

FY 2012 - FY 2017 Capital Improvements Plan

Introduction

The District's proposed capital budget for FY 2012 - FY 2017 calls for financing \$846 million of capital expenditures in FY 2012. Highlights include:

- Fulfilling the commitment to improvements in schools made since FY 2006;
- Investing in infrastructure improvements and mass transit for greater ease of access to education and employment opportunities; and
- Renovation and modernization of university facilities.

The proposed capital budget calls for financing of general capital expenditures in FY 2012 from the following sources:

- \$581 million of General Obligation (G.O.) or Income Tax (I.T.) revenue bonds;
- \$7 million of pay-as-you-go (Paygo) capital financing, which is a transfer of funds from the General Fund to the General Capital Improvements Fund;
- \$45 million through the master equipment lease/purchase program;
- \$6 million of Qualified Energy Construction Bonds (QECCBs);
- \$143 million of federal grants, most of which consist of Highway Trust Fund revenue;
- \$37 million of Local Highway Trust Fund revenue (motor fuel taxes and a portion of Rights-of-Way fees), for the local match to support federal highway grants; and
- \$27 million of Local Transportation Fund special purpose (utility marking service, public inconvenience, and a portion of Rights-of-Way occupancy fees) revenue.

The FY 2012 Paygo total of \$7 million is for a Department of the Environment project that will fulfill responsibilities for the implementation of the District's National Pollutant Discharge Elimination System as required by the federal Environmental Protection

Agency and a reimbursement of \$1M from the DC Water and Sewer Authority. Because of the significant decline in District revenue forecasts as a result of the weakened U.S. economy, the Paygo of prior years for school modernization is replaced for a third consecutive year in FY 2012 by additional bond financing.

This overview chapter summarizes:

- The District's proposed FY 2012 - FY 2017 capital budget and planned expenditures;
- Details on the District's sources of funds for capital expenditures;
- Progress made on reducing the shortfall in the District's capital fund;
- An outline of this capital budget document; and
- The District's policies and procedures on its capital budget and debt.

Table 6-1

Overview

(Dollars in thousands)*

Total number of projects receiving funding	230
Number of ongoing projects receiving funding	214
Number of new projects receiving funding *	16
FY 2012 new budget allotments	\$846,378
Total FY 2012 to FY 2017 planned funding	\$4,955,035
Total FY 2012 to FY 2017 planned expenditures	\$4,955,035
FY 2012 Appropriated Budget Authority Request	\$1,157,619
FY 2012 Planned Debt Services (G.O./I.T. and QECCBs)	\$451,065
FY 2012-FY 2017 Planned Debt Service (G.O./I.T. Bond and QECCBs)	\$3,187,987

* Does not include budgets at the 'by-school' level as new projects.

The Proposed FY 2012 - FY 2017 Capital Budget and Planned Expenditures

The District budgets for capital projects using a six-year Capital Improvements Plan (CIP), which is updated annually. The CIP consists of:

- The appropriated budget authority request for the upcoming fiscal year, and
- An expenditure plan for projected funding over the next 5 years.

Each year's CIP includes many of the projects from the previous year's CIP, but some projects are proposed to receive different levels of funding than in the previous year's budget plan. New projects are added each year as well.

The CIP is used as the basis for formulating the District's annual capital budget. The Council and the Congress adopt the budget as part of the District's overall six-year CIP. Inclusion of a project in a congressionally adopted capital budget and approval of requisite financing gives the District the authority to spend funds for each project. The remaining five years of the program show the official plan for making improvements to District-owned facilities in future years. Following approval of the capital budget, bond acts and bond resolutions are adopted to authorize financing for the majority of projects identified in the capital budget. In recent years, the District has issued Income Tax (I.T.) revenue bonds to finance some or all of its capital projects previously financed by General Obligation (G.O.) bonds. Where this chapter refers to G.O. bond financing for capital projects, the District might ultimately substitute I.T. bond financing. Capital projects in the CIP are also financed with GARVEE bonds, a payment in lieu of taxes from the developer of the new headquarters for the United States Department of Transportation (US DOT PILOT), Housing Production Trust Fund revenue bonds, Tobacco Settlement revenue bonds, QECBs, and Certificates of Participation (COP).

The District uses two terms in describing budgets for capital projects:

- Budget authority is given to a project at its outset in the amount of its planned lifetime budget; it can later be increased or decreased during the course of implementing the project. The District's appropriation request consists of changes to budget authority for all projects in the CIP.
- Allotments are planned expenditure amounts on an annual basis. A multi-year project receives full bud-

get authority in its first year but only receives an allotment in the amount that is projected to be spent in that first year. In later years, additional allotments are given annually. If a year's allotment would increase the total allotments above the lifetime budget amount, an increase in budget authority is required to cover the difference.

Agencies may obligate funds up to the limit of (lifetime) budget authority for a project but cannot spend more than the total of allotments the project has received to date (See Appendix D in Volume 6). The FY 2012 to FY 2017 CIP proposes a net increase in budget authority of \$1.158 billion during the next six fiscal years (an increase of \$4.008 billion of new budget authority offset by \$2.850 billion of rescissions).

Planned capital expenditures from local sources (see Table 6-3) in FY 2012 total \$703 million to be funded primarily by bonds, the Master Equipment Lease program (short term borrowing), Paygo financing (transfers from the District's General Fund), and the local transportation fund special purpose revenue. To finance these expenditures, the District plans to borrow \$581 million in new G.O. bonds, borrow \$6 million in new QECBs, borrow \$45 million in Master Lease financing, fund \$7 million using Paygo, use \$27 million in Local Transportation Fund Special Purpose Revenue, and use \$37 million for the local match to the federal grant from the Federal Highway Administration.

Planned bond borrowing will be \$612 million, although only \$587 million will be made available for FY 2012 capital expenditures. The other \$25 million will go toward deficit reduction for the capital fund (see the section "Fund Balance of the Capital Fund" below). Proposed borrowing is shown in Table 6-5.

In recent years, the District has increased its capital expenditures to reinvest in its aging infrastructure. The District is limited by funding constraints as well as multiple competing demands on capital and is not able to fund all identified capital needs. As a result of these demands, the District has taken action to meet its priorities while also maintaining a fiscally sound CIP. This has been accomplished by prioritizing capital projects and rescinding budget authority from projects deemed less important, and by reallocating budget to existing and new high priority projects to meet the most pressing infrastructure needs.

Figure 6-1 illustrates FY 2012 capital budget allotments by major agency. Funding for the District of Columbia Public Schools (DCPS) constitutes the

Figure 6-1

FY 2012 Capital Budget Allotments, by Agency

(Dollars in thousands)

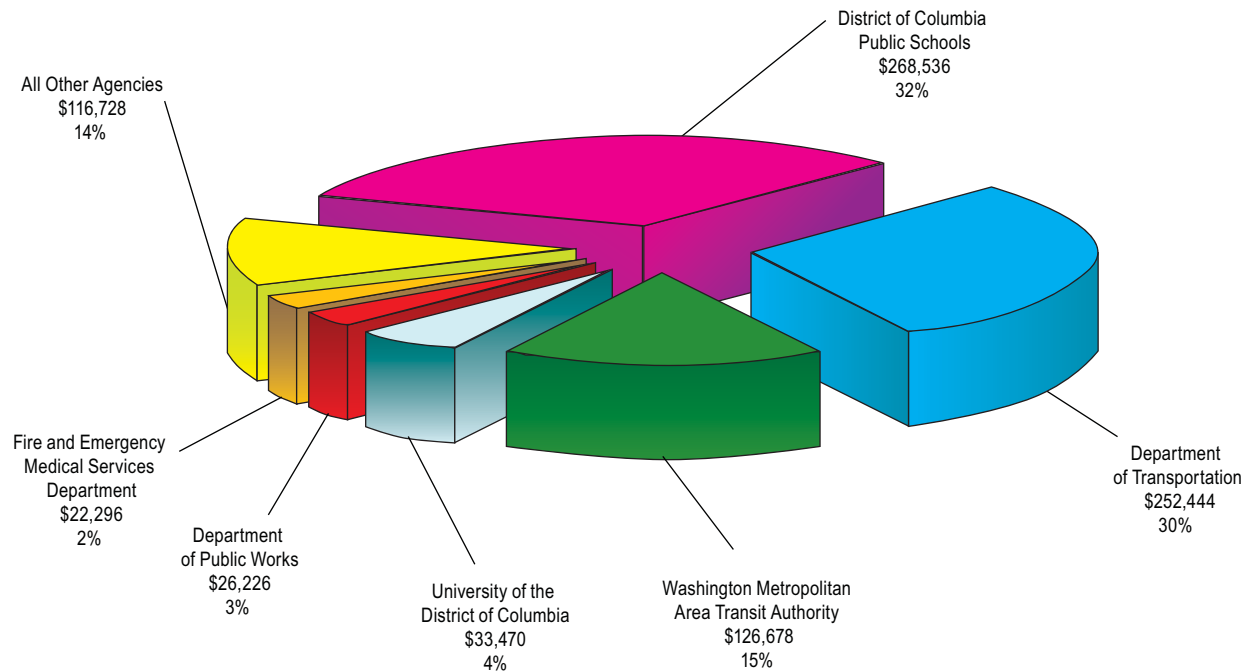


Table 6-2

FY 2012 Planned Expenditures from New Allotments and Appropriated Budget Authority Request

(Dollars in thousands)

Source	Proposed FY 2012 Expenditures (Allotments)	Proposed Increase (Decrease) in Budget Authority
G.O. Bonds	\$580,782	
Paygo (transfer from the General Fund)	\$6,800	
Master Equipment Lease/Purchase Financing	\$45,000	
Qualified Energy Construction Bonds	\$6,140	
Federal Grants	\$10,000	
Additional G.O. Bond Borrowing:		
Capital Fund Deficit Reduction	\$25,000	
Subtotal, Local Fund	\$673,722	\$1,154,666
Local Transportation Fund:		
Portion of Rights-of-Way (ROW) Occupancy Fees	\$27,098	(\$18,277)
Subtotal, Local Transportation Fund Revenue	\$27,098	(\$18,277)
Highway Trust Fund:		
Federal Highway Administration Grants	\$133,248	\$50,066
Local Match (from motor fuel tax and a portion of ROW fees)	\$37,310	(\$28,836)
Subtotal, Highway Trust Fund	\$170,558	\$21,230
Total, District of Columbia	\$871,378	\$1,157,619

Table 6-3

Capital Fund Pro Forma

(Dollars in thousands)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Total, FY 2012- FY 2017	Percent of FY 2012
G.O. / I.T. Bonds	\$580,782	\$522,947	\$493,184	\$467,794	\$428,129	\$365,691	\$2,858,525	68.6%
Master Equipment Lease	45,000	26,500	16,000	14,406	27,425	16,338	145,669	5.3%
Paygo	5,800	53,202	98,108	139,834	178,415	217,960	693,319	0.7%
Reimbursement from D.C. Water	1,000	-	-	-	-	-	1,000	0.1%
Local Transportation Fund Revenue	27,098	29,608	28,572	28,325	28,325	18,103	160,031	3.2%
GARVEE Bonds	-	50,000	-	-	-	-	50,000	0.0%
Qualified Energy Construction Bonds (QECCB)	6,140	-	-	-	-	-	6,140	0.7%
Local Highway Trust Fund	37,310	37,310	37,310	37,310	37,310	37,310	223,858	4.4%
Federal Grants	143,249	133,249	140,249	133,249	133,249	133,249	816,492	16.9%
Total Sources	\$846,378	\$852,815	\$813,422	\$820,917	\$832,852	\$788,650	\$4,955,035	100.0%
Uses:								
District of Columbia Public Schools	\$268,536	\$299,071	\$315,596	\$307,473	\$268,112	\$278,973	\$1,737,761	31.7%
Department of Transportation	252,444	287,879	238,690	228,086	238,046	221,143	1,466,288	29.8%
Local Transportation Fund	81,886	117,321	68,131	57,527	67,488	50,585	442,937	
Highway Trust Fund	170,558	170,558	170,558	170,558	170,558	170,558	1,023,350	
Washington Metropolitan Area Transit Authority	126,678	117,968	122,635	116,625	107,161	118,833	709,899	15.0%
University of the District of Columbia	33,470	39,340	25,080	25,873	43,627	45,000	212,390	4.0%
Department of Public Works	26,226	5,400	6,316	6,850	6,789	3,900	55,481	3.1%
Fire and Emergency Medical Services Department	22,296	16,146	12,298	10,648	14,836	3,500	79,724	2.6%
Department of the Environment	16,800	-	-	25,000	25,000	24,000	90,800	2.0%
Office of the Deputy Mayor for Planning and Economic Development	15,900	8,500	10,500	30,500	53,500	4,100	123,000	1.9%
Department of General Services	13,170	8,543	5,131	6,951	8,253	7,057	49,106	1.5%
District of Columbia Public Library	10,400	11,136	11,275	8,000	1,500	17,865	60,176	1.2%
Office of Unified Communications	10,121	-	-	-	-	-	10,121	1.2%
Department of Parks and Recreation	9,820	13,670	24,054	17,989	25,800	23,150	114,483	1.2%
Special Education Transportation	7,219	6,657	6,021	6,223	6,388	6,729	39,237	0.9%
Office of the Chief Financial Officer	6,600	12,600	6,800	5,500	4,200	-	35,700	0.8%
Office of the State Superintendent of Education	6,500	5,100	-	-	-	-	11,600	0.8%
Office of the Chief Technology Officer	5,898	6,104	3,427	4,450	10,240	13,000	43,119	0.7%
Metropolitan Police Department	5,400	7,200	6,899	7,550	10,700	10,700	48,449	0.6%
Department of Corrections	3,300	2,300	1,500	-	-	-	7,100	0.4%
Commission on Arts and Humanities	2,700	2,700	2,700	2,700	2,700	2,700	16,200	0.3%
Office of Planning	2,400	2,500	2,500	3,500	4,000	4,000	18,900	0.3%
Council of the District of Columbia	500	-	-	-	-	-	500	0.1%
Department of Employment Services	-	-	12,000	6,000	-	-	18,000	0.0%
Department of Consumer and Regulatory Affairs	-	-	-	1,000	-	4,000	5,000	0.0%
Department of Housing and Community Development	-	-	-	-	2,000	-	2,000	0.0%
Total Uses	\$846,378	\$852,815	\$813,422	\$820,917	\$832,852	\$788,650	\$4,955,035	100.0%

Note: Details may not sum to totals due to rounding

largest share of the planned expenditures, excluding the Highway Trust Fund. DCPS will have a total of \$269 million available from bond sources of capital project financing in FY 2012. In addition, as with all agencies, unspent capital budget allotments from prior years will be available to be spent in FY 2012. Large shares of funding also go toward the Washington Metropolitan Area Transit Authority, the District Department of Transportation, and the University of the District of Columbia.

Table 6-2 summarizes planned expenditure amounts for FY 2012 and budget authority requests for FY 2012 - FY 2017. It includes local funds (G.O./I.T bonds, Paygo, transportation fund, and master equipment lease/purchase), federal grants, and special financings that are discussed in greater detail later in this chapter.

The capital fund pro forma, Table 6-3, summarizes sources and uses in the District's CIP. The Project Description Forms that constitute the detail of *Volume 6*, include projects receiving new allotments in FY 2012 through FY 2017, as included in the pro forma, totaling \$846 million in FY 2012.

FY 2012 Operating Budget Impact

In general, each \$15 million in borrowing has approximately a \$1 million impact on the operating budget for annual debt service. The capital budget's primary impact on the operating budget is the debt service cost, paid from local revenue in the operating budget, associated with issuing G.O. bonds to finance the CIP. Table 6-4 shows the overall debt service funded in the FY 2012 operating budget and financial plan.

A secondary impact on the operating budget is the cost of operating and maintaining newly completed capital projects. For example, the replacement of a building's roof, windows, and mechanical systems may decrease the cost of utilities, which would effectively lower the owner agency's operating costs. Conversely, the construction of a new recreation center is likely to increase the owner agency's operating costs for staffing the facility and operating programs there. Similarly, completed information technology projects will likely entail additional operating costs as upgrades, license renewals, or training of staff to operate new systems are required. OBP and the Mayor's Office of Budget and Finance are working to improve the descriptions of operating impact of projects currently found in the Project Description Forms.

Capital-Funded Positions

Agencies may receive approval to charge certain personnel expenses to capital projects. However, in order to qualify and receive approval, the primary duties and responsibilities of a position charged to capital funds must be directly related to a specific capital project. Full-Time Equivalent (FTE) positions that generally qualify are (a) architects; (b) engineers; (c) cost estimators; (d) project managers; (e) system developers; (f) construction managers; (g) and inspectors.

For FY 2012, the number of positions approved for funding with Capital budgets has been reduced in order to make more funding available for hard construction costs. Positions in some agencies were moved to the operating budget.

The number of capital-funded positions decreased in FY 2010 compared to FY 2009. Figure 6-2 shows that the District reduced the total number of capital-funded positions between 1993 and 1999. Capital funded FTEs have increased since then but have not reached the level of the early 1990s.

Table 6-4

OFFICE OF FINANCE AND TREASURY
Fiscal Years 2012 - 2017 Debt Service Expenditure Projections

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Existing General Obligation (G.O.) Bonds and Income Tax (I.T.) Bonds Debt Service	\$422,249,403	\$415,037,825	\$412,103,290	\$404,037,468	\$391,031,946	\$383,134,904
Prospective I.T. Bonds Debt Service						
- FY 2012 (Fall) IT Bonds (\$611.9 million)	\$20,194,982	\$40,701,844	\$40,701,444	\$40,701,794	\$40,702,694	\$40,702,991
- FY 2013 (Fall) IT Bonds (\$547.9 million)		\$21,584,836	\$40,623,275	\$40,621,113	\$40,620,263	\$40,618,800
- FY 2014 (Fall) IT Bonds (\$493.2 million)			\$19,606,400	\$36,897,775	\$36,895,475	\$36,897,512
- FY 2015 (Fall) IT Bonds (\$467.8 million)				\$18,604,373	\$35,012,150	\$35,012,487
- FY2016 (Fall) IT Bonds (\$428.1 million)					\$17,417,156	\$32,778,575
- FY 2017 (Fall) IT Bonds (\$365.7 million)						\$15,177,262
Total GO and IT Bonds Debt Service (Agency DS0)	\$442,444,385	\$477,324,505	\$513,034,409	\$540,862,523	\$561,679,684	\$584,322,531
Schools Modernization GO Bonds Debt Service (Agency SMO)	\$8,620,713	\$8,625,713	\$11,862,513	\$11,411,713	14,275,513	13,522,513
Certificate of Participation (Agency CPO)	\$32,533,738	\$32,541,713	\$24,619,294	\$24,620,075	24,622,431	24,620,269
Housing Production Trust Fund (Agency DTO)	\$6,691,000	\$9,671,000	\$12,660,100	\$14,533,100	\$14,535,100	\$14,539,000
Total Long-Term Debt Service	\$490,289,836	\$528,162,931	\$562,176,316	\$591,427,411	\$615,112,728	\$637,004,313
Payments on Master Lease Equipment Purchases (Agency ELO)	\$53,617,192	\$54,988,445	\$47,036,356	\$40,836,784	\$27,169,895	\$25,299,435
Interest on Short-term Borrowing (Agency ZAO)	\$4,500,000	\$9,000,000	\$9,000,000	\$9,000,000	\$9,000,000	\$9,000,000
Total Debt-Related Expenditures	\$548,407,028	\$592,151,376	\$618,212,672	\$641,264,195	\$651,282,623	\$671,303,748
Bond Issuance Costs (Agency ZB0) *	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000

* Has equal and offsetting revenue component funded by bond proceeds in the amount of the actual expenditures

Note: Details may not sum to totals due to rounding

Source: Office of Finance and Treasury

Details on the District's Sources of Funds for Capital Expenditures

The District's proposed FY 2012 - FY 2017 capital budget includes a number of funding sources. The District uses the following sources to fund capital budget authority across a large number of agencies that have capital programs:

- G.O. or I.T. bonds;
- Paygo capital funding;
- Master Equipment Lease/Purchase financing; and
- Private Donations.

In addition to the above sources, the District's Department of Transportation (DDOT) uses the following sources to fund its capital projects:

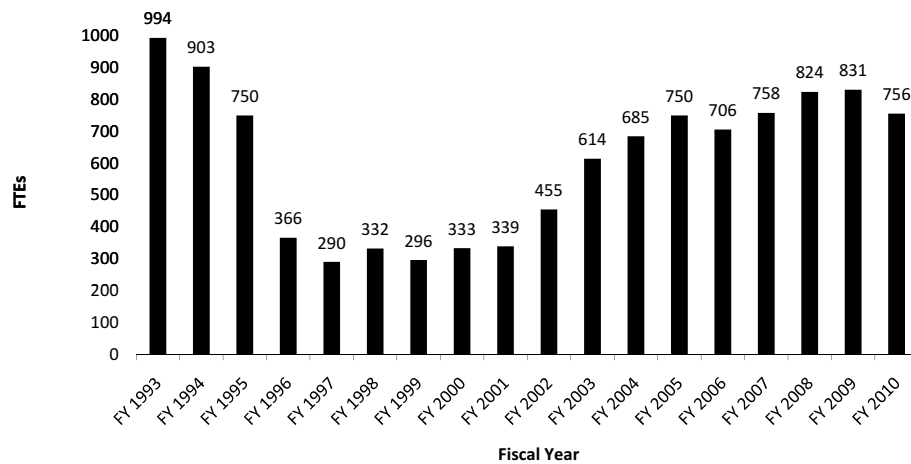
- Federal Highway Administration grants, for Highway Trust Fund projects;

- Local Transportation Fund (a portion of the Rights-of-Way Occupancy Fees, Public Inconvenience Fees, and Utility Marking Fees);
- Grant Anticipation Revenue Vehicles (GARVEEs), which are repaid from future Federal funding; and
- Dedicated motor fuel tax revenues and a portion of the Rights-of-Way Occupancy Fees for Highway Trust Fund projects (these provide the local match for the Federal Highway Administration grants).

Projects funded by these sources are detailed in the project description pages in Appendix H in Volume 6.

Figure 6-2

Number of Capital-Funded FTE Positions From FY 1993 to FY 2010



DDOT Transportation Fund

In previous years, Special Purpose Revenue deposited into the Unified Fund was used to finance DDOT's local streets projects and some agency operating expenses. In the interest of simplifying Special Purpose Revenue funding streams, making agency funding sources and uses more transparent, and limiting agency discretion to move budgets, the Unified Fund was abolished. Special Purpose Revenue that was previously deposited in the Unified Fund was redirected to the Local Transportation Fund (formerly Local Roads Construction and Maintenance Fund), Washington Metropolitan Area Transit Authority operating subsidy, and the General Fund. All of the DDOT operating budget is now financed through the General Fund, similar to other agencies in the District government.

Major Capital Efforts

School Facilities Modernization. Pursuant to the School Reform Act, the Office of Public Education Facilities Modernization (OPEFM) was established to implement capital projects on behalf of DCPS. OPEFM is responsible for substantial rehabilitation of existing DCPS facilities, correcting fire code and life safety violations, addressing system and component replacements, constructing new schools and facilities, and developing a Master Facilities Plan (MFP). In addition, the School Modernization Use of Funds Requirement Emergency Amendment Act of 2007 authorized OPEFM to assume responsibility for maintenance pre-

viously conducted by the DCPS Office of Facilities Management.

For FY 2012, OPEFM is proposed to be merged into the new Department of General Services (DGS) for implementation of schools facility capital projects. DCPS will again become the owner of all schools projects. Additionally, the budget is now allocated down to the individual school projects.

Beginning with the FY 2007 budget, the District transferred at least \$100 million per year of Paygo capital financing from the operating budget to supplement the bond financing it borrows for DCPS facilities capital projects. In FY 2010 through FY 2012, the previously planned Paygo has instead been financed as part of the District's bonds. The financing plan reflects a partial return to Paygo capital financing in FY 2013.

Renovation of University Facilities. Beginning in FY 2010, the University of the District of Columbia is implementing its own capital projects. The District of Columbia will borrow on the University's behalf and provide approved allotments in the form of annual capital budget transfers. One particularly noteworthy capital project to be constructed is a new student center. UDC collects student fees to offset a portion of the construction cost of this facility.

Streetcar Project. The DC Streetcar system will enhance mobility for city residents, accommodate continued growth in population and employment, greatly improve

access to jobs, connect neighborhoods and activity centers, and support sustainable economic growth for the District of Columbia. The streetcar will operate modern low-floor vehicles running on surface tracks that are embedded in the street pavement. The vehicles will mostly operate in travel lanes that are shared with automobile traffic, although the streetcar may take advantage of available right of way and operate in exclusive transit-only lanes in some instances. The four corridors that will be constructed between FY 2012 and FY 2017 are forecast to accommodate more than 108,000 daily trips by 2030 and significantly reduce crowding on existing Metrobus lines. The streetcar will also stimulate more intense mixed-use development along streetcar corridors, consistent with the city's Comprehensive Plan. The system will serve as a catalyst for encouraging a pattern of high-quality, transit-oriented development and strengthening neighborhoods across the city. The FY 2012-2017 budget for this project is \$99.3 million.

New Communities. The New Communities Initiative is a large-scale, comprehensive plan to revitalize selected District neighborhoods. The District issued \$34 million of revenue bonds in FY 2007 for a major investment in the Northwest One community, which includes the Sursum Corda public housing development and surrounding areas as part of the New Communities Initiative. To pay the debt service on these bonds, funds are transferred from the Housing Production Trust Fund (HPTF), which is funded by dedicated revenue (from deed recordation and deed transfer taxes). Through FY 2008, the District budgeted a total of \$150 million of capital budget authority for the New Communities Initiative, which includes several additional projects. Revenue bonds for these projects were issued in FY 2010 and additional bonds will be issued

in subsequent years. These projects are implemented by the Deputy Mayor for Planning and Economic Development.

East Washington Traffic Initiative (11th Street SE Bridge). In the FY 2006 budget, the District received \$230 million of budget authority for this project, the major component of which is the rebuilding of the 11th Street SE bridge. Of this amount, \$200 million was planned to be financed by bond issuances, and federal funds also are supporting this project. Borrowing began in FY 2008 and continued in FY 2009, with debt service to be paid by a portion of the District's parking tax revenues. The District acted in FY 2009 to reduce future debt service costs with the result that a total of \$65 million will be borrowed for the project, rather than the originally planned \$200 million. Alternative financing has been authorized in the form of GARVEE bonds issued by the District and backed by future federal funding; \$80 million was issued in FY 2011.

Consolidated Laboratory Facility. The District is building a new consolidated laboratory that will be used by the Metropolitan Police Department, the Office of the Chief Medical Examiner, and other agencies. Both the District and the federal government have financed this project. Construction of the project will be completed early in FY 2012. In FY 2008, Congress approved \$9 million of federal funds, and the District issued \$25 million of general obligation bonds for this project. The District sought additional federal funding in FY 2009 and received \$21 million. The District borrowed \$75 million in FY 2009, \$16.5 million in FY 2010 and \$20 million in FY 2011.

Table 6-5

Proposed G.O. and I.T. Bond Borrowing, FY 2012 Through FY 2017

(Dollars in thousands)

Source	Actual FY 2011	Proposed FY 2012	Proposed FY 2013	Proposed FY 2014	Proposed FY 2015	Proposed FY 2016	Proposed FY 2017
G.O./ I.T. bonds, general, including capital fund deficit reduction	\$520,000	\$605,782	\$547,947	\$493,184	\$467,794	\$428,129	\$365,691
Qualified Energy Construction Bonds (QECCBs)	-	\$6,140	-	-	-	-	-
Total	\$520,000	\$611,922	\$547,947	\$493,184	\$467,794	\$428,129	\$365,691

Note: All amounts and methods of borrowing are subject to change depending on status of projects and market conditions.

WMATA Fund Increase. The District plans a contribution of \$50 million annually to WMATA capital investments that began with the first allotment in the 4th quarter of FY 2010 and continues for ten years, through the 3rd quarter of FY 2020. The contribution is contingent upon an annual appropriated funding commitment from the Congress of \$150 million, along with \$50 million in annual appropriations from the State of Maryland and the Commonwealth of Virginia as contributors to the required match for the local jurisdictions to ensure receipt of the federal appropriations.

In FY 2009, the Council of the District of Columbia adopted the Capital Project Support Fund Establishment Act of 2009, which authorized the OCFO to move project budgets of \$250,000 or less of available balance, and for which no activity (expenditures, encumbrances or pre-encumbrances) had occurred in the three prior fiscal years, to a common project – designated as the WMATA fund (project KE0 SA311C) – for later use through a reprogramming. New available balances were to be segregated depending on whether prior financing had occurred. As projects balances have been moved (see Volume 6, Appendices F & G) under the authority of this legislation, they were designated as *ABC Fund* directions – ‘A’ for those budgets that had only *authority and allotment* balances but no prior financing, ‘B’ for those budgets which had prior *bond financing* and ‘C’ for those with prior financ-

ing of *other types*, such as COPs or Master Equipment Lease. Each quarter the OCFO reports to both the Mayor and the Council regarding the movement of fund balances.

Table 6-5 shows actual borrowing for FY 2011 and expected G.O./I.T. bond borrowing amounts for FY 2012 through FY 2017 for general capital needs and specific projects. It excludes the New Communities project, which is funded by revenue bonds.

Fund Balance of the Capital Fund

From FY 2001 through FY 2005, the District's Comprehensive Annual Financial Report (CAFR) showed a deficit in the General Capital Improvements fund (the "capital fund"), but since FY 2006 the CAFR has shown a surplus (see Table 6-6). The shortfall at the end of FY 2005 meant that capital expenditures had exceeded financing sources by that amount on a cumulative basis, and the District's General Fund had advanced funds to the capital fund to cover the expenditures. Because of several large financings beginning in FY 2006, from which very little was initially spent, the accumulated deficit has become an accumulated surplus. As District agencies spend these proceeds in coming years, this portion of the surplus will disappear. The Chief Financial Officer's management goal is to balance the capital fund on a long-term basis.

Until a few years ago, agencies had been slow to

Table 6-6

Fund Balance in the General Capital Improvements Fund, FY 1998-FY 2010

(Dollars in millions)

Fiscal Year	Positive/(Negative) Fund Balance
1998	\$224.0
1999	387.5
2000	458.4
2001	(57.9)
2002	(389.5)
2003	(141.8)
2004	(250.2)
2005	(246.4)
2006	396.8
2007	703.8
2008	586.9
2009	406.9
2010	133.4

spend capital dollars, resulting in the District's paying interest on borrowed funds that then sat idle earning lower interest rates in District bank accounts. The District instituted a policy to delay borrowing until funds were needed for expenditures, and borrowing less than the full amount budgeted and/or allotted. At the same time, agencies were pressured to begin spending budgeted capital dollars. Eventually, this resulted in a situation in which total agency spending (of existing capital budget authority and prior allotments) exceeded the amount of funds borrowed, producing a deficit in the capital fund. The General Fund paid for these capital expenditures, essentially as a loan to the capital fund. It was necessary to cure this shortfall in order to bring the capital fund and General Fund back into balance and also to prevent cash flow problems in the General Fund.

In FY 2006, the District borrowed \$196.9 million through Certificates of Participation (COPs) for a new mental health hospital and a new building for the Department of Motor Vehicles, and it securitized \$245.3 million of future tobacco revenues to pay for health care needs in the District, primarily through capital expenditures. Little was spent against these two financings in FY 2006, so they had a large positive net effect on the capital fund balance. Similarly, in FY 2007, there were several large sources of revenues with minimal FY 2007 spending. For example, the District transferred \$100 million of Paygo revenue to the capital fund for schools construction and also borrowed \$60 million in the first installment of the additional FY 2006 bond funds for schools. However, D.C. Public Schools did not have access to the budget for these funds until April of 2007 because of legislative restrictions, and little was spent by the end of FY 2007. The District also borrowed \$64 million against future bus shelter advertising revenues for the Great Streets program.

The FY 2010 CAFR reports an accumulated surplus in the General Capital Improvements Fund of \$133.4 million. This represents a decrease of \$273.4 million from the FY 2009 ending fund balance of \$406.8 million, and a four-year cumulative increase of \$379.8 million compared to the reported deficit of \$246.4 million in the FY 2005 CAFR. This turnaround is due primarily to the difference in timing of revenues and expenditures in the Fund. The balance as of the end of FY 2010 is representative of the activity in the fund as of that date. Past expenditures and currently outstanding budget allotments related to G.O. bonds and I.T. secured revenue bonds still exceed the District's

total bond financing.

Most of these balances are likely to be spent within the next several fiscal years, which will continue to reduce the capital fund balance. Thus, the District must still keep a close watch on the underlying status of the capital fund, notwithstanding the current surplus. The long-term solution to the capital fund shortfall includes development of, and monitoring against, agency spending plans for their capital projects that manage each year's overall expenditures against that year's revenues. The District will also continue to borrow \$25 million per year, through FY 2013, above each year's new capital budget allotments to gradually repay the General Fund for advances it made to the capital fund.