loans Per 100,000 Population



Note: The Department of Housing and Community Development provided all benchmark data.

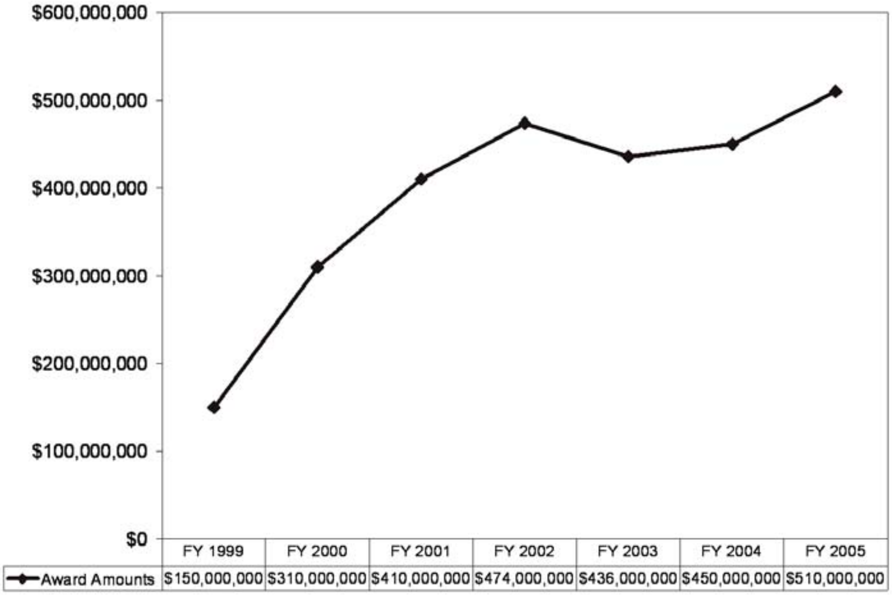
According to DHCD, the benchmark provides a context for determining how successful the District's program is in terms of marketing to low-income residents and improving their opportunities to become first-time homebuyers. FY 2006 data suggests that like last year, the District has been the most successful of the four jurisdictions studied in providing homebuyer assistance loans to its residents.

Department of Small and Local Business Development (EN0)

Program: Business Development

One of the key benchmark measures for the Department of Small and Local Business Development (DSLBD) (Formerly the Office of Local Business Development (OLBD) Business Development) program is the Local Small Disadvantaged Business Enterprises (LSDBE) contract awards from FY 1999 – FY 2005. The accompanying table illustrates the District's performance.

Amount of LSDBE Contract Awards



Note: The Department of Small and Local Business Development provided all benchmark data.

The mission of the Department of Small and Local Business Development (DSLBD) is to foster economic growth, development, and equity ownership for local, small, and disadvantaged business enterprises through supportive legislation, business development and financial assistance programs, and agency and public/private contract monitoring and compliance.

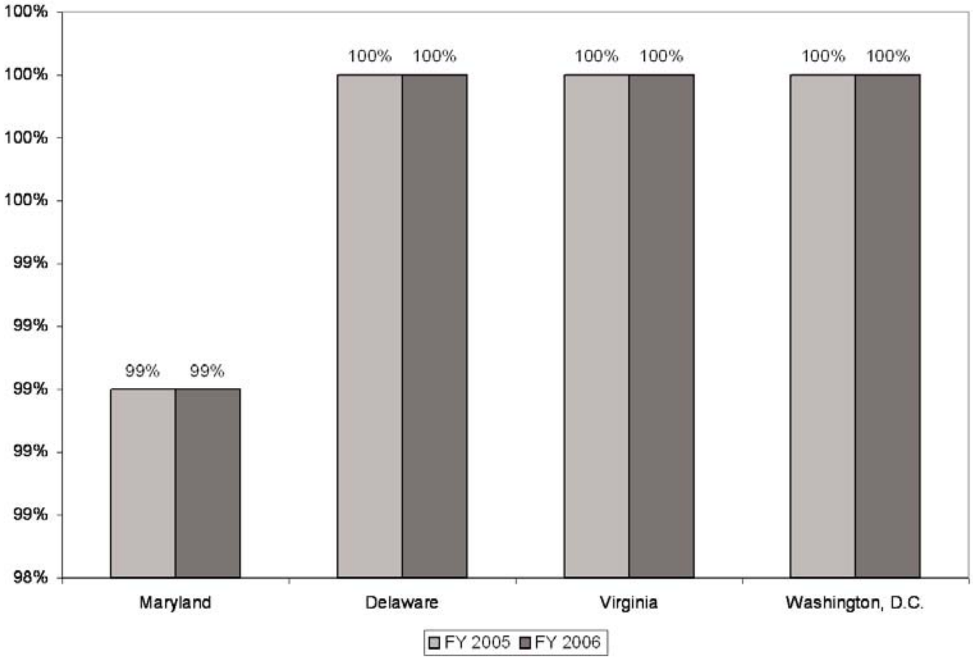
According to the DSLBD, the District of Columbia government continues to foster economic growth and the development of Local, Small, and Disadvantaged Business Enterprises (LSDBE) as evidenced by the increase in the amount of contracts awarded by District agencies to LSDBEs.

The District of Columbia has made extensive efforts to generate greater participation by local, small, and disadvantaged businesses. Through supportive legislation, such as the "Small, Local, and Disadvantaged Business Enterprise Development and Assistance Act of 2005 (as amended)," and the use of memoranda of understanding to enforce public and private sector procurement requirements, the District's designated LSDBEs benefit from program set-asides. These small businesses make significant contributions to our local economy through job creation, business expansion and the promotion of the entrepreneurial spirit.

Program: Licensing/Disciplinary Review

One of the key benchmark measures for the Department of Insurance, Securities, and Banking (DISB) Licensing/Disciplinary Review program is the percent of application fees reconciled and deposited within 10 days of receipt. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Percent of Application Fees Reconciled and Deposited within 10 Days of Receipt



Note: The Department of Insurance, Securities, and Banking provided all benchmark data.

The Government of the District of Columbia Department of Insurance, Securities and Banking (DISB) regulates all financial service businesses in the District of Columbia by administering District of Columbia insurance, securities and banking laws, rules and regulations. The government agency's goal is to protect the interests of District of Columbia consumers from unfair and abusive practices, while providing an equitable business arena for the regulated entities operating in Washington, DC.

According to the DISB, the District's rate of deposited fees within 10 days is 100% and is equivalent to the comparison jurisdictions for the last two fiscal years. During FY 2006, the DISB collected and deposited fees for initial applications for licensing from 179 broker-dealer firms, 158 federal investment adviser firms, 803 representatives and 25,954 agents. Fees for applications collected by the NASD Central Registration Depository (CRD), the Investment Adviser Registration Depository (IARD) are sent electronically to the DC Treasury and those received through the lock box were all deposited and reconciled within 10 days of receipt. Every week the licensing fee is reconciled by three Licensing Division staff with the licensing fee report received from the CRD.

D.C. Homeland Security and Emergency Management Agency (BN0)

Program: Preparedness and Protection

One of the key benchmark measures for the Homeland Security and Emergency Management Agency (HSEMA) Preparedness and Protection program is jurisdictional accreditation by the Emergency Management Accreditation Program. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Accreditation by the Emergency Management Accreditation Program (EMAP) CY 2006

New York City	California	Florida	Maryland	Virginia	Washington, D.C.
No	No	Yes	No	Yes	Yes

Note: The DC Homeland Security and Emergency Management Agency provided all benchmark data. The data shown represents 2006. The only change since the last budget was that Virginia obtained accreditation.

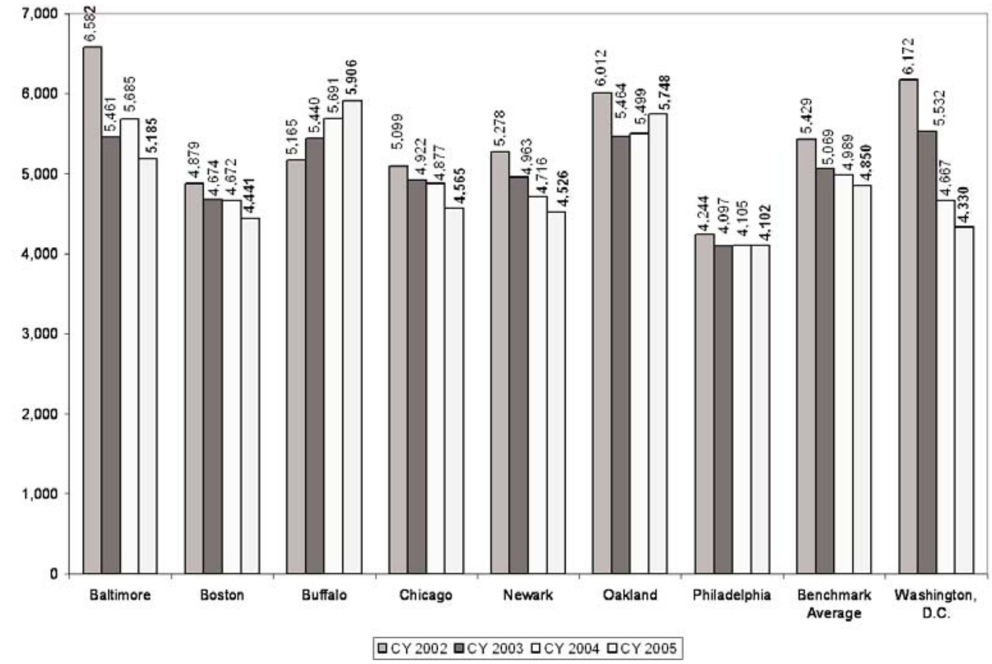
The mission of the Homeland Security and Emergency Management Agency (HSEMA) is to administer a comprehensive community-based emergency management program in partnership with residents, businesses, and visitors to the District of Columbia. The goal is to save lives, protect property, and safeguard the environment.

According to HSEMA, the agency and only one of the comparison jurisdictions are accredited by the Emergency Management Accreditation Program (EMAP). The receipt of accreditation from EMAP certifies that the District government, as a whole, has a properly coordinated emergency management program. The standards set forth by EMAP require that accredited jurisdictions demonstrate that they are prepared, in an all hazards manner, for potential threats. EMAP is a voluntary review process for state and local emergency management programs. Accreditation is a means of demonstrating, through self-assessment, documentation, and peer review, that a program meets national standards for emergency management programs. EMAP was created by a group of national organizations to foster continuous improvement in emergency management capabilities. It provides emergency management programs the opportunity to be recognized for compliance with national standards, to demonstrate accountability, and to focus attention on areas and issues where resources are needed.

Metropolitan Police Department (FA0)

Program: Regional Field Operations
A key benchmark measure for the Metropolitan Police Department's (MPD) Regional Field Operations program is the Part I property crime rate per 100,000 residents. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Part I Property Crime Per 100,000 Residents



Note: The Metropolitan Police Department provided all benchmark data. Crime and population data are from the Federal Bureau of Investigation's (FBI's) annual crime report, Crime in the United States. These are crimes against property—burglary, larceny/theft, and stolen auto—as classified according to the FBI's Uniform Crime Reporting (UCR) guidelines. Arsons were not included in the property crime rate because many cities (including our benchmark cities of Boston, Buffalo, and Philadelphia) do not consistently report arson data that are in accordance with national UCR guidelines. Additionally, most big city police departments do not have primary responsibility for investigating arsons.

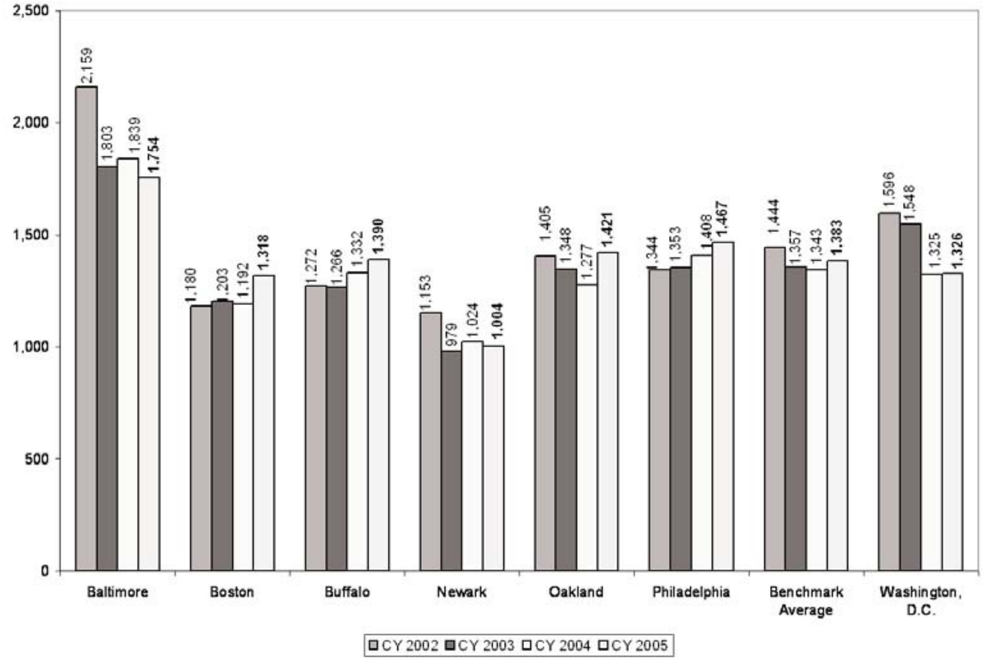
One of the ten largest local police agencies in the United States, the MPD is the primary law enforcement agency for the District of Columbia. Founded in 1861, the MPD of today is on the forefront of technological crime fighting advances, from highly developed advances in evidence analysis to state-of the-art-information technology. These modern techniques are combined with a contemporary community policing philosophy, referred to as Policing for Prevention. Community policing bonds the police and residents in a working partnership designed to organize and mobilize residents, merchants and professionals to improve the quality of life for all who live, work, and visit the Nation's Capital.

According to MPD, the property crime rate in the District has decreased 30% between calendar years 2002 and 2005. In comparison to its benchmark jurisdictions, Washington, DC, has improved significantly. The District has moved from having the second highest property crime rate among its benchmark cities in 2002 to the second lowest property crime rate in 2005, bested only by Philadelphia with 228 fewer incidents, or 5.5%. The District handily beat the benchmark average of 4,850 by 520 incidents, or 11%.

Program: Regional Field Operations

Another key benchmark measures for the Metropolitan Police Department's (MPD) Regional Field Operations program is the number of Part I violent crimes per 100,000 residents. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Number of Part I Violent Crimes Per 100,000 Residents



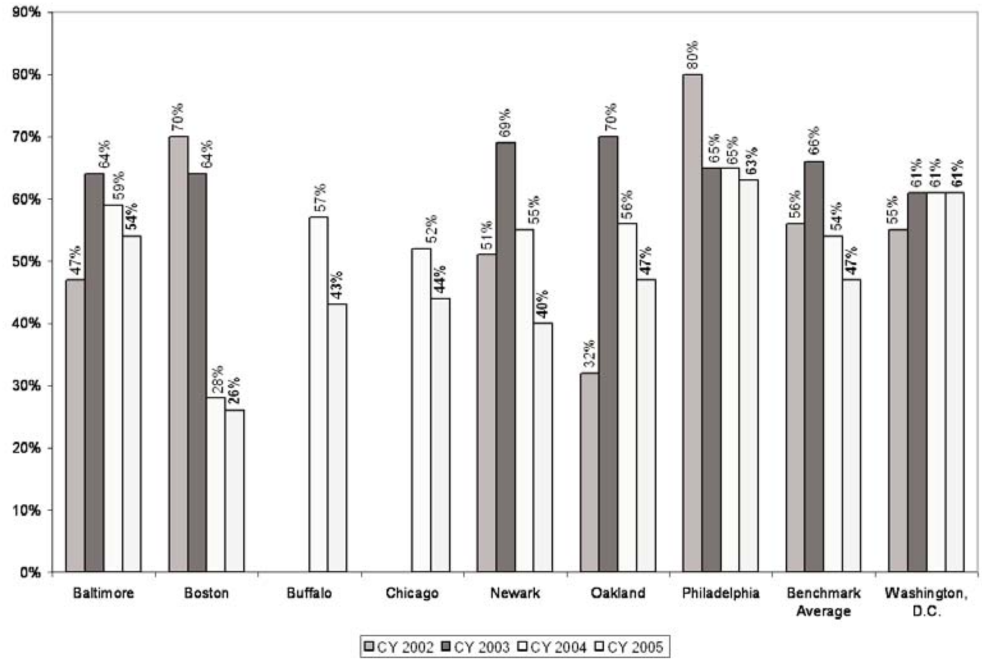
Note: The Metropolitan Police Department provided all benchmark data. Crime and population data are from the Federal Bureau of Investigation's (FBI's) annual crime report, Crime in the United States. These are crimes against persons—criminal homicide, forcible rape, robbery, and aggravated assault—as classified according to the FBI's Uniform Crime Reporting (UCR) guidelines. Chicago is excluded from the Violent Crime Rate comparison because forcible rape figures provided by the Illinois Department of State Police are not reported in accordance with UCR guidelines.

According to MPD, the violent crime rate in the District has decreased 17 percent since calendar year 2002. In comparison to its benchmark cities, the District has also improved in its standings. In 2002 DC had the second highest violent crime rate but by 2005 the city had dropped to the third lowest. The District ranked slightly below (4%) the benchmark average for incidents of violent crime per 100,000 residents.

Program: Investigative Field Operations

One of the key benchmark measures for the Metropolitan Police Department's (MPD) Investigative Field Operations program is the homicide clearance rate. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Homicide Clearance Rate



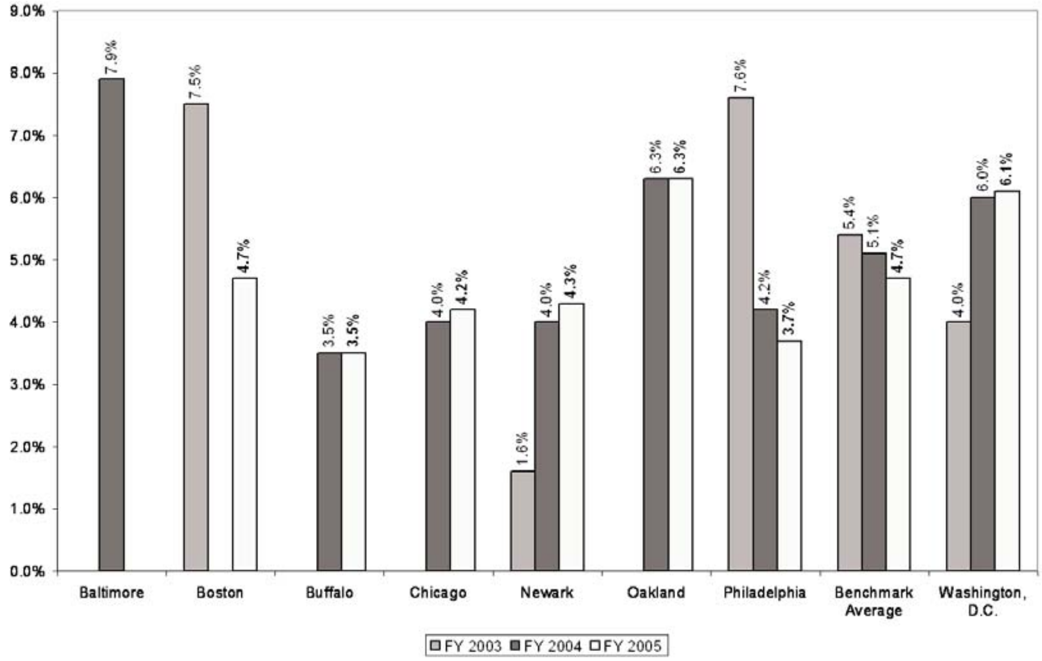
Note: The Metropolitan Police Department provided all benchmark data. Benchmark jurisdictions submitted these data to MPD in annual surveys. Some cities do not provide all requested data each year. The homicide clearance rate is calculated according to the Federal Bureau of Investigation's Uniform Crime Reporting (UCR) guidelines. These figures are calculated on a calendar year basis, and measure current year clearances, regardless of the year in which the offense took place, as a percentage of current year offenses. See <http://www.fbi.gov/ucr/ucrquest.htm> for more detail on UCR.

According to MPD, the District's homicide clearance rate was 14 percentage points above the benchmark average and ranked second highest among the benchmark cities in 2005. Since 2003, DC has maintained a constant clearance rate, which is a positive trend as compared the other benchmarked cities which all had a lower homicide clearance rate in 2005 than 2004.

Program: Police Business Services

One of the key benchmark measures for the Metropolitan Police Department's (MPD) Police Business Services is the attrition rate. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Attrition Rate: Percentage of Sworn Personnel Separated from the Department



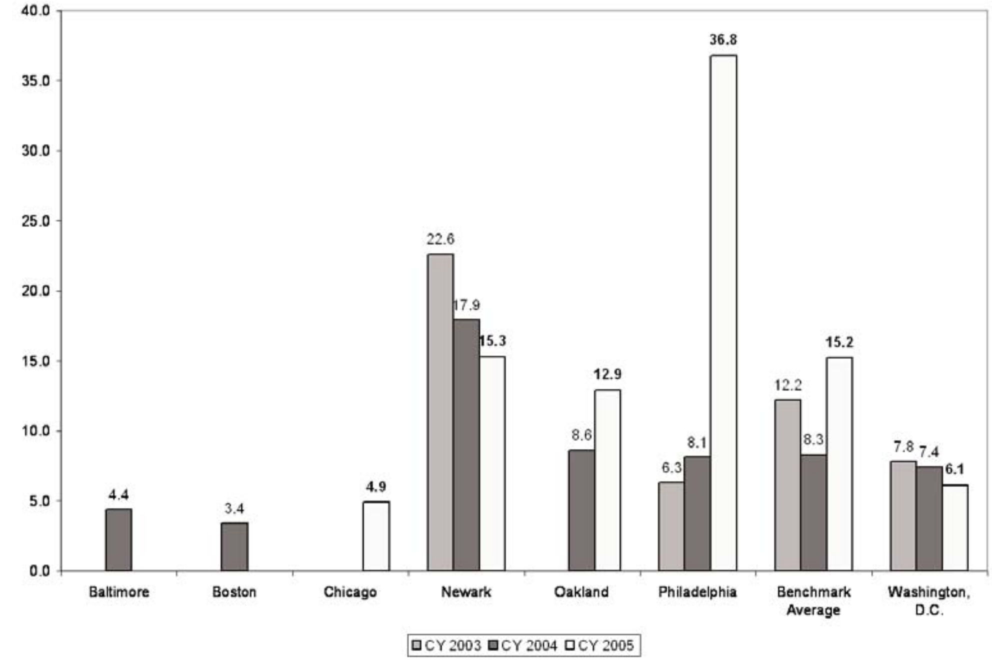
Note: The Metropolitan Police Department provided all benchmark data. Benchmark jurisdictions submitted these data to MPD in annual surveys. Some cities do not provide all requested data each year. The attrition rate includes both voluntary (e.g. retirement) and involuntary (e.g. dismissal) separations from a police department.

The MPD's attrition rate is the second highest of the benchmark cities. The Department's attrition rates from 2003 to 2005 reflect three significant factors. First, in the wake of the terrorist attacks of September 11, 2001, Federal law enforcement agencies recruited heavily from jurisdictions in metropolitan DC to attract experienced officers. Secondly, the number of members choosing optional retirement decreased in 2003 and then rose in 2004 because members were waiting for the one year anniversary of a 2003 pay raise so that they could take the increase into retirement. The number of optional retirements and voluntary resignations are now declining. Attrition rates have remained high, however, due to a collaborative effort of the City Council, the Administration, and the Department to limit the total amount of time that sworn members can be unavailable for full duty due to injury or illness. As a result, sworn members who have been in a limited duty capacity for several years are retiring, allowing the Department to fill those positions with full duty officers. That effort and MPD's vigorous monitoring of members reporting illness or injury have resulted in a 50 percent reduction in the number of members medically unavailable for full duty.

Program: Professional Responsibility

One of the key benchmark measures for the Metropolitan Police Department's Professional Responsibility program is the number of intentional firearm discharges per 1,000 sworn officers. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Rate of Intentional Firearm Discharges per 1,000 Sworn Officers



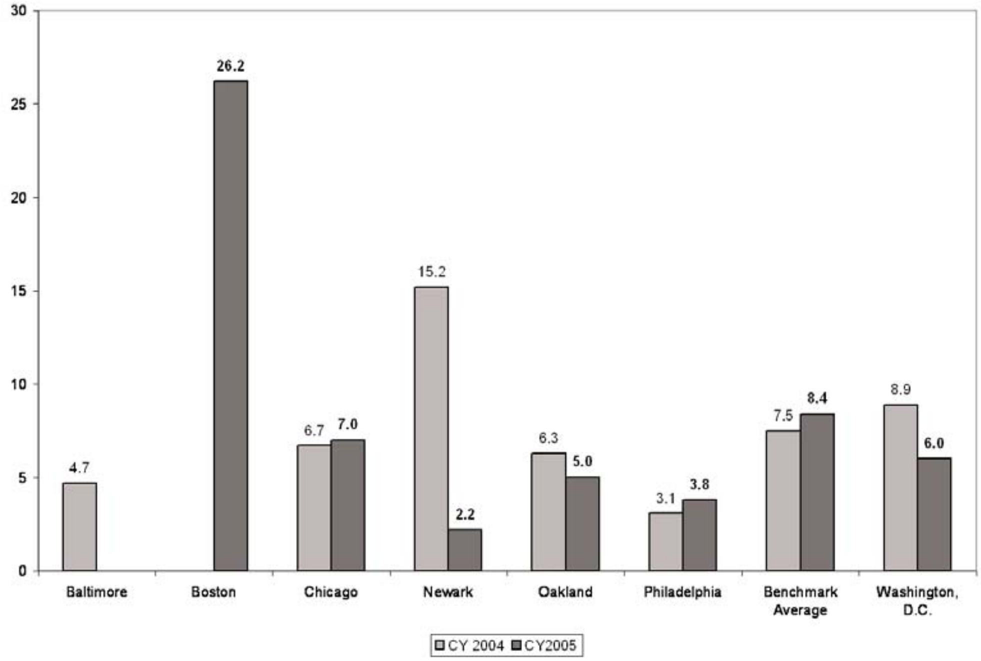
Note: The Metropolitan Police Department provided all benchmark data. Benchmark jurisdictions submitted these data to MPD in annual surveys. Some cities do not provide all requested data each year. The measure refers to instances where officers deliberately fire their service weapon, and excludes accidental discharges.

According to MPD, the rate of intentional firearm discharges decreased 18% in 2005 and was the second lowest of the reporting jurisdictions.

Program: Security Services

One of the key benchmark measures for the Metropolitan Police Department's (MPD) Security Services is the rate of Part I crimes on public school property per 1000 students. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Part I Crimes on Public School Property per 1,000 Students



Note: The Metropolitan Police Department provided all benchmark data. Benchmark jurisdictions submitted these data to MPD in annual surveys. Some cities do not provide all requested data each year.

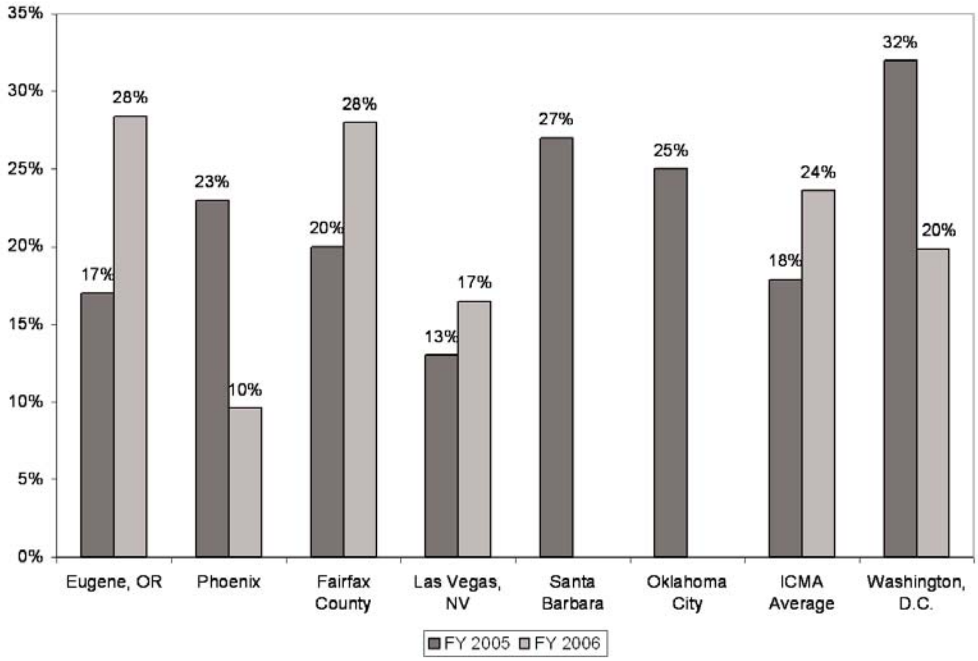
The role of the Metropolitan Police Department in school safety increased when MPD took over responsibility for managing security services at the DC Public Schools in July 2005. This benchmark comparison will help to serve as a baseline for evaluating school security under MPD. In 2004, before MPD assumed responsibility for school security, public schools in Washington, D.C., had a higher crime rate than four out of five of the benchmark cities providing data. In CY 2005 MPD was able to reduce crimes on school property by 33% as compared to CY 2004, resulting in a crime rate below the benchmark average. While still higher than three cities, the downward trend is a positive development.

Fire and Emergency Medical Services Department (FB0)

Program: Prevention and Education Program

One of the key benchmark measures for the Fire and Emergency Medical Services Department's (FEMS) Prevention and Education program is the percent of arson cases closed with an arrest. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Arson Case Closure Rate



Note: Source of data is the International City/County Management Association (ICMA) Center for Performance Management and the Fire and Emergency Medical Services Department. For jurisdictions other than Washington DC, the FY 2006 data is mid-year data as the final data was not available prior to publication. Jurisdictions with no FY 2006 data shown did not report at mid-year. The FY 2006 data will be updated in the FY 2009 budget.

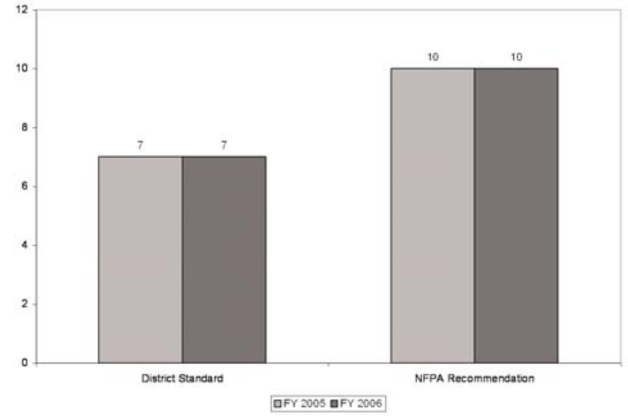
The DC Fire and Emergency Medical Services Department provides fire protection and medical attention to residents and visitors in the District of Columbia. In addition, to identify potential fire hazards they conduct fire inspections in apartment buildings, businesses, hotels, schools (public and private), hospitals, nursing homes, correctional facilities, and residential care facilities. There are 33 fire stations (consisting of 33 engine companies, 16 ladder companies, 3 heavy-duty rescue squads, 1 hazardous materials (HAZMAT) unit) and 1 fire boat company. Emergency medical units include 13 advanced life support ambulances and 21 basic life support ambulances, and 2 rapid response units.

During FY 2006 19.86% Washington D.C. arson cases (28 out of 141 cases) were closed with an arrest. The ICMA 2006 comparison FY 06 mid-year data for this benchmark is reporting that an average of 23.6% arson cases were closed with an arrest for cities reporting with a population over 100,000.00. In order to maintain and increase the number of arson cases closed with an arrest, the Agency has increased the number of Arson Investigators by four in October 06 and the agency is confident that these additional investigators will make a significant increase in the closure rate numbers for this benchmark.

Program: Operations Support

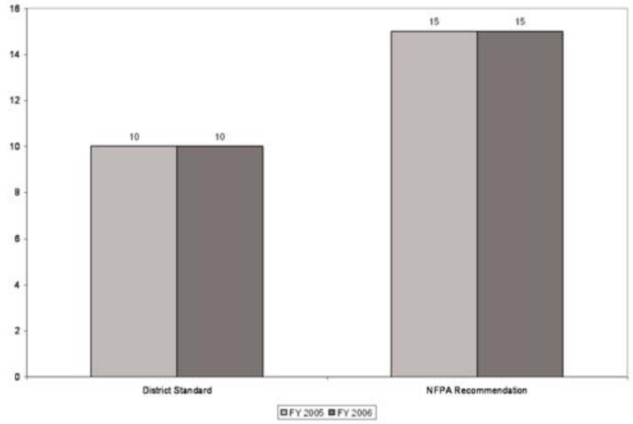
One of the key benchmark measures for the Fire and Emergency Medical Services Department's (FEMS) Operations Support program is the percent of the emergency fleet within the economic retention rate. The accompanying graphic compares the District's standard with those of the National Fire Protection Association (NFPA), a recognized organization in developing consensus codes and standards for the fire service.

Number of Years in Front Line Service fo Fire Pumping Engines



Note: The Fire and Emergency Medical Services Department provided all benchmark data.

Number of Years in Front Line Service for Fire Ladder Trucks



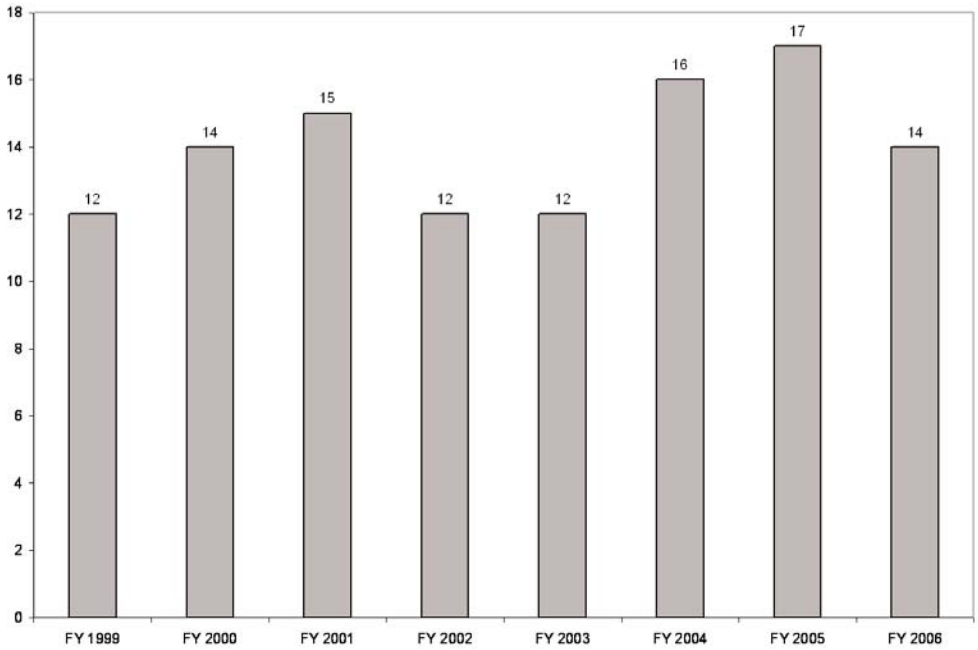
Note: The Fire and Emergency Medical Services Department provided all benchmark data.

According to FEMS, the department has set an economic retention rate standard for its emergency fleet that is more stringent than the NFPA recommendations, maintaining 100% of its emergency fleet within the established economic retention rate. The D.C. FEMS economic retention rates are: 7 years front-line service for pumping engines and 10 years front-line service for ladder trucks and the replacement schedule is an annual purchase schedule of 5—6 pumpers, 1—2 ladder trucks, and approximately 10 ambulances.

Program: Field Operations Program

One of the key benchmark measures for the Fire and Emergency Medical Services Department's (FEMS) Field Operations program is the number of civilian fire deaths. The accompanying chart illustrates the District's performance.

Civilian Fire Deaths in Washington, D.C.



Note: The Fire and Emergency Medical Services Department provided all benchmark data.

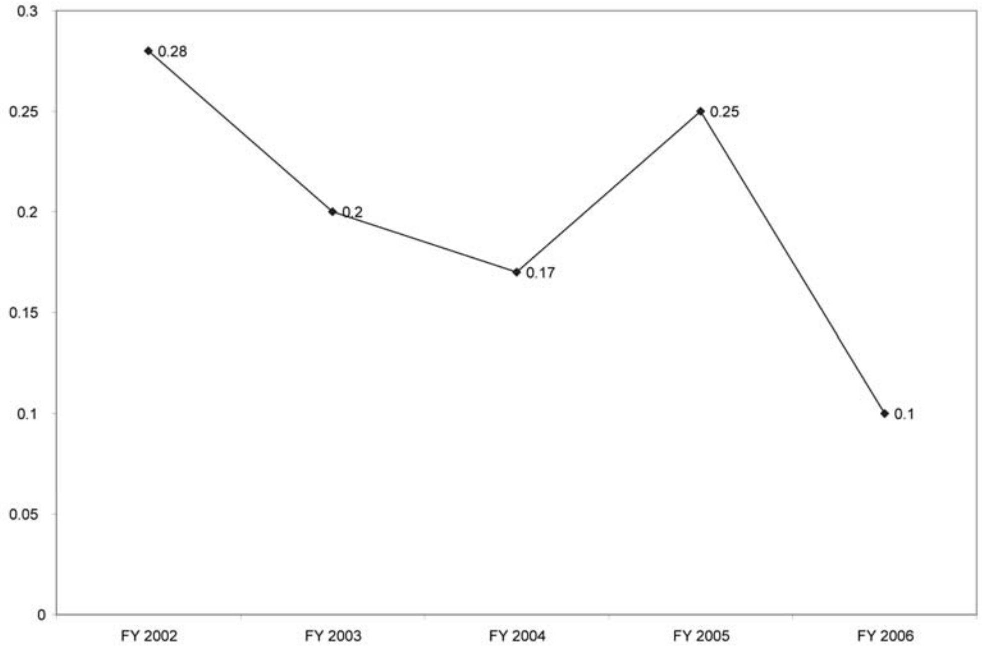
According to FEMS, analysis of the multi-year trend in deaths caused by fire in the District of Columbia shows that fire continues to be a significant risk. Most civilian fire deaths occur in residences that lack sprinkler systems and working smoke detectors. Installation of these fire protection measures in residential occupancies dramatically reduce the risk of death by fire or fire by-products (smoke and toxic gases). Civilian fire deaths are an extremely volatile statistic, particularly in the short-term. An individual year's data can be skewed by a single multi-fatality incident. This statistic can nevertheless be a useful indicator when trends are analyzed over the long-term. For the seven-year period previous to the one shown above (FY 1993 to 1999), the District averaged 14.1 civilian fire deaths annually. For the seven-year period FY 2000 to 2006, the District averaged the same number, 14.1 civilian fire deaths annually. Additionally, three District firefighters lost their life's due to injuries caused by fire during the seven-year period FY 1993 to 1999, while zero District firefighters were killed performing interior firefighting operations during the seven-year period FY 2000 to 2006. As a preventive measure, the FEMS intends on providing more Fire Safety presentations aimed at seniors (in FY 06 FEMS made 33 presentations to senior groups). In FY 07, the FEMS Department will solicit more donations of and distribute more smoke alarms. Additionally, the Department will also increase the number of Fire Safety presentations for all age groups, with special attention toward the very young and seniors.

Department of Corrections (FL0)

Program: Institutional Custody Operations

One of the key benchmark measures for the Department of Corrections' (DOC) Institutional Custody Operations program is inmate on inmate assault rate. The accompanying table illustrates the District's performance.

Inmate on Inmate Assaults Per 1,000 Inmate Days



Note: The Department of Corrections provided all trend data.

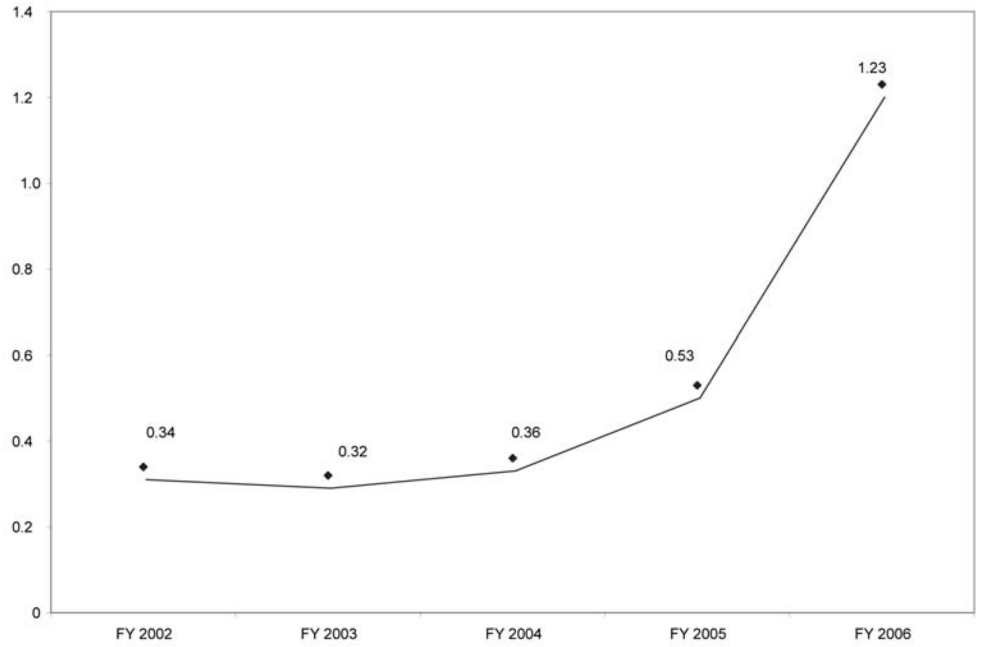
The DC Department of Corrections (DOC) provides public safety by ensuring the safe, secure, and human confinement of pretrial detainees and sentenced misdemeanant prisoners. The management and operation of the District's correctional system fosters community and business confidence and security. The DOC is guided by the principles of responsiveness and compassion for inmates and their families and promotes community involvement.

The inmate on inmate assault rate reported at the DOC attained a four year low in FY 2006. Factors contributing to this include a significant proportion of inmates in the 35 and older category, a veteran correctional officer cadre, improved management of inmate mental health related medications and more effective classification of inmates. Inmate on inmate assault is defined as an incident involving intentional bodily injury of an inmate by another inmate where: (1) There is at least 1 victim; (2) The injury is severe enough to warrant more than mere first aid, e.g. requiring sutures or setting of a broken bone; (3) The injury is such that the inmate's daily routine is disrupted; and (4) The incident is validated by the inmate disciplinary process. The assault rate is measured in incidents per 10,000 inmate-days. Inmate-days are computed as the product of the days in the reporting period and the average daily population for the reporting period. Inmate-days are a measure of possibility for an inmate on inmate intentional contact to occur. The DOC continues efforts to manage inmate behavior more effectively by evaluating incidents in depth and applying behavioral intervention.

Program: Institutional Custody Operations

One of the key benchmark measures for the Department of Corrections' (DOC) Institutional Custody Operations program is the inmate on staff assault rate. The accompanying table illustrates the District's performance.

Inmate on Staff Assaults Per 1000 Inmate Days



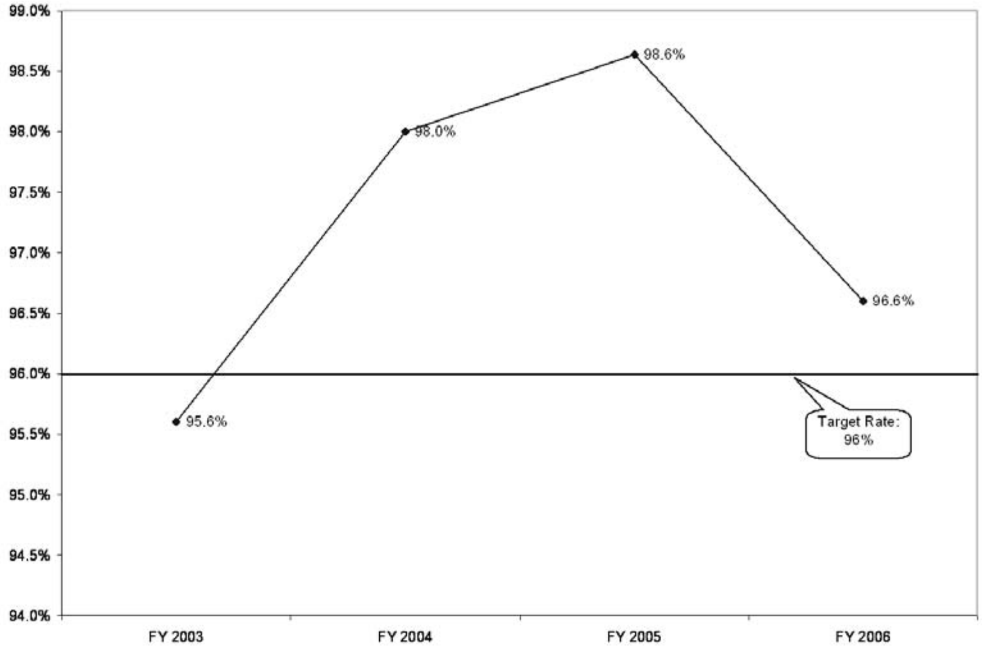
Note: The Department of Corrections provided all trend data.

The inmate on staff assault rate reported at the DOC reached a four year high in FY 2006. Variable definitions applied in reporting incidents of inmate on staff assaults render comparison of FY 2006 data to previous years difficult. Inmate on staff assault is defined as: a non-accidental incident where the inmate purposely and offensively contacts an officer or other staff member using a weapon (including fluids, body parts, sharp or blunt objects, and traditional weapons) in a manner that results in the officer requiring medical attention as documented by a doctor's referral slip. Validation by the Inmate Disciplinary process is not required. The assault rate is measured in incidents per 10,000 inmate-days. Inmate-days are computed as the product of the days in the reporting period and the average daily population for the reporting period. Inmate-days are a measure of possibility for an inmate to engage in intentional physical contact with staff. The DOC has proposed legislation to deter such incidents.

Program: Agency Management

One of the key benchmark measures for the Department of Corrections' (DOC) Agency Management program is the federal billing reimbursement rate. The accompanying table illustrates the District's performance.

Federal Billing Reimbursement Rate



Note: The Department of Corrections provided all trend data.

According to DOC, the agency's federal billing reimbursement rate has increased steadily over the past three fiscal years, but took a 2% dip in FY 2006. The rate still beat the targeted performance of 96.0%. This dip is accounted for by an increase in the number of inmates in billing categories with protocols that need further clarification. DOC is working with appropriate federal agencies to establish more precise billing protocols for all billable inmates.

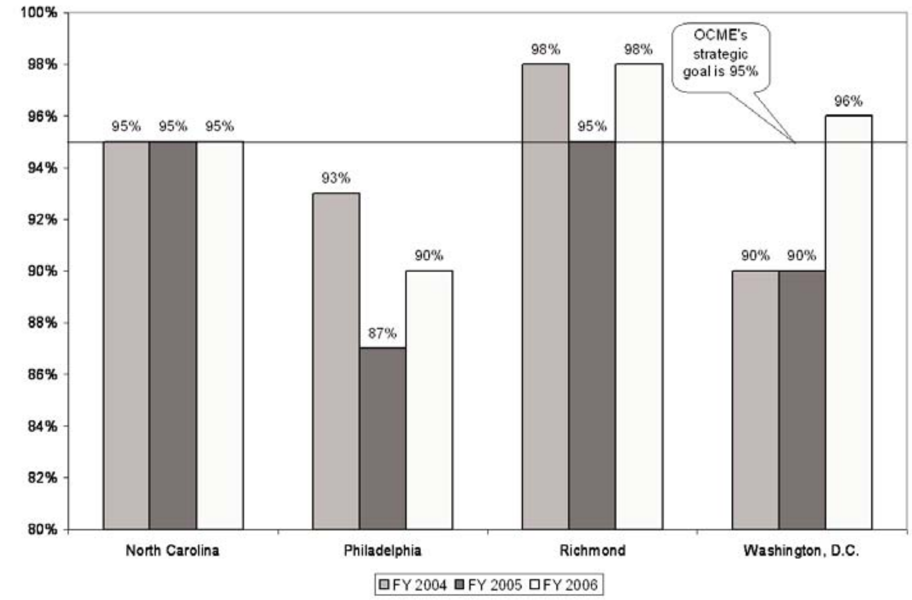
The federal billing reimbursement rate is the percent of dollars reimbursed per dollar invoiced for housing inmates whose housing is billable to federal agencies under current memoranda of understanding with each of the agencies. High reimbursement rates ensure that District taxpayers are fairly compensated for use of their local detention space. DOC invoices several federal justice agencies for inmates in custody during the month that are eligible to be billed for housing expenses incurred by the District of Columbia. These inmates include designated felons awaiting transfer to federal facilities, parole violators, certain supervised release violators, and individuals incarcerated on writs and holds. All billing must meet strict federal guidelines.

Office of The Chief Medical Examiner (FX0)

Program: Death Investigation and Certification

One of the key benchmark measures for the Office of the Chief Medical Examiner's (OCME) Death Investigation and Certification program is the percent of positive toxicology cases completed within 60 days.

Percent of Positive Toxicology Tests Completed within 60 Days



Note: The Office of the Chief Medical Examiner provided all benchmark data.

The Office of the Chief Medical Examiner (OCME) investigates and certifies all deaths in the District of Columbia that occur as the result of violence (injury) as well as those that occur unexpectedly, without medical attention, in custody, or pose a threat to public health.

According to the OCME, the agency's performance improved significantly this fiscal year and the OCME and its customers are benefiting from the creation of its toxicology laboratory, which was completed in FY 2004. In FY 2006 the OCME exceeded their strategic goal of completing 96% of positive toxicology examinations within 60 days. The OCME is performing extremely well as compared to other jurisdictions servicing similar populations and workloads per forensic scientist. Further, the District performs a more comprehensive toxicology service than most other jurisdictions, yet in a similar timeframe. Completing complicated toxicology reports in a timely manner results in the medical examiners and law enforcement agencies processing their own respective cases more quickly, which in turn better serves the community as a whole. Since all autopsy reports require a completed toxicology report, the improved turnaround time for reports from the toxicology laboratory means that OCME can complete homicide and non-homicide cases in their stated turnaround time of 60 days and 90 days, respectively.

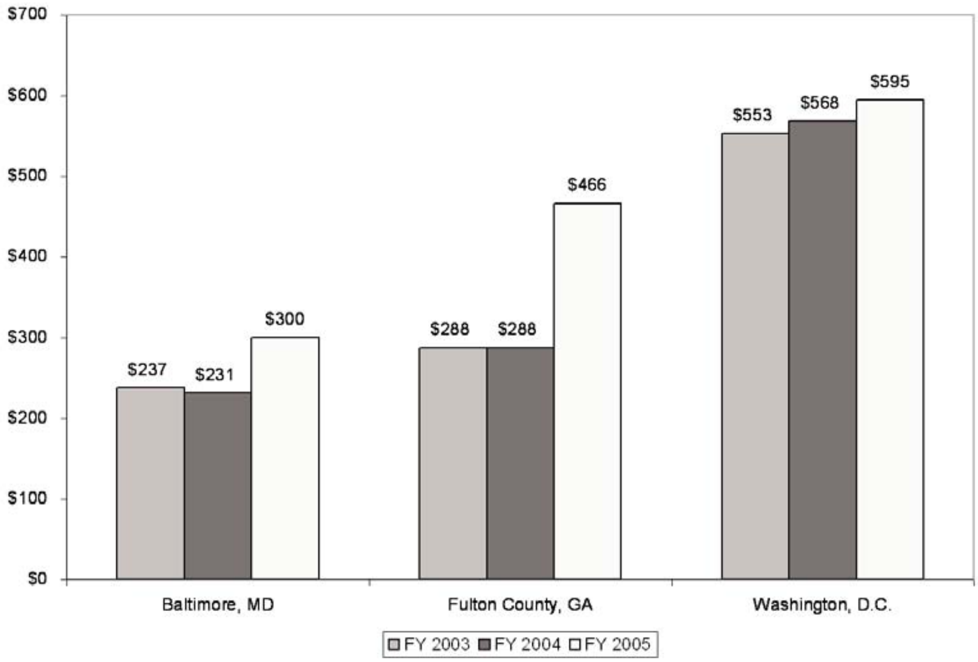
Human Support Services

Office on Aging (BYO)

Program: Community-Based Services

One of the key benchmark measures for the Office on Aging's (OA) Community-Based Services program is the amount spent on meals per senior served. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Cost Per Senior for Congregate an Home-Delivered Meals



Note: The Office on Aging provided all benchmark data.

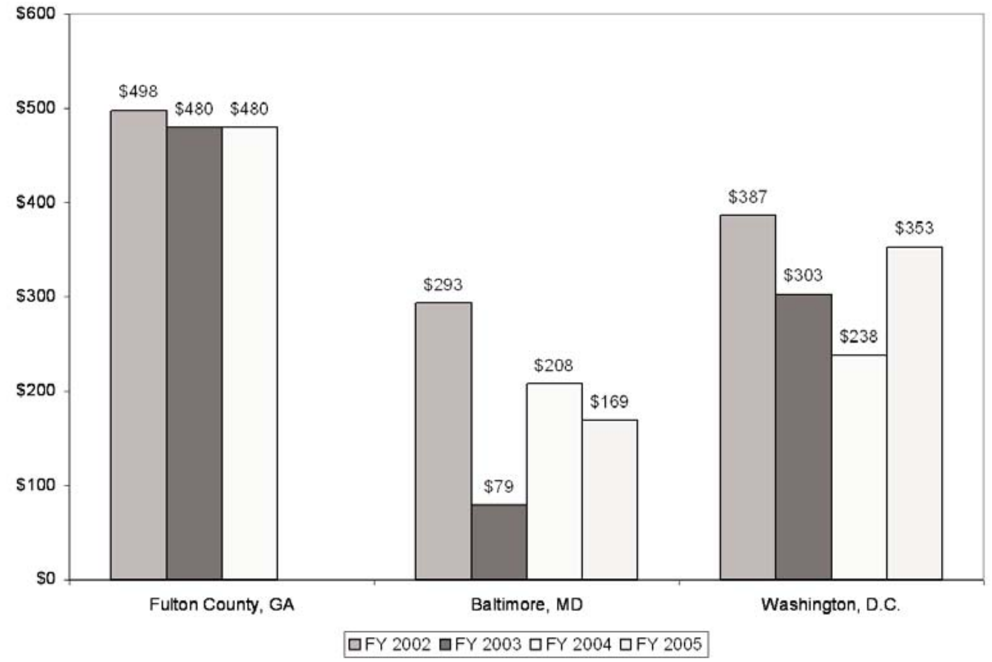
The DC Office on Aging develops and carries out a comprehensive and coordinated system of health, education, employment, and social services for the District's elderly population, who are 60 years of age and older.

According to the OA, the Community-Based Services program provides hot mid-day nutritious meals to the District's seniors in both congregate and home-delivered settings on both weekends and weekdays. The amount of funding available for the District of Columbia exceeds the amount of funding available for Fulton County, Ga., and Baltimore, MD because the District puts a large proportion of local dollars into the meals program. The main difference in the cost is that the meals delivered by the OA are full course hot meals prepared and delivered daily by paid staff rather than volunteers. Both Fulton County and Baltimore use a combination of paid staff and volunteers for delivery of home-delivered meals, and the meals are not delivered daily to all meals participants, but are delivered frozen to some participants and must be warmed by the participants. The District found that using volunteers to deliver home-delivered meals was not reliable or safe, and a sufficient number of volunteers could not be recruited to deliver meals on a timely basis

Program: Transportation

One of the key benchmark measures for the Office on Aging's (OA) Transportation program is the amount spent on transportation per senior served. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Cost Per Senior for Transportation Services



Note: The Office on Aging provided all benchmark data. The D.C. Office on Aging provides 3 different types of transportation to seniors who received Office on Aging functions- transportation and escort (to medical appointments and day care), transportation to sites and activities, and transportation of home-delivered meals. The calculation is the number of dollars available for transportation divided by the total number of seniors served. This may be a duplicated count since many seniors receive all three types of transportation. Fulton County did not provide FY 2005 comparative data.

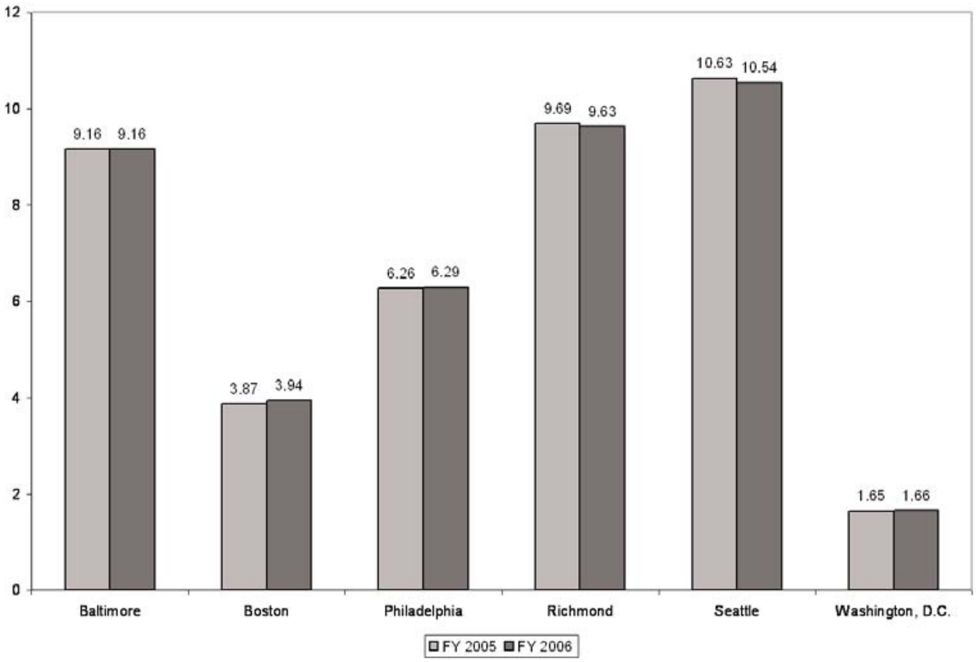
The DC Office on Aging develops and carries out a comprehensive and coordinated system of health, education, employment, and social services for the District's elderly population, who are 60 years of age and older. A vital component of these services is transportation. According to the OA, the District's averaged $353 annually per senior served in FY 2005. Transportation is second only to meals as the largest single investment of both local and federal dollars for the District's Office on Aging.

Department of Parks and Recreation (HA0)

Program: Park and Facility Management

One of the key benchmark measures for the Department of Parks and Recreation's (DPR) Park and Facility Management program is the number of park acres per 1,000 District residents. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Park Acres Per 1,000 Residents



Note: The Department of Parks and Recreation provided all benchmark data.

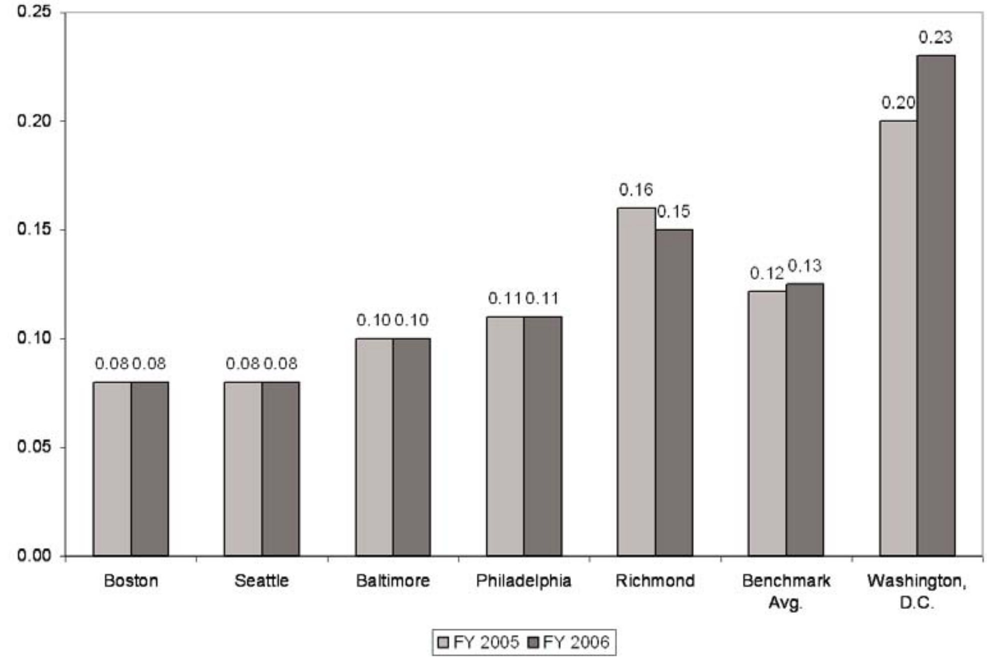
The Department of Parks and Recreation (DPR) presents quality leisure services to District residents and visitors of the District of Columbia. The agency supervises and maintains area parks, community facilities, and neighborhood recreation centers and provides adaptive programs and facilities for challenged customers. The DPR also coordinates a wide variety of recreational and educational programs. Art classes, child care services, sport leagues, swim lessons, and senior citizen activities challenge citizens to remain active in their community.

According to DPR, its 915 acres provide enough land for park, recreation and open spaces within the urban growth area to satisfy most local and significant regional interests. Knowing the total amount of DPR land helps the agency ensure that land use is being allocated fairly and that a diverse program of uses is being implemented. The total amount of green space in the District is heavily influenced by the availability of other public parklands, namely the holdings of the U.S. National Park Services (NPS). The District of Columbia is unique because of the amount of Federal park space managed by the National Park Service, which has roughly 7,000 acres of accessible parkland within the District of Columbia. If this acreage were included in the D.C. calculation, the data point would be 14 and over the top of the chart. Comparatively, District of Columbia residents benefit from the extensive federal park land by enjoying additional green space and recreational opportunities.

Program: Park and Facility Management

One of the key benchmark measures for the Department of Parks and Recreation's (DPR) Park and Facility Management program is the number of indoor park facilities per 1,000 District residents. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Indoor Park Facilities Per 1,000 Residents



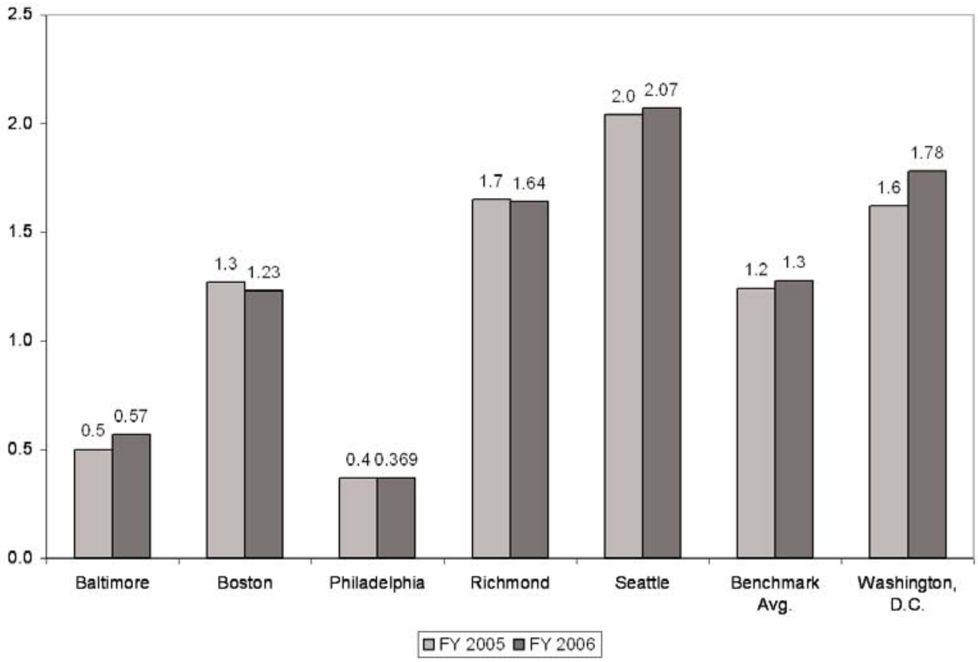
Note: The Department of Parks and Recreation provided all benchmark data.

According to DPR, the agency has more recreation centers per 1,000 constituents than other comparable jurisdictions with similar populations. The agency's performance is positive, in that DPR is striving to serve the District's population with numerous recreation centers. It may be negative as well in that DPR may stretch its resources across too many recreation centers. DPR may be more effective in service delivery with fewer centers that have more concentrated staff.

Program: Recreational Programs and Services

One of the key benchmark measures for the Department of Parks and Recreation's (DPR) Recreational Programs and Services' program is the number of Full Time Equivalents (FTEs) per 1,000 District residents. The accompanying table illustrates the District's performance with benchmark jurisdictions.

FTEs Per 1,000 Residents



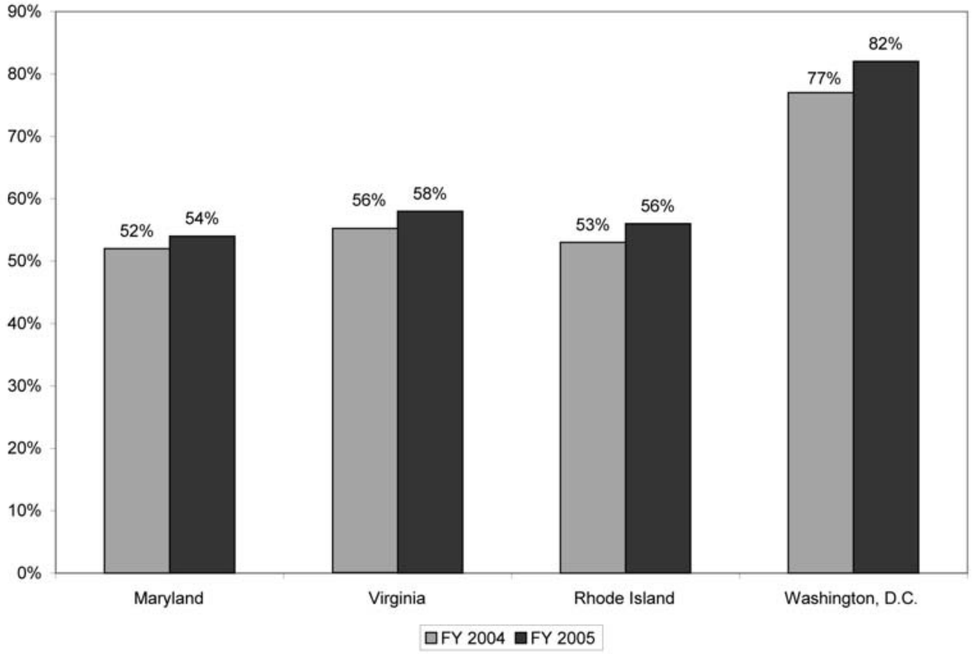
Note: The Department of Parks and Recreation provided all benchmark data.

The District of Columbia DPR is slightly above the benchmark average for FTE's per 1,000 residents. As the Indoor Park Facilities Per 1,00 Residents benchmark (previous page) shows, DC has almost twice as many indoor facilities to operate as compared to the benchmark average but does not have twice the number of FTE's per 1,000 citizens. This is potentially explained by the lower amount of Park Acres per 1,000 residents maintained as compared to other jurisdictions, thus the indoor facilities receive a greater level of effort from the DPR than other jurisdictions. The Department also offers a very broad range of services, particularly in the area of early education and care. DC tourists and a continual flow of out-of-town users place significant demands on DPR services. This benchmark will help DPR review and revise its costs for part-time and seasonal employees as well as maintain its current service levels in various Departments using existing FTEs.

Program: Medical Assistance Administration

One of the key benchmark measures for the Department of Health's (DOH) Medical Assistance Administration program is the participation rate in Early, Periodic Screening, Diagnostic and Treatment (EPSDT) services by Medicaid recipients. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Medicaid Recipient Participation Rate in Early, Periodic Screening, Diagnostic, and Treatment (EPSDT) Services



Note: The Department of Health provided all benchmark data. Updated data was not available for California, so Virginia, a neighboring jurisdiction, was added this year and California was dropped.

The Mission of the Department of Health is to promote and protect the health, safety and quality of life of residents, visitors and those doing business in the District of Columbia. Responsibilities include identifying health risks; educating the public; preventing and controlling diseases, injuries and exposure to environmental hazards; promoting effective community collaborations; and optimizing equitable access to community resources.

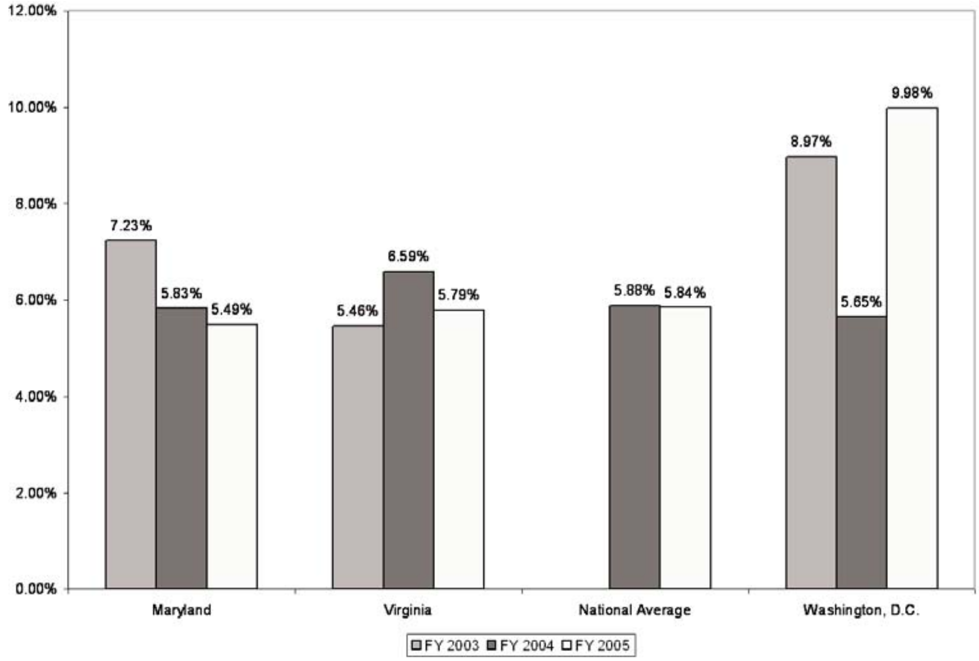
According to DOH, the District's participation rate in EPSDT services exceeds the participation rates of comparison jurisdictions. In the District, the preventive care component of the EPSDT Program is known as the Health Check Program. The preventive health care services allow for early identification and treatment of health problems before they become medically complex and costly to treat. Standards for the Healthy Kids Program are developed through collaboration with key stakeholders. EPSDT is Medicaid's mandatory benefit package for children under age 21. It includes well-child screening and a broad treatment package. The measure of prevention services participation for children is a critical outcome that is proven to impact the health status of this population and is therefore an important benchmark.

Department of Human Services (JA0)

Program: Income Maintenance

One of the key benchmark measures for the Department of Human Services' (DHS) Income Maintenance program is the combined error rate for food stamps. The metric is "combined" because it accounts for both over and underpayments of the food stamp benefits. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Combined Payment Error Rate for Food Stamps



Note: The Department of Human Services provided all benchmark data.

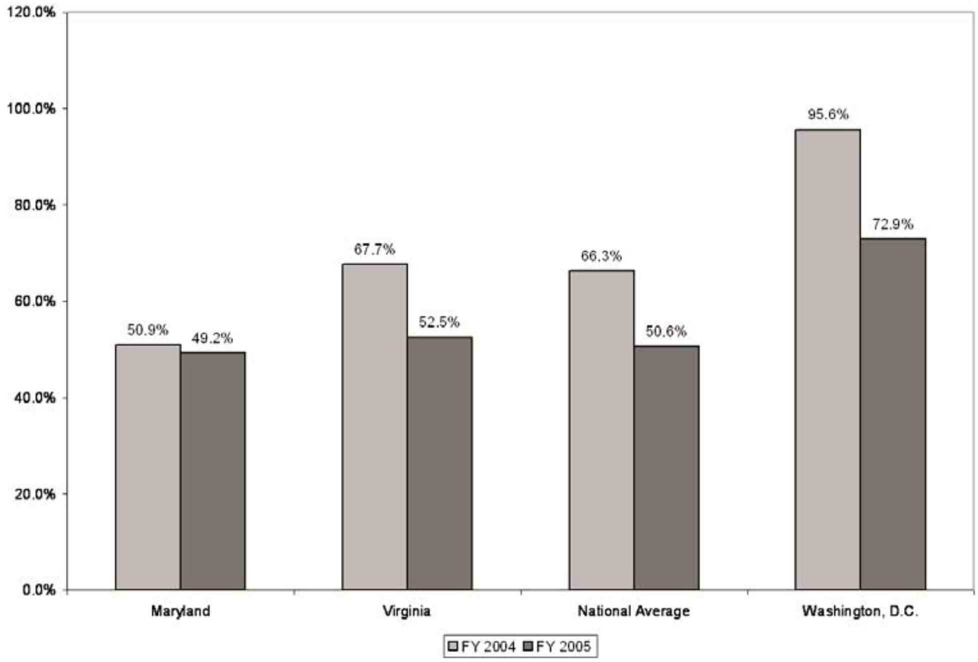
The Department of Human Services (DHS) administers social service programs and services that primarily benefit low-income District of Columbia residents. The major programs and services are Temporary Assistance for Needy Families (TANF), Medicaid/Healthy Families, food stamps, family services, early childhood development, rehabilitation services, mental retardation and developmental disability services, and youth services.

Although the combined payment error rate for food stamps in FY 2005 increased due to caseload demands to a level above that of the national and benchmarked jurisdictions' averages, efforts are ongoing to ensure that this is a non-recurring phenomenon. The IMA continually assesses policy and procedural options and analyzes errors to ensure that there is ongoing quality improvement, as Federal financial sanctions and rewards are associated with this measure.

Program: Income Maintenance

One of the key benchmark measures for the Department of Human Services' (DHS) Income Maintenance program is the number of food stamp participants compared to the number of persons living below the official poverty line. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Food Stamp Program Access Index



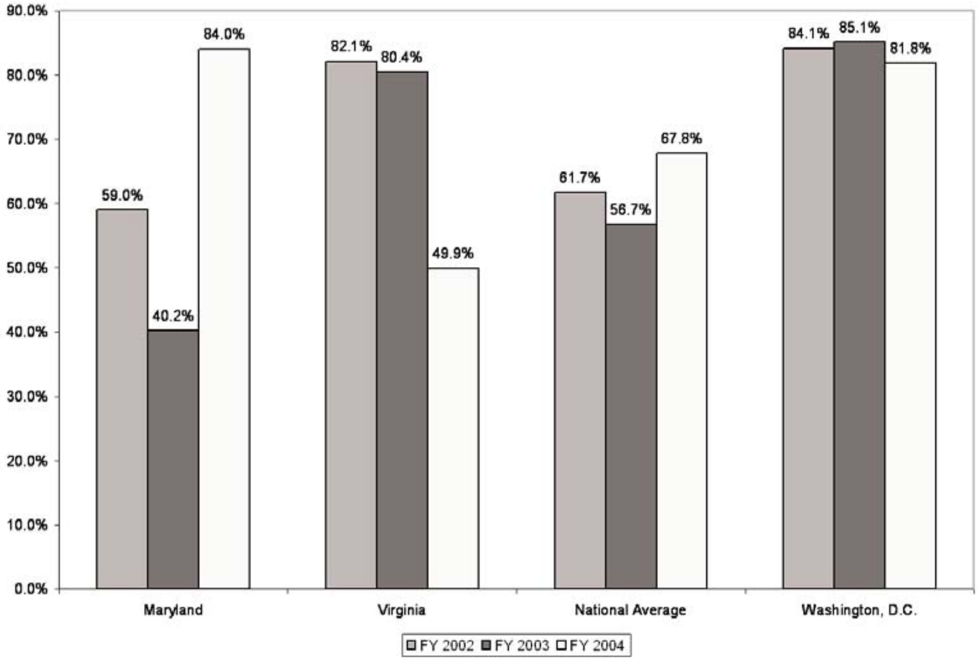
Note: The Department of Human Services provided all benchmark data.

While the rate of participation dropped, the District's food stamp program access rate is the highest of the comparison jurisdictions. The drop in participation seemed to follow a national trend. As compared to the other jurisdiction, the DHS attributes its higher performance in part to IMA's "customer-friendly" strategies such as extended hours of operation, the ability to report changes in status by telephone, and drop boxes for submission of required documents. This customer service focus makes it easier for individuals and families to apply for and receive necessary benefits, including food stamps.

Program: Income Maintenance

One of the key benchmark measures for the Department of Human Services' (DHS) Income Maintenance program is the average monthly percent of adults engaged in unsubsidized employment under the Temporary Assistance for Needy Families (TANF) program. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Average Monthly Percent of Adults Engaged in Unsubsidized Employment TANF



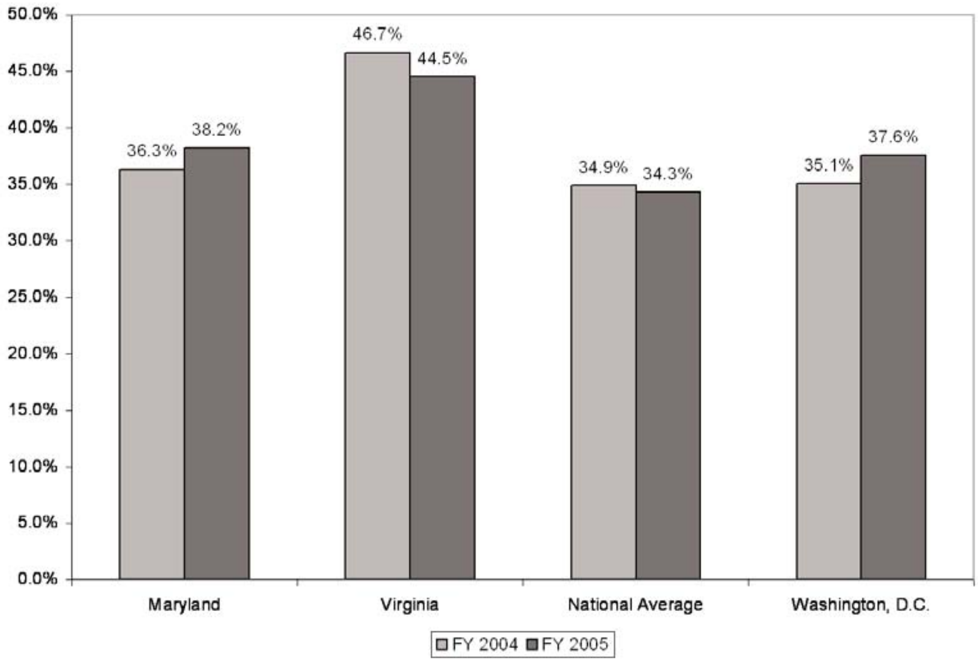
Note: The Department of Human Services provided all benchmark data.

According to DHS, the agency's performance exceeds that of other comparison jurisdictions and was only narrowly bested by Maryland. The District is higher than the national average. The IMA employs an aggressive strategy to assist TANF recipients to secure employment through contracted services that are fully performance based. Contractors are paid only when they help IMA customers achieve desired outcomes, such as obtaining employment.

Program: Income Maintenance Administration

One of the key benchmark measures for the Department of Human Services' (DHS) Income Maintenance Administration (IMA) program is the percent of unemployed Temporary Assistance for Needy Families (TANF) adult recipients who entered employment for the first time during the performance year. The accompanying table illustrates the District's performance with benchmark jurisdictions.

TANF Job Entry Rate



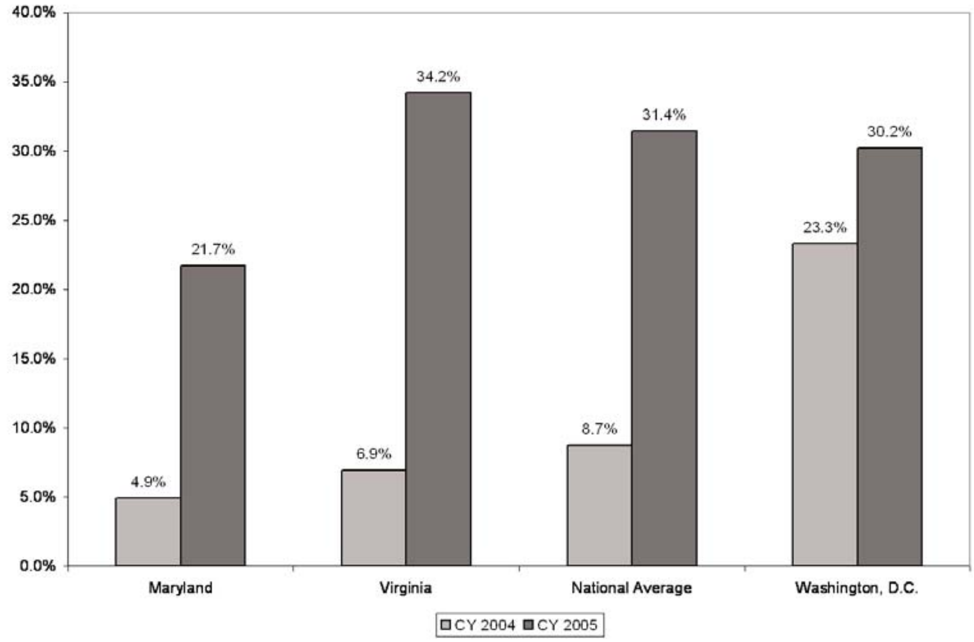
Note: The Department of Human Services provided all benchmark data.

According to DHS, the District's TANF job entry rate was above the national average for the second year in a row and increased slightly over the prior fiscal year. An adult is considered to have entered employment for the first time in a calendar quarter if the adult had no earnings in any of the prior quarters of the performance year.

Program: Early Care and Education

One of the key benchmark measures for the Department of Human Services' (DHS) Early Care and Education program is the percent of child development facilities that are nationally accredited. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Percent of Nationally Accredited Child Development Facilities



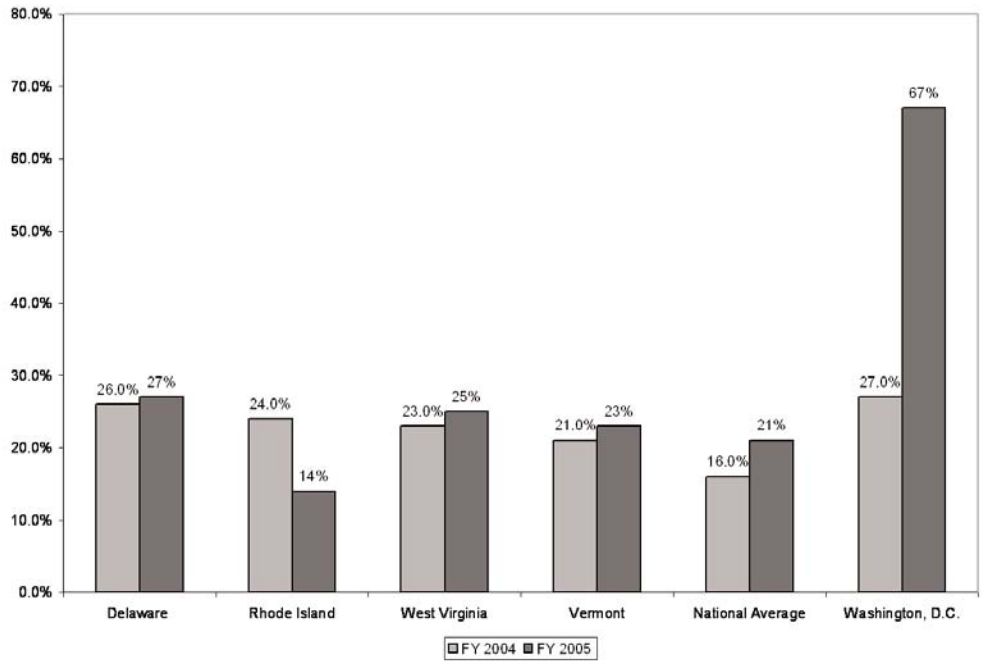
Note: The Department of Human Services provided all benchmark data.

The DHS was able to increase the percentage of accredited child development facilities and is close to par with the national average. Other jurisdictions have increased their percentages dramatically. According to the DHS, the agency provides a high level of support to accreditation activities in the District. The Early Care & Education Administration (ECEA) funds training, professional development, and technical assistance so that child development centers may work towards obtaining accreditation. Personnel employed by the centers may use funds to pursue degrees in the child development field. Centers are supported through funding of age and developmentally appropriate equipment and supplies. Consultants work with individual child development centers to guide them through the accreditation process. Funding may also be used to pay accreditation fees.

Program: Early Care and Education

One of the key benchmark measures for the Department of Human Services' (DHS) Early Care and Education program is the subsidized child-care access rate. This is a measure of the percent of children served under the Child Care and Development Fund (CCDF) program, which provides grants to jurisdictions for child care subsidy programs. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Subsidized Child Care Access Rate



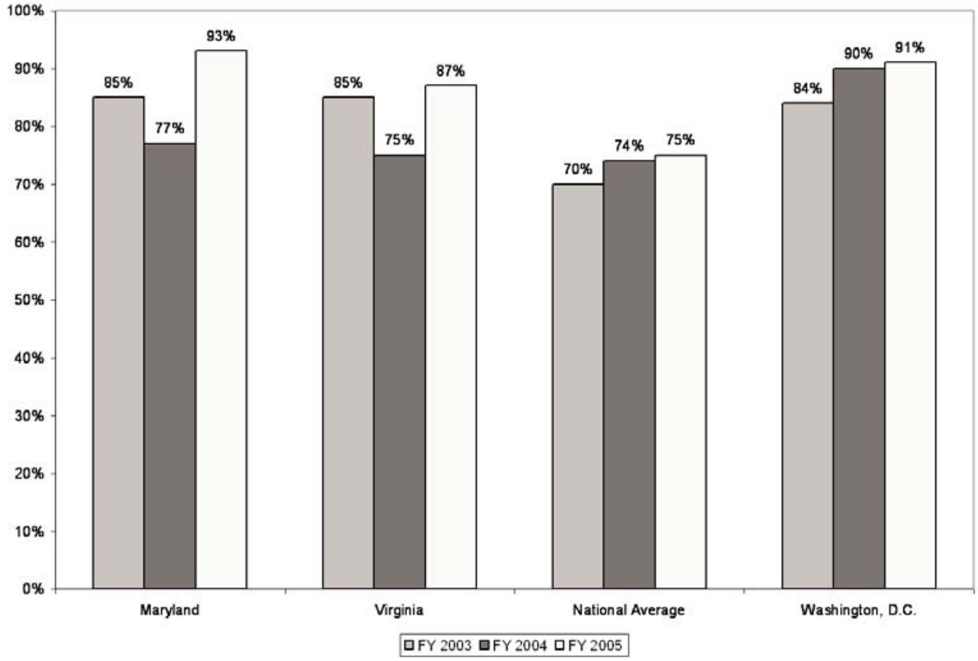
Note: The Department of Human Services provided all benchmark data.

According to DHS, the District had the highest subsidized child-care access rate in the nation and due to higher productivity was able to serve 21,315 of the 31,500 eligible children. Comparison data is provided for the top five jurisdictions and the national average.

Program: Family Services

One of the key benchmark measures for the Department of Human Services' (DHS) Family Services program is the percentage of refugees served that retained employment for 90 days. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Percent of Refugees in Employment for 90 Days



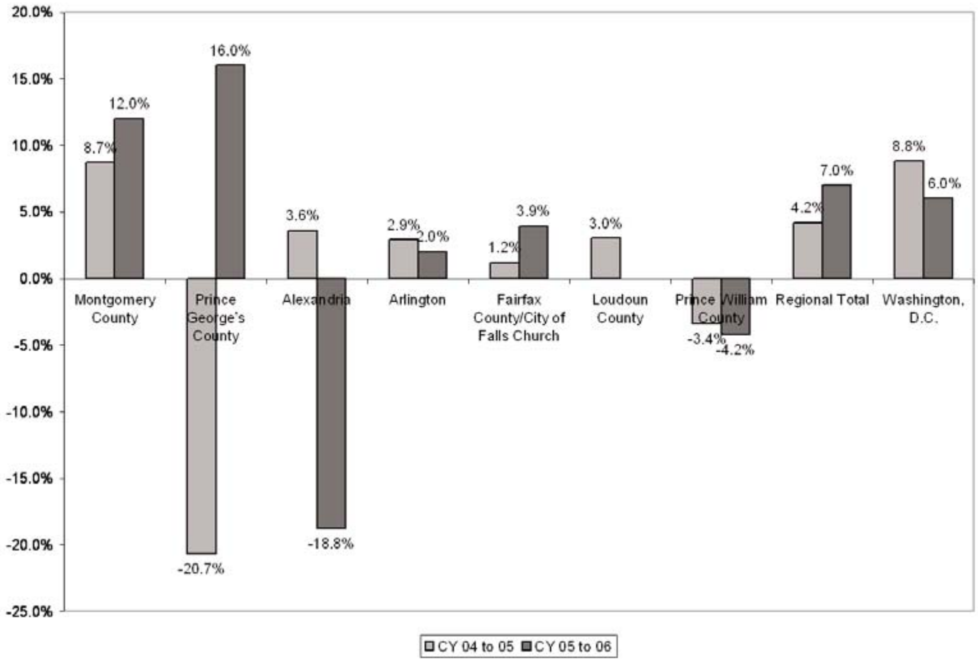
Note: The Department of Human Services provided all benchmark data.

The population served by this benefit are refuges authorized by the U.S. State Department to immigrate into the country and are granted permanent residence. According to DHS, the District's rate of the percentage of refugees served that retain employment for 90 consecutive days is trending upwards much like the national average. The Refugee Resettlement activity works to move clients toward self-sufficiency so that clients will earn enough that additional cash assistance is not required.

Program: Family Services

One of the key benchmark measures for the Department of Human Services' (DHS) Family Services program is the rate of change in the count of homeless persons in the District of Columbia. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Rate of Change in Number of Homeless Persons From CY 2004 to 2005 and 2005 to 2006



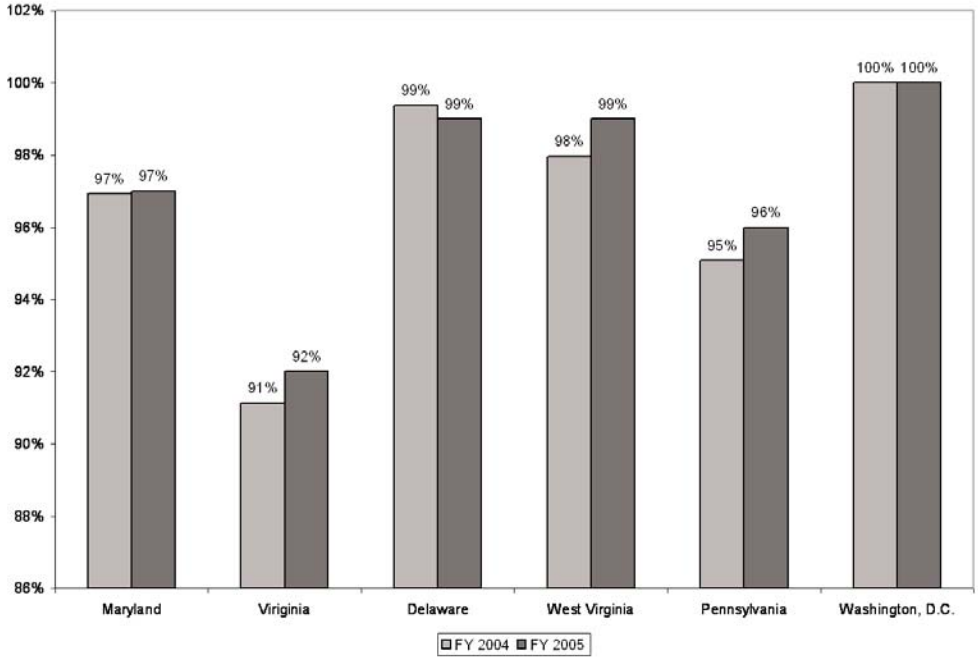
Note: The Department of Human Services provided all benchmark data.

According to DHS, the percent of homeless persons in the District increased by 6% percent or 764 individuals and the indication is that there continues to be a strong need for programs to stem the tide of homelessness in the District. The Homeless Enumeration report, produced by the Metropolitan Washington Council of Governments, tracks both the "literally homeless" (i.e., those without shelter or residing in temporary shelter) and the "permanently supported homeless" (i.e., those in permanent housing, but at risk of homelessness without supportive services). The data is produced by counting the homeless at a point in time, which for the FY 2005 report was January 26, 2005 and for the FY 2006 report was January 21, 2006.

Program: Rehabilitation Services

One of the key benchmark measures for the Department of Human Services' (DHS) Rehabilitation Services program is the percent of RSA clients who maintain competitive employment for a minimum of 90 days. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Percent of RSA Clients Maintaining Competitive Employment for 90 Days



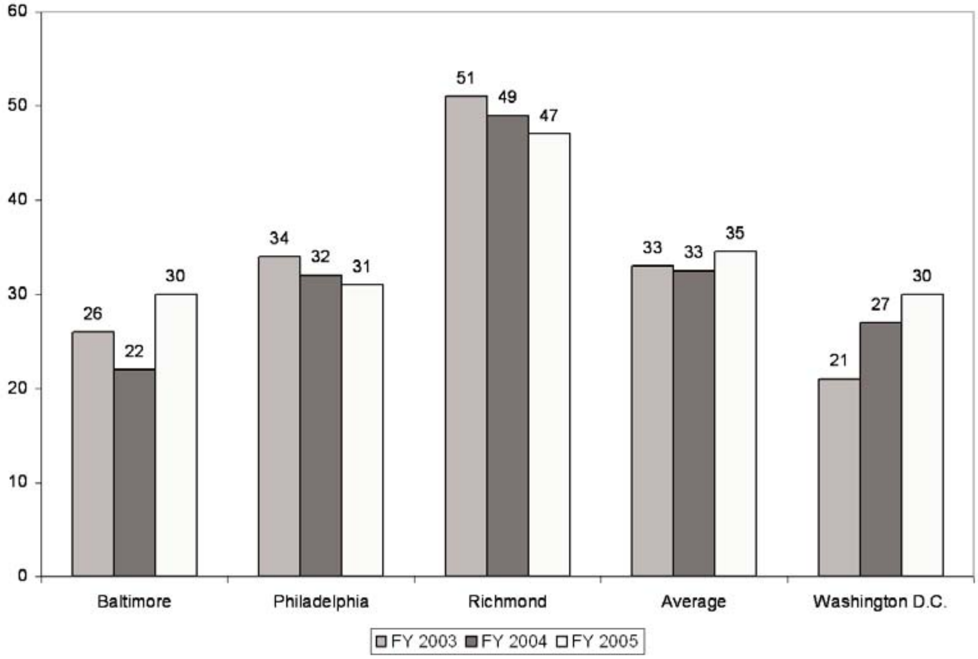
Note: The Department of Human Services provided all benchmark data.

According to DHS, the District's competitive employment outcomes rate of 100% exceeds the rates of the comparison jurisdictions. Competitive employment refers to work in the competitive labor market that is performed on a full-time or part-time basis in an integrated setting and for which an individual is compensated at or above the minimum wage, but not less than the customary wage and level of benefits paid by the employer for the same or similar work performed by individuals who are not disabled. The strong performance on this measure is a result of the individualized approach in service provision that RSA uses. Each consumer has an employment program tailored to meet his or her specific situation.

Program: Detained Services

One of the key benchmark measures for the Department of Youth Rehabilitation Services' (DYRS) Detained Services program is the number of admissions to secure detention per 1,000 youth ages 12-17. The accompanying graph compares the District to benchmark jurisdictions.

Number of Admissions to Secure Facilities per 1,000 Youth



Note: The Department of Youth Rehabilitation Services provided all benchmark data.

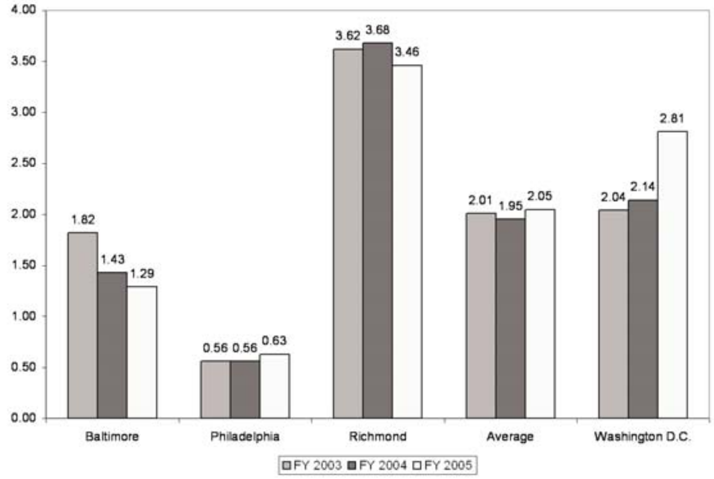
The Department of Youth Rehabilitation Services (DYRS) provides citywide services for delinquency prevention and control to the protection of the community and the rehabilitation of youth. Specifically, the DYRS provides security, supervision, and residential and community support services for committed and detained juvenile offenders and juvenile Persons in Need of Supervision (PINS). Clients are engaged in a variety of educational, therapeutic, recreational, and cultural enrichment programs.

Comparative analysis of juvenile admissions to secure detention facilities is difficult given the differences in the definition of an "admission". For example, in Philadelphia a youth that spends the night in secure detention prior to his or her court hearing the following morning is considered an "admission", while in DC those youths are not considered an "admission" unless ordered to remain in confinement by a judge. The data shows a clear upwards trend in juvenile admissions in the District, even between 2004 and 2005, a period in which juvenile arrests declined slight.

Program: Detained Services

One of the key benchmark measures for the Department of Youth Rehabilitation Services' (DYRS) Detained Services' program is the number of youth days in secure detention per 1,000 youth ages 12-17. The accompanying graph compares the District to benchmark jurisdictions.

Number of Days in Secure Detention Per 1,000 Youth



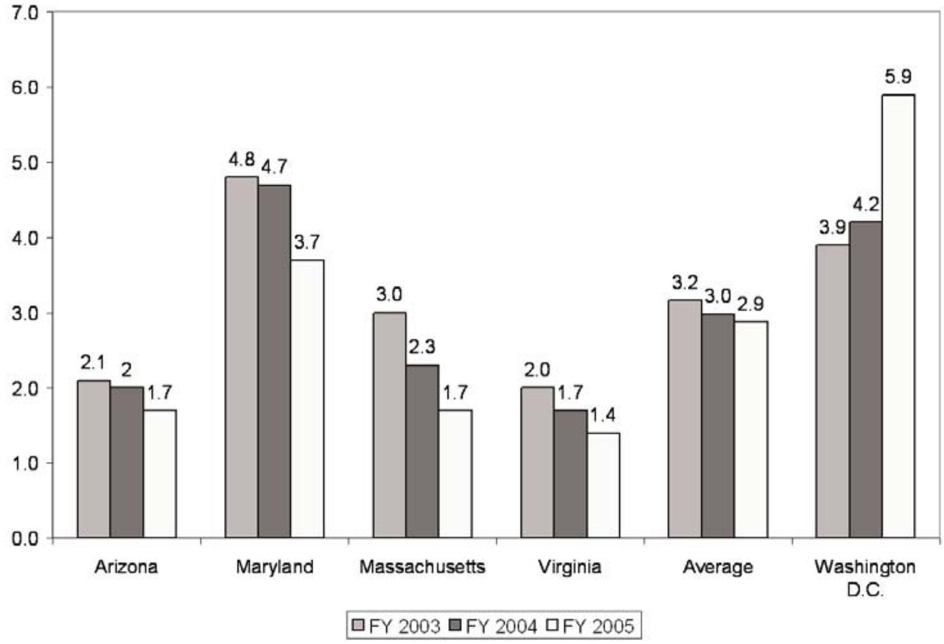
Note: The Department of Youth Rehabilitation Services provided all benchmark data.

Although Washington, DC's secure detention admissions rate per 1,000 youth benchmark (previous page) was lower than or equal to Baltimore and Philadelphia, the average daily population in secure detention per 1,000 youth is higher than Baltimore and Philadelphia. Philadelphia had 5,473 detention admissions compared with 1,338 for DC, but the average daily population was higher in DC because Philadelphia had a much shorter length of stay (7 days) than the District, which had an average stay of 35 days in FY 2005. Therefore, at any given time, DC had a higher proportion of youth in secure detention (compared with the overall youth population) than Baltimore and Philadelphia. Richmond had an even higher average proportion of youth in secure detention – approximately six times the rate for Philadelphia and more than double the rate for Baltimore. The reason Philadelphia has the lowest average is likely because the court-ordered capacity for the Youth Study Center is much lower, per 1,000 residents, than the capacity in other jurisdictions. Philadelphia has a wide range of less secure options, including shelter homes in which all educational and other programming is conducted on site. They also have up to 500 slots for programs that serve as an alternative to out of home detention, including electronic monitoring, intensive supervision, voice tracking, and home detention. Also, all Philadelphia youth 15-17 years of age who are charged with a felony involving a weapon, are processed through adult court and therefore are not placed in the juvenile detention center. Richmond's detention center had an average population that exceeded the capacity, and the capacity is somewhat large in relation to the number of youth in the city. At any given time, a significant number of beds in Richmond's detention center are occupied by probation or parole violators.

Program: Committed Services' Programs

One of the key benchmark measures for the Department of Youth Rehabilitation Services' (DYRS) Committed Services' Program is the number of youth who are newly committed to District each year per 1,000 youth ages 12-17. The accompanying graph compares the District to benchmark jurisdictions.

Number of New Commitments Per 1,000 Youth



Note: The Department of Youth Rehabilitation Services provided all benchmark data.

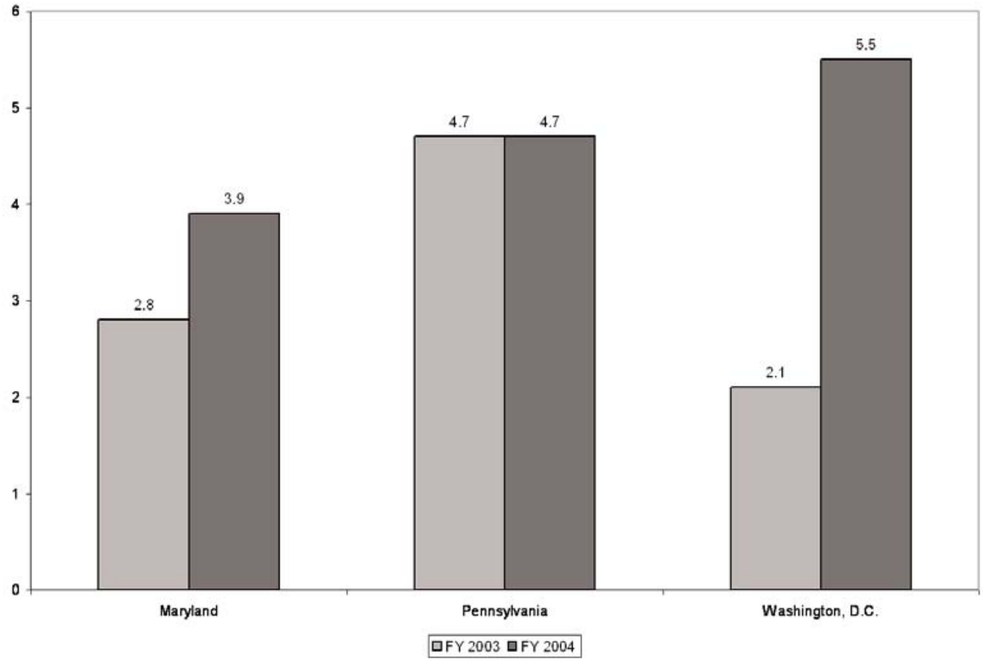
It is no surprise that the District has a higher commitment rate than the four comparison states - the District's unique characteristics, specifically the fact that DC is 100% urban, almost ensures a higher rate of crime than these states. While the major metropolitan areas of the other states may have crime rates similar to that of the DC area, one would not expect the entire state to have as much per capita crime. This is due mostly to the concentration of poverty in cities and the fact that the density of cities itself can cause additional crime, as residents live much closer to one another. In fact, the rate of commitment for Baltimore City residents is very similar to that of the District. Still, the numbers in this benchmark for the District are jarring because of the change in the number of commitments between FY 2004 and FY 2005. While the other four states each experienced a decrease in the number of new commitments ranging from 2% - 14%, the number of new commitments increased by 40% in the District. This is an astonishing jump, especially when considering that juvenile arrests decreased between 2004 and 2005. Some specific steps to reduce the number of youth committed to the DYRS include: improving the quality of services and supervision provided by Court Social Services for youth on probation, and improving early intervention and prevention efforts by schools and community-based providers to ensure that youth don't reach commitment status.

Child and Family Services Agency (RL0)

Program: Child Welfare

One of the key benchmark measures for the Child and Family Services Agency's Child Welfare program is the number of finalized adoptions per 1,000 children. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Number of Finalized Adoptions Per 1,000 Children



Note: The Child and Family Services Agency provided all benchmark data.

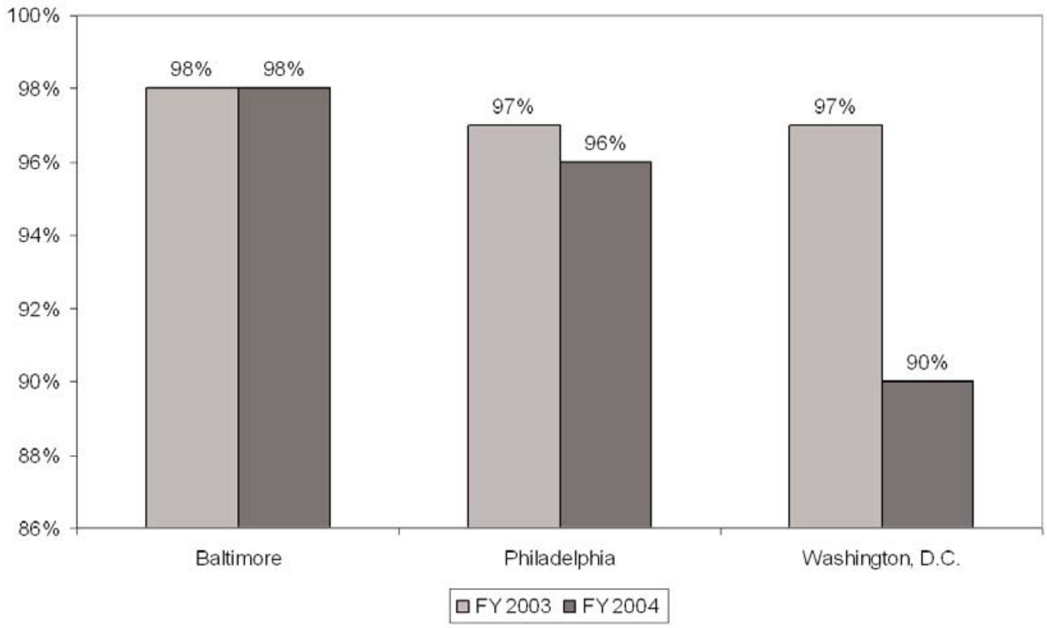
The District of Columbia Child and Family Services Agency provides important services to promote the safety and well-being of children and families. The agency coordinates public and private partnerships to preserve families through foster care, adoption, and child welfare services, and to protect children against abuse or neglect.

The Fiscal Year 2004 showed a marked increase in the number of finalized adoptions within the District of Columbia. The agency noted, however, that it is difficult to compare the District to states on this measure. The CFSA has focused its attention on children in foster care who do not have adoptive resources identified (parents who have indicated they are willing to adopt the child) and aggressively pursued recruiting adoptive homes for these children. These steps express the District's philosophy that children do better when they are in permanent family environments. These actions by the CFSA appear to be working.

Program: Child Welfare

One of the key benchmark measures for the Child and Family Services Agency's (CFSA) Child Welfare program is placement stability: percent of children placed into foster care having 2 or fewer placements within 12 months of entering foster care. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Percent of Children in Foster Care with 2 or Fewer Placements within 12 Months



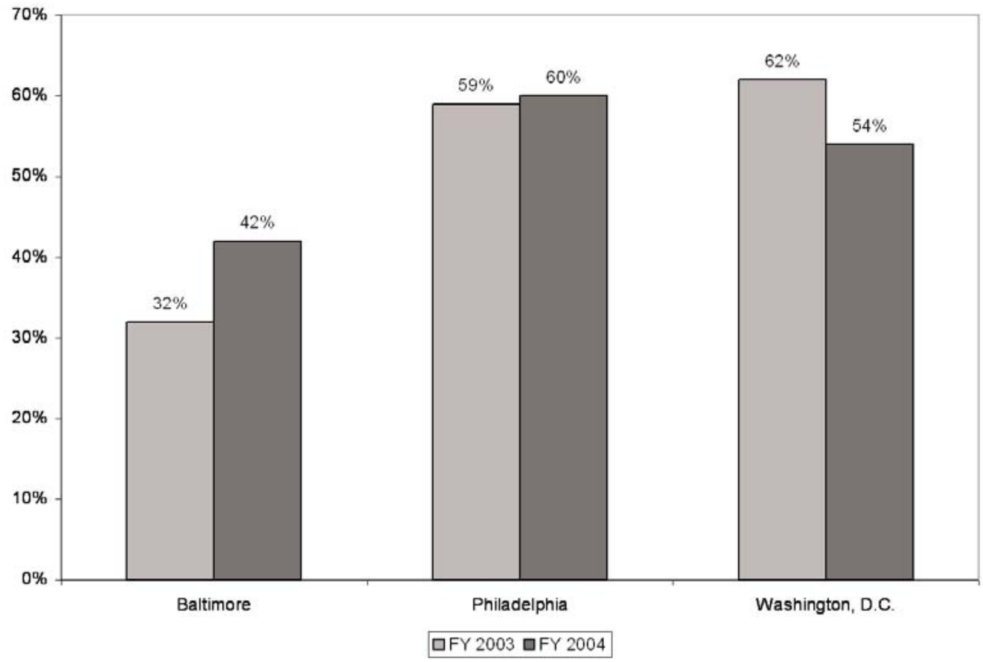
Note: The Child and Family Services Agency provided all benchmark data.

According to the CFSA, the District number of children with two or fewer placements within 12 months dropped from 97% to 90%. This is a negative movement as it means a higher rate of placement turmoil was experienced by children in FY 2004 as compared to FY 2003. The CFSA has given considerable attention to the number of moves that children in foster care have and are working diligently to reduce the number of placements our children experience in care. The CFSA has established placement protocols that make it difficult to move children without compelling reasons. These steps express the District's philosophy that children do better when they are in permanent family environments

Program: Child Welfare

One of the key benchmark measures for the Child and Family Services Agency's (CFSA) Child Welfare program is the percent of children in foster care reunified with their family of origin within 12 months of removal from home. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Percent of Children in Foster Care Reunified with Family of Origin in 12 Months of Removal from Family



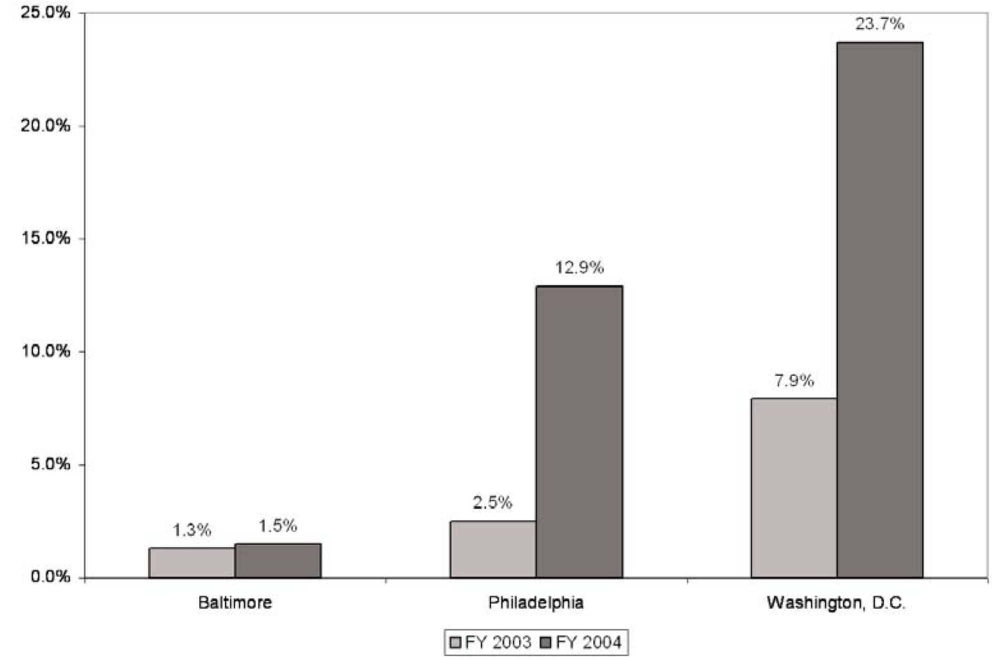
Note: The Child and Family Services Agency provided all benchmark data.

The CFSA saw a reduction in the number of children reunified with parents in FY04 from FY03 because of its aggressive pursuit of kin-based guardianship resources for foster care children. In particular, CFSA established its guardianship subsidy program for caregivers that are related to the child through blood or who met the definition of kin. While the percentage of foster children reunified with their birth parents declined slightly, the percentage of children that exited Out-of-Home Care to guardianship care increased dramatically

Program: Child Welfare

One of the key benchmark measures for the Child and Family Services Agency's (CFSA) Child Welfare program is the percent of children exiting foster care to guardianship care. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Percent of Children Exiting Foster Care to Guardianship Care



Note: The Child and Family Services Agency provided all benchmark data.

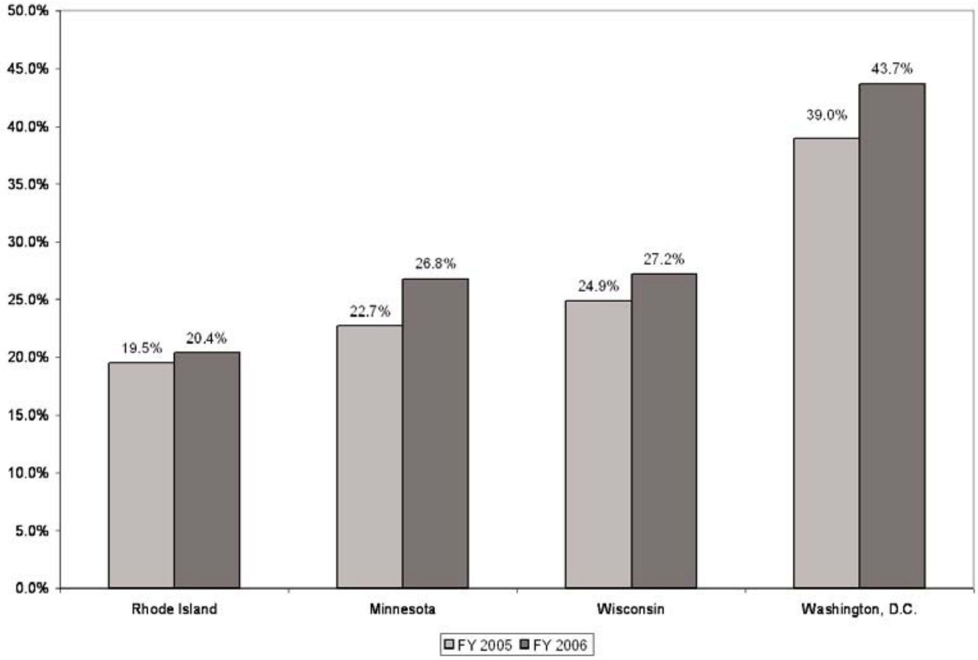
The percentage of children exiting foster to guardianship care in FY 2004 increased dramatically. This is a positive development as placement of children into long-term, stable environments facilitates their development and growth into productive adults

Public Works

D.C. Environmental-Energy Division (JF0)

Program: Energy Assistance Services Program
One of the key benchmark measures for the Energy Division's Energy Assistance program is the percentage of eligible households receiving assistance through the Low Income Home Energy Assistance Program (LIHEAP). The accompanying table illustrates the District's performance.

Percent of Eligible Households Receiving Assistance Through LIHEAP



Note: The D.C. Energy Office provided all benchmark data.

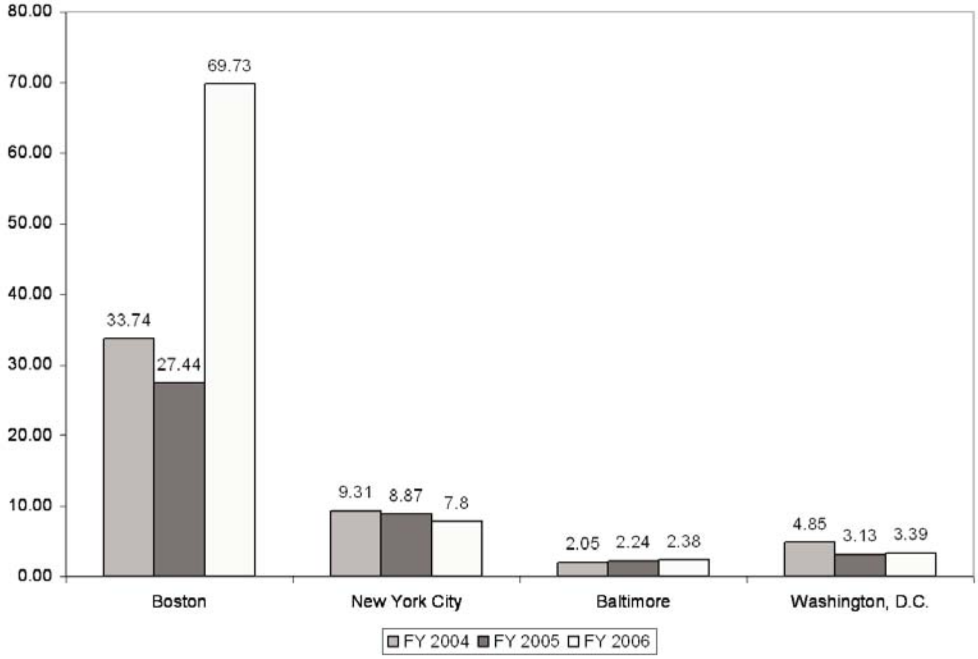
The District ranks #1 for the second year in a row among the 51 jurisdictions (states and the District) based on the percentage of eligible LIHEAP customers served. In FY 2006 the District served 25,371 LIHEAP recipients out of approximately 58,000 eligible households, making the penetration rate 43.7%. The Energy Division has a higher performance rating as compared to the other jurisdictions because in addition to the LIHEAP funding we receive from the U.S. Department of Health and Human Services, we receive energy assistance funding from the Mayors Office, Council, and the Public Service Commissions Reliable Energy Trust Fund. This additional funding has enabled us to:

1. Increase the number of customers served through: more effective program marketing efforts; increased intake through the Joint Utility Discount Day; and increased site/home visits.
2. Improve our business process by: installing an electronic payment system that is fast and efficient; and enhancing our energy efficiency education programs.

Program: Infrastructure Development and Maintenance

One of the key benchmark measures for the District Department of Transportation's (DDOT) Infrastructure Development and Maintenance program is the number of pothole complaints per mile of roadway maintained. The accompanying table illustrates the District's performance with benchmark jurisdictions

Pothole Complaints Per Mile of Roadway Maintained



Note: The District Department of Transportation provided all benchmark data. The FY 2006 number for Boston is approximate, as per the City of Boston 2007 budget.

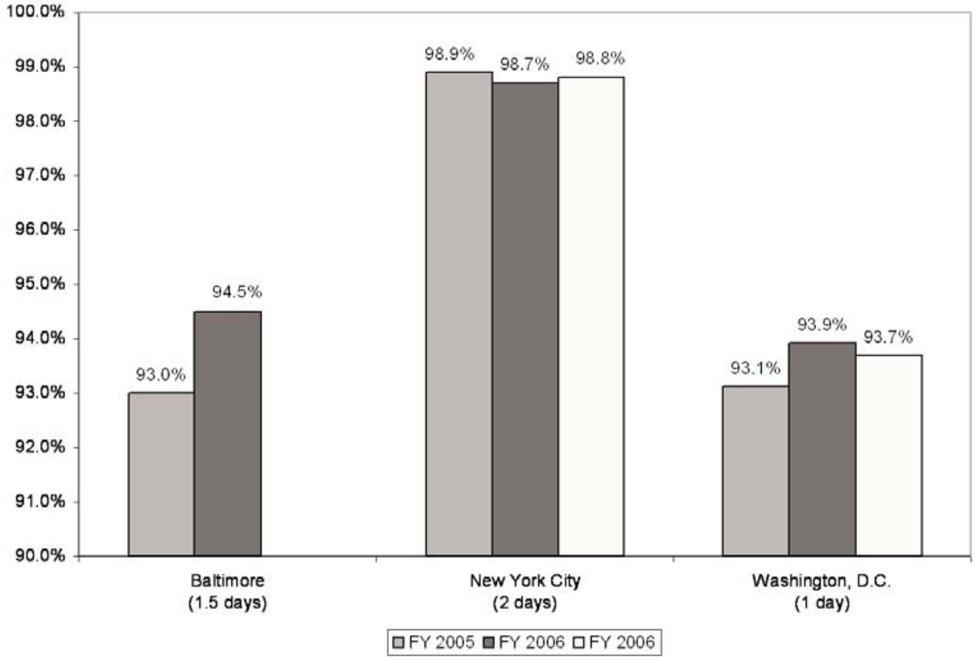
The District of Columbia government's Department of Transportation's (DDOT) mission is to enhance the quality of life for District residents and visitors by ensuring that people, goods, and information move efficiently and safely, with minimal adverse impacts on residents and the environment. The District Department of Transportation (DDOT) manages and maintains transportation infrastructure.

According to the DDOT, the agency's complaint levels are low in relation to the comparison jurisdictions. Since pothole complaints are one of DDOT's most critical service requests, the number of pothole complaints per mile of roadway maintained is a sound method to evaluate the quality of the District's roadway surfaces.

Program: Infrastructure Development and Maintenance

One of the key benchmark measures for the District Department of Transportation's (DDOT) Infrastructure Development and Maintenance program is the percent of traffic signals repaired within established timeframes. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Percent of Traffic Signals Repaired within Established Timeframes



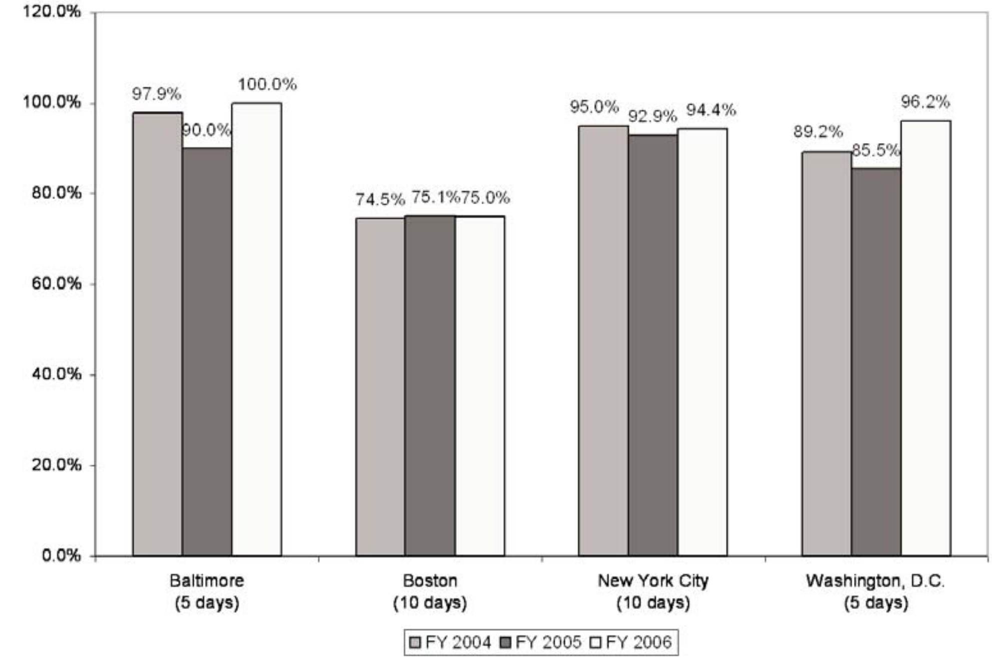
Note: The District Department of Transportation provided all benchmark data. FY2006 data for Baltimore was not available at publication.

According to the DDOT, the District's traffic signal repair performance is on par with the comparison jurisdictions even though DDOT's timeframes are more aggressive than the other two jurisdictions. The timeframe for New York City is 48 hours from the time of notification; DDOT's timeframe is 24 hours from the time of notification. The agency's performance remains high, despite the shorter timeframe. DDOT has improved its performance in this area by focusing additional resources onto service requests and by replacing aging traffic signals.

Program: Infrastructure Development and Maintenance

One of the key benchmark measures for the District Department of Transportation's (DDOT) Infrastructure Development and Maintenance program is the percent of streetlights repaired within established timeframes. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Percent of Streetlights Repaired within Established Timeframes



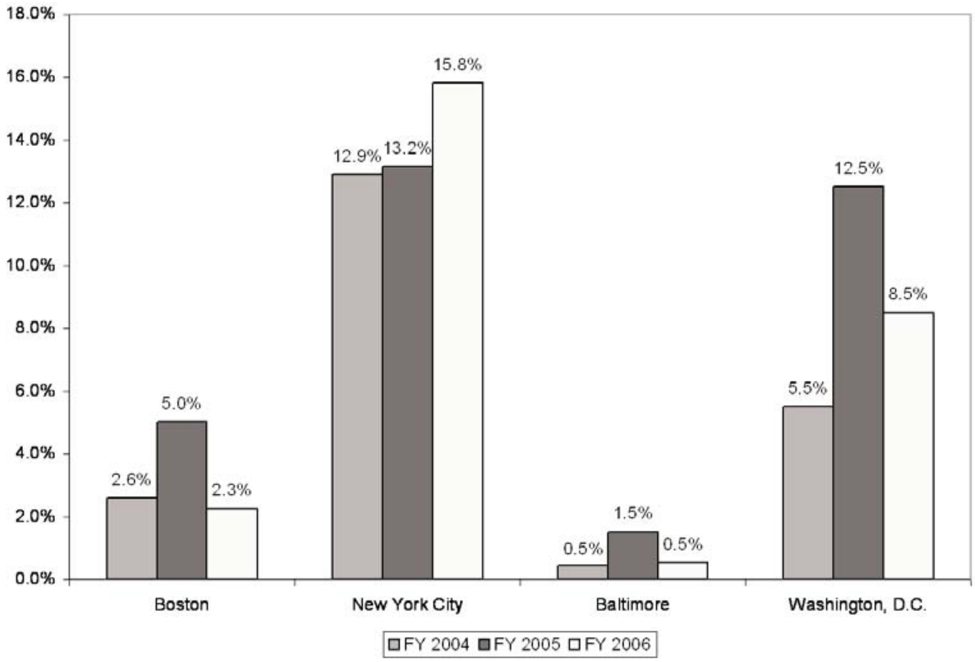
Note:: The District Department of Transportation provided all benchmark data. The FY 2006 number for Boston is approximate, as per the City of Boston 2007 budget.

According to the DDOT, the agency's performance improved in FY 2006 and is the second highest of the comparison jurisdictions, even though the District's timeframes for repairs are more aggressive than two of the comparison jurisdictions. Established timeframes for New York and Boston are ten days from the time of notification. Both Baltimore and the District's timeframes are five days from the time of notification. The agency's reported performance is excellent, even with the shorter timeframes.

Program: Infrastructure Development and Maintenance

One of the key benchmark measures for the District Department of Transportation's (DDOT) Infrastructure Development and Maintenance program is the percent of District maintained roads repaved per year. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Percent of Roadway Repaved Per Year



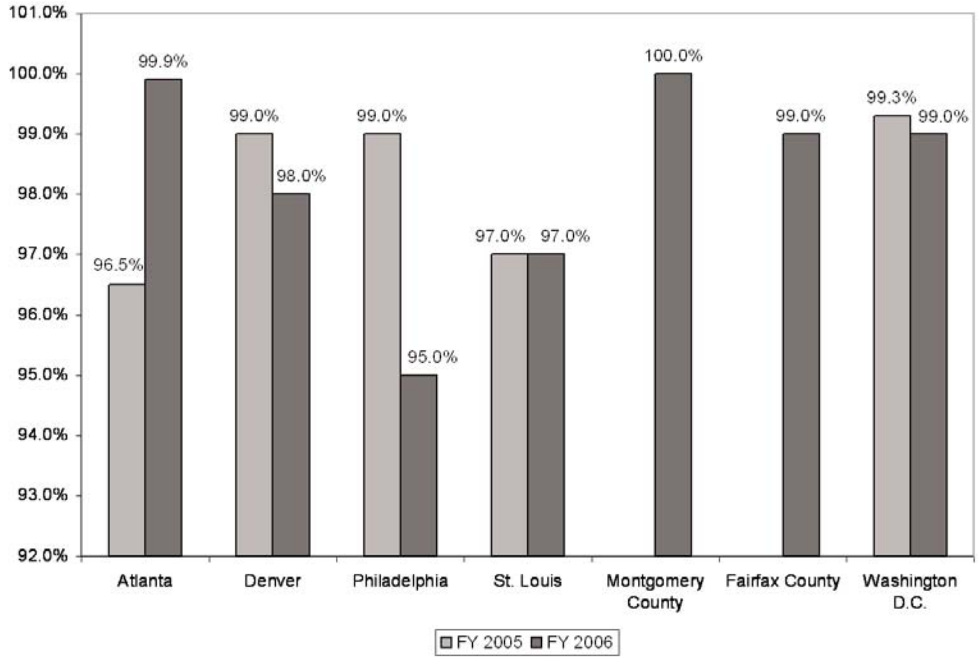
Note: The District Department of Transportation provided all benchmark data. The FY 2006 number for Boston is approximate, as per the City of Boston 2007 budget.

According to the DDOT, the District's percentage of repaved highway dropped to 8.5% in FY 2006. While the repaving rate dropped in FY 2006, the pothole complaints rate (a previously shown benchmark) also dropped in FY 2006, which is possibly an indictor that the District's streets are overall in good condition. The amount of repaving completed is directly impacted by factors such as budget, weather and the need for repaving. The District is well ahead of Boston in the amount of roadway it repaves annually. The need for repaving is likely greater in Washington than in Boston, due to the higher temperature variance from winter to summer.

Department of Public Works (KT0)

Program: Sanitation Services
One of the key benchmark measures for the Department of Public Works' (DPW) Sanitation Services program is the percent of residential trash collected on the scheduled day. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Percent of On-time Trash Removal



Note: The Department of Public Works provided all benchmark data.

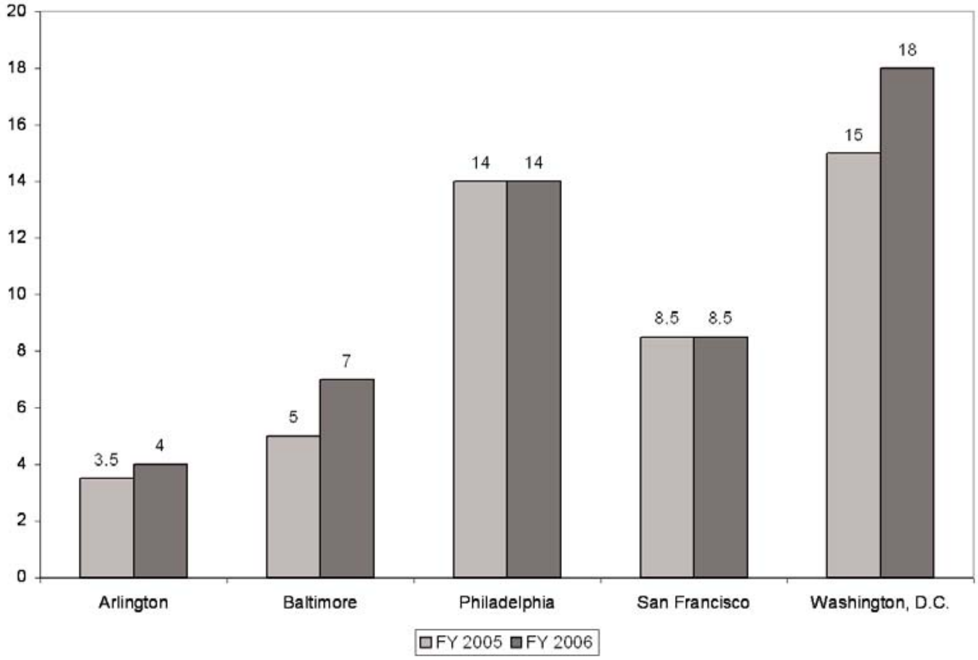
The Department of Public Works (DPW) provides municipal services in two distinct program areas: environmental services/solid waste management and parking enforcement. Both contribute to making District streets and public spaces clean, safe, attractive and accessible.

According to the DPW, on-time residential trash collection continues to be one of the Department's best performing services. This benchmark is important because regular trash collection affects over 110,000 households each week and the DPW has 135,000 trash collection opportunities each week. Trash collection may be one of the only services many households directly receive on a frequently reoccurring basis from the District government. Note, Montgomery County and Fairfax County (both neighboring jurisdictions) were added this year.

Program: Parking Services, Vehicle Immobilization

One of the key benchmark measures for the Department of Public Works' (DPW) Parking Services, Vehicle Immobilization program is the average number of boots per crew day. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Parking Boots Per Crew Day



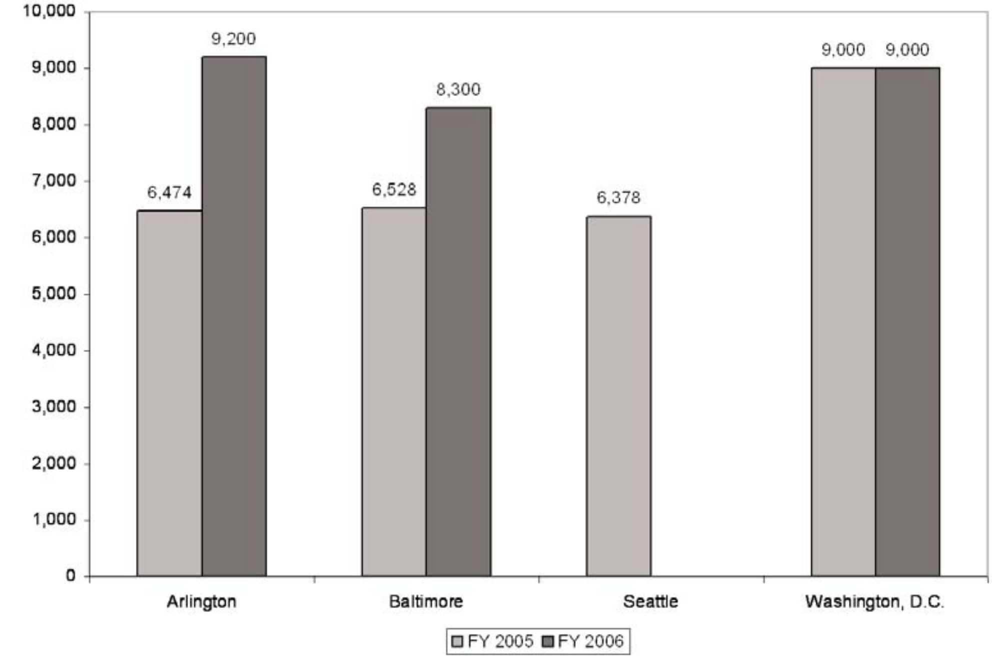
Note: The Department of Public Works (DPW) provided all benchmark data. A parking boot is a vehicle immobilization device that is placed on an on-street parked vehicle that has accumulated more than 3 unpaid parking tickets that are older than 30 days. A boot crew is the employee(s) charged with finding scofflaw vehicles eligible for immobilization and attaching a boot to those vehicles.

According to the DPW, the District had the highest average boots per crew day of the comparison jurisdictions. DC's booting crews boot more vehicles per day because they have more eligible vehicles to boot. DC does not have a parking ticket reciprocity agreement with its neighboring states. Parking tickets received in DC by drivers from Maryland and Virginia never need to be paid because those states do not require DC parking tickets to be satisfied before renewing the driver's license or the vehicle's registration. Booting out-of-state scofflaw vehicles ensures that the tickets are paid.

Program: Parking Services, Parking Enforcement

One of the key benchmark measures for the Department of Public Works' (DPW) Parking Services, Parking Enforcement program is the average number of citations/violations per parking enforcement officer each year. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Average Number of Citations Per Parking Officer



Note: The Department of Public Works provided all benchmark data. Data for Seattle was not available at publication.

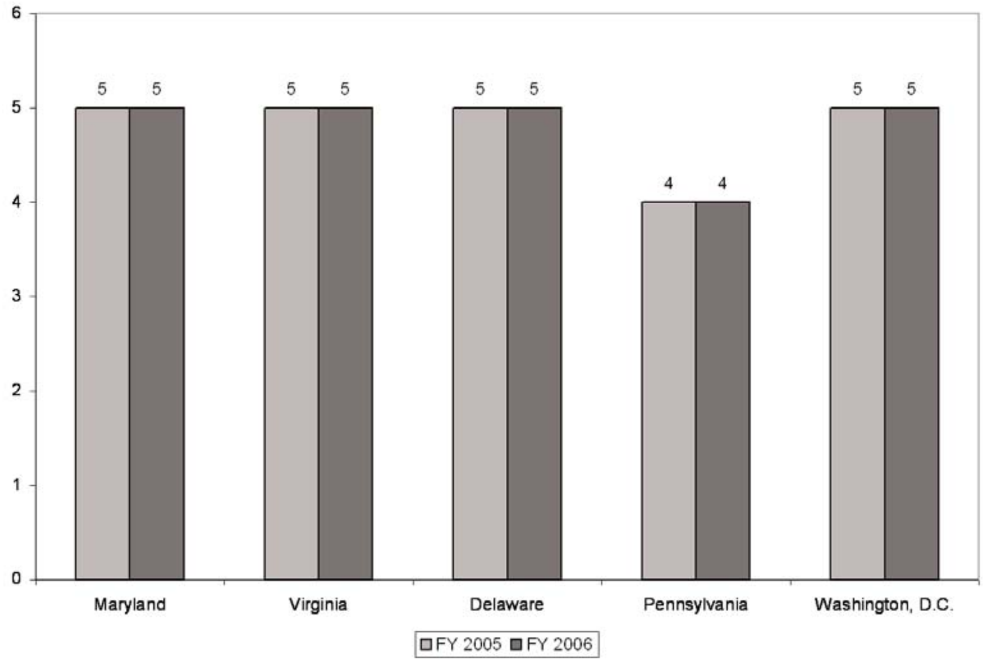
According to the DPW, each District of Columbia parking enforcement officer writes an average of approximately 9,000 parking citations a year. One of our neighboring jurisdictions, Arlington County, issues an average of 9,200 citations per year per parking enforcement officer. The District uses an automated ticketing system, which maximizes efficiency for the traffic enforcement officers. Enforcement of parking restrictions, especially in support of rush hour and street cleaning guidelines, provides for better traffic flow and cleaner streets.

Department of Motor Vehicles (KV0)

Program: Driver Services

One of the key benchmark measures for the Department of Motor Vehicles' (DMV) Driver Services program is the length of non-commercial driver's license validity. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Length of Non-Commercial Driver's License Validity (in years)



Note: The Department of Motor Vehicles provided all benchmark data

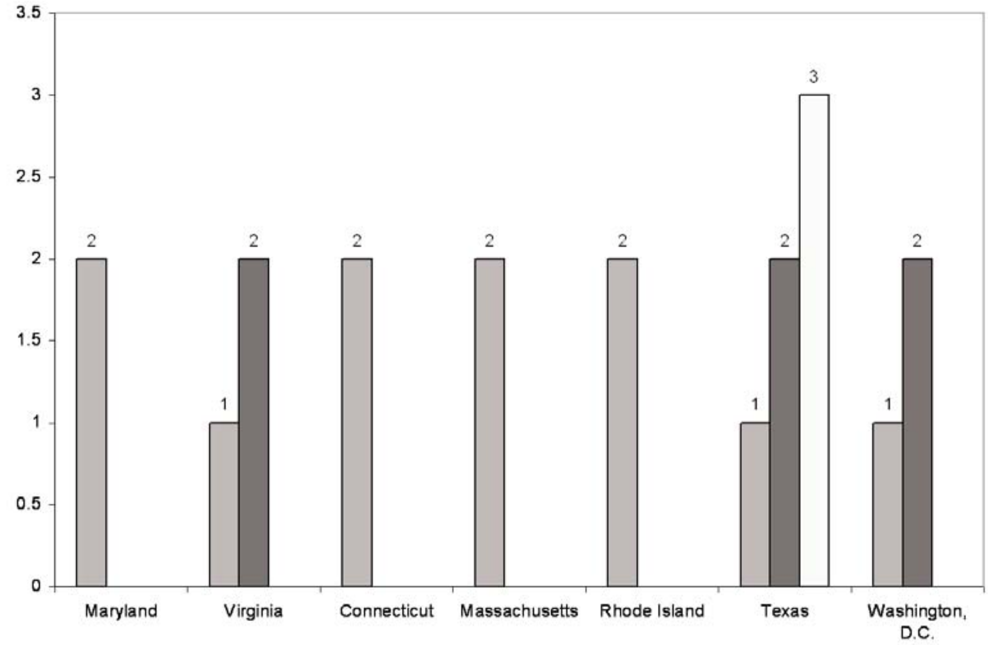
The mission of the Department of Motor Vehicles is to provide quality services to our individual and organizational customers to ensure the safe operation of motor vehicles and promote public safety.

According to DMV, the District of Columbia issues licenses for a five-year period. Other jurisdictional information shows that the length of validity varies between usually 4 to 8 years, and thirteen states issue licenses for six or more years. While the American Association of Motor Vehicle Administrators has published licensing standards, there is no industry standard for the length of a license's validity. Jurisdictions set their own terms. A longer licensing period allows residents to reduce their required visits to a service center, and the technology used to issue licenses (digital photos and signatures) will ensure that security is not compromised by this policy decision. Legislation passed by Congress (The Real ID Act) may standardize some aspects of drivers' licenses, potentially including the length of validity.

Program: Vehicle Services

One of the key benchmark measures for the Department of Motor Vehicles' (DMV) Vehicle Services program is the length of vehicle registration validity. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Length of Vehicle Registration Validity (in years)



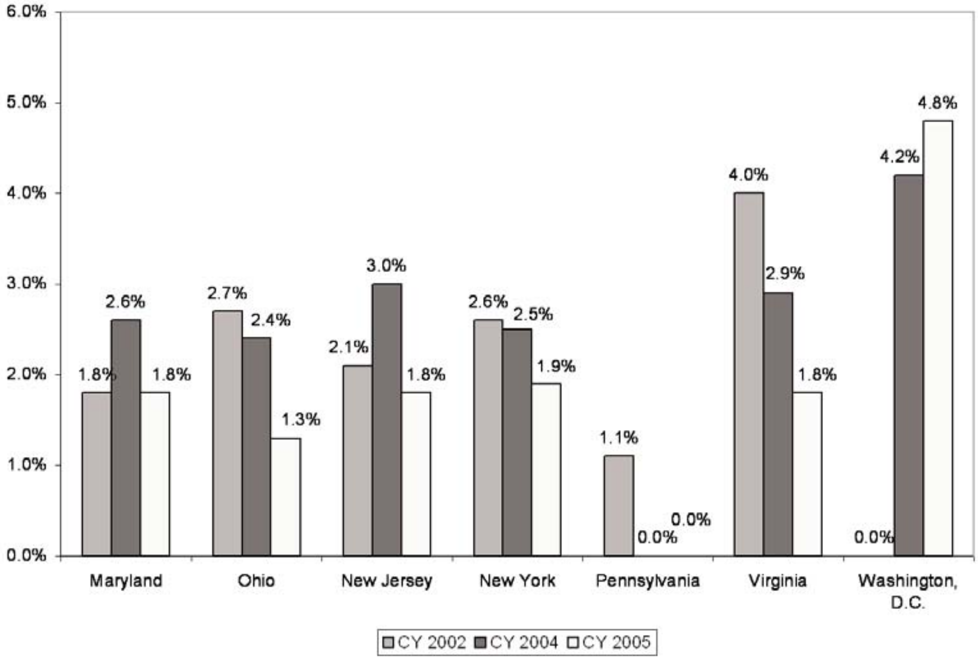
Note: The Department of Motor Vehicles provided all benchmark data

The chart above shows comparative data that is current for FY 2005 and FY 2006, the data did not change between the years. The data shows options residents have for the length of vehicle registration. In Texas, residents have a 1, 2, or 3 year option. The American Association of Motor Vehicle Administrators reports at least 16 jurisdictions surveyed have registration options for two years or longer. According to the District DMV, residents currently have the option of renewing their vehicle registration for one or two years. The District is moving towards a two-year mandatory registration, which would reduce the number of required trips to service centers, as well as enable residents to renew their registration at the same time that they renew their biannual vehicle inspection.

Program: Business Services

One of the key benchmark measures for the Department of Motor Vehicles' (DMV) Business Services program is the percent of International Registration Program (IRP) registrants audited. The IRP allows registered fleet vehicles to have only one license plate, even though license fees are paid to the jurisdictions in which they operate. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Percent of IRP Registrants Audited



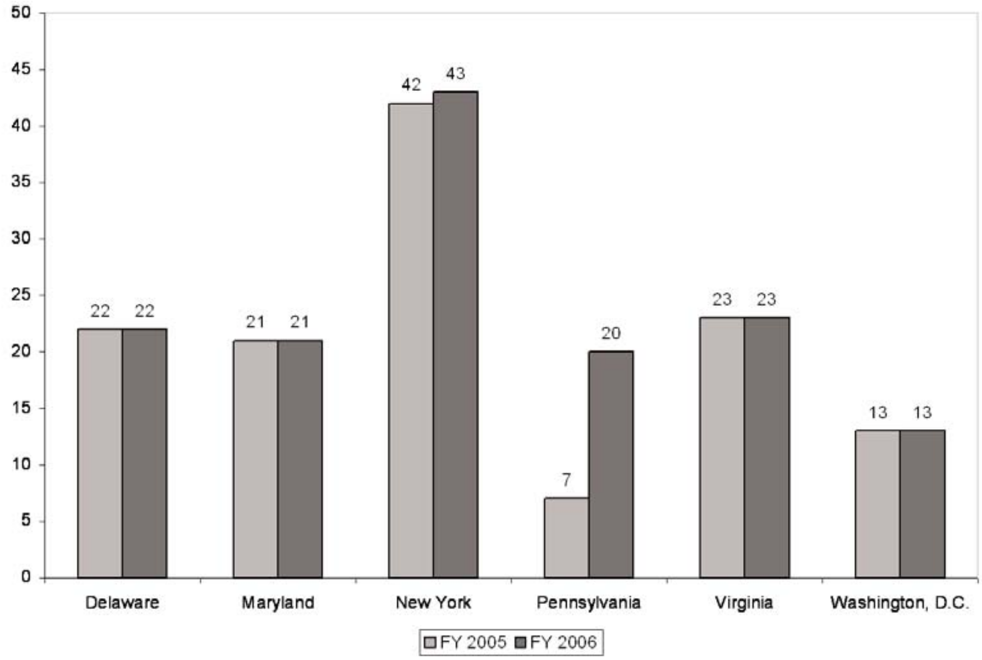
Note: The Department of Motor Vehicles provided all benchmark data

According to DMV, during calendar year 2005, the District of Columbia had 83 total IRP fleets registered with the program, which is an increase of 11 from CY 2004, and four audits were conducted. This represents 4.8% of the fleets registered, a higher percentage than the other jurisdictions benchmarked. IRP audits conducted by DC and other jurisdictions ensure that motor carriers are operating in compliance with applicable laws and are paying the appropriate vehicle registration fees to the jurisdictions in which they operate.

Program: Service Integrity

One of the key benchmark measures for the Department of Motor Vehicles' (DMV) Service Integrity program is the number of acceptable documents for proof of identity. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Number of Acceptable Documents for Proof of Identity



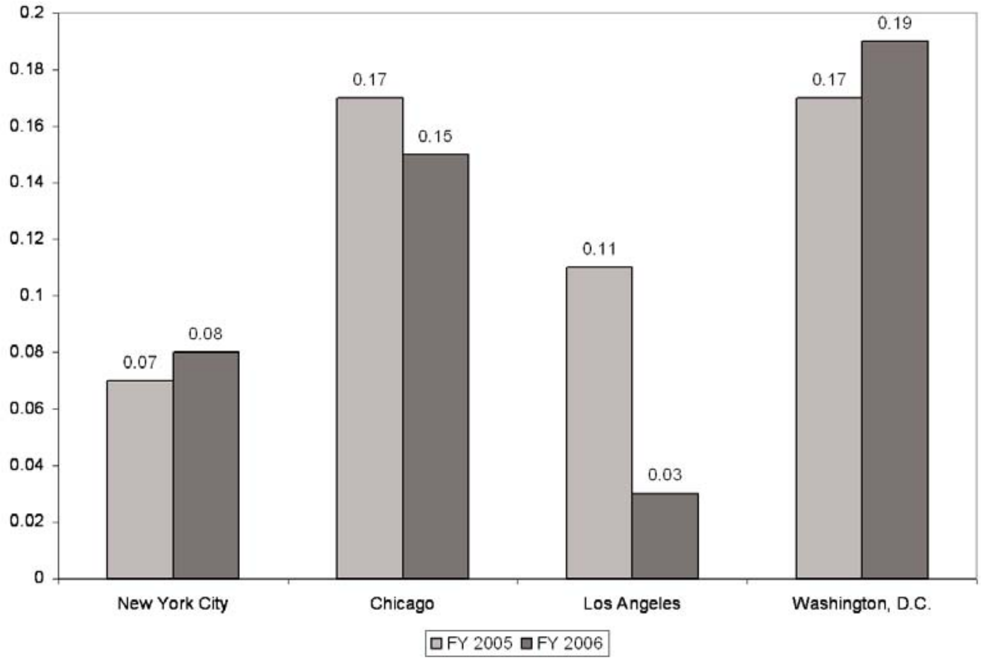
Note: The Department of Motor Vehicles provided all benchmark data

According to DMV, the District of Columbia DMV accepts 13 documents as primary proof of identity and will accept 5 different documents as secondary sources. Most jurisdictions, including DC, will allow residents to present a greater number of secondary source documents in an effort to maintain the legitimacy of issued licenses while not making it impossible for residents to obtain a driver's license. Legislation passed by Congress (The Real ID Act) may standardize some aspects of drivers' licenses, potentially including the number of acceptable documents for proof of identity

Program: Adjudication Services program

One of the key benchmark measures for the Department of Motor Vehicles' (DMV) Adjudication Services program is the number of DMV locations offering adjudication services for parking and moving violations tickets per 100,000 population. The accompanying table illustrates the District's performance with benchmark jurisdictions.

Number of Locations Offering Adjudication Services per 100,000 Residents



Note: The Department of Motor Vehicles provided all benchmark data. The number of locations offering adjudication services is defined as the number of sites a resident may go to in order to conduct a hearing which will render a decision on a parking or moving violation ticket.

According to DMV, the District has approximately the same number of adjudication locations as the comparison jurisdictions. The three comparison jurisdictions adjudicate tickets in the same manner as the District of Columbia.

District agencies collected and developed their benchmark data. Additionally, agencies were asked to document all sources and methodologies for data collection. The sources include federal reports, national and industry publications, and primary research with other jurisdictions. The District will continue to expand its benchmarking efforts in order to support performance improvement.

Capital Fund Deficit: *An Update*

Capital Fund Deficit: *An Update*

Introduction

The accumulated deficit reported each year from FY 2001 through FY 2005 in the District's General Capital Improvements Fund (the capital fund) became an accumulated surplus in FY 2006. The District has made changes in how it manages the capital budget, which have yielded some improvements in the capital fund's position. However, the surplus is mostly the result of two large borrowings during FY 2006 and a large transfer from the operating budget, which provided revenue but against which there was little spending. Without these borrowings and the transfer—the proceeds of which will be completely spent in the next few years, eliminating that portion of the surplus—the capital fund would still be in deficit, albeit at a lower level than in prior years. The District must continue its careful management of the capital fund's long-term balance.

This study updates the special study from March 2006 entitled "History and Resolution of the Capital Fund Deficit," which is available on the District's web site with the FY 2007 budget documents. It will discuss multiple aspects of the capital fund:

- *History of the Capital Fund Deficit* – A brief recap of the special study from March 2006, including accounting and budget issues..
- *FY 2006 Results* – How operations—financings and expenditures—during FY 2006 led to a capital fund surplus, and the composition of that surplus.
- *Looking Forward* – What the District is still doing to manage the capital fund's long-term balance.

History of the Capital Fund Deficit

The capital fund reported a deficit each year between FY 2001 and FY 2005. At first, the deficit appeared to be simply a timing difference between when General Obligation (G.O.) bonds were issued and when capital expenditures were made. However, it became clear that the deficit indicated a longer-term mismatch between borrowing and spending and that corrective action is necessary.

This section summarizes information provided in last year's special study; for more detail, please refer to that document, located at <http://dc.gov/mayor/budget_2007/special_studies/index2.shtm> (click on the link to "Studies" and go to page 89 of the document).

Accounting for Capital

Flows of Funds Into and Out of the Capital Fund

The capital fund is, in some ways, like any other governmental fund. Revenues or other resources (primarily G.O. bond proceeds) flow into the fund, increasing the fund balance, and expenditures or other uses flow out, decreasing the fund balance. Each year's activities produce an annual surplus or deficit depending on whether revenues exceed or fall short of expenditures. The fund balance is the aggregation of past surpluses and deficits—it is the balance in the fund's "bank account" at any given time. The fund balance's position is one of accumulated surplus or deficit. In preparing the Comprehensive Annual Financial Report (CAFR), the District computes the fund balance as of each September 30.

What makes the capital fund different from other funds, such as the General Fund, is that capital projects are multi-year, and thus each year's activity and resulting balance in the capital fund might not be an accurate representation of the fund's underlying health. The District usually borrows G.O. bonds once per year, but expenditures continue year-round. Furthermore, capital projects are usually budgeted as multi-year projects. While the District tries to time borrowing to match expenditures each year, in practice borrowing and spending do not always match up from year to year.

Capital Fund Structure: Sources of Funds

The District reports three capital funds: the General Capital Improvements Fund, the Highway Trust Fund, and the Baseball Project Fund.

Nearly all of the District's capital projects are accounted for in the General Capital Improvements Fund (the capital fund), which combines many sources of financing for capital projects. G.O. bonds are the primary source, and shortfalls in bond proceeds compared to expenditures are the main reason for the fund's past deficit. However, proceeds and expenditures related to the following sources also are aggregated into the fund's balance:

- *Pay-as-you-go (Paygo) capital*—revenue transfers from the operating budget or the fund balance of the General Fund.
- *Master Equipment Lease/Purchase*—special medium-term financing for equipment purchases for which the District does not want to issue long-term debt.
- *Sale of assets*—proceeds from the sale of land or buildings.
- *Certificates of Participation*—special financing for buildings which District agencies will occupy, similar to a lease-purchase arrangement. The District borrowed funds using COPs during FY 2006.
- *Tobacco securitization*[1] – in FY 2006, the District borrowed against future revenues due from tobacco companies as part of a settlement reached by the companies and various states in 1998. This was the second such securitization, and it covered revenues beyond those pledged for the first securitization in FY 2001.
- *Qualified Zone Academy Bonds*—financing through a federally sponsored program for school construction.
- *Federal highway grants*—the main source of federal capital funds, grants from the Department of Transportation to the District for Highway Trust Fund projects.
- *Other federal grants and federal payments*—grants from other federal agencies and direct appropriations from Congress for specific capital projects.
- *Rights-of-way fees*—fees paid by utility companies to the District for street repaving after cables or pipes are laid or otherwise use District streets for their operations. These fees go into the District's Local Streets Maintenance Fund
- *Parking tax*—beginning in FY 2006, parking taxes were devoted to capital projects as follows:
  a) 50 percent of parking tax revenues are deposited into the Local Streets Maintenance Fund.
  b) The other 50 percent of parking tax revenues are dedicated to the East Washington traffic initiative. The major components of this project are the rebuilding of the 11th Street and Sousa (Pennsylvania Avenue) bridges over the Anacostia River and the addition of new ramps to facilitate through traffic. This amount was deposited into the Local Streets Maintenance Fund in FY 2006 and FY 2007, and beginning in FY 2008 it will go to the operating budget to pay debt service on a large borrowing for this project.

Because all these sources are in the capital fund, it can be difficult to isolate the effects of G.O. bond

[1] Securitization is a financing method whereby a party sells bonds to investors based on a future stream of revenues. The securitizing party receives funds up front from the proceeds of the bond sale. The investors receive periodic payments—principal plus interest—on their bonds, with the securitizing party making payments as the future income stream materializes.

activity from all other activity. In particular, while the revenue sources are generally clear, the expenditures related to each source cannot always be identified. In recent years, the District has added a great deal of detail to the accounts in its financial management system to more clearly identify capital expenditures by financing source.

As stated above, the General Capital Improvements Fund accounts for all sources and uses of capital funds except two that are reported in separate funds:

- *Highway Trust Fund (Local)*—revenues from the Motor Fuel Tax are used to provide the local match for federal highway grants. The local match varies by project but is typically 20 to 25 percent of the full project cost.
- *Baseball Project Fund*—proceeds from bonds that will finance construction of the new baseball stadium were deposited into this fund, and all stadium-related expenditures will be accounted for in this fund as well. (See the Special Study Chapter "Baseball in the District of Columbia" for more details.)

This study focuses on the General Capital Improvements Fund and does not treat these other two funds.

Development of the Capital Fund Deficit

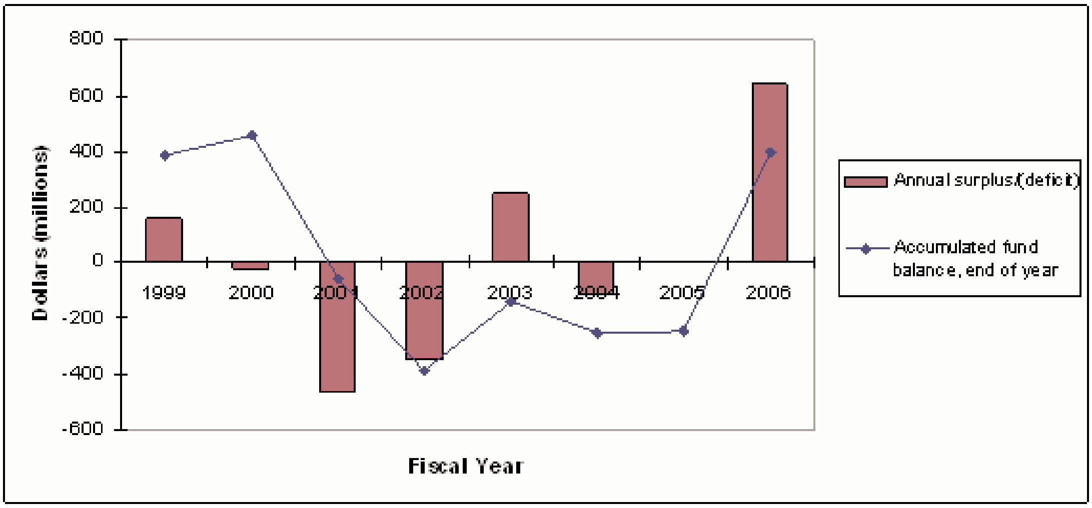
The District's capital fund went from surplus to deficit in FY 2001 and remained in deficit until FY 2006 (see figure 3-1).

In FY 1997, after two years of not being allowed to issue new G.O. bonds at the worst point of its fiscal crisis, the District began borrowing again. Capital expenditures increased more slowly than new bond issuances during the late 1990s. As a result, the capital fund balance grew to a positive $458 million by FY 2000.

District leaders became concerned that the District was borrowing funds for construction but not using those funds in a timely manner, thus paying interest on unused bond proceeds that were on deposit and earning lower interest rates. In response, around the time of the development of the FY 2000 budget, District leaders decided not to borrow G.O. bonds for all newly budgeted capital projects. Instead, the District would borrow later in the fiscal year or in the following fiscal year, based in part on actual expenditures and in part on expected expenditures. In other words, the District would in part borrow in arrears rather than borrowing in advance of expenditures, in an attempt to match the borrowing to the expenditures on a cumulative basis.

Figure 3-1

Fund Balance, General Capital Improvements Fund, FY 1999 - FY 2006



At the same time, agencies began responding to pressure to spend their capital budgets. Capital expenditures increased rapidly, especially in FYs 2001 through 2003, when expenditures exceeded $800 million per year. FYs 2001 and 2002 showed large annual deficits, in part because two regular G.O. bond offering were delayed until the following fiscal year. In FY 2003, the fund showed an annual surplus, because the District borrowed twice, to catch up from the previous lag in borrowing. However, these additional proceeds were not enough to bring the accumulated fund balance into balance at the end of FY 2003, and in FY 2004 the deficit worsened.

With increased management focus on the deficit and the beginning of a deficit reduction plan in FY 2005, the deficit fell slightly. As will be described in greater detail later in this study, an FY 2006 surplus was large enough to turn the accumulated deficit into an accumulated surplus.

Mismatch Between Budgeted Allotments and Borrowing Compared to Actual Borrowing

The District's budget process awards two types of budget to capital projects: lifetime budget authority and allotment authority.

- Lifetime budget authority (six-year budget)—the estimated total cost of a project at its inception. This is the figure that goes into the District's appropriation request to Congress and therefore the figure that Congress authorizes in the District's appropriations act each year.
- Allotment authority (one-year budget)—the expected spending by a project in the upcoming year. This is also the amount that the District plans to finance each year, using G.O. bond issuances or other sources.

Capital projects in an approved Capital Improvements Plan have legal authority to spend funds. If the actual financing matches the planned amount, based on the allotments, then the project's expenditures will not create a deficit. However, actual financing has not always matched planned amounts. Thus some capital expenditures, while authorized, have been unfinanced.

In the FY 1998 and 1999 capital budgets, the District borrowed G.O. bonds in the amounts that were called for in those years' capital budgets. But beginning in FY 2000 and continuing for several years, actual G.O. bond borrowing was less than the allotments and borrowing displayed in the budget (see table 3-

Table 3-1

Budgeted Allotments and Borrowing Compared to Actual G.O. Bond Borrowing, FY 1998 – FY 2004

(Dollars in millions)

Fiscal Year	Allotments and Borrowing in Budget (G.O. Bonds only)	Actual Bond Proceeds	Annual Surplus/ (Shortfall) of Financing versus Allotments	Cumulative Surplus/ (Shortfall) of Financing versus Allotments
1998 (1)	200.3	206.1	5.8	5.8
1999	236.9	236.9	(0.0)	5.8
2000	302.1	186.7	(115.4)	(109.6)
2001	493.2	65.0	(428.2)	(537.8)
2002	696.1	216.0	(480.1)	(1,017.9)
2003 (2)	587.8	706.9	119.1	(898.8)
2004	512.9	315.7	(197.2)	(1,096.0)

Notes:

(1) The slight surplus in FY 1998 is a result of how bond issuance costs were treated in the CAFR at the time. Actual bond proceeds available for expenditure were $200 million, not $206 million.

(2) FY 2003 bond proceeds included two borrowings, to make up for the "skipped" borrowing in FY 2001, when only a small intermediate-term borrowing was done. To be more precise, borrowing in (the first quarter of) 2002 was for 2001, and then the borrowings in 2003 were for 2002 and 2003.

1). Part of this shortfall was a decision to adjust the timing of borrowings, and the two G.O. bond issuances in FY 2003 partly offset the shortfall. But between FY 2000 and FY 2004, the cumulative shortfall exceeded $1 billion.

Each year the capital budget was developed assuming full financing of amounts displayed in table 3-1, and in many cases, allotments were budgeted based on that level of financing. When actual borrowing was less than this amount, the result was a great deal of capital budget allotments for projects for which the District never borrowed. When those projects spent against their budget authority, mostly in subsequent years, there was no financing to back the expenditures and the capital fund deficit increased.

This accumulated excess amount of budget allotments still represents a potential liability today. As described above, agencies spend against the allotments their capital projects have received, but these existing allotments far exceed what the District can actually afford to spend. Hypothetically, if all projects spent up to their remaining allotment levels in one year, the capital deficit could worsen by something more than $500 million.

The District has begun to reverse this potential liability in the past two years by budgeting new allotments that are less than financing amounts. In FY 2006, financing exceeded new allotments by $105.8 million, and in FY 2007, the difference was $148.9 million.

FY 2006 Results

While FY 2006 activity turned the reported accumulated deficit into an accumulated surplus, the underlying deficit has not been eliminated. The annual surplus of $643.2 million was primarily the result of two large financings, as well as an unusually large Paygo transfer from the operating budget. These revenues will be spent in coming years, and this portion of the accumulated surplus will disappear. The District must still monitor its capital spending carefully.

Financings

In FY 2006, the District borrowed $344.6 million through G.O. bonds, the usual method of financing most general capital expenditures. In addition, it undertook two large financings:

- $196.9 million was borrowed through COPs. The proceeds will pay for a new mental health hospital ($178.7 million, which will grow slightly with interest earnings) and a new building for the Department of Motor Vehicles ($18.2 million).
- $245.3 million was borrowed by securitizing future revenues from the payments due from tobacco companies as part of a settlement reached by the companies and various states in 1998. The proceeds will pay for health care needs in the District, primarily through capital expenditures but also through operating grants.

Little was spent against these two financings, so they had a large positive net effect on the overall results for the capital fund in FY 2006 (see table 3-2).

Without these two financings, the capital fund would have ended FY 2006 with an annual surplus of $216.4 million, and the fund's accumulated position would have remained in deficit by $30.0 million. However, the revenues (in excess of expenditures) of $426.8 million from these two financings meant that the fund ended with an accumulated surplus of $396.8 million.

In addition, the District transferred $265.02 million from the General Fund to the capital fund using a Paygo transfer in FY 2006. These funds were for three purposes:

- $53.80 million was to reduce the capital fund deficit directly. This amount was assumed to pay for unfinanced expenditures occurring in FY 2002 or earlier.
- $105.76 million was assigned to pay for specific expenditures, previously unfinanced, between FY 2003 and FY 2005.
- $105.46 million was to finance new FY 2006 budget allotments.

Some FY 2006 expenditures against the new FY 2006 budget allotments were made, but overall, this Paygo transfer was also a major factor in the FY 2006 surplus for the capital fund.

Table 3-2

FY 2006 Performance, General Capital Improvements Fund

(Dollars in thousands)

	Total, Capital Fund	Components of Capital Fund FY 2006 Tobacco Proceeds	FY 2006 COPs Proceeds	All Other Sources
FY 2005 Ending Position	**$(246,362)**	**$0**	**$0**	**$(246,362)**
FY 2006 Revenues	1,295,380	245,260	196,879	853,241
FY 2006 Expenditures	652,198	0	15,363	636,835
FY 2006 Surplus	643,182	245,260	181,516	216,406
FY 2006 Ending Position	**$396,820**	**$245,260**	**$181,516**	**$(29,956)**

Notes:
(1)The slight surplus in FY 1998 is a result of how bond issuance costs were treated in the CAFR at the time. Actual bond proceeds available for expenditure were $200 million, not $206 million.
(2)FY 2003 bond proceeds included two borrowings, to make up for the "skipped" borrowing in FY 2001, when only a small intermediate-term borrowing was done. To be more precise, borrowing in (the first quarter of) 2002 was for 2001, and then the borrowings in 2003 were for 2002 and 2003.

Expenditures

The District spent over $900 million in capital in FY 2006, mostly through the capital fund. Within the capital fund, the District Department of Transportation (DDOT) makes a large share of total expenditures. DDOT manages federal highway grants, the Highway Trust Fund (the local match for these grants), and the Local Streets Maintenance Fund. The Highway Trust Fund (local match) is reported separately, as noted above, but expenditures from both federal highway grants and the Local Streets Maintenance Fund are reported as part of the capital fund. Table 3-3 breaks these DDOT expenditures, as well as other federal funds, out of total expenditures in the capital fund and shows capital expenditures in the other two funds that record capital expenditures.

Table 3-3

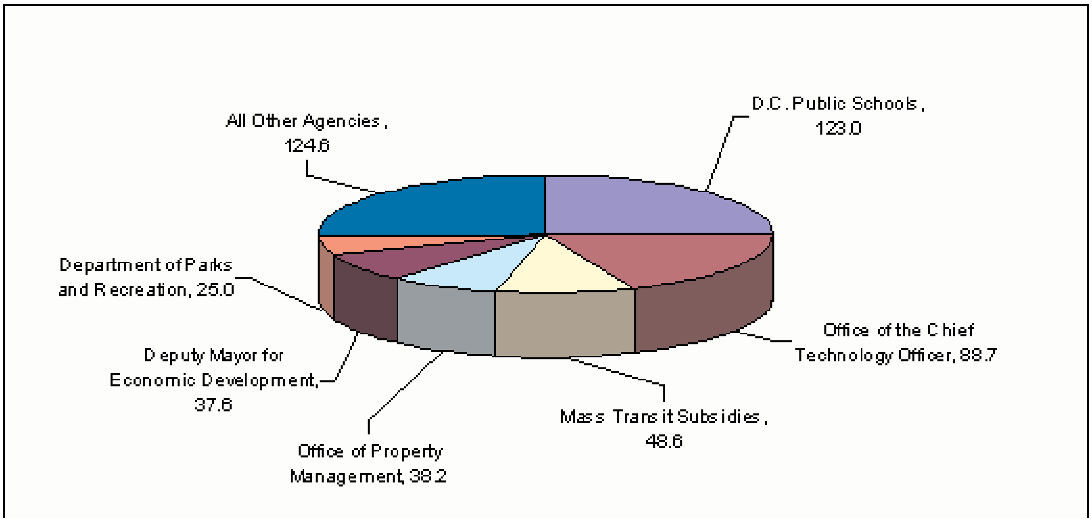
Capital Expenditures by Source of Fund, FY 2006

(Dollars in thousands)

Funding and Funding Source	
DDOT Federal Highway Grants	$110,351
DDOT Local Street Maintenance Fund	50,362
Other Federal Funds	5,690
Expenditures from District Borrowings and PAYGO	485,795
Subtotal, General Capital Improvements Fund ("Capital Fund")	**$652,198**
Highway Trust Fund (Local)	45,520
Baseball Project Fund	203,486
Total, Capital	**$901,204**

Notes:
(1) Details may not add to totals because of rounding
(2) District Borrowings and PAYGO include borrowing through G.O. bonds, Certificates of Participation, Qualified Zone Academy Bonds, and Master Equipment Lease/Purchase.

Figure 3-2
District Capital Expenditures by Agency, FY 2006
(Dollars in millions)



Within the $485.8 million of FY 2006 capital fund expenditures excluding federal funds and special DDOT funds, the District spent over half on three agencies and nearly 75 percent on six agencies (see figure 3-2).

These expenditures are grouped by owner agency, that is, the agency that benefits from each capital project. In many cases, owner agencies also implement their own capital projects. In some cases, certain agencies implement capital projects on behalf of other agencies, and . For example, while the District spent $123.0 million toward D.C. Public Schools (DCPS) capital projects, this consists of three components:

- $95.4 million DCPS spent on its facilities,
- $19.3 million spent through the Master Equipment Lease program for DCPS school buses, and
- $8.3 million spent by the Office of the Chief Technology Officer (OCTO) on DCPS information technology projects.

On the other hand, two of the largest capital agencies—OCTO and the Office of Property Management—each implement projects on behalf of multiple District agencies. For example, while OPM spent $38.2 million on its own projects, as shown in figure 3-2, it spent an additional $15.0 million on behalf of eight other owner agencies.

The total $652.2 million spent in the capital fund in FY 2006 was more than the amount that was spent in the previous two years, even though it was much less than the revenues for the year, as explained previously. Control of capital fund expenditures, in relation to revenues, is still required going forward to ensure the capital fund deficit does not recur and worsen.

Looking Forward

The District will track expenditures against the special FY 2006 financings separately and focus on the position of the fund with respect to G.O. bond financed projects, as supplemented with dedicated Paygo funds. As stated last year, the District needs to manage the capital fund in the face of two constraints: pressures to spend, as it tries to respond to vast capital improvements needs; and limitations on borrowing, because of high levels of debt incurred already. The simplest ways to resolve the deficit would be to (1) cut back greatly on spending or (2) borrow substantial amounts through G.O. bonds to cover past budget allotments. However, the District has critical infrastructure needs that must be addressed as it seeks to modernize its schools infrastructure, maintain and improve its streets and roads, contribute its share to Metro's capital program, further develop its information technology platforms, and maintain and upgrade recreation centers, police stations and fire department buildings, and all its other facilities. While spending will be limited, it cannot be curtailed. Similarly, the District cannot borrow all its needs to secure adequate financing immediately. It already has the highest per-capita debt (outstanding G.O. bonds and other debt in repayment) of any U.S. city or state, and additional projects requiring large-scale borrowing are already planned in coming years.

For these reason, the District plans to resolve the deficit over several years. The plan calls for spending controls and moderate amounts of additional borrowing over 5 years.

The plan's elements are as follows:

1. Capital contributions from the General Fund - The District transferred resources from the General Fund to the capital fund in FY 2006 to pay for some portion of past unfinanced expenditures. Because the capital fund owes the General Fund for these amounts, this action would be the equivalent of a forgiveness of that debt.

2. Borrowing for past unfinanced capital expenditures – In FY 2007, the District will borrow $50 million in excess of what has been budgeted for new capital projects. The difference - that is, the amount of the excess borrowing - will be assigned to capital projects that have spent in the past without having sufficient financing. These amounts can then immediately reimburse the General Fund for the advances made on behalf of the associated projects. The FY 2008 proposed budget also anticipates an additional $50 million of excess borrowing in each of the next 4 years, through FY 2011.

3. Financing of budget allotments that are currently unfinanced - as discussed in the budget section above, the District has begun to finance more each year than it awards in new budget allotments. The difference will be assigned to currently budgeted projects that do not have financing. While not directly reducing the deficit, this step will reduce the risk of overspending the available resources in any given year.

4. Spending limits - Beginning in FY 2005, the Office of the City Administrator, agency representatives, and the Office of the Chief Financial officer have worked to develop spending plans at the project level. The goal is to ensure that each year's capital expenditures do not exceed the new capital financing added that year, regardless of any higher level of allotment authority that is available. The deficit reduction plan does not rely on annual surpluses to achieve balance, so to the extent there has been underspending relative to prior years' plans, a certain amount of overspending in a given year might be affordable. This will be monitored carefully with the goal of ensuring long-term balance.

Through a combination of these steps, the District will eliminate the underlying capital fund deficit in 4 years. The final combination of these steps will be agreed to by the Mayor, the Council, and the Chief Financial Officer.

Fixed Costs

Fixed Costs

The term "fixed costs" is a misnomer. Services are fixed but the cost of such services is variable. These services are required for the day-to-day operations of the District government. Among the services are electric, heating fuel, natural gas, water and sewer, fuel for vehicles, steam for heating, telephone, rent, janitorial services, security, storage and postage. (Figure 4-1). Yet the labels belie the complexity of these costs. Over the short-term, fixed costs are relatively stable and are not influenced by the day-to-day activities of government. However, over the long-term, fixed costs typically grow with inflation and are governed by uncontrollable and unforeseen forces (weather, deregulation of rates and 9/11, for example) that underscore the challenges to District agencies in developing fixed cost estimates.

Management of Fixed Costs

Centralized management of the District's fixed costs began with the breakup of the Department of Administrative Services under the Revitalization Act of 1997. Today, four agencies develop and manage fixed costs:

1. The Office of Property Management (OPM) works with the District's real estate operations, facility management, protective services, and the Office of the Secretary to develop estimates for rent/occupancy, utilities, security, janitorial costs, and storage.

2. The Office of the Chief Technology Officer (OCTO) estimates costs for telecommunication services and provides guidelines to agencies for managing their telecommunication services.

3. The Department of Public Works (DPW) manages fleet services and administers those costs.

4. The Office of Finance and Resource Management (OFRM) is responsible for the central payment of most fixed costs. OFRM makes payments and serves as liaison between OPM, OCTO, and the agencies that incur the fixed costs. OFRM pays 96 percent of the District's centrally managed fixed costs; the remaining 4 percent is managed and paid by DPW.

Two other agencies -- the Office of Financial Operations and Systems (OFOS) and the Office of Budget and Planning (OBP) -- play key roles in the accounting and monitoring of fixed costs. OFOS ensures that proper financial controls are implemented by the agencies, while OBP assists agencies in including their fixed cost estimates in their annual budgets.

Figure 4-1
Keeping the lights on and the fleet moving

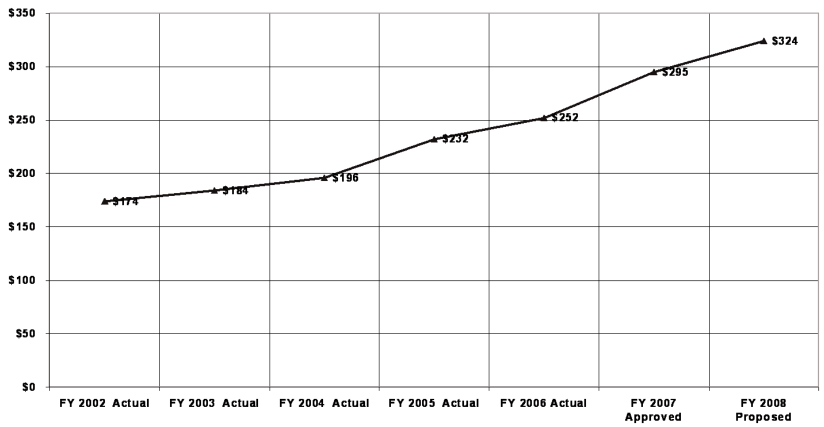
Fixed cost	Description	Who is responsible
Telecommunications	Voice and data lines, circuits, cellphones, pagers, PDAs, and other communication equipment	OCTO
Electricity	Lighting and electrical power	OPM
Natural gas	Heating	OPM
Security	Armed and unarmed security officers provided by vendors	OPM
Custodial	Daily trash removal, cleaning, landscaping	OPM
Water	Heating	OPM
Fuel	Gasoline and diesel fuel for government vehicles	OPM
Occupancy	Use of District government owned facilities by District agencies	OPM
Rent	Use of privately owned facilities	OPM
Postage	For processing and delivering mail and overhead	OPM
Steam	Heating	OPM
Fleet Services – lease	New leased vehicles and equipment and disposal services for designated agencies	DPW
Fleet Services – fuel	Fuel and lubricants to all designated District government users and other regional fleet partners	DPW
Fleet Services – maintenance	Preventive and preparatory equipment maintenance services to DPW and other designated agencies	DPW
Fleet Service – parts	Automotive parts to designated users and other regional fleet partners	DPW

Source: Office of Finance and Resource Management

Historical Perspective

If fixed costs were budgeted as a separate agency, that agency would be the 6th largest in District government. In FY 2007, fixed costs were budgeted at $295 million. Over the last 5 years, since FY 2003, fixed costs have increased by 90.8 percent District-wide (Figure 4-2). This increase is due primarily to an escalation in rent costs and increased electricity costs. In FY 2007, the District budgeted $139 million for rent and electricity costs. In FY 2008, these costs are projected to grow by 24.5 percent to $173 million while overall costs are projected to increase by 12.5 percent.

Figure 4-2
Growth of Fixed Costs FY 2001 to FY 2008



Outlook

Fixed cost estimates for FY 2007 and FY 2008 are $295 million and $324 million, respectively. Rent is again expected to be the fastest growing component. Market forces have played a dominant role and affected the District's ability to develop accurate estimates for some of its fixed costs. The rapid growth of the real estate market in the D.C. metropolitan area, for example, has driven up the cost of rental property, especially in the already high rent business district. But other forces are at work, too. The deregulation of power costs pushed up the cost of electricity. These factors and others have affected the District's ability to develop accurate estimates for some of its fixed costs, often leading to spending pressures in agency budgets.

Given that the District must develop its forecast at least a year before agencies execute their budgets, assumptions must be made about the factors that will affect the estimates. Due to the deadline for the District's budget submission to Congress, budget formulation is a very stable process; however, timing differences between the budget formulation and fixed cost estimation processes account for a large part of the difference between what goes into the budget and what is required once the fiscal year actually begins. Toward this end, this chapter describes the methodology for estimating fixed costs, the challenges in developing estimates, and how changes in fixed costs are made a part of the District's budget.

Timeline

The timeline for the FY 2008 budget submission has been established to achieve a number of objectives. An integral part of this process is the preparation and submission of fixed costs forecasts. The forecasts are prepared by the Office of Property Management (OPM), the Office of the Chief Technology Officer (OCTO), and the Department of Public Works (DPW) Fleet Management Administration (FMA). The forecasts prepared by OPM and OCTO are submitted to the Office of Budget and Planning (OBP) by the Office of Finance and Resource Management (OFRM), which services the accounts from OPM and OCTO. The forecast prepared by DPW is submitted directly to OBP. The Department of Public Works is both the service provider and account manager for fleet services.

The fixed costs forecasts typically are submitted on a quarterly basis and they serve to provide OBP with information relating to the unavoidable portion of the District's financial obligations. In essence, fixed costs forecasts are submitted in September, December, March, and June, respectively. This is a fluid schedule based upon the timing of additional data and requests for updated estimates.

The first forecast usually coincides with the Budget Kickoff by OBP. This forecast provides OBP with insights regarding an agency's current services level of funding. The second forecast is received by OBP during the submission stage of the agency budget formulation process. This forecast forms the basis for the baseline fixed cost budget. Additional forecasts after the baseline budget serve to provide agencies with updated estimates as the beginning of the fiscal year draws near.

Fixed Costs Expenditure Growth

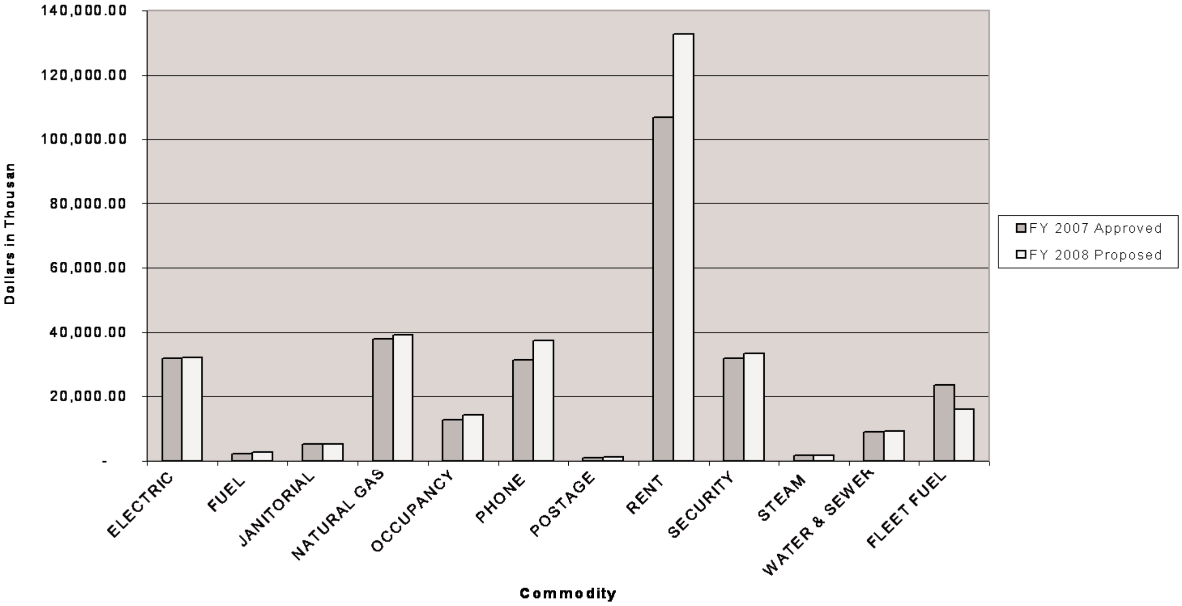
Total District government expenditures for FY 2006 were $4.97 billion and the FY 2007 approved budget is $5.0 billion. Expenditures for fixed costs for FY 2006 were $252 million and the FY 2007 approved budget is $295 million. While total District government expenditures (local fund only) are expected to increase by $519.6 million, or 10 percent over FY 2007, fixed cost expenditures are estimated to increase by $37 million, or 13 percent in FY 2008. While growth is anticipated in most fixed cost commodities, the largest area of growth is in rent, which accounts for $25.4 million of the $37 million increase over the FY 2007 approved fixed cost budget.

Figure 4-3
Growth of Fixed Costs by Commodity FY 2004 to FY 2008

Commodity	FY2004	FY2005	FY2006	FY2007	FY2008
Rent	$83,659,783.62	$90,540,363.83	$88,055,231.28	$31,852,451.00	$32,162,667.00
Electricity	$24,986,312.28	$30,501,969.81	$25,067,784.12	$2,336,214.00	$2,518,695.00
Telephony	$24,344,486.74	$29,536,683.04	$26,514,564.80	$5,056,008.00	$5,123,305.00
Natural Gas	$16,518,055.16	$21,629,591.72	$23,408,967.59	$37,820,639.00	$39,105,924.00
Security	$24,430,463.77	$25,259,178.36	$23,570,795.78	$12,766,804.00	$14,303,153.00
Water	$7,223,152.30	$7,273,812.28	$9,412,993.54	$31,341,061.00	$37,457,937.00
Fuel	$6,236,020.77	$8,281,979.53	$6,302,362.59	$901,526.00	$1,095,503.00
Janitorial	$4,033,811.47	$4,770,877.91	$5,304,792.64	$106,930,892.00	$132,716,013.00
Occupancy	$3,727,566.37	$9,436,464.81	$10,586,801.49	$31,830,946.00	$33,219,778.00
Steam	$1,067,497.55	$1,095,700.96	$873,763.12	$1,561,683.00	$1,678,392.00
Postage	$548,317.76	$646,078.24	$793,086.35	$8,916,552.00	$9,112,139.00
Fleet	$8,016,824.00	$18,669,269.00	$21,469,658.83	$23,616,625.00	$15,898,530.00
Grand Total	$204,792,291.79	$247,641,969.49	$241,360,802.14	$294,931,401.00	$324,392,036.00

(Water amount does not include Fire Hydrant Fee)
Data Source: Office of Finance and Resource Management and Department of Public Works

Figure 4-4
Commodity Comparison
Year over Year Growth



Why Fixed Cost Estimates are Important

Fixed cost estimates require communication among OCTO, OPM, DPW, and all user agencies. This process is highly collaborative. Input to OFRM from each agency factors directly into the development of fixed cost estimates. Without this collaboration, estimates of fixed costs that are anywhere near accurate are impossible. This process begins with a macro review of the economy, looking at national inflation and global price trends of such items as electricity, gasoline, and other types of fuel. The process continues at the micro level, with a detailed probe of individual agencies' historical usage and then a reasonable projection of those costs based on macro data and micro use patterns. Arriving at proper and accurate estimates is central to how taxpayer dollars are used most effectively to cover fixed costs and extends far beyond the traditional practice of projecting agency needs on the basis of square feet occupied.

The administration of fixed costs by OFRM prevents the agencies that develop fixed cost estimates from benefiting from either over- or under-estimating these costs. The primary goal is a well-based estimate that comes within 90 percent to 95 percent of what an agency actually spends in fixed costs. Underestimating could result in spending pressures. Over-estimating could mean that funds are budgeted unnecessarily for fixed costs when it could be used for other purposes. The initial fixed cost estimates for a given fiscal year are developed about 12 months before the start of the fiscal year. These estimates then are passed along to agencies to submit with their budget request. Fixed cost estimates then are further refined, both prior to the budget submission and throughout the fiscal year (to track spending).

Prior to FY 2005, the policy regarding fixed costs was that any surplus at year-end would be returned to agencies to cover deficits in program dollars. If fixed costs were underestimated, agencies would be responsible for covering deficits with program dollars. The environment created by this policy was one in which agencies constantly sought to reduce fixed cost charges (post budget allocation) to redirect those dollars for programs. The reductions being sought may or may not have been appropriate, depending on the needs of the agencies -- for example seeking to reduce security charges below the level deemed appropriate by the Protective Services Division. Currently, the discipline imposed on the administration of fixed costs clarifies the program side of agencies' budgets. Funds allocated for fixed costs may be spent only on fixed costs. This clarity will ensure that budgeted dollars are spent as the Mayor, Council, and Congress intended.

The Role of the Office of Finance and Resource Management in Fixed Costs

The process begins with a request from OFRM to OCTO and OPM to prepare estimates of fixed costs. OCTO and OPM deliver supporting reports, by agency, to OFRM, which then performs a due diligence review. If the review calls for adjustments, OFRM will discuss them with OCTO and/or OPM. Adjustments to estimates may or may not be made, depending on the persuasiveness of OCTO's or OPM's documentation supporting the estimates.

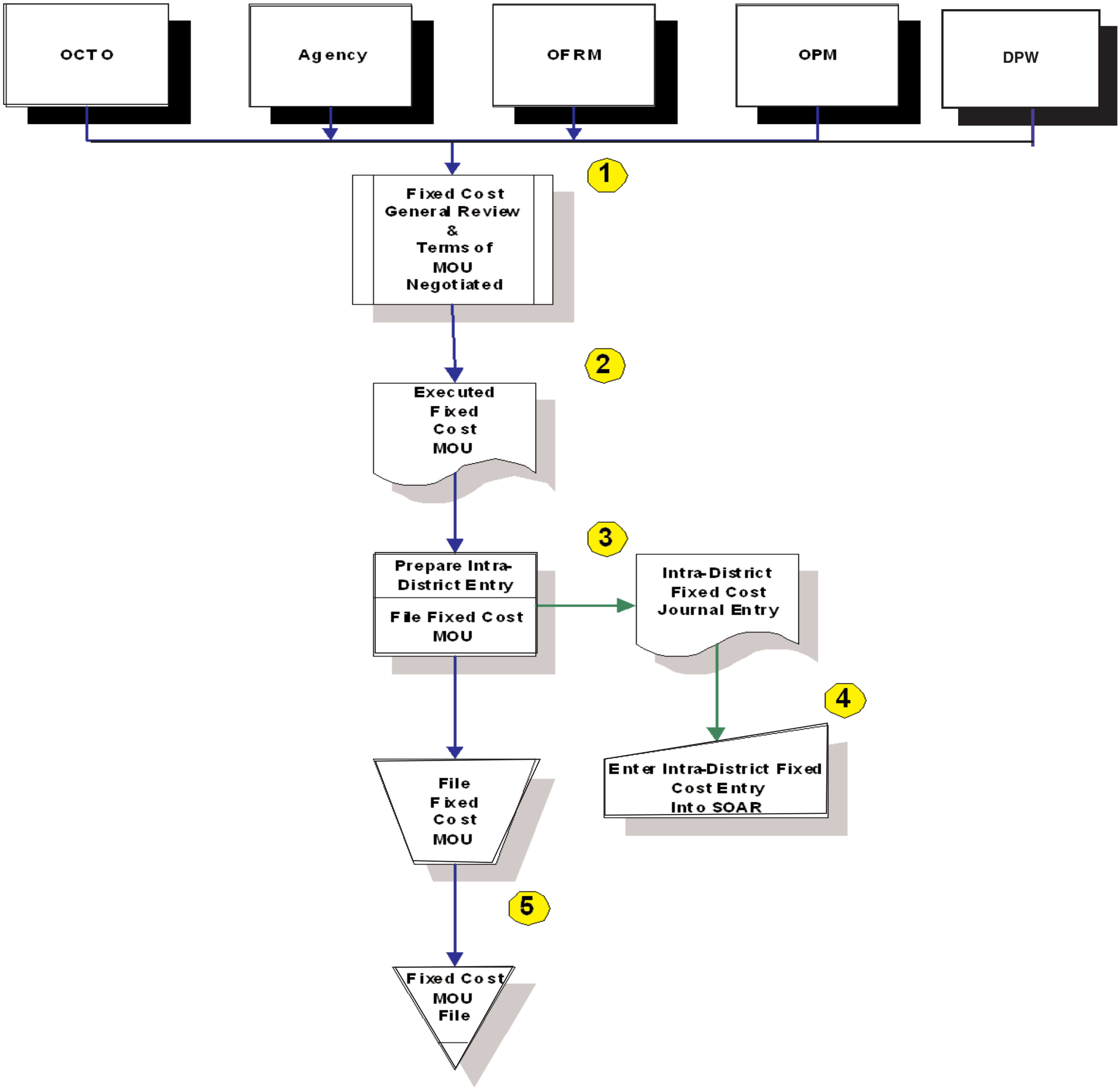
After all anomalies have been resolved, OFRM reviews the fixed cost estimates and forwards them to the agencies and the Office of Budget and Planning. OBP then includes the estimates in agency budget targets and in the Office of the Chief Financial Officer's (OCFO) Baseline Budget.

From August to September, OFRM hosts the annual Memorandum of Understanding (MOU) Summit to discuss MOU terms for each agency. Revisions are included in the MOUs, which are executed between agencies and OFRM. The City Administrator signs the MOU on behalf of all agencies. This enables OFRM to execute purchase orders and authorizes OFRM to pay fixed cost expenditures and perform financial oversight during the fiscal year.

Figure 4-5

Memorandum of Understanding flow between agencies and OFRM

Commodity by Agency



The Role of the Office of the Chief Technology Officer in Fixed Costs

The explosion of information technology (IT) during the past two decades has flooded the market with powerful new devices and innovative technologies. "Next Generation" arrives in months, not years. Sorting through technology offerings becomes more challenging as businesses and governments turn to more sophisticated levels of technology to gain operational effectiveness and efficiencies.

The District government, recognizing that IT is the most powerful agent of change in the 21st century, created the Office of the Chief Technology Officer (OCTO) in 1998 to centralize the development and coordination of IT and telecommunications systems for the entire government. OCTO's goals are:

- Establish the foundational management infrastucture for high-performance information technology that will be maintained over the long-term;
- Build enabling IT infrastructures to establish the foundation of data access and communication needed to support citywide applications;
- Develop and implement enterprise and business process applications both citywide and for individual or multiple agencies; and
- Expand access to technology for all District stakeholders - residents, businesses, visitors, educational institutions, and neighborhoods - by integrating citywide services and information, thereby making e-government a reality.

As a result of centralization of telecommunications expenditures, OCTO has minimized the reliance on costly maintenance contracts. It also has established policies for approving vendors and for reimbursing the D.C. government when employees use their D.C. government cellphones and telecommunications products for personal use. The agency also applies guidelines regarding restricted use of telephones. The Telecommunications Division manages all aspects of voice communications, including landlines, wireless, handheld devices and services, telephone equipment, telephone systems, and voice messaging. Serving as a central point of contact, the division also is responsible for establishing, monitoring and maintaining District-wide standards and procedures for services and installations.

Assumptions - OCTO's principal assumption is that the universe of IT and communications will change constantly, and that the Telecommunications Division must keep pace. Staffed by a team of Subject Matter Experts (SMEs), the division oversees telecommunications expenditures for the District and provides consultative support to more than 70 agencies.

To ensure that the division fully meets the needs of growing and demanding agency clients, the division introduced Cluster Managers (CMs) who work with their assigned groups of agencies to fully understand their operations. As the division's primary interface to agencies, the CMs marshal resources to provide agencies with creative telecommunications solutions. CMs have moved the division into a consultative partnership role with agencies, delivering customized solutions and agency-level support at a fraction of market-level prices.

The fixed costs centralized model has enabled OCTO to realize a range of benefits and improvements for the District's telecommunications spending, including:

- Creating dedicated OCTO technicians to handle repair problems and small installations, moves, and other changes at no charge to agencies;
- Negotiating to establish OCTO-approved vendors to secure reduced competitive pricing for all telecommunications products and services;
- Requiring all approved vendors to comply with D.C. government's billing format and provide invoices electronically;
- Providing expert telecommunications consultative support via OCTO's SMEs;
- Establishing and monitoring District standards for wiring and installations;

- Arranging presentations and initiating seminars where vendors present the latest products and services in the industry; and
- Creating a web-based application called Tel-WATCH that lets agencies view and validate telecommunications invoices within 10 days.

The Role of the Office of Property Management in Fixed Costs

The Office of Property Management (OPM) was established in 1998 in response to recommendations from the Real Estate Executive Committee convened in 1996. Consequently, a management reform plan was produced under the direction of the Financial Responsibility and Management Authority. With approval of the District Council, it was decided to combine all property management functions into a single area of responsibility to preserve and maximize the District's assets.

OPM's mission is to be the trusted real estate adviser and asset manager for the District, and to maximize the value of assets through coordination, strategic planning, financial management, business process improvement, and outreach efforts.

OPM's role in fixed costs begins by confirming each agency's occupancy in District-owned and leased space. Fixed cost estimates are then prepared by OPM and submitted to the Office of Finance and Resource Management and the Office of Budget and Planning in October of each fiscal year. From October until the budget goes to Council in March, several revised estimates are routinely submitted.

The fixed cost forecast covers one fiscal period and contains estimates of anticipated charges for rent, electricity, natural gas, water, fuel (heating and fleet), steam for heating, security services, occupancy costs, janitorial services and postage. In developing fixed cost estimates, OPM confirms which facilities each agency is using, reviews prior year expenditures and consumption trends, makes adjustments based on spending patterns and programmatic changes, and verifies facility functions.

In multi-tenant government buildings, each agency's facility cost estimates are consistent with the rentable area that the agency occupies. As such, each agency is charged a proportionate share for the annual estimated cost of the facility. The rentable area is the agency's assigned occupiable space, plus a proportionate share of common areas. When an agency is the sole occupant of a facility, it is responsible for all the operational costs of that location.

A number of factors influence fixed cost forecasts. These may lead to over or underestimated costs. In order to develop accurate forecasts, the following information must be shared with OPM:

- Addition of new facilities or renovation of existing facilities;
- Vacating of property;
- Agency relocation;
- Changes in equipment and equipment specifications within agency facilities;
- Storage capacity increases, such as larger fuel tanks; and
- Changing service requirements.

The following are fixed cost components and the assumptions OPM makes about them.

Rent

The District of Columbia occupies more than 3 million square feet of leased space. Rent estimates generally include three broad categories of charges: base rent, annual escalations, and operating expense pass throughs. For the most part, base rent and annual escalations are explicit in the leases and are highly predictable. These amounts generally are not tied to variable benchmarks like increases in the Consumer Price Index. Estimates for operating expense pass throughs (including real estate taxes), however, are not as straightforward.

Assumptions - Operating expense pass-throughs happen when actual expenses for the leased facility exceed a base year rate, based typically on stabilized occupancy in the first year of the lease. Because District leases have anniversary dates throughout the year, operating expenses are not always reconciled on a schedule that coincides easily with annual budgeting. Further, not all operating expenses escalate at a predictable rate. To the extent that extraordinary costs are incurred in a given lease year, such costs may not recur the following year. In making future estimates of the pass-through component of rent, inflation rates are applied to operating expenses that have been adjusted to eliminate nonrecurring costs. The difference between the future estimate and the base rate then becomes the basis for forecasting operating expense pass-throughs.

Rent estimates often are required for leases that expire in the fiscal year for which the budget is being prepared. At the time the fixed cost estimate is being prepared, it is sometimes unknown where the agency will be located -- same leased facility, another leased space, or to owned space. Estimates of rent in these instances are based on market rents in the submarket where the agency is expected to be. These fixed cost estimates represent rent to be paid to the landlord; they do not include moving or other relocation costs. We can expect to see fluctuations in these costs over the next 3 years as over 50 percent of the city's leases expire. In fact, one third of the expiring leases will be up for renegotiation in FY 2008.

Build-out costs - These vary with the needs of the occupying agency, as well as the physical condition of the leased space. Typically, a landlord offers a tenant improvement allowance -- money per square foot that the landlord will contribute toward improving the space in exchange for the rent being offered. If the allowance is negotiated upward, the rental rate will increase proportionately. If the allowance is less, the rent will be reduced.

Impact of national rent trends. Office rents in Washington are the second highest in the country, behind only midtown Manhattan's. The driver is that the District's downtown office vacancy rate is one of the lowest in the U.S. As of the fourth quarter of 2005, that rate was 7.2 percent, about the same as last year at the same time. The District office market had the lowest vacancy rate nationally. Controlled new supply and steady absorption suggest that rental rates will continue to rise gradually for the immediate future. The fixed cost estimates reflect steadily increasing market rental rates.

Utilities

Utility costs over the last two years have been increasing for many reasons. The increase in the costs of providing utility services to the District of Columbia has come about as a result of the following:

- Changes in commodity costs as a result of established contractual obligations;
- Changes in the consumptive use of the commodities over the previous corresponding period;
- Changes in commodity costs due to renovated facilities coming on-line during the course of the fiscal year;
- Changes in commodity costs due to rate increase during the course of the fiscal year; and
- Domestic, national, and international trends in commodity demand.

Assumptions are about the same for all utility components:

- Expenditure and consumption data over a period of 12 to 24 months are utilized
  - Cost of the commodity is determined, in part, upon the level of consumption in the corresponding period.
  - The level of consumption is assumed to hold for the period under consideration.
  - The price of the commodity is based upon price structures currently in place or any pending contractual obligation due to take effect.
  - In the absence of an existing or pending price regime, expected prices are based, among others, upon prevailing demand conditions at the local, regional, national, and internationsl levels.
  - Other influences on price include anticipated climatic conditions as well as political and instiutional changes that are expected to influence market prices during the period under consideration.

Electricity

Until recently, Potomac Electric Power Company (PEPCO) was the sole provider of electricity to District agencies. Under the existing tariff, PEPCO supplied the District with generation, transmission, and distribution of electric services. Beginning in February 2005, PEPCO has been responsible only for distribution. The District has contracted with a third-party supplier, Select Energy, to provide generation and transmission over a two-year period. The District is currently in the option year of the electric contract. The District also purchases electricity from Baltimore Gas and Electric for facilities in Laurel and from Southern Maryland Electric for other facilities in Maryland.

Impact of national electricity trends. The cost of electricity is likely to rise for the District. Notwithstanding the current contract, the extent of the increase will depend on the number of facilities that will fall under Standard Offer Pricing as a result of District facilities coming online after the date for transferring accounts to a new supplier. Increases in the cost of electric services also are expected due to increases in consumption from a subset of existing facilities. For FY 2008, electricity is anticipated to increase by 26 percent over FY 2007 due to changes in current market conditions and increased usage.

Natural Gas

Washington Gas and Light provides natural gas distribution to government facilities in the District. Generation and transmission of natural gas is provided by Washington Gas Energy Services. In Laurel, Baltimore Gas and Electric provides distribution services, and generation and transmission services are obtained throughWashington Gas Energy Services.

Impact of national natural gas trends. The natural gas market has shown some degree of moderation in prices over the past year. Storage levels have been higher than in the past two years and the supply disruptions caused by hurricane Katrina appear to be at an end. Overall, domestic conditions have been such that prices in FY 2006 showed a marked decline from FY 2005 highs. For FY 2007, the District exercised its option under its current contract at a time when the market price was at its lowest. The result is a 29 percent reduction in the price the District will pay to its third party supplier in FY 2007, on both its firm and interruptible accounts. The District is in the process of preparing to go to market, through a reverse auction, to secure the most favorable price for its FY 2008 supply needs.

Water and Sewer

The D.C. Water and Sewer Authority provides water and sewer services to the District. Changes in the cost of water and sewer services are directly linked to rate increases sought by the utility company.

Fuel

The District procures its fuel through a contract administered by the Defense Energy Support Center (DESC). Since August 2005, the District has entered into a new five year contractual obligation with DESC for the supply of unleaded gasoline, super gasoline, E-85 ethanol, diesel fuel, and heating oil. There are two suppliers of unleaded gasoline under the contract. Similarly, two companies supply diesel fuel and two supply heating oil, and one of each supplies super gas and E-85 ethanol.

Impact of national fuel trends. The cost of unleaded gasoline, diesel fuel, and heating oil rose sharply over the past year, in part, due to catastrophic natural events as well as increases in demand at the domestic, regional, and national levels. It is expected that the cost of heating fuel will show a sharp increase during the winter months whereas the cost of unleaded gasoline will increase during the summer months due to seasonal demand changes.

Steam

Steam is supplied to District agencies through the General Services Administration. The District currently has five facilities that utilize steam for heating purposes. Over the past three years the District's cost of steam has increased 46.3 percent and future increases are anticipated as long as the cost of natural gas, a strategic input to the production of steam, continues to rise.

Impact of national steam trends. Prices will continue to increase as long as the price of natural gas and oil continue to escalate.

Security

D.C. Code 10-1005 mandates the Protective Services Division to coordinate and manage security for District government owned or leased property.

Contract Guards - These costs are based on security hours at a facility. The rate is set contractually. Hours are confirmed with each agency and reconciled with the contract guard vendor. This process occurs during the last quarter of the fiscal year to provide timely information for the upcoming fiscal year. All agencies using contract guard services pay 15 percent on every contract hour to cover Protective Services Division overhead expenses. Costs vary according to the percentage of occupancy of a particular location.

Electronic Security System Maintenance Costs - These costs are driven by the electronic equipment in the facility. Each piece of equipment, in each facility, is assigned a unit maintenance cost. This cost is borne or shared by the agency or agencies in the facility.

Salaries - Protective Services Division personnel permanently assigned to the John A. Wilson Building and the D.C. General Campus have their total salary costs borne by their respective facilities. The 15 percent contract administration/management fee covers remaining staff salaries.

Assumptions - If funds for security were paid in full by agencies by October 30, Protective Services could enter contracts at the beginning of the fiscal year that would last until the end of the fiscal year. Based on current collection practices, the purchase requests for these two largest contracts must be re-inputted twice a year. One full collection would eliminate that necessity.

Impact of national security wage trends. At a minimum, contracts are paid according to the Department of Labor's Wage Determination. The unpredictable Wage Determination increases and their effective dates are set by the Department of Labor. The increases are implemented at the beginning of the exercised option year. Frequently, this increase occurs after the District government agencies' budgets are set. The last three years have seen three increases ranging from 3 percent to 6 percent.

Occupancy Costs

Occupancy is charged to all agencies that occupy space in District-owned buildings. The annual occupancy charge is currently $4.50 per square foot. Preventive maintenance for the day-to-day operations of buildings, as well as major repairs, is funded with occupancy funds for air conditioning, boiler, generators, and elevators.

Impact of national occupancy trends. The General Services Administration and commercial realty companies charge their tenants market rate for these services. The District currently charges an amount that is significantly below the market rate.

Janitorial Services

These funds cover costs of providing janitorial, trash removal, and recycling services. The services are provided by competitive citywide contracts that are awarded through the Office of Contracting and Procurement. The cost for the citywide contract is the actual cost that the agencies pay for services based on square feet they occupy and services they receive.

Postage

Estimates are based on a three-year use average. In addition to actual meter costs, agencies are charged overhead equal to their percentage of meter use. Overhead covers salaries of D.C. centralized mail center employees, equipment, and postal supplies.

The Role of the Department of Public Works in Fixed Costs

DPW provides maintenance, parts, and vehicular acquisition services for about 3,000 DPW vehicles and fifty other District agencies, departments and commissions so that they can deliver timely and efficient services. In addition, the fleet management program provides fuel and fluids to more than 6,000 vehicles, including those maintained by the program and others belonging to D.C. Public Schools, the Metropolitan Police Department, Fire/FEMS and the Water and Sewer Authority.

Fixed costs include fuel, maintenance, and parts. Estimates are developed based on prior year actual spending, and include a three-year average, market rates, and inflation rates set by OBP. In addition, consideration is given to each agency's actual rate of unscheduled maintenance. Agencies must work with DPW to ensure that all fleet cost estimates are accurate in reflecting potential consumption and charges.

Assumptions are based on the number of vehicles assigned to an agency and actual levels of service and fuel consumption by that agency. In making estimates, DPW uses these values:

- Parts – actual costs plus 30 percent administrative/processing fee; the same as the current industry market fee;
- Fuel – actual cost plus 10 - 30 cents per gallon administrative fee;
- Contract maintenance – actual cost plus a 25 percent administrative fee;
- Leasing – varies with size, type, and year of vehicle and actual costs, plus administrative fee;
- Motor pool rental – flat rate;
- Vehicle repairs/preventive maintenance (heavy equipment such as Packers/Sweepers) - $70.00 hourly shop rate;
- Vehicle repairs/preventive maintenance (heavy/medium equipment) - $65.00 hourly shop rate; and
- Vehicle repairs/preventive maintenance (light equipment) - $60.00 hourly shop rate.

Conclusion

Controlling fixed costs is an important way to save money so that other, more necessary services can be delivered to District residents without increasing taxes. The District would benefit from the development of a rental policy that provides a strategy for cost containment and utilization that coordinates with the District's capital program. Also, implementation of a district-wide utility conservation plan would help defer the impact of electrical rate increases. Efforts toward these savings and conservation measures are under way throughout the District. Market-driven deviations from cost estimates always will occur, but the District's mission is to minimize their impact by first providing well-based estimates, then delivering the service with maximum efficiency and minimum waste.