



ANTHONY A. WILLIAMS  
MAYOR

January 23, 2006

Dear Residents:

I am pleased to present the District of Columbia's (District) Fiscal Year 2005 Comprehensive Annual Financial Report (CAFR). Once again the audit opinion is unqualified. We completed Fiscal Year 2005 with a surplus of \$369.7 million, resulting in a fund balance of \$1.6 billion in the General Fund.

This is the ninth consecutive year that the District realized surpluses and earned an unqualified opinion on its financial statements. These accomplishments have significantly improved the District's access to more favorable financing rates in the credit markets, and have also created increased interest in investing in residential, retail and commercial projects throughout the District.

The District's general obligation bond rating was just recently upgraded to "A+" by Standard and Poor's, upgraded to "A" from "A-" by Fitch Ratings, which retained its positive rating outlook for the District, and rated "A2" by Moody's Investors Service, with an improved "positive" outlook.

During my 2005 State of the District Address, I identified three priorities for 2005: (1) reviving our most neglected neighborhoods; (2) improving the infrastructure of our city, and (3) reducing taxes for all D.C. residents, especially for those with the least ability to pay.

Our New Communities initiative brings the city's services to bear in addressing the factors negatively impacting key vulnerable neighborhoods across the city. This initiative is aimed at developing a community plan -- incorporating a close planning partnership between the city and the residents -- to protect affordable housing, decrease poverty, reduce crime and leverage public and private resources to support the human and physical capital of certain communities. NW One/Sursum Corda is the first candidate community to begin work on a new neighborhood plan.

Our new Way to Work initiative connects District residents to jobs by establishing a strong partnership with the business community to fund training, establish a living wage and expand requirements for first source hiring of District residents. We also invested an additional \$6.4 million to train and provide summer employment for 10,000 District youth between the ages of 14 and 21.

The District, through the D.C. Housing Finance Agency (HFA) issued \$57.5 million in tax-exempt bonds that were used for the production or preservation of 765 affordable housing units, most of which were in vulnerable neighborhoods. In addition, HFA partnered with the D.C. Housing Authority to issue more than \$76 million in tax-exempt bonds to help rehabilitate and modernize approximately 6,858 public housing units across the city. Individuals and the private sector are also involved in the rehabilitation of existing units and the construction of new residential units throughout the entire city.

The District's capital improvement plans for FY 2005 included projects throughout the District, touching every agency and impacting every sector of the city. The grand total for FY 2005 was \$578 million, which included renovation and construction of facilities that directly supported programs for our senior citizens and our children, and services that benefit residents, commuters and visitors such as police, fire and emergency services. Government buildings used to provide services directly to that public have also been improved. The District's Highway Trust Fund is also being used to make major improvements in our city's bridges, highways, streets and sidewalks.

Our new Great Streets initiative will extend the economic successes of downtown Washington into our neighborhoods through targeted investment in infrastructure and business assistance. This investment is aimed at re-energizing historic major corridors into community economic development anchors and creating dynamic public spaces highlighting neighborhood history and heritage.

My third priority over the past year was to provide broad and progressive tax relief to District residents. Our strong economy provides an opportunity for tax relief. Beginning on October 1, 2005, the District's homestead deduction for owner-occupied residences increased from \$30,000 to \$60,000. The Class One property tax rate decreased from \$0.96 to \$0.92 per \$100. More needs to be done, and as our tax base becomes larger as a result of attracting more residents and jobs, and through increased economic development activity, the District will be able to extend tax cuts to other areas that affect the affordability of living in the city.

There are three major development projects that remain priorities of my Administration: (1) the development of the convention center hotel; (2) the redevelopment of the site of the old convention center, and (3) the Anacostia Waterfront Initiative, which should result in \$7 billion worth of government and private sector investment in housing, retail, museums, and parks in sections of the city that currently are underdeveloped or blighted.

Finally, we were extremely pleased this year with the successful relocation of the Montreal Expos baseball team to Washington, D.C. as the new Washington Nationals. The Nationals played their 2005 baseball season at Robert F. Kennedy (RFK) Stadium with an impressive number of wins and an impressive number of fans in attendance. They will continue to play at RFK Stadium until a new stadium planned to be constructed on a site in the Southeast sector is completed in 2008. This is a critical element in creating investment opportunities in this long neglected Southeast neighborhood – investment opportunities that will be reflected throughout the city.

The improved economic climate over the past few years has resulted in more resources to improve the safety, health and education of our citizens. We will continue to do what is needed to improve opportunities for Washingtonians. With your continued support, we will continue to lift up all communities to give our children a proud legacy.

Sincerely,



Anthony A. Williams  
Mayor