

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER



Jeffrey S. DeWitt
Chief Financial Officer

FEB - 2 2016

The Honorable Muriel Bowser
Mayor of the District of Columbia
1350 Pennsylvania Avenue, NW, Suite 306
Washington, DC 20004

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue, NW, Suite 504
Washington, DC 20004

SUBJECT: Fourth Quarter FY 2015 Status Report on the Emergency and Contingency Cash Reserve Funds as of September 30, 2015

Dear Mayor Bowser and Chairman Mendelson:

Enclosed is the status report on the monthly activities and balances in the District of Columbia's Emergency and Contingency Cash Reserve Funds as of September 30, 2015. The numbers contained in this status report are preliminary and unaudited.

Summary and Background

The Emergency Cash Reserve Fund may be used for unanticipated and nonrecurring extraordinary needs of an emergency nature, including a natural disaster or calamity and unexpected obligations created by federal law. The Contingency Cash Reserve Fund may be used for nonrecurring or unforeseen needs that arise during the fiscal year, including natural disasters, unexpected obligations created by federal law, new public safety or health needs identified after the budget process has occurred, and revenue shortfalls experienced by the District for three consecutive months that are 5 percent or more below the budget forecast. Both funds may be used for cash flow management purposes.

The District is required to maintain minimum balances (including required replenishment of permitted draws) in the Emergency and Contingency Cash Reserve Funds of 2 percent and 4 percent, respectively, of Local Fund operating expenditures less repayment of bonds and interest, for which a separate fund is already established. The minimum levels are based on the operating expenditures contained in the most recently published Comprehensive Annual Financial Report (CAFR) of the District for the fiscal year immediately preceding the current fiscal year.

The year-end FY 2014 CAFR fund balances included \$116.0 million for the Emergency Cash Reserve Fund and \$239.4 million for the Contingency Cash Reserve Fund, for a combined total of \$355.4 million.

As of September 30, 2015, the fourth quarter FY 2015 reserve fund balances were as follows:

Emergency Reserve Fund	\$122.1 million
Contingency Reserve Fund	<u>244.2 million</u>
Total	<u>\$366.2 million</u>

The following is a discussion of activities for the fiscal year through September 30, 2015 and resulting balances in the Emergency and Contingency Cash Reserve Funds.

Emergency Cash Reserve Fund

The FY 2014 Emergency Cash Reserve CAFR fund balance of \$116.0 million increased to \$122.1 million. The net increase of \$6.1 million was due to investment earnings of \$176,812, netted against the (\$26,812) investment earnings variance and the required deposit of \$5.9 million from the updated target calculation. Please see attachment 1 for details.

Contingency Cash Reserve Fund

The FY 2014 Contingency Cash Reserve CAFR fund balance of \$239.4 million increased to \$244.2 million as of September 30, 2015, a net increase of \$4.8 million. The net increase was the result of \$289.2 million drawn from the reserve during the fiscal year offset by direct replenishments from agencies of \$209.3, required deposits and adjustments which net to \$4.7 million and investment earnings of \$87,053. FY 2015 supplemental legislation and CAFR surplus provided for additional replenishments of \$79.9 million.

During the fourth quarter, draws were as follows:

- In July, a draw for \$16.2 million to the District of Columbia Public Schools as advance payment for the FY 2016 school year. This amount was repaid in September.
- In July, a draw for \$185.7 million to the District of Columbia Public Charter Schools as advance payment for the FY 2016 school year. This amount was repaid in September.
- In July, \$5.5 million of replenishments as stipulated in the FY 2015 Second Revised Budget Request Emergency Adjustment Act in part, from the Non-Departmental Agency.
- In August, a draw for \$0.5 million to the District of Columbia Public Schools as an additional advance payment for the FY 2016 school year. This amount was repaid in September.
- In August, a draw for \$0.2 million to the District of Columbia Public Charter Schools as an additional advance payment for the FY 2016 school year. This amount was repaid in September.
- In August, a draw for \$7.0 million to the Not-For-Profit Hospital for current operations.
- In September, a draw for \$0.7 million to the Office of Risk Management for administrative expenses of the District's Public Sector Workers Compensation Program.

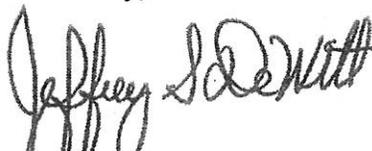
- In September, a draw for \$57.6 million to the Department of Health Care Finance to fund the cost of a Medicaid disallowance.
- In September, a draw for \$3.0 million to the Fire and Emergency Medical Services to provide funding for payment of the District's fire hydrant service protection fee.
- In September, a draw for \$0.6 million to the District of Columbia Public Schools to cover expenses related to a legal settlement.
- In September, \$1.3 million of additional year-end repayments made to align budget with expenditures in nine agencies. Please see Attachment 2 for details.
- In September, \$79.9 million in repayments in accordance with legislative repayments. Please see Attachment 2 for details.
- In September, a deposit of \$12.1 million made based on projected required target levels.
- In September, an adjustment of \$7.5 million made to the required deposit because the beginning fund balance at September 30, 2014 was greater than the required balance.
- In September, an adjustment of \$0.03 million made to the required deposit because actual interest earned was less than the estimated earnings at the time of the targeted calculation.

September 30, 2015 Combined Balances

In summary, the September 30, 2015 fund balances for the Emergency and Contingency Cash Reserve Funds were \$122.1 million and \$244.2 million, respectively. The combined total was \$366.2 million.

If you have any questions or need additional information, please contact Gordon McDonald, Deputy Chief Financial Officer for Budget and Planning, at 727-1239.

Sincerely,



Jeffrey S. DeWitt
Chief Financial Officer

Enclosures

cc: Rashad M. Young, City Administrator
Matthew Brown, Director, Office of Budget and Finance, Office of the City Administrator
Jennifer Budoff, Budget Director, Council of the District of Columbia
Angell Jacobs, Deputy Chief Financial Officer and Chief of Staff, Office of the Chief Financial Officer
David Tseng, General Counsel, Office of the Chief Financial Officer
Gordon McDonald, Deputy Chief Financial Officer, Office of Budget and Planning
Jeffrey Barnette, Deputy Chief Financial Officer and Treasurer
Bill Slack, Deputy Chief Financial Officer, Office of Financial Operations and Systems

Fiscal Year 2015 Emergency Cash Reserve Report
September 30, 2015

		(\$ in 000s)
Fiscal Month	Transactions/Balances	CAFR Basis Restricted Fund Balance
Sept 2014	FY 2014 ending balance	116,016
Oct	Investment earnings	6
Nov	Investment earnings	1
Dec	Investment earnings	1
Dec	First Quarter ending balance	116,023
Jan	Investment earnings	1
Feb	Investment earnings	44
Mar	Investment earnings	3
Mar	Second Quarter ending balance	116,071
Apr	Investment earnings	7
May	Investment earnings	(0)
Jun	Investment earnings	47
Jun	Third Quarter ending balance	116,125
July	Investment earnings	3
Aug	Investment earnings	5
Sept	Year-end Deposit to increase balance to FY 2015 required level	5,917
Sept	Sale of Reserve MMF	0
Sept	Required deposit adjustment: interest earnings variance	(27)
Sept	Investment earnings	60
Sept 2015	Year-end balance	122,083
	Investment earnings, October - Sept 2015	177

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

Fiscal Year 2015 Contingency Cash Reserve Report
September 30, 2015

		(\$ in 000s)
Fiscal Month	Transactions/Balances	CAFR Basis Restricted Fund Balance
Sept 2014	FY 2014 ending balance	239,401
Oct	Investment earnings	3
Nov	Draw: to Non-Departmental (DO0) for severance pay, leave payout, and other transitional activities related to the November election	(7,457)
Nov	Investment earnings	6
Dec	Investment earnings	6
Dec	First Quarter ending balance	231,959
Jan	Draw: to the Department of Public Works (KT0) to fund snow removal	(3,300)
Jan	Draw: to the Board of Elections (DL0) Ward 8 special election	(146)
Jan	Draw: Office of the Mayor (AA0) to fund funeral services for Council Member and former Mayor Marion Barry	(94)
Jan	Investment earnings	7
Feb	Investment earnings	7
Mar	Investment earnings	7
Mar	Second Quarter ending balance	228,440
Apr	Draw: to the Department of Employment Services (CF0) to cover disallowed costs as a result of workers compensation audits.	(5,415)
Apr	Investment earnings	8
Apr	Draw: to Fire and Emergency Medical Services (FB0) to cover option year 2 with Transportation Resource Associates to provide technical and administrative assistance for the streetcar program	(400)
May	Draw: to Department of Forensic Sciences (FR0) to assist with DNA testing as well as the procurement of a consulting group to provide guidance and assistance with a corrective action plan and remedial measures within the agency.	(1,000)
May	Transfer to bring to required balance	0
May	Investment earnings	9
Jun	Contingency Cash Usage	0
Jun	Investment earnings	11
Jun	Third Quarter ending balance	221,652
Jul	Draw: to District of Columbia Public Schools (GA0) as an advance for the FY 2016 school year.	(16,159)
Jul	Draw: to District of Columbia Public Charter Schools (GC0) as an advance for the FY 2016 school year.	(185,741)
Jul	Repayment: FY 2015 Supplemental	5,500
Jul	Investment earnings	12
Aug	Draw: to District of Columbia Public Charter Schools (GC0) as an additional advance for the FY 2016 school year.	(202)
Aug	Draw: to District of Columbia Public Schools (GA0) as an additional advance for the FY 2016 school year.	(461)
Aug	Draw: to the Not-For-Profit Hospital Corporation Subsidy and transfer to the Not-For-Profit Hospital Corporation to ensure sufficient funding for current operations.	(7,000)
Aug	Investment earnings	10
Sept	Repayment : District of Columbia Public Schools (GA0)	16,361
Sept	Repayment District of Columbia Public Charter Schools (GC0)	186,202
Sept	Draw: to Office of Risk Management (RK0) for administrative expenses of the District's Public Sector Workers' Compensation Program	(671)

Fiscal Year 2015 Contingency Cash Reserve Report
September 30, 2015

		(\$ in 000s)
Fiscal Month	Transactions/Balances	CAFR Basis Restricted Fund Balance
Sept	Draw: Department of Health Care Finance (HT0) to fund cost of Medicaid disallowance	(57,612)
Sept	Draw: Fire and Emergency Medical Services (FB0) to provide funding for payment of the District's fire hydrant service protection fee to DC Water	(3,000)
Sept	Draw: to the District of Columbia Public Schools to cover expenses related to the USDA /Compass Group USA Inc and affiliated companies settlement	(554)
Sept	Repayments to align draw budget with actual expenditures:	
	Fire and Emergency Medical Services (FB0)	253
	Office of the City Administrator (AE0)	275
	Board of Elections (DL0)	6
	Department of Public Works (KT0)	0
	Department of Forensic Sciences (FR0)	502
	Department of Human Services (JA0)	142
	Council of the District of Columbia (AB0)	0
	Deputy Mayor for Health and Human Services (HG0)	94
	District of Columbia Public Schools (GA0)	9
Sept	Repayments ¹	79,867
Sept	Required Deposit	12,102
Sept	Required deposit adjustment: Contingency pre-funding for FY 2015 transition costs	(7,457)
Sept	Required deposit adjustment: Investment earnings variance	33
Sept	Investment earnings	2
Sept 2015	Year-end balance	244,166
	Investment earnings, October - September 2015	87

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

¹ The \$79.9 million is comprised of:

Emergency and Contingency Reserve Funds - 1st Supplemental	3,455
Emergency and Contingency Reserve Funds - 2nd Supplemental	57,612
Repayments from FY 2015 CAFR surplus	18,801
Total	79,867