



District of Columbia

How Washington, D.C. Moved From Fiscal Insolvency To Solvency

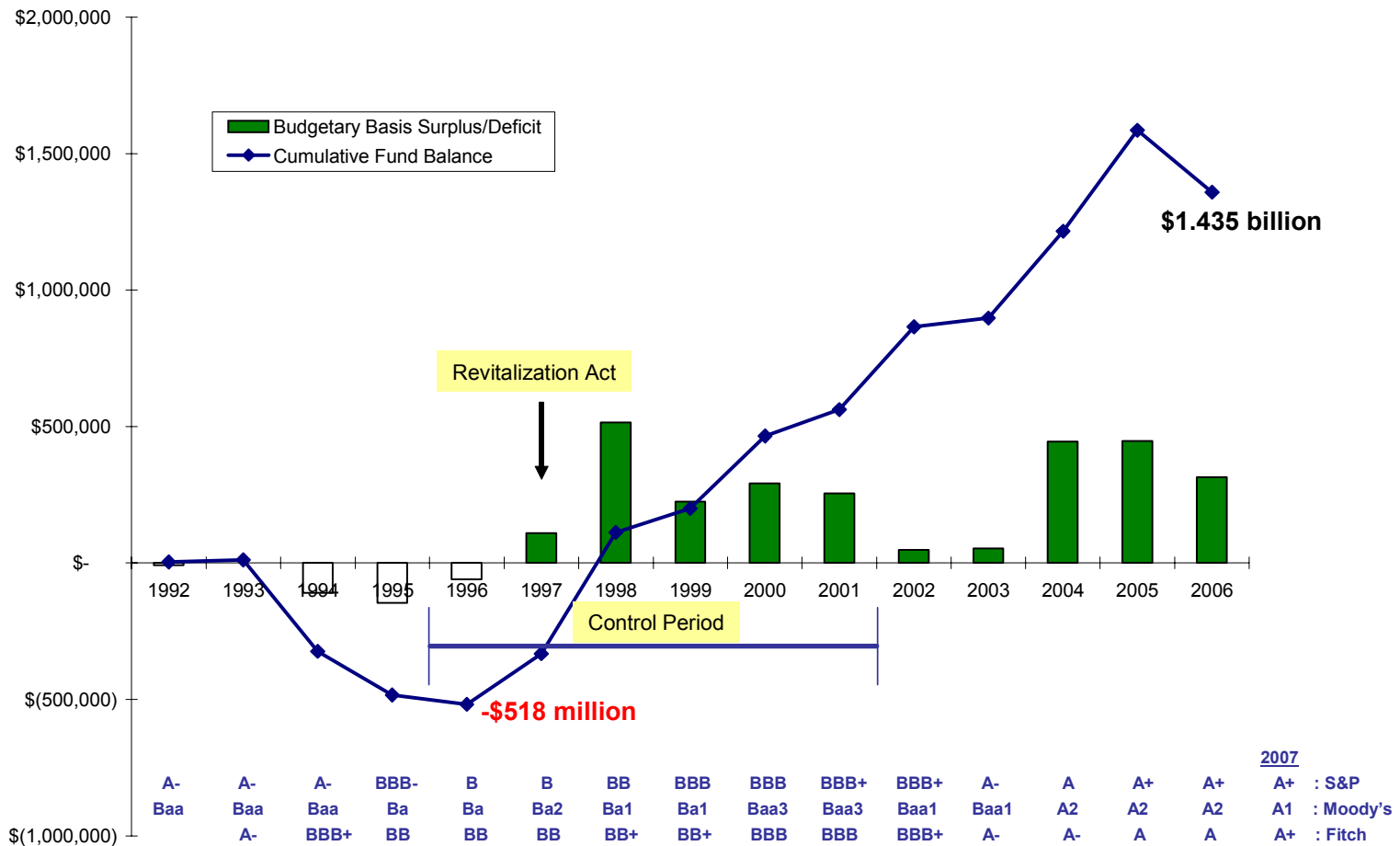
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Surplus and Bond Rating History: Sound finances led to rating upgrades in 2007





Foundation for Financial Recovery

- Conducted in the context of a federal control period, first active and then dormant, that imposed fiscal prudence at the threat of loss of certain Home Rule freedoms.
- Leadership commitment to both financial prudence and autonomy for District residents.
- Prudent revenue estimates help avoid operating deficits.
- Improving baseline budgeting evidenced by history of surpluses.
- 5-year financial plan ensures balanced budget in out-years.
- Modernized debt management system, Integrated Tax System, System of Accounting and Reporting (SOAR), budgeting system, payroll system, and treasury management system.



Future Challenges

- ▶ The District has a fundamental structural imbalance; that is, ongoing revenues are not enough to meet ongoing operating expenditures plus funding of essential capital needs.
- ▶ The District's ability to raise revenues is limited by federal restrictions, including a prohibition against taxing incomes earned by non-resident workers.
- ▶ The District must to provide services normally provided by multiple levels of government – State, City, County and School District.
- ▶ There is a large urban population in need of services.
- ▶ Largest spending challenges include Education, Health Care and Public Safety.
- ▶ Debt levels are already considered high; the District cannot borrow its way out of the structural imbalance.
- ▶ National economic slowdown may affect revenues.



Summary

The District is financially sound and fiscally responsible:

- The accumulated fund balance at the end of FY 2007 is again estimated to be in excess of \$1 billion.
- The District maintains adequate cash reserves.
- The District continues to effectively manage budget pressures.
- Management improvements have institutionalized the way the District does business.
- Despite slowdown, the District's economy remains sound.